

SCOTTISH BORDERS COUNCIL AUDIT AND SCRUTINY COMMITTEE

MINUTE of Meeting of the AUDIT AND SCRUTINY COMMITTEE held in Council Chamber, Council Headquarters, Newtown St Boswells on Monday, 11 March 2019 at 10.00 am

Present:- Councillors S Bell, (Chairman), H. Anderson, K. Chapman, J. Fullarton, N. Richards, S. Scott, E. Thornton-Nicol.
Mr M Middlemiss (from para 3) and Ms H Barnett (from para 2)

Apologies:- Councillors S. Hamilton, H. Scott.

Also Present:- Councillors C. Hamilton, S. Haslam.

In Attendance:- Chief Officer Education, Clerk to the Council, C. Irvine (Lead Petitioner), J. Currie (Petitioner) (para 2); Chief Officer Audit and Risk, Chief Financial Officer, Ms G Woolman, and Mr G Samson – Audit Scotland (from para 3), Principal Internal Auditor, Trainee Democratic Services Officer.

1. WELCOME AND INTRODUCTIONS

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

SCRUTINY BUSINESS

2. NURSERY PLACE DISCRIMINATION IN PEEBLES 2019 PETITION

- 2.1 There had been circulated copies of an extract from the Audit and Scrutiny Committee Petitions procedure. The Clerk to the Council explained the Petitions Procedure to be followed and highlighted the main points. The Chairman then welcomed Christine Irvine, Lead Petitioner, who was in attendance to present a petition on Nursery Place Discrimination in Peebles and who was accompanied by Judith Currie. Ms Irvine commenced her presentation by explaining further the information in the supporting statement. The petitions submission form had been submitted along with a link to the on-line Petition. Ms Irvine went on to explain that the decision by Scottish Borders Council to roll out increased provision of nursery hours by catchment area was discriminatory. As of August 2019, children entering placements in Peebles were facing postcode lottery as to whether they would be able to access the additional funded allocation of 600 hours or 1140 hours. Scottish Borders Council had been asked to roll out the extended hours to those children whose families lived in 'more deprived' areas. The few streets of more deprived families were included but so too were some of the most affluent streets, rendering the target deprived areas first directive as meaningless. Ms Irvine reported that in a small community such as Peebles, the roll out would have been fairer to offer all nursery children a partial increase in 2019 rather than a full increase to 1140 hours based on catchment area. The current increase meant that some children were losing out on one extra year of education and given the proven benefits to children, it was unacceptable to deny the rest of the children in Peebles this opportunity. Ms Irvine went on to explain that the figures from the Scottish Index Multiple Deprivation from 2014 had not taken into account all the new developments within Peebles, so was not a robust enough measure. A provision should also be in for all eligible 2 year olds to receive this provision and to target the children in need of it most. The main point raised for concern was that Peebles had been split into two from the north and south side of the town. A point was also raised that Kingsmeadows Nursery on the south side of the town may already be fully subscribed. The Chairman summarised the main points of the petitioners: the allocation

had been unfair; concern over the nursery provision filling up; this was not just about Priorsford but the availability of private provision; and concern that the use of 2014 SIMD as a measure of deprivation. Members asked various questions of the petitioners to gain clarification on the catchment area, the availability and cost of the nursery provision at the moment and in future, the division of the town, and to establish an understanding on what could have been done better.

- 2.2 There had been circulated copies of a briefing note by the Chief Officer for Education responding to the Petition who reported that currently all 3 and 4 year old children (and eligible 2 year olds) were entitled to 600 hours Early Learning and Childcare (ELC) a year, depending on their birth date. This entitlement would not change until August 2020. In 2020, the entitlement would then change to 1140 hours which would equate to an additional full day during term time. From now until then, the Council would phase the expanded hours as had been tasked to do by Scottish Government. In Scottish Borders, a priority list was created, based on the Child Poverty Index, as set out by Scottish Government in 'A Blueprint for 2020: The Expansion of Early Learning and Childcare in Scotland', in which Local Authorities were to determine the most appropriate way to phase the expanded hours, to reflect the Scottish Index of Multiple Deprivation (SIMD): using thorough and robust data, which sets out the order of phasing for all catchment communities. Ms Strong reported that it would not have been feasible or appropriate to take this analysis to a more detailed level where individual families could have been identified and that the priority list was created using strong local data. This approach was approved by the Council's Executive Committee on 7 November 2017 and the report recognised phasing would cause concerns. Consideration had been given to a partial increase for all children to 900 hours and then on to 1140 hours but this was strongly discouraged by the National Improvement Service as it would not allow Local Authorities to benefit from, or learn from the experiences of the full expansion, nor did it satisfy the Scottish Government requirement to reflect the SIMD index in phasing in the expansion. The programme of expansion was agreed by full Council on 31 May 2018. The report set out the number of catchment communities phasing each year and was linked to the phasing of funding from the Scottish Government. It provided the opportunity for Local Authorities and providers to embed new ways of working, to establish the needs of families and to ensure that the ELC services in the Scottish Borders provided all children with the best possible experiences regardless of the number of hours they were accessing. As agreed by Council, only children who lived in the phasing catchments were able to access the expanded hours until the increased hours were fully rolled out. This meant that in each setting there may be children who accessed expanded hours and children who continued to access their current entitlement of 600 hours. Ms Strong stated that Scottish Government provided documentation on how this would be rolled out and that it was to be on a phased entitlement per area. Scottish Borders Council created a priority list based on the Child Poverty Index which set up the ordering of the phasing for all catchment areas. It was noted that all 32 local authorities were also phasing and were experiencing similar concerns.
- 2.3 In response to the Petitioners' concerns, Ms Strong thanked them for the opportunity to discuss matters. It had never been the intention to offend and she aimed to clarify the approach taken. The actual entitlement to 1140 hours did not change until 2020, so there was no entitlement at present. Scottish Government had provided a number of documents which could be used to roll out the provision and it was for local authorities to use SIMD or alternative data to roll out provision. In the Scottish Borders, a priority list had been created based on the Child Poverty Index, and this set out the phasing of provision. This Index looked at measures relevant for families living in the Scottish Borders based on the up to date information received from data from HMRC, the percentage of children in receipt of free schools meals, clothing allowance and the educational maintenance allowance. With regard to the concerns raised in relation to the provision available by 2020, Ms Strong advised that it was recognised that phasing meant some could access increased hours sooner than others. This was the same for other local authorities. A partial increase in hours across the area had been investigated but

this had not been taken forward as it would have meant one change followed by a second change which would have impacted greatly on resources. There was a massive job ahead in terms of the full roll out of the entitled hours by 2020 which was a complex piece of work, taking account of staffing, buildings, and curriculum. In terms of year on year provision, it was explained that there were enough places for children in Peebles; no ceiling was put on funded places and Kingsmeadow private nursery had not contacted the Council to advise that demand was outstripping supply. The Child Poverty Index data had been available on the Council's website since March 2017 and the phasing plan programme submitted to Scottish Government was circulated. In response to a question about phasing Priorsford earlier than planned, Ms Strong advised that it was necessary to work within available resources (staff and buildings) and also to be fair across all of the Borders. If it was possible to bring forward Priorsford, this would mean provision elsewhere would likely be negatively impacted. The Clerk to the Council then advised the Committee members of their options in response to the petition: to refer the petition to another Committee or Director for final decision; to refer the petition to a relevant Community Planning Partner; or that the issue(s) raised did not merit or did not require further action.

- 2.4 Members of the Committee discussed the information which had been provided at the meeting and made reference to the financial and other constraints on the Council. Similar issues were raised in terms of broadband provision, public transport and rurality which caused inequalities for communities. Members also discussed whether any "eligible twos" could be included earlier in the provision for 1140 hours across the Council area.

VOTE

Councillor Scott, seconded by Councillor Fullarton, moved that the Petitioners be thanked for bringing forward the petition, acknowledged their concerns but that no further action be taken.

Councillor Anderson, seconded by Councillor Chapman, moved as an amendment that a report be prepared - in terms of costs, workforce and property availability - for the Executive Committee to consider accelerating the provision of 1140 hours to all "eligible twos" across the region in 2019/20.

On a show of hands, Members voted as follows:-

Motion - 3 votes

Amendment - 4 votes

DECISION

DECIDED to refer the matter to the Executive Committee and that officers prepare a report - in terms of costs, workforce and property availability – for consideration to accelerate the provision of 1140 hours of nursery provision to all eligible two year olds across the region in 2019/20.

- 2.5 The Chairman clarified the main points raised and thanked the petitioners and officers for their attendance and the comprehensive, clear reports that were provided to the Committee.

AUDIT & SCRUTINY BUSINESS

3. MINUTE.

There had been circulated copies of the Minute of the Audit & Scrutiny Committee held on 14 February 2019.

DECISION

APPROVED for signature by the Chairman.

4. **ACTION TRACKER**

With reference to paragraph 3 of the Minute of 14 February 2019, there had been circulated copies of the Action Tracker for the Audit and Scrutiny Committee. It was noted that the Property Assurance report, in connection with issues raised within National Performance Reports by Audit Scotland had been deferred due to further information required. With regard to the progress made on the Cove Car Park Petition, the Chairman had been advised by the Networks Manager that good progress had been made since 1 November 2018. It was reported that the order for the introduction of the new TRO restriction on vehicle size to under 3.5 tonnes and the time limit for 48 hours parking came into operation on 21 January 2019. The proposed review of speed limits, aimed at reducing the speed limit on the Cove road to 30mph, was due to be considered. The signage "Unsuitable for HGV/buses and "No Through Road" had been manufactured in February 2019 and would be erected. A further review found that the current layout was optimum in terms of the provision of spaces. The creation of a formal turning circle within the car park for larger vehicles would result in the loss of several spaces. It had been confirmed by the Estates Section that the car park was owned by the Council. With regard to the erection of a "Slow Pedestrian" sign, this was currently under consideration as part of the ongoing survey. It was agreed, in the interim, that the existing informal signing of resident's spaces would remain. Network staff would undertake ad hoc surveys of the car park and the access road which had shown no issues with car park occupancy and no pedestrian use of the route. However, they would continue to observe the Spring and Summer usage. Ms Stacey advised that following today's meeting any items marked as completed would be removed from the action tracker.

DECISION

NOTED the:-

(a) **Action Tracker; and**

(b) **progress made with the Cove Car Park recommendations**

AUDIT BUSINESS

5. **MINUTE**

There had been circulated copies of the Special Audit & Scrutiny Minute of 26 February 2019.

DECISION

APPROVED for signature by the Chairman.

6. **INTERNAL AUDIT WORK TO FEBRUARY 2019**

6.1 With reference to paragraph 3 of the Minute of 14 February 2019, 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 15 December 2018 to 22 February 2019 was detailed in the report. During the period a total of six Final Internal Audit reports had been issued. There had been one recommendation made which related to one of the reports which had been accepted by Management for implementation. An Executive Summary of the final Internal Audit reports issued, included 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 shown 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) (2017) including the production of this report to communicate the results of the reviews.

- 6.2 Ms Stacey highlighted some aspects of the Internal Audit Assurance Work In Progress: the programme of work showed that the Winter Service timescale, as part of the transformation programme, had moved and had been built into the audit plan 2019/20; and the engagement in the design, development and delivery of the Contract Management Framework by the Contract Management Working Group, incorporating the ICT Contract, would be launched in 2019 and a report would be produced in 2019/20. Reference was made by Ms Stacey to each of the Internal Audit Final Assurance Reports detailed in the Appendix to the report: Capital Investment; Financial Planning; Private Sector Landlord Registration; Adult Social Care Self-Directed Support; Protective Services; and Information Governance. In response to a question on how SBC compared to other Councils with regard to workforce issues raised, Ms Stacey stated that the issues were amplified in rural areas and Protective Services Management were liaising with other Councils and national bodies to consider actions to address the challenges which would continue to be recorded through the people planning process. Mr Robertson advised that the financial planning process 2019/20 lessons learned results would be reviewed by Corporate Management Team and would be brought back to this Committee for review. In response to a concern about lack of progress with implementing some audit recommendations by Management, and after a full discussion on the Internal Audit follow-up process, Members requested a further recommendation be added to reflect the discussion on the escalation process of overdue audit recommendations to Corporate Management Team. The Chief Financial Officer stated that this recommendation would be highlighted to Corporate Management Team.

DECISION:

(a) NOTED:-

- (i) the final assurance reports issued in the period from 15 December 2018 to 22 February 2019 associated with the delivery of the approved Internal Audit Annual Plan 2018/19; and**
- (ii) the Internal Audit consultancy and other work undertaken in this period.**

(b) AGREED:-

- (i) to acknowledge the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work;**
- (ii) that the financial planning 2019/20 lessons learned results would be brought back to this Committee following the review by Corporate Management Team; and**
- (iii) that as part of the Internal Audit follow-up process any deviation from agreed timescales of actions be escalated as appropriate to Corporate Management Team.**

7. SCOTTISH BORDERS COUNCIL EXTERNAL AUDIT PLAN FOR 2018/19

There had been circulated copies of overview report by Audit Scotland for the year ended 31 March 2019 providing an overview of the planned scope and timing of the external audit of Scottish Borders Council which was carried out in accordance with the International Standards on Auditing Code of Audit Practice and other relevant guidance. The Plan identified Audit Scotland's work to provide an opinion on the financial statements and related matters and met the wider scope requirements of public sector audit, including the new approach to Best Value. The wider scope of public audit contributed to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability. Ms Woolman, Audit Scotland explained that a number of risks to the Council had been identified and that

these had been categorised into either financial or wider dimension risks along with the planned audit work for each and were detailed in the report. Ms Woolman went on to summarise the 2018/19 audit outputs, materiality values and referred to the financial statements timetable which took account of submission requirements and planned Audit and Scrutiny Committee dates. Ms Woolman advised that the review of Internal Audit had concluded that the Internal Audit function operated in accordance with the Public Sector Internal Audit Standards and had sound documentation standards and reporting procedures in place. Ms Woolman highlighted that their planned work for Scottish Borders Council this year would focus on the Council's arrangements for demonstrating Best Value in vision and leadership, partnership and collaborative working, progress with its transformation programme, performance, outcomes and procurement. The results of this would be reported in the Annual Audit Report. Ms Woolman answered a question on clarification of materiality, explaining that the concept of materiality in planning and performing was applied and the calculation of materiality values for Scottish Borders Council were detailed in Exhibit 3 to the report. The Chairman thanked Ms Woolman for the input from and advice given on behalf of Audit Scotland.

DECISION

NOTED the report.

8. SCOTTISH BORDERS PENSION FUND EXTERNAL AUDIT PLAN FOR 2018/19

There had been circulated copies of a report by Audit Scotland providing an overview of the planned scope and timing of the external audit of Scottish Borders Pension Fund which was carried out in accordance with the International Standards on Auditing Code of Audit Practice and other relevant guidance. The Plan identified Audit Scotland's work to provide an opinion on the financial statements and related matters and met the wider scope requirements of public sector audit. The wider scope of public audit contributed to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability. Ms Woolman explained that a number of risks to the Scottish Borders Pension Fund had been identified and that these had been categorised into either financial or wider dimension risks along with the planned audit work for each and were detailed in the report. Ms Woolman went on to summarise the 2018/19 audit outputs and advised that the Audit Scotland fee for 2018/19 in relation to the Scottish Borders Pension Fund was £20,580 whilst noting that a supplementary fee could be added as detailed in paragraph 8 of the report. Materiality values and a financial statements timetable were detailed in the report, which took account of Audit and Scrutiny Committee dates. Mr Robertson responded to a question relating to the Pension Fund and advised that the asset allocation strategy is a maturing fund and investments were increasing to pay pensions and performance would be under regular review by the Committee. The Chairman thanked Ms Woolman for the input from and advice given on behalf of Audit Scotland.

DECISION

NOTED the report.

9. INTERNAL AUDIT CHARTER

With reference to paragraph 7 of the Minute of 19 March 2018, there had been circulated copies of a report by the Chief Officer Audit and Risk providing the Committee with the updated Internal Audit Charter for approval. The Charter defined the terms of reference for the Internal Audit function to carry out its role to enable the Chief Officer Audit and Risk to prepare an annual internal audit opinion on the adequacy of the Council's overall control environment. The definition of Internal Auditing within the Public Sector Internal Audit Standards (PSIAS) was "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes". In accordance with the PSIAS, the purpose, authority and responsibility of the Internal Audit activity must be formally defined in an Internal Audit

Charter, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards. The Chief Officer Audit and Risk, as the Chief Audit Executive at Scottish Borders Council, must periodically review the Internal Audit Charter and present it to senior management (Corporate Management Team) and the board (Audit and Scrutiny Committee) for approval. The Internal Audit Charter was shown in Appendix 1 to the report and had been updated by the Chief Officer Audit and Risk in conformance with the PSIAS for approval by the Audit and Scrutiny Committee to ensure that Internal Audit was tasked to carry out its role in accordance with best Corporate Governance practice. Ms Stacey advised that the Internal Audit Charter had been updated to explicitly emphasise the application of the Code of Ethics to fulfil a quality improvement action which had arisen from the internal self-assessment 2018/19. In response to questions, Ms Stacey advised that Internal Audit had access to all records (both paper and electronic) of the Council, Pension Fund, SB Cares and Integration Joint Board (IJB) to comply with the audit standards. Monthly meetings were also held with the Chief Financial Officer to discuss any relevant matters.

DECISION

AGREED the updated Internal Audit Charter as shown in Appendix 1 to the report attached to the agenda.

10. INTERNAL AUDIT STRATEGY AND INTERNAL ANNUAL PLAN 2019/20

- 10.1 With reference to paragraph 8 of the Minute of 19 March 2018, there had been circulated a report by the Chief Officer Audit and Risk seeking approval to the proposed Internal Audit Strategy and Internal Audit Plan 2019/20 to enable the preparation of the annual opinions on the adequacy of the overall control environment for Scottish Borders Council, SB Cares, Scottish Borders Pension Fund, and Scottish Borders Health and Social Care Integration Joint Board. Ms Stacey explained that the Internal Audit function followed the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) effective 1 April 2013 (updated 2017) which required the establishment of risk based plans to determine the priorities of the Internal Audit activity and that these plans were sufficiently flexible to reflect the changing risks and priorities pertaining to each organisation. The Internal Audit function also included the requirement to provide senior management and members with independent and objective assurance which was designed to add value and improve the organisation's operation. In addition, the Chief Officer Audit and Risk was also required to prepare an Internal Audit annual opinion on the adequacy of the organisation's overall control environment. The background to the Internal Audit Strategy was set out in Appendix 1 to the report. Ms Stacey explained that the Internal Audit Annual Plan 2019/20, detailed in Appendix 2, set out the range and breadth of audit areas and sufficient work within the audit programme of work to enable the Chief Officer Audit and Risk to prepare an Internal Audit annual opinion. Key components of the audit planning process included a clear understanding of the organisation's functions, associated risks, and assurance framework. There were staff and other resources currently in place to achieve the Internal Audit Annual Plan 2019/20 and to meet its objectives.
- 10.2 The Committee discussed the report and Ms Stacey advised that there had not been significant changes in terms of the Internal Audit Strategy with the compliance of the code of ethics being more explicit and confirmed that the proposed coverage in the Internal Audit Annual Plan would enable assurance to be provided to the Committee and Corporate Management Team though the plan should be considered to be flexible and will be periodically reviewed, and amended as required, to reflect any new arrangements or changing risks and priorities. In response to a question on any changes from previous years on consultancy work, Ms Stacey advised that Internal Audit has increasingly been involved as a 'critical friend' in various change and transformation projects on request by members of Corporate Management Team whilst maintaining clarity on the statutory role of Internal Audit to fulfil its provision of independent and objective assurance as has been reflected in the Internal Audit Strategy.

**DECISION
AGREED:-**

- (a) the Internal Audit Strategy as detailed in Appendix 1 to the report; and
- (b) the Internal Audit Annual Plan 2019/20 detailed in Appendix 2 to the report.

MEMBER

Ms Barnett left the meeting during consideration of the above item

The meeting concluded at 1.00 pm