

# 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 Tuesday, 27 November 2018 at 10.15 am

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Present:- Councillors S. Bell (Chairman), H. Anderson, J. A. Fullarton, S. Hamilton (Vice-Chairman), N. Richards, H. Scott and E. Thornton-Nicol, Ms H. Barnett and Mr M. Middlemiss

Apologies:- Councillors K. Chapman and S. Scott  
In Attendance:- Chief Officer Audit & Risk, Chief Financial Officer, Chief Officer Human Resources (item 3), Clerk to the Council, Trainee Democratic Services Officer.

1. **MINUTE**  
There had been circulated copies of the Special Audit and Scrutiny Committee Minute of 1 November 2018.

**DECISION**  
**APPROVED for signature by the Chairman.**

## AUDIT BUSINESS

2. **ACTION TRACKER**  
With reference to paragraph 4 of the Minute of 24 September 2018, there had been circulated copies of the Action Tracker for the Audit and Scrutiny Committee. The Chief Officer Audit & Risk, Ms Stacey, reported that three actions were now complete and tracking of actions for both audit and scrutiny would continue to be carried out. With regard to a number of issues affecting the safety of buildings, the Service Director Assets & Infrastructure Mr Joyce was in attendance to give an update. Mr Joyce advised that work had proactively been carried out with housing, property teams and partners to compile the information with regard to the safety of a range of buildings, cemetery headstones beyond making them safe. A report would be prepared for the next Audit business meeting on 14 January 2019 which would update what the Estates section had done. The Chair raised concerns on the health and safety implications in relation to schools, following on from the Liberton School wall collapse and also Grenfell Tower cladding fire, and Mr Robertson also made reference to the monitoring of potentially dangerous buildings within town centres, giving as an example the recent case in Exchange Square, Jedburgh, and also bridges monitoring and bridge safety. These points were noted and would be included in the report.

**DECISION**  
**NOTED:-**

- (a) **the Action Tracker; and**
- (b) **a report be presented to the Audit & Scrutiny Committee on 14 January 2019 on the work of the Estates and Roads teams in monitoring the safety of buildings, structures and bridges in the Scottish Borders.**

### 3. **RISK MANAGEMENT IN SERVICES**

The Chairman welcomed the Council's Service Director Human Resources, Mrs Clair Hepburn, who gave a presentation on the strategic risks facing the HR and Communications service and the internal controls and governance in place to manage / mitigate those risks to demonstrate how risk management was embedded within the services. Mrs Hepburn began by explaining that risk registers were developed through Financial, People and Business Planning processes and were owned and managed by Service Managers within each service. The Risk Registers were regularly reviewed by the Service Director and Management Teams and when necessary, risks were escalated to Corporate Management Team (CMT). The key factors and major changes of risk management included: financial pressures; customer demand, legislation; Government policies; the implementation of Business World; maintaining a positive employee relations climate; and the changing service delivery models. The management of the risks involved: effective project/programme and change management; risk workshops; training; regular monitoring of corporate and operational risks; and key performance measures monitored on a regular basis. An example on the Communications Risk Register was given and the work involved in being more interactive with staff and the public through various communication channels. In response to a question regarding false news on social media, Mrs Hepburn responded that all social media activity was monitored 7 days a week and managed accordingly, and she further advised that employees were adhering to the working time directive. A people-based risk example on the Corporate Risk Register was given along with the key factors in place to manage/mitigate the risk such as people planning, training and development, flexible working practices, etc. In terms of Staffing Appeals and Elected Member training, Mrs Hepburn explained that Elected Members underwent face to face training prior to sitting on a Staffing Appeal Committee, with a briefing prior to any meeting on legal aspects. Concern was raised on staff absence and how this was monitored. Mrs Hepburn explained that absence was tracked across the organisation through a comprehensive process that included trigger reports sent to line managers to manage absence and if required reporting through the robust occupational health service. The Chair asked if Business World had affected the service and Mrs Hepburn explained that the implementation process had been challenging to join up Finance and HR systems, moving payroll to the new system and joining up other technology to Business World e.g. recruitment, but it would be fully implemented by March 2019. It was also reported that there had been a series of leadership training for different levels of line managers to embed principles of acting fairly and being consistent, but if staff were concerned with their management there were formal and informal processes to follow through. The Chairman thanked Mrs Hepburn for her presentation.

#### **DECISION**

**NOTED the presentation**

### 4. **INTERNAL AUDIT WORK TO OCTOBER 2018**

With reference to paragraph 10 of the Minute of 24 September 2018, there had been circulated copies of a report by the Chief Officer Audit & 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 28 July to 26 October 2018 was detailed in the report. During the period, a total of four Final Internal Audit reports had been issued. There was one recommendation relating to one of the reports which 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) (2017) including the production of this report to communicate the results of the reviews. Ms Stacey highlighted specific areas in the Appendix to the report

which included Selkirk Conservation Area Regeneration Scheme (CARs) which was being managed well and run in accordance with the requirements of the grant funding offer. The EU Funded Programmes for LEADER and the European Maritime and Fisheries Fund was a high risk area if the Council does not comply with the terms of the SLAs. In response to a question on the FORTH FLAG (Fisheries Local Action Group), an autonomous body which included Fife, Tyne and Esk, and Scottish Borders, Ms Stacey advised that roles and responsibilities for the FORTH FLAG and Marine Scotland had been defined and documented. In respect of the audit on Passenger Transport there was further discussion around the provision and management of escort services to achieve value for money and to meet the Council's obligations and policies. It was reported that the provision of the number of vehicles going to the same places was being optimised through collaboration between passenger transport and children and young families sections. It was noted that due to the lack of facilities and specialist resources available locally, some services were provided out-with the Scottish Borders area. Clarifications were sought on the ICT security arrangements in place and the improvements completed and planned.

#### **DECISION**

##### **(a) NOTED:-**

- (i) the final assurance reports issued in the period from 28 July to 26 October 2018 associated with the delivery of the approved Internal Audit Annual Plan 2018/19;**
- (ii) the Internal Audit consultancy and other work undertaken in this period;**  
**and**

##### **(b) AGREED to acknowledge the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work**

#### **5. PROGRESS WITH IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS**

With reference to paragraph 8 of the Minute of 26 June 2018, there had been circulated copies of a report by the Chief Officer Audit & Risk providing an update to the Committee on the status of the implementation by Management of audit recommendations previously agreed in Internal Audit reports during 2018/19 and previous years. The current status, as at 12 November 2018, was highlighted under section 4 of the report. The information relating to Internal Audit recommendations which had not yet been fully implemented was detailed in Appendix 1 to the report. Some concern was raised regarding two outstanding recommendations relating to Roads Management to which Ms Stacey explained that there was good engagement with David Girdler, the Chief Officer for Roads. Mr Robertson, Chief Financial Officer, answered queries in relation to the banking reconciliation work in Business World. Ms Stacey gave an explanation on the actions including the reasons on any amendments to their due date and answered Members' questions relating to both Appendices. Ms Stacey also raised concern with consistency of action owners updating the Pentana performance system, where officers updated progress until the Internal Audit actions were complete, and advised that help and support would be given by working with various Service Directors regularly reviewing their outstanding Internal Audit actions. Mr Robertson and Mr Joyce would give an update to CMT. A further recommendation would be added: agreed to request Service Directors working proactively with the Internal Audit team to improve and keep up to date the Internal Audit actions in the Pentana performance system for monitoring and reporting purposes.

#### **DECISION**

##### **AGREED to:-**

- (a) acknowledge the progress made by Management in implementing Internal Audit recommendations;**

- (b) consider whether any further action was required;
- (c) accept the proposed extensions to due dates by Management for those actions that were currently Overdue; and
- (d) request Service Directors working proactively with the Internal Audit team to improve and keep up to date the Internal Audit actions in the Pentana performance system for monitoring and reporting purposes.

6. **INTERNAL AUDIT MID-TERM PERFORMANCE REPORT 2018/19**

With reference to paragraph 8 of the Minute of 19 March 2018, there had been circulated copies of a report by the Chief Officer Audit & Risk to inform Committee of the progress Internal Audit had made during the first 6 months of the year to 30 September 2018, towards completing the Internal Audit Annual Plan 2018/19. The report also summarised the statutory obligations for Internal Audit and the requirements of the Public Sector Internal Audit Standards. The Objectives of Internal Audit were set out in its Charter: "As part of Scottish Borders Council's system of corporate governance, Internal Audit's purpose was to support the Council in its activities designed to achieve its declared objectives". Internal Audit provided assurance to Management and the Audit and Scrutiny Committee on the effectiveness of internal controls and governance within the Council. The Internal Audit Annual Plan 2018/19 was approved on 19 March 2018 which set out the audit coverage for the year and utilised available internal audit staff resources to enable Chief Officer Audit & Risk to provide the annual internal audit opinion. Appendix 1 to the report gave details of the half-yearly progress with the delivery of programme of work. Good progress had been made during the period, despite staff absence, and was currently on target to complete its Annual Plan 2018/19 subject to full staff attendance in the second half of the year. The report also summarised the statutory obligations and the requirements of the Public Sector Internal Audit Standards (PSIAS) which the SBC Internal Audit function conformed. Ms Stacey reported that the timing of some of the audit work was flexed over a period of time and discussions had been held with relevant Managers e.g. the work involved around Business World. In terms of the completion of the plan and the delivery of the remaining pieces of work, it was reported that resources were currently in place and there was no change proposed to the audit plan that would require approval at this time by this Committee.

**DECISION**

**AGREED to approve the progress Internal Audit had made towards completing the Internal Audit Annual Plan 2018/19, and confirmed that the Committee was satisfied with the Performance of the Internal Audit service.**

7. **TREASURY MANAGEMENT MID-YEAR REPORT 2018/19**

With reference to paragraph 5 of the Minute of Scottish Borders Council dated 20 February 2018, there had been circulated copies of a report by the Chief Financial Officer on the Council's mid-year report of Treasury Management activities for 2018/19, in line with the requirements of CIPFA Code of Practice, including Prudential and Treasury Management Indicators and to seek comments prior to consideration for approval by Council. The report was required as part of the Council's treasury management control regime. It provided a mid-year report on the Council's treasury activity during the six month period to 30 September 2018 and demonstrated that Treasury activity in the first six months of 2018/19 had been undertaken in full compliance with the approved Treasury Strategy and Policy for the year. The analysis of the performance against the targets set in relation to Prudential and Treasury Management Indicators was appended to the report and proposed revised estimates of the indicators in light of the 2017/18 out-turn and experience in 2018/19 to date for Council approval. The final version of the report would be submitted to Council on 20 December 2018. Mr Robertson advised that, under the Economic Update, there would be a continued review of the interest rates as set out in the table in Section 2.3 of the Appendix to the report and gave an explanation on the capital

expenditure compared to the original estimates used in the Treasury Management Strategy Report for 2018/19 and the authorised limit and operational boundaries would not be exceeded in terms of borrowing. It was noted that Mr Robertson would provide an update to the recent Executive Committee report to reflect the information on interest rate projections and borrowing and to note that these projections vary in terms of interest rate specifications but this was being monitored.

#### **DECISION**

##### **AGREED to:-**

- (a) note that treasury management activity in the six months to 30 September 2018 was carried out in compliance with the approved Treasury Management Strategy and Policy; and**
- (b) recommend the presentation of the Treasury Management Mid-Year Report 2018/19, as contained in Appendix 1, to Council for approval of the revised indicators.**

#### **MEMBER**

Councillor H. Scott left the meeting.

### **SCRUTINY BUSINESS**

#### **8. MINUTE**

An amended copy of the Minute of the Special Meeting held on 5 November 2018 was circulated, to include the changes proposed by the DSSB team.

##### **DECISION:**

**APPROVED the amended Minute of 5 November 2018**

#### **9. BROADBAND REVIEW**

There had been circulated copies of a draft report on the review of the Digital Scotland Superfast Broadband (DSSB) programme. The Chief Officer Economic Development, Mr McGrath, talked through Sections 4 and 5 of the report to highlight the main points to respond to each of the scope points that were set by Executive Committee on 21 August 2018. Members discussed the report and Mr McGrath answered a number of questions. The Committee welcomed the report and the recommendations were unanimously agreed. It was also agreed that an additional recommendation be included in the final report, asking that the Council write to the Scottish Government stressing the importance of the Scottish Borders getting a disproportionate share of the 'Gainshare' uplift in Broadband connections, as this was supposed to add to the 'coverage' from the core funding. It was agreed that a report on the outcome of the review be presented to Executive Committee on 4 December 2018.

##### **DECISION:**

##### **AGREED to:-**

- (a) include an additional recommendation in the DSSB review report; and**
- (b) present a report on the outcome of the review to the Executive Committee on 4 December 2018**

*The meeting concluded at 12.45 pm*