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AUDIT AND SCRUTINY COMMITTEE THURSDAY, 22 AUGUST 2019

A MEETING of the AUDIT AND SCRUTINY COMMITTEE will be held in the COUNCIL CHAMBERS. COUNCIL HEADQUARTERS, NEWTOWN ST BOSWELLS on THURSDAY, 22 AUGUST 2019 at 10.00 am

J. J. WILKINSON,
Clerk to the Council,

16 August 2019

BUSINESS		
1.	Apologies for Absence.	
2.	Order of Business.	
3.	Declarations of Interest.	
AUDIT & SCRUTINY BUSINESS		
4.	Minute. (Pages 3 - 6) Minute of Meeting of the Audit and Scrutiny Committee held on 25 June 2019 to be approved and signed by the Chairman. (Copy attached).	5 mins
SCRUTINY BUSINESS		
5.	Scrutiny Work Programme 2019/20 (Pages 7 - 10) Consider report by the Chief Executive. (Copy attached).	30 mins
6.	Any Other Scrutiny Items Previously Circulated.	
7.	Any Other Scrutiny Items which the Chairman Decides are Urgent.	

NOTES

1. Timings given above are only indicative and not intended to inhibit Members' discussions.
2. Members are reminded that, if they have a pecuniary or non-pecuniary interest in any item of business coming before the meeting, that interest should be declared prior to commencement of discussion on that item. Such declaration will be recorded in the Minute of the meeting.

Membership of Committee:- Councillors S. Bell (Chairman), H. Anderson, K. Chapman, J. A. Fullarton, S. Hamilton (Vice-Chairman), N. Richards, H. Scott, E. Thornton-Nicol, S. Scott, M Middlemiss and H Barnett

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**SCOTTISH BORDERS COUNCIL
AUDIT AND SCRUTINY COMMITTEE**

MINUTE of Meeting of the AUDIT AND
SCRUTINY COMMITTEE held in Committee
Rooms 2 and 3 on Tuesday 25 June 2019 at
10.15am

Present:- Councillors S Bell, (Chairman), H. Anderson, K. Chapman, S. Hamilton, H.
Scott, E. Thornton-Nicol, Ms H Barnett

Apologies:- Councillors J. Fullarton, N. Richards, S. Scott, Mr M Middlemiss
In Attendance:- Chief Financial Officer, Chief Officer Audit and Risk, Mr A. Haseeb - Audit
Scotland, Democratic Services Officer (J. Turnbull), Trainee Democratic
Services Officer

AUDIT & SCRUTINY BUSINESS

1. **MINUTE**

There had been circulated copies of the Minute held on 13 May 2019.

DECISION

APPROVED for signature by the Chairman.

2. **ACTION TRACKER**

With reference to paragraph 2 of the Minute of 13 May 2019, there had been circulated copies of the Action Tracker for the Audit and Scrutiny Committee. It was noted that the provisional date for the informal session on the Treasury Management Strategy remained as scheduled for 25 November 2019. Once received from Officers, any updates on the Risk Management Services and the progress on the speed bumps in Langlee Drive would be added to the action tracker. Mr Robertson reported that the briefing note and joint performance report for Council was still ongoing. Ms Stacey advised that any progress following today's meeting would be added to the action tracker and any items marked as completed would be removed.

DECISION

NOTED the Action Tracker.

AUDIT BUSINESS

3. **UNAUDITED REPORTS AND ACCOUNTS 2018/19**

- 3.1 With reference to paragraph 5 of the Minute of 26 June 2018, there had been circulated copies of a report and associated papers by the Chief Financial Officer on the draft Annual Report and Accounts for Scottish Borders Council, Scottish Borders Council Pension Fund, Common Good Funds, Charitable Trusts, Bridge Homes LLP, SB Supports LLP, SB Cares LLP and Lowood Tweedbank Ltd.. The report provided the Audit and Scrutiny Committee with an opportunity to scrutinise the draft Annual Reports and Accounts for the year ended 31 March 2019 for Scottish Borders Council and associated Group Accounts prior to submission for External Audit Inspection by the statutory deadline of date of 30 June 2019. The report summarised the financial transactions for 2018/19 and the balance sheet positions as at 31 March 2019 as set out in the Local Authority Accounts (Scotland) Regulations 2014. In addition, Section 12 of the Local Government in Scotland Act 2003 required annual accounts to be prepared in accordance with proper accounting practice, primarily comprising the Code of Practice on Local Authority

Accounting in the United Kingdom 2017/18 and the Service Reporting Code of Practice 2017/18 supported by International Financial Reporting Standards (IFRS). The Pension Fund Accounts were required to adhere to the Local Government Pension Scheme Amendment (Scotland) Regulations which specified what must be contained in the Annual Report and Accounts. The Common Good and Trust Reports adhered to the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing accounts in accordance with the Financial Reporting Standard for Smaller Entities (FRSSE), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). Following audit and a public inspection period the finalised Audit report and Audited Accounts would be submitted to Council in September 2019.

- 3.2 The Chief Financial Officer then summarised Scottish Borders Council draft reports and accounts by means of a presentation. He detailed the 2018/19 highlights which included – a Revenue out-turn of £1.302m underspend; and £16.414m of Financial Plan savings delivered, of which 71% was recurring. Net Assets (excluding Pension Fund liabilities) had increased by £6.2mm net on the Balance Sheet. Capital Expenditure was £47.8m with Fixed Asset NVB of £552.2m. The presentation included the requirements under the Local Authority Accounts (Scotland) Regulations 2014 and the Council's own Accounts timetable. The Chief Financial Officer advised that the Council's Audited Accounts would be available for public inspection for a 14 day period from 1 July and were required to be published on its website no later than 31 October 2019. The presentation included an analysis of Revenue Expenditure by department and a breakdown of how efficiency savings had been achieved. An increased turnover of £1m or 6.6% to £16.2m was reported in respect of external trading by SB Contracts and Members noted that this was as a direct result of a continuing challenging external market. Mr Robertson went on to explain the - Statutory Accounting Adjustments; General Fund Balances; Balance Sheet overview; and Capital Out-turn for 2018/19. Group Accounts were consolidated as detailed in the full report for Scottish Borders Council. Mr Robertson gave a full explanation to Members' questions with regard to the permanent and temporary savings, exit packages and clarity on the Lowood Tweedbank Accounts. The Chair asked specific questions around Waste Management, Strategic Housing, Risk Management and Non-Domestic Rate income of which Mr Robertson responded fully.
- 3.3 With reference to the Pension Fund Annual Report and Accounts, Mr Robertson confirmed that Scottish Borders Council was one of the best funded LGPS nationally and the Pension Fund Committee had worked hard during the year to respond to the continually growing governance agenda and increasingly complex pension administration environment the Fund operates within. The value of the Pension Fund had continued to increase with strong returns coming from global equities and the overall fund had grown by 7.6% during 2018/19 with the overall fund value increased to £732.9m, an increase of £48.3m. The report was fully discussed and in response to questions, Mr Robertson advised that in relation to financial planning for pensioners going forward, the fund was moving asset classes to income bearing asset classes – eg rental income, to meet the fund requirements going forward. Managers each had different benchmarks and had worked with an investment advisor and custodian to set benchmarks. The Chairman raised concern at the non-attendance of Members at meetings. Mr Robertson advised that they had all been reminded of their responsibility to attend meetings. With regard to restructuring within local authorities, Members were advised that the merger collaboration consultation paper to gain an understanding across all local authority pension boards, would be presented to CoSLA on Friday.
- 3.4 The Trustees' Annual Report and Financial Statements for the year ended 31 March 2019 was discussed and it was noted that the charity now comprised of 12 separate funds with two additional new funds this year, namely Coldstream and Eyemouth Common Good Fund. The total statement of financial activities for year ended 31 March 2019 was £13.5m across the 12 common good funds. In response to a question on the management of rental properties within the Lowood Estate, Mr Robertson advised that the

principal activity for Lowood Tweedbank Limited was to act as mid-landlord for Scottish Borders Council of the residential properties within the Estate in order to ensure the continuation of the tenancy arrangements with all income and expenditure paid to the Council.

DECISION

- (a) NOTED the Draft Annual Report and Accounts 2018/19 for Scottish Borders Council and associated Group Accounts; and**
- (b) AGREED to:-**
 - (i) support their submission for review by the External Auditors, Audit Scotland for Scottish Borders Council, Scottish Borders Council Pension Fund, Common Good and Trust Funds Accounts; and**
 - (ii) support submission for review by KPMG who continued to provide the external audit of the Council subsidiaries SB Cares, SB Supports and Bridge Homes.**

4. EXTERNAL AUDIT INTERIM MANAGEMENT REPORT 2018/19

With reference to paragraph 6 of the Minute of 26 June 2018, there had been circulated copies of an Interim Management Report by Audit Scotland for the year 2018/19. The report summarised the key issues identified during the year and included testing key controls within the Council's financial systems to gain assurance over the processes and systems used in the preparation of the annual accounts. In addition, Audit Scotland had carried out early substantive testing of income and expenditure transactions. The findings would be used by Audit Scotland to determine its approach during the 2018/19 financial statements audit. Further work had been carried out on the wider dimension audit of reviews. Mr Haseeb advised that some control weaknesses had been identified during the audit as summarised in Exhibit 2 within the report. The Management response/action plan in each case was also included in the report. Officers clarified a number of points raised by Members and Mr Haseeb confirmed that Business World ERP was, in the main, delivering what was expected. There were, however, some aspects of the system that were not yet fully operational but the Chief Financial Officer confirmed that work was ongoing with CGI to resolve these issues within the contract. Mr Haseeb also highlighted the testing carried out on non-domestic rate (NDR) reviews and the risk that the reductions were no longer appropriate for some businesses and that the correct amount of NDR was not being collected. Ms Stacey advised that it had been highlighted to Management, during a recent Internal Audit review, that account reviews be actioned and assessed on a risk basis. It was noted that the Committee had a continuing role to scrutinise the risks highlighted in all areas of Council business.

DECISION

NOTED the report.

5. AUDIT AND SCRUTINY COMMITTEE ANNUAL REPORT 2018/19 AND ANNUAL SELF EVALUATION

With reference to paragraph 9 of the Minute of 26 June 2018, there had been circulated copies of a report by the Chief Officer Audit and Risk providing Members with the Audit and Scrutiny Committee Annual Report 2018/19. The report noted that the outcome of the self-assessments was a high degree of performance against the good practice principles and a medium degree of effectiveness. Ms Stacey explained that the report also incorporated the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose and that it fully complied with best practice guidance as a foundation for sound corporate governance for the Council and the annual self-assessment using the CIPFA Audit Committee Guidance. The report noted that the Committee complied with best practice guidance on Audit Committees to

ensure it demonstrated its effectiveness as a scrutiny body as a foundation for sound corporate governance for the Council. It was also noted that the outcome of the self-assessments, carried out during an informal session on 11 March 2019, highlighted a high degree of performance against the Good Practice Principles and a medium degree of effectiveness, the latter which recognised improvement which had been implemented during the year. This was considered to be the result of the familiarisation of the Committee's role and the audit reporting cycle. Ms Stacey confirmed that the Audit and Scrutiny Committee Annual Report 2018/19 would be submitted to Council in August 2019 to provide assurance that actions would be completed to improve effectiveness and to submit proposals for amendments in relation to the terms of reference of the Committee.

DECISION

- (a) **APPROVED the Audit and Scrutiny Committee Annual Report 2018/19 which incorporated its self-assessments using the CIPFA Audit Committee guidance; and**
- (b) **AGREED that the Audit and Scrutiny Committee Annual Report 2018/19 be presented to Scottish Borders Council in August 2019, to provide assurance that actions would be completed to improve effectiveness and to submit proposals for amendments in relation to the terms of reference of the Committee, and published on the SBC website**

SCRUTINY BUSINESS

6. SCRUTINY WORK PROGRAMME UPDATE

With reference to paragraph 3 of the Minute of 24 September 2018, there had been circulated copies of the Scrutiny Programme for 2019/20 with suggestions for future Scrutiny reviews to be approved by Council. It was noted that presentations on Community Access to Schools and ALEOs/Live Borders would be at the next meeting on 22 August 2019. Members were asked to consider further subjects for inclusion on the list for presentation at future meetings of the Committee.

DECISION

AGREED to:-

- (a) **note the Scrutiny Work Programme 2019/20;**
- (b) **request that Members of the Committee bring forward by 22 August, any subjects for inclusion on the Scrutiny Work programme;**
- (c) **request that officers liaise with communities/the public to advertise Audit and Scrutiny work and asks that they forward any items they wish to be considered for the Committee's consideration; and**
- (d) **request that a private report on Non-Disclosure Agreements be presented to a future Audit and Scrutiny Committee.**

The meeting concluded at 12.00pm



SCRUTINY WORK PROGRAMME 2019/20

Report by Chief Executive

AUDIT AND SCRUTINY COMMITTEE

22 August 2019

1 PURPOSE AND SUMMARY

- 1.1 This report presents potential subjects for Scrutiny review as part of the future Scrutiny work programme 2019/20 to be approved by Council.**
- 1.2 As detailed in the Scheme of Administration, the Audit & Scrutiny Committee is required to develop an annual programme of work for approval by Council. At its meeting held on 25 June 2019, the Audit and Scrutiny Committee agreed to request that officers liaise with communities/the public to advertise Scrutiny work and any suggested topics for Scrutiny review be submitted, with Elected Members and Community Councils subsequently contacted.
- 1.3 Two subjects were submitted by Community Councils. The Council's Corporate Management Team also suggested a further 3 subjects. It is for Audit & Scrutiny to determine whether to take forward these subjects and also put forward any other subjects they may wish to consider further.

2 RECOMMENDATIONS

- 2.1 I recommend that the Committee agrees which, if any, subjects submitted it would like to take forward for review, and which other subjects it would like to consider for inclusion in its work programme for 2019/20, and recommend the subsequent work programme to Council for approval.**

3 BACKGROUND

- 3.1 As detailed in the Scheme of Administration, the Audit & Scrutiny Committee is required to develop an annual programme of work for approval by Council, based on the following functions within its remit:
- (a) monitoring the performance of the Authority towards achieving its policy objectives and priorities in relation to all functions of the Council;
 - (b) reviewing the effectiveness of all the Council's work against agreed standards, targets and budgets for the level of services provided; and
 - (c) acting as a focus for value for money and service quality exercises.
- 3.2 In practice, this means that as well as members of the Committee submitting subjects for review, proposals are also sought from other sources for inclusion in a work programme.
- 3.3 At its meeting on 25 June 2019, the Audit & Scrutiny Committee considered how to take forward further subjects for inclusion in the Scrutiny reviews programme and agreed that officers liaise with communities/the public to advertise scrutiny work and ask for any items they wished considered by the Committee.

4 PROPOSED REVIEWS

- 4.1 The current Scrutiny work programme contains 2 outstanding review subjects – Community Access to Schools (scoping paper) and Amey – Trunk Roads management.
- 4.2 At its meeting held on 25 June 2019, the Audit and Scrutiny Committee agreed to request that officers liaise with communities/the public to advertise Scrutiny work and any suggested topics for Scrutiny review be submitted. The Clerk to the Council sent an email to all Elected Members on 12 July 2019 seeking proposals for subjects for review to be submitted by 22 August, with a similar email sent out to all Community Councils on 16 July 2019. They were also advised that subjects could be added to the programme at a later date if that timeline was too restrictive.
- 4.3 (a) Two responses have been received from Community Councils to date:
- A review of the Community Councillors Code of Conduct
 - A review of the status of the conservation area in Newcastleton
- (b) It is suggested that neither of these subjects are taken forward for review as they do not fall within the remit of the Committee. The Community Councillors Code of Conduct will be included in the review being carried out by the Working Group established to review the Scheme for Community Councils. The review of the status of the conservation area is contained in the Main Issues Report as part of the Development Plan.
- 4.4 (a) At its meeting on 14 August, the Council's Corporate Management Team discussed whether to suggest any subjects for Scrutiny review and proposed the following areas:

- The Council's Income Management policy – application of the policy across Council services accepting cash or taking card payments
- Common Ridings and Festivals – assessment of the level of in-kind SBC support provided
- Responsible Dog Ownership policy – application of the policy

(b) It is for Audit & Scrutiny members to decide whether to take forward any of the above suggestions.

4.5 Members of the Committee may also wish to propose other subjects for review or to do so at a later date.

5 IMPLICATIONS

5.1 Financial

There are no costs attached to any of the recommendations contained in this report.

5.2 Risk and Mitigations

There is a reputational risk to the Council should the Audit and Scrutiny Committee not review subjects, but also an equal risk if the Committee proposes a programme of work that is either superficial or too onerous. The establishment of an appropriate programme of work with any outcomes or recommendations arising from reviews being practical and realistic will mitigate this risk.

5.3 Equalities

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religious belief arising from the proposals in this report.

5.4 Acting Sustainably

There are no economic, social or environmental effects arising from the proposals in this report.

5.5 Carbon Management

There will be no impact on the Council's carbon emissions arising from the proposals in this report.

5.6 Rural Proofing

This is not a new or amended policy or strategy, therefore there is no requirement for rural proofing.

5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes are required to either the Scheme of Administration or the Scheme of Delegation as a result of the proposals in this report.

6 CONSULTATION

6.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR and the Communications Manager are being consulted and any comments received will be brought to the attention of Members at the meeting.

Approved by

**Tracey Logan
Chief Executive**

Signature

Author(s)

Name	Designation and Contact Number
Jenny Wilkinson	Clerk to the Council Tel: 01835 825004

Background Papers: Nil

Previous Minute Reference: Audit & Scrutiny Committee, 25 June 2019

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Jenny Wilkinson can also give information on other language translations as well as providing additional copies.

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