

SCOTTISH BORDERS COUNCIL AUDIT AND SCRUTINY COMMITTEE

MINUTES of Meeting of the AUDIT AND SCRUTINY COMMITTEE held in Council Headquarters, Newtown St Boswells on Monday, 14 May 2018 at 10.00 am

Present:- Councillors S. Bell (Chairman), H. Anderson, K. Chapman, J. A. Fullarton, S. Hamilton, N. Richards, H. Scott and E. Thornton-Nicol.
Apologies:- Councillor R. Tatler and Mr M Middlemiss.
Also Present:- Councillor E Small.
In Attendance:- Chief Financial Officer, Chief Officer Audit and Risk, Democratic Services Officer (P Bolson). Mr G Samson – Audit Scotland.

1. WELCOME AND INTRODUCTIONS

The Chairman welcomed those present to the meeting and introductions were made.

AUDIT BUSINESS

2. MINUTE

There had been circulated copies of the Minute of 19 April 2018.

DECISION

APPROVED for signature by the Chairman.

3. ACTION TRACKER

There had been circulated copies of the Action Tracker for the Audit and Scrutiny Committee. With regard to the entries on 15 January 2018 and 19 March 2018 relating to amendments in the Scottish Borders Council Scheme of Administration in respect of Live Borders and CGI respectively, the Chief Financial Officer would provide an update to the next meeting of the Committee.

DECISION

NOTED:-

(i) the Action Tracker; and

(ii) that an update would be provided at the next meeting of the Committee in respect of amendments to the Scottish Borders Council Scheme of Administration in respect of Live Borders and CGI.

4. RISK MANAGEMENT IN SERVICES

4.1 The Chairman welcomed Ms Donna Manson, Service Director Children and Young People, to the meeting. Ms Manson was in attendance to give a presentation on the strategic risks affecting her service and the internal controls and governance in place to manage and mitigate those risks. Ms Manson began by providing some background and explained that the Children and Young People's Service included Children and Families Social Work; Education; and Community Learning and Development and that her presentation would include the context, risks and mitigation within each. As part of Children and Families Social Work, Children's Services had been subject to inspection. An Action Plan was developed following the inspection and good progress was now being made with its implementation. The Children and Families Social Work service had to take

account of risks resulting from increasing need; Named Person requirements; the historic child abuse national programme; neglect; and drugs and alcohol issues and Ms Manson explained how the service was making improvements in these areas. A range of improvements were now in progress going forward, including: a very positive recruitment process; moderated thresholds of intervention and identification of risk; better quality improvement and auditing being embedded in the service; and focus on a Neglect Toolkit. Ms Manson then addressed the risks which the service needed to take cognisance of and she considered that overall, these risks were mitigated effectively. Within the recruitment of staff, there was a move towards “grow our own social workers” which reduced the need for agency staff; recruitment of foster carers, especially for teenagers, needed to be considered in a different way to meet current need; the risks in terms of performance of partnership staff in child protection procedures were mitigated through joint training and the quality of relationships and quality assurance within the Children and Young People’s Leadership Group, with the revised Plan focussing on Looked After at Home outcomes; the performance of staff in leadership roles was mitigated through support structures and high quality professional learning.

- 4.2 With reference to Education, there had been governance changes such as the Education Bill and SEIC which affected the service. There was also a need to close the poverty-related attainment gap and consider the mental and emotional health of young people. Pressures relating to the impact of budget allocation, the recruitment of teaching staff, performance of schools in the Scottish Borders, and the impact of anti-social behaviour, drugs and alcohol, as well as severe weather, all presented risks for the service. Ms Manson reported that improvements were being made across the service, including progress with SEIC collaboration and PEF actions. Improvements in recruitment were noted, school leadership was above satisfactory and there was a cultural improvement towards focussing on collaboration and professional learning. Ms Manson considered that the budget allocation was well-managed and that the service continued to take account of lessons learned in respect of how severe weather conditions were managed within schools. Risk mitigation in the service had improved and all vacancies in schools would be filled for August 2018. Performance in schools was also improving and learners’ needs were being met by means of a new Inclusion Strategy, ongoing modernisation of the curriculum, development of parent networks for autism and dyslexia and an Autumn 2018 Parent Summit to improve the way in which the service engages with parents. Tailored training was being developed to provide additional support for managers. A drug and alcohol strategy was a priority going forward in 2018/19 as was further work in relation to the mental and emotional health of young people.
- 4.3 Community Learning and Development was link connected with Area Partnership developments and it was essential that the service retained the intergenerational learning function. The service operated within a small budget area, providing support to some of the most vulnerable in our communities and would need to develop more budget leverage out with the Council. The service had received a very good inspection report with a focus on the provision in Galashiels. More work was taking place in relation to the development of a Young People’s Network and support for LGBTi young people. Ms Manson explained that nationally, budgets were being reduced. The localities agenda offered an opportunity for the service to move more towards early intervention and prevention, using staff skills to full potential and making best use of strong partnership engagement and planning to mitigate against the risks that accompany an increasingly complicated landscape.
- 4.4 The presentation identified a number of areas where general risk management mitigation was required, including the need to maintain the Children’s Service identity; grow the economy in the Scottish Borders to encourage young families to settle in the area; find ways to engage differently with the media to reduce negativity; and develop more partnerships and shared services with organisations, businesses and the Third Sector. Other measures were also being developed including a range of regular meetings between service Senior Managers and Audit and Risk colleagues; business partners; Service Teams; and CMT and DLT. Ms Manson highlighted some areas where significant

progress had been made, such as new approaches to recruitment; use of data to inform quality improvement; quality of leadership across services; capacity to take forward new initiatives; strong transformation performance; and improving outcome measures.

- 4.5 Discussion followed and Members requested that the scorings given to each Risk within the Risk Register be included in future reports. Officers answered questions raised by Members. Ms Manson provided clarification as requested. She explained that partnership working was essential in order to take forward new ways of working. In terms of under-performance, Ms Manson explained how this was addressed locally and confirmed that all schools now had their own Action Plan. Ms Manson also advised Members that Scottish Borders Council were currently rated third nationally for upper school performance and there was no ceiling on the number of subjects students were permitted to study. Ms Stacey added that the Corporate Risk Officer was working with Officers to help Services to focus on risks and their Risk Register. The Chairman thanked Ms Manson for her attendance and succinct presentation.

DECISION

- (a) **NOTED the presentation.**
- (b) **AGREED that future reports in respect of Risk Registers would include the scoring for all Risks.**

5. INTERNAL AUDIT WORK TO MARCH 2018

- 5.1 With reference to paragraph 4 of the Minute of 19 March 2018, there had been circulated copies of a report by the Chief Officer Audit and Risk which provided details of the recent work carried out by Internal Audit and the recommended audit actions agreed by Management to improve internal controls and governance arrangements. The work Internal Audit had carried out during the period 24 February to 31 March 2018 was detailed in the report. During the period a total of three final Internal Audit reports were issued. There were eighteen recommendations made relating to one of the reports which related to the Business World ERP (Enterprise Resource Planning) System Key Internal Controls review which integrated four separate audits as part of the Financial Governance work undertaken by Internal Audit. The implementation of the ERP system had been significant and complex, with the Legacy systems for HR, Payroll, Procurement and Financial Management going live in April 2017. A further eight Legacy feeder systems remained live and this had required additional resources by external consultants to supply specialist technical assistance and from existing Council staff in order to provide an operational workaround and manual reconciliation as required. The recommendations had been accepted by Management for implementation. An Executive Summary of the final Internal Audit reports issued, including audit objective, findings, good practice, recommendations (where appropriate) and the Chief Officer Audit and Risk's independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area, was included in Appendix 1 to the report. The SBC Internal Audit function conformed to the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) effective 1 April 2013 including the production of the report to communicate the results of the reviews.

- 5.2 Ms Stacey explained that the assurance audit on Community Safety was to evaluate partnership working to ensure that responsibilities and accountability of partners were clearly defined and that funds were used effectively to support local priorities, specifically relating to Domestic Abuse services. The report advised of the anticipated changes to the arrangements for Community Safety which would leave a potential funding shortfall as from 2020 and the work being undertaken to look at options for future funding. Internal Audit was able to provide substantial assurance in relation to risk, control and governance systems and no recommendations were made.

- 5.3 During discussion, Members raised a number of questions relating to Business World and ERP. Mr Robertson advised that there had been no fundamental failures in the system. A rectification plan for improvement was being taken forward and funded by CGI and a number of solutions had been already been implemented eg manual bank reconciliation and manual VAT input. Changes to the system configuration documentation would be up to date by the end of September 2018 and Mr Robertson considered that the Business World ERP modules were operating effectively at this time. Internal Audit would continue to monitor progress and a further audit would be reported in due course. The Chairman thanked officers for their input.

DECISION:

NOTED:

- (i) **the final assurance reports issued in the period from 24 February 20 31 March 2018 associated with delivery of the approved Internal Audit Annual Plan 2017/18;**
- (ii) **the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.**

6. **RISK MANAGEMENT ANNUAL REPORT 2017/18**

- 6.1 With reference to paragraph 3 of the Minute of the Audit and Risk Committee of 28 March 2018, there had been circulated a report by the Chief Officer Audit and Risk detailing Scottish Borders Council's responsibilities in respect of risk management and the progress made to deliver the Council's Risk Management Strategy during 2017/18. The report explained that effective Risk Management was one of the foundations of successful Corporate Governance and was recognised as such within the Council's Code of Governance. The Audit function of the Audit and Scrutiny Committee included a requirement to scrutinise the framework of internal financial control, risk management and governance throughout the Council to ensure its adequacy. The Council had undergone, and continued to undergo substantial change and with a Risk Management landscape that was dynamic, moving increasingly towards partnerships and alternative models of service delivery, the range of risks that the Council was exposed to had also increased. The report detailed the work that had been undertaken with Management to ensure that a Risk Management culture was embedded throughout working practices across the Council and the actions taken to progress this work. There had been a range of training events delivered under the Risk Management training programme. Further training and workshops were scheduled during 2018. To date, 182 managers and staff had attended these events with positive feedback being received. The report advised that Covalent had now been replaced by Pentana and managers could monitor their Business Plan Actions, Performance Indicators and Audit Actions through dedicated portals. Service Risk Registers were also accessible via these portals.

- 6.2 Members raised questions regarding outsourced services through contracts and commissioned services and the requirement for the Council to maintain its statutory obligations in these areas. The Council's Contract Management Framework Working Group held its first meeting in March 2018 and will continue to meet monthly. Members were advised that advisory and support services were provided by SBC to SB Cares, Live Borders and the Scottish Borders Health and Social Care Integration Joint Board using the same approach as that used by SBC. Details on the status of Risk Registers for these services and for CGI were included in the report. With regard to future reporting, it was agreed that a report would be presented to the Audit and Scrutiny Committee at the end of 2018. Following discussion, it was agreed that an additional recommendation be included in the decision that the Committee reconsider the risks associated with major contracts in due course.

DECISION

- (a) **NOTED satisfaction with the progress of the improvement actions to refine the arrangements for managing risks at the Council to ensure their on-going effectiveness;**
- (b) **AGREED that the Committee reconsider the risks associated with major contracts in due course; and**
- * (c) **AGREED TO RECOMMEND the revised Risk Management Policy Statement and Strategy 2018 for Council approval.**

7. **COUNTER FRAUD ANNUAL REPORT 2017/18**

With reference to paragraph 4 of the Minute of 28 March 2017, there had been circulated copies of a report by the Chief Officer Audit and Risk. The report provided an update of the Council's responsibilities in respect of fraud prevention, detection and investigation activity. The report also proposed a revised Counter Fraud Policy and Strategy for consideration by the Committee for Council approval. The report explained that during 2015 the Council refreshed its approach to tackling fraud with a refocus on prevention and detection using fraud risk assessment at its core. There was in place a 3-year counter fraud strategy and associated improvement plan to embed anti-fraud culture across the Council, taking account of reducing resources. The status of recommended improvement actions was reported to the Committee in June 2016 and in March 2017. Assurances in respect of the effectiveness of the Council's existing systems and arrangements for the prevention, detection and investigation of fraud were also demonstrated in the Annual Fraud report. The initial recommended improvement actions from the Counter Fraud Working Group had been achieved and the Group had agreed to use the Scottish Government's Counter Fraud Maturity Model as a means of self-assessment moving forward. The Council's current position on the Maturity Model was based on examples provided in the report and was detailed at Appendix 1 to the report. The report advised that following approval of the 2018/19 Counter Fraud Strategy, targeted Fraud Vulnerability Assessments and Fraud Awareness training would be delivered to relevant Senior Managers. Members noted that, following publication of an Audit Scotland report into a significant fraud incident in another Scottish Local Authority, Scottish Borders Council would adopt recommendations contained within that report as appropriate. Ms Stacey emphasised that work to develop the Business World ERP system to hold corporate records of Gifts and Hospitality and Registers of Interests was ongoing. In terms of savings related to fraud, under the National Fraud Initiative (NFI), the main area where savings were identified was the Council Tax Single Person Discount and the report provided statistics relating to the cases found to be fraudulent. The report also provided information relating to other NFI work which resulted in action being taken by SBC in relation to fraud. The Counter Fraud Policy Statement included an explanation of the roles and responsibilities of Corporate Management Team, Senior Management, Chief Financial Officer, Chief Officer Audit and Risk, Corporate Fraud and Compliance Officer, Internal Audit, the Audit and Scrutiny Committee and Elected Members. Officers responded to questions raised by Members.

DECISION

- (a) **NOTED the report.**
- * (b) **AGREED TO RECOMMEND the revised Counter Fraud Policy Statement and Counter Fraud Strategy 2018 for Council approval.**

8. **INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2017/18**

8.1 With reference to paragraph 4 of the Minute of 28 March 2017, there had been circulated copies of a report by the Chief Officer Audit and Risk presenting the Committee with the Internal Audit Annual Assurance Report for the year to 31 March 2018, which included the Chief Officer Audit and Risk's independent assurance opinion on the adequacy and effectiveness of the Council's overall control environment. In support of the overall governance arrangements of the Council, the Local Code of Corporate Governance and

the Public Sector Internal Audit Standards required the Chief Officer Audit and Risk to provide an annual internal audit opinion and report to the Chief Executive on the adequacy and effectiveness of the Council's internal control and governance arrangements to support the preparation of the Annual Governance Statement. The remit of the Audit and Risk Committee indicated that it should ensure an adequate framework of internal control, risk management and governance throughout the Council. The Chief Officer Audit and Risk's opinion, based on internal audit reviews, risk assessments and knowledge, was that the systems of internal financial control and internal control and governance arrangements were operating satisfactorily, with some improvements having been agreed by management. Due to delays in the implementation and delivery of some functionality of the Business World ERP system, full business benefits had not yet been realised and significant resources had been deployed to establish manual controls in the interim. The Chief Officer Audit and Risk's Annual Report for 2017/18 was detailed at Appendix 1 to the report.

- 8.2 During discussion, Members requested clarification on a number of items. In relation to the analysis of the planned and actual days of audit delivery, Members were advised how hours were allocated to work undertaken by Internal Audit, why that allocation might change and the flexibility which allowed other resources to be utilised when required. With regard to identified risks in Internal Audit reports, Members requested that the scale of such risks be detailed in reports to Committee. With regard to the recommendations made by Internal Audit which were now overdue, Ms Stacey advised that an update report would be presented to Committee in June 2018.

DECISION

- (a) **NOTED the Internal Audit Annual Assurance Report for 2017/18; and**
- (b) **AGREED that the Internal Audit Annual Report for 2016/17 be published on the Council's website.**
9. **SCOTTISH BORDERS COUNCIL ANNUAL GOVERNANCE STATEMENT 2017/18 AND LOCAL CODE OF CORPORATE GOVERNANCE**
- 9.1 With reference to paragraph 7 of the Minute of 28 March 2017, there had been circulated copies of a report by the Chief Executive seeking approval of the Annual Governance Statement to be published in the Council's Statement of Accounts for 2017/18 and endorsement of the Council's Local Code of Corporate Governance for presentation to Council for approval. The report explained that the CIPFA/SOLACE framework "Delivering Good Governance in Local Government" urged Local Authorities to review the effectiveness of their existing governance arrangements against their Local Code and to prepare a governance statement in order to report publicly on the extent to which they complied with their own Code on an annual basis, including how they had monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period. Part of the Audit & Risk Committee's remit was to assess the effectiveness of internal controls, risk management and governance arrangements and this included 'being satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflected the risk environment and any actions required to improve it, and demonstrated how governance supported the achievements of the authority's objectives'. The Annual Governance Statement 2017/18 was detailed in Appendix 1 to the report and this explained the Governance Framework, including the key elements of the Council's governance arrangements and the Review Framework, outlining the annual review process, overall opinion and areas of further improvement. In terms of overall corporate governance, it was the Chief Executive's opinion that, although there were a few areas of work to be completed for full compliance with the Local Code, the overall governance arrangements of the Council were considered sound. The Annual Governance Statement was informed by the self-assessment of compliance against the Local Code by the officer self-evaluation working group, the work of internal audit, external audit and inspection agencies, and by Depute Chief Executives' and Service

Directors' assurance statements. This Statement would be published in the Statement of Accounts 2017/18. A number of areas for further improvement to ensure compliance with the Local Code were highlighted and were detailed in Appendix 1, paragraphs (1) to (7). The Chief Executive advised Members that the Council had improved and developed its Governance Framework and continued to demonstrate that the governance arrangements within which it operated were sound and effective.

- 9.2 The Chief Executive advised Members of the progress of implementation of the new ERP system and advised that work was ongoing with CGI to realise full benefits of the financial systems and processes across the Council.

DECISION

- (a) **NOTED:-**
- (i) **the details of the Annual Governance Statement 2017/18 as detailed in Appendix 1 to the report; and**
 - (ii) **Scottish Borders Council's revised Local Code of Corporate Governance as detailed in Appendix 2.**
- (b) **APPROVED the actions identified by Management to improve internal controls and governance arrangements.**
- * (c) **AGREED TO RECOMMEND the revised Local Code of Corporate Governance for Council approval.**

10. SCOTTISH BORDERS COUNCIL LOCAL SCRUTINY PLAN 2018/19

10.1 With reference to paragraph 3 of the Minute of 28 June 2017, there had been circulated copies of a report by Audit Scotland setting out its Local Scrutiny Plan 2018/19 for Scottish Borders Council. The Plan was based on a shared risk assessment undertaken by a Local Area Network (LAN) comprising representatives of all the scrutiny bodies that engaged with the Council. This shared risk assessment process drew on a range of evidence with the aim of determining any scrutiny risks in the Council and Scottish Borders Integration Joint Board (IJB). Planned scrutiny activity informed the National Scrutiny Plan for 2018/19. This had also been circulated for information and was available on the Audit Scotland website.

10.2 The report indicated that there was no specific additional scrutiny work required within Education beyond ongoing inspection and support activity provided to the Council by Education Scotland. With regard to Housing and Homelessness, the Scottish Housing Regulator (SHR) had reviewed the performance of all Scottish Social Landlords and there had been risks identified relating to the satisfaction with and the number of refusals of temporary accommodation. Further risks had been noted in terms of the Council ensuring that the standards and requirements described in the Scottish Social Housing Charter were met for its gypsy/travellers' site. The SHR would continue to monitor Council's progress in addressing the service weaknesses. Under Social Care, inspection information indicated that the quality of registered services for adults and children and young people was variable. No additional scrutiny work was required other than the ongoing inspections undertaken by the Care Inspectorate. A joint inspection report on Health and Social Work Services for older people carried out by the Care Inspectorate and Healthcare Improvement Scotland covering a period up to February 2017 identified a number of important weaknesses and thirteen recommendations for improvement were made. A number of areas were assessed as being weak and the IJB had developed an improvement plan to address these recommendations. The Care Inspectorate would continue to monitor improvement and review progress and would follow up on their initial inspection at the end of 2018. Appendix 1 to the report detailed the scrutiny activity

planned for 2018/19 and was available on the Audit Scotland website. Mr Samson and Officers responded to questions raised by Members.

DECISION

NOTED the report.

SCRUTINY BUSINESS

MEMBER

Councillors H Anderson and H Scott left the meeting during consideration of the following item of business.

11. HEALTH AND SOCIAL CARE INTEGRATION

- 11.1 With reference to the Scrutiny Work Programme 2018/19, the Chairman welcomed Mr Rob McCulloch-Graham, Chief Officer Health and Social Care Integration to the meeting to provide Members with a greater understanding on how the Health and Social Care Integration Joint Board was delivering its Strategic Plan to improve the lives of Borderers and meet the growth demands in the care sector. Mr McCulloch-Graham began by identifying the challenges facing the service which included an increase in the population in the Borders, an increase in the complexity of cases being presented and a reduction in available resources. These, in turn, resulted in more people accessing Primary Care (GPs) and presenting at hospital; admissions being more complex and therefore remaining in hospital for longer; more care at home being required; and more care home places being needed. Mr McCulloch-Graham went on to show how integrated services were provided and funded under the headings of Community Health Services, Acute Health Services provided in a hospital, and Adult Social Care Services. Mr McCulloch-Graham explained the governance of the IJB and how funding under Delegated Funds and Set Aside Fund was allocated differently at a local level in the Scottish Borders and nationally, an example being that Palliative Care might or might not be included in this Set Aside Fund. He further explained that work undertaken in 2013/14 determined due diligence as to how much would be allocated to the Set Aside Fund and that any savings required from within this required direction from the IJB. There was an increasing pressure to manage the demand on services and Mr McCulloch-Graham identified some of the ways in which this was being addressed. Longer GP/surgery opening hours with more facilities to carry out diagnostics and procedures and multi-professional teams operating within GP clusters would reduce the pressure on the acute sector; and providing wider access and support to individuals to lead a healthy and active life would result in a healthier population overall. The SBC Community Plan and five Locality Plans which had already been introduced promoted these aims. Mr McCulloch-Graham explained that following a visit to a GP, there was a range of pathways that did not necessarily point to acute procedures, eg physiotherapy, access to mental health service, pharmacy etc. When hospital admission was required, then the aim would be for quick admission and discharge with all agencies being aware of what was required for a safe discharge. This could include measures such as existing care packages being held over during the period of admission; ensuring that equipment was installed prior to discharge; hospital to home services informed and ready for discharge; and transport arranged to take the individual back home which had been readied for their return. The IJB had already introduced a strategy for Re-Ablement where individuals were discharged from hospital for assessment prior to returning home and further, additional services at home and within communities would also help prevent readmission. Mr McCulloch-Graham advised that admissions to Craw Wood had been very successful with the average stay lasting 9-10 days. He added that the provision of beds would fluctuate according to need, eg during winter. There was a need to maintain the flow of people from hospital to home at a manageable level and it was therefore essential to deliver the right services in the right place at the right time.
- 11.2 Members raised a number of questions. Mr McCulloch-Graham acknowledged that there were issues in terms of service provision and funding to be addressed in relation to the

physiotherapy service across the area and advised that these concerns would be considered in July 2018. He also advised that a survey was being carried out to identify what was required in terms of dementia and Alzheimer's diagnosis and care within the Scottish Borders. Further discussion followed in relation to any future savings that might be required and it was agreed that an update would be presented to the Committee in nine months. The Chairman thanked Mr McCulloch-Graham for his attendance and presentation.

DECISION

- (a) NOTED the presentation.**
- (b) AGREED to receive an update report in January 2019.**

The meeting concluded at 1.10 pm.