

SCOTTISH BORDERS COUNCIL AUDIT AND SCRUTINY COMMITTEE

MINUTE of Meeting of the AUDIT AND
SCRUTINY COMMITTEE held in Committee
Rooms 2 and 3 on Monday 13 May 2019 at
10.15am

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

Apologies:- Councillors K. Chapman, S. Hamilton, E. Thornton-Nicol
In Attendance:- Chief Financial Officer, Chief Officer Audit and Risk, Mr G Samson - Audit Scotland, Principal Internal Auditor, Clerk to the Council, Trainee Democratic Services Officer

AUDIT & SCRUTINY BUSINESS

1. **MINUTE**

There had been circulated copies of the Minute held on 18 April 2019.

DECISION

APPROVED for signature by the Chairman.

2. **ACTION TRACKER**

With reference to paragraph 7 of the Minute of 18 April 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. With regard to Risk Management Services, it was agreed that the Clerk to the Council would add this item to the programme for Members Briefings. Ms Stacey advised that any progress on the Petition for speed bumps in Langlee Drive would be added to the action tracker and that following today's meeting, any items marked as completed, would be removed from the Action Tracker.

DECISION

(a) NOTED the Action Tracker; and

(b) AGREED that Risk Management Services be added to the Members Briefing programme

AUDIT BUSINESS

3. **PROPERTY AND ESTATE ASSURANCE**

There had been circulated copies of a report by the Service Director Assets and Infrastructure which provided a summary update on the various matters which had implications for the Council's operational property portfolio. The report fulfilled a request on the Action Tracker, agreed at the meeting on 26 June 2018, for further information now included in the report. Specifically, the report provided details of Scottish Borders Council's response, instructions or works which had been undertaken, primarily in response to concerns raised following several specific and tragic events which had occurred nationally. The report noted, that in light of these recent events, Scottish Government had indicated that irrespective of the contractual procurement route, Local Authorities cannot abdicate responsibility for quality assurance and oversight with respect

to the construction and maintenance of operational properties and the potential future changes which would be enacted in law which had further future consequences for the Council and other third party construction works. The Chairman welcomed the Service Director Assets and Infrastructure, Mr Joyce who summarised the number of factual events and health and safety related incidents that had taken place over recent years nationally which by extrapolation had potential serious implications for the Council, and its partners, across operational property portfolios. Mr Joyce explained that the report primarily highlighted specific incidents, operational arrangements for property maintenance and the drinking water lead testing programme which had been undertaken. There had been a full discussion on the report and Mr Joyce responded fully to the questions raised by Members, in particular on whether the Council had storm damage insurance, the property maintenance contract and the lead water testing programme. Mr Robertson advised Members that the Council was not covered for storm damage. With regard to the property maintenance contract, Mr Joyce explained that any issues or concerns raised through the routine and cyclic planned maintenance were dealt with through the property and estates section. Any buildings that were included within the handback criteria, the Council would ensure that the buildings were at an acceptable standard at the end of the 5 year lifecycle maintenance contract. Mr Joyce further explained that the drinking water testing programme had been carried out in schools with high levels of lead found in Ednam Primary School, following which immediate steps had been taken to relocate the children to Broomlands Primary School. In response to a question from Ms Barnett on the communication process to those affected by the drinking water, Mr Joyce advised that communication went out through the schools to Parent Councils with advice given to contact their own GP, if anyone had concerns. A further question was raised on if the water testing rollout would be carried out in village halls and old people's homes and Mr Joyce confirmed that the current testing schedule was currently for schools and old people's homes and a further programme would be scheduled within other properties. Ms Stacey advised Members that all areas of risk around property and asset maintenance would be included in the Internal Audit Plan for 2019/20 which would allow the testing programme to be part of the Internal Audit review and would also include the corporate landlord operational process. The Chairman thanked Mr Joyce and his team for all the work currently being carried out within this programme.

DECISION

NOTED:-

- (a) the contents of the report;**
- (b) that Officers would continue to ensure that appropriate systems and processes were in place to manage and mitigate risk wherever possible in respect of the Council's operational estate; and**
- (c) there may be further implications for the Council as further likely legislative changes were implemented**

4. LOCAL GOVERNMENT CHALLENGES AND PERFORMANCE 2019

There had been circulated copies of a national performance report by Audit Scotland of relevance to Local Government on "Local Government Challenges and Performance 2019" published on 21 March 2019 designed to share best practice and lessons learned, which sets out recommendations and included a scrutiny toolkit for Councillors. The report also included the highest standards of governance and financial stewardship the Council was expected to achieve, value for money on how resources were used and the services provided. Ms Stacey summarised the national report and highlighted the best practices to be sighted and officers were to be more focussed around the challenges at a national level and considered the recommendations highlighted within the report to continue to improve the outcomes for communities and to be open to transformational change and would implement new ways of working. Ms Stacey explained that the Council

had significant elements to resolve through the Transformation Programme going forward with arrangements in place to support changes going forward. To reduce budgets through long term financial planning which would be included in the internal audit programme. The key elements around the importance of decision making and to ensure elected Members understand the different impacts and options being presented through the use of benchmarking and experiences to evaluate all the options. With regard to workforce planning, work had been carried out through the workforce framework recognising the Council's effective arrangements and work would continue to ensure ongoing alignment with financial and workforce planning along with the skill sets on what we have now and what we would need in the future. Work on performance management had been carried out with data submitted through the local government framework to potentially look at the performance management aspect which showed the indicators and highlighted policy decisions. The Chief Financial Officer, Mr Robertson advised that the report was very helpful specifically regarding financial planning and was a useful tool to adopt for budget setting and to ensure a 5 year plan was in place adopting a longer term financial framework. The Chairman asked that Audit Scotland were to be informed that it was a very good report but to also state that the graphics in Exhibit 4 were too compressed and it would be valuable to represent some of the data more clearly. Mr Samson from Audit Scotland would feed this back. It was also agreed that this report would be sent for the attention of all Members along with a briefing note from the Chair. In response to Members' concerns on child poverty information in the Borders, Mr Robertson advised that a question would be raised to the Chief Executive on when the Council and NHS would produce a report on child poverty to Council.

**DECISION
AGREED:-**

(a) a briefing note be sent out to Members; and

(b) to ask the Chief Executive to arrange a briefing note on the NHS/SBC joint performance report for Council

5. INTERNAL AUDIT WORK TO MARCH 2019

With reference to paragraph 6 of the Minute of 11 March 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 24 February to 31 March 2019 was detailed in the report. During the period, a total of 4 Final Internal Audit reports had been issued with no recommendations. 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) included the production of this report to communicate the results of the reviews. Further information on the work of Scottish Local Authorities Chief Internal Auditors Group (SLACIAG), which was the professional networking group for the Councils' Heads of Internal Audit, is shown in Appendix 2 to this report. Ms Stacey highlighted some aspects of the final assurance reports issued and reference was made to each of the Internal Audit Final Assurance Reports detailed in the Appendix to the report: Asset Registers; Corporate Transformation; Financial Governance (Business World ERP system); and Revenues (Council Tax and NDR). Ms Stacey reported that the review on the Business World ERP system had been the most significant piece of work carried out on the integration of four audits as part of the Financial Governance assurance work related to the workstreams: Procure to Pay; Sales to Cash; Payroll and Record to Report and the core systems covering Finance, Procurement and HR. Internal Audit would continue to

monitor and review progress in 2019/20 on the three remaining recommendations which were work in progress to address risks, issues and concerns.

DECISION:-

- (a) NOTED the final assurance reports issued in the period from 24 February to 31 March 2019 associated with the delivery of the approved Internal Audit Annual Plan 2018/19; 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**

6. RISK MANAGEMENT ANNUAL REPORT 2018/19

With reference to paragraph 6 of the Minute of 14 May 2018, there had been circulated copies of 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 2018/19. 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. Compliance with the principles of sound Corporate Government required the Council to adopt a coherent approach to the management of risks and more assured risk management would bring benefits to the Council and the people it serves. 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. The Council continues to refine its approach to Risk Management and embed the key aspects into the management practices of the Council, as shown within this report and outlines progress made during 2018/19. Ms Stacey summarised the activity throughout the year as detailed in the report. The standard risk management process with risk registers at Corporate and Service levels had been uploaded to Pentana, the Council's performance management system. Risk registers had been developed for all service areas. The presentations carried out by Service Directors highlighted a good understanding of the process around risk review with resources working with Management in terms of risk review activity and the management of risks and how this was built into current practices. Ms Stacey advised that the systems fundamentally were in place to review all risk registers and the arrangements should be proportionate and be practicable in terms of the implementation going forward. In response to Members request, it was agreed that a schedule would be drawn up for Service Directors to attend Committee to provide an insight on specific risks, though Members would liaise with Service Directors in advance of their attendance to set the focus for their risk management presentations on specific risks.

DECISION

AGREED:-

- (a) with the arrangements for managing risks at the Council to ensure their ongoing effectiveness in support of the Council's risk management policy and strategy; and**
- (b) that further action was required to schedule Service Directors to attend this Committee to provide an insight on specific risks**

7. COUNTER FRAUD ANNUAL REPORT 2018/19

With reference to paragraph 7 of the Minute of 14 May 2019, 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 during the year to 31 March 2019. The Council was committed to minimising the risk of loss due to fraud, theft or corruption and to take appropriate action against those who attempt to defraud the Council, whether from within the authority or from outside. The report explained that in 2018 there had been a revised Counter Fraud Policy Statement and a 3-year Counter Fraud Strategy endorsed by this Committee and approved by Council to continue to refine its approach to tackle fraud with a focus on prevention and detection and promotion of anti-fraud culture across the Council, taking account of reduced resources. It was noted that this was the first report on progress presented to Audit and Scrutiny Committee. The report advised on the assurances about the effectiveness of the Council's existing systems and arrangements for the prevention, detection and investigation of fraud would be taken from the results in the Annual Fraud Report 2018/19 contained within this report. Ms Stacey advised that the report outlined the activity undertaken throughout the year and that work had been carried out with Service Managers to establish a counter fraud culture as fundamental to ensure effective response to fraud, theft, corruption or crime and the leadership part played by Corporate Management Team and Senior Manager was key to established counter fraud behaviour within the organisation, its partners, suppliers and customers. A Corporate Fraud Steering Group had been set up for senior management as a forum to assess any issues and learn from any incidents that had occurred and to enhance working practices. There was a full discussion and officers responded to questions raised by Members, in particular to the figures highlighted in the report for on-line training modules and to ascertain why it was only compulsory for new starts. It was recommended that clarification on the criteria for the fraud on-line training module would be submitted to the Corporate Fraud Steering Group. Ms Stacey went on to highlight that there was guidance on the intranet on counter fraud policy and strategy.

DECISION

(a) AGREED:-

- (i) that the Corporate Fraud Steering Group reassess the personnel for the mandatory on-line training module to improve completion based on risk; and**
- (ii) that the counter fraud work undertaken in support of the Council's counter fraud policy and strategy be considered**

(b) NOTED the content of the Counter Fraud Annual Report 2018/19 outlined the outcomes

8. INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2018/19

With reference to paragraph 8 of the Minute of 14 May 2018, 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 2019, 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. Ms Stacey,

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 knowledge, the systems of internal control, governance and risk management were operating satisfactorily. The Chief Officer Audit and Risk's Annual Report for 2018/19 had been used to inform the Chief Executive's Annual Governance Statement 2018/19. Ms Stacey highlighted the main points of the report to comply with Public Sector Internal Audit Standards and advised that quality self-assessment confirmed conformance with PSIAS with the actions reviewed on the quality improvements to be carried out. 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. Ms Stacey advised that, due to a recent appointment, the internal audit function was now at full establishment and staff would continue to progress through a performance, review and development (PRD) process to ensure appropriate skills and knowledge and personal learning plans were in place and the workforce within the team would be managed appropriately. With regard to the discussion on 'critical friend', Ms Stacey confirmed that there was a clear distinction on the role of internal audit staff and that they were only involved to ask challenging questions, give constructive advice and ensure that a clear balance was maintained.

DECISION

(a) NOTED the Internal Audit Annual Assurance Report for 2018/19; and

(b) AGREED that the Internal Audit Annual Report for 2018/19 be published on the Council's website

9. **SCOTTISH BORDERS COUNCIL ANNUAL GOVERNANCE STATEMENT 2018/19**
- With reference to paragraph 9 of the Minute of 14 May 2018, 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 2018/19. 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. The Annual Governance Statement 2018/19 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. The Chief Financial Officer, Mr Robertson reported that 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. With regard to recognised responsibilities, Mr Robertson explained that it was the overall aim to ensure that resources were directed in accordance with agreed policy and properly executed. There were defined seven core principles set out by governance and assessment had shown how compliance had been applied. The Council's Local Code of Corporate Governance was reviewed and showed to be consistent with the principles and recommendations of the Framework. Mr Robertson highlighted the challenges in the development of new technology and expectations were ambitious in the Council's change programmes but were efficient and effective on the deliverability of services. With regard to the Corporate Landlord contracts, Mr Robertson advised contracts were now in place and ongoing arrangements in performance management and complaints handling procedures were also in place. In response to a question on staff performance, Mr Robertson advised that staff performance was

undertaken through the PRD scheme. Ms Stacey also reported that work would be carried out through the Council's HR team on the development of the process under the Fit for 2024 competency framework. The Chairman highlighted that the framework for good governance was explained in the Appendix to the report and thanked Mr Robertson for presenting the report on the Chief Executive's behalf.

DECISION

- (a) **NOTED the details of the Annual Governance Statement 2017/18 as detailed in Appendix 1 to the report and acknowledged the actions identified by Management to improve internal controls and governance arrangements; and**
- (b) **AGREED that it be published in the Council's Statement of Accounts 2018/19**

SCRUTINY BUSINESS

10. PRIVATE BUSINESS

AGREED under Section 50A(4) of the Local Government (Scotland) Act 1973 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in the relevant paragraphs of Part 1 of Schedule 7A to the aforementioned Act.

11. MINUTE

The private Minute of the meeting held on 18 April 2019 was approved. The Chairman requested that the decision, as detailed below, from this Minute be copied into the public minute.

DECISION

AGREED:-

- (a) **to note the update on the work underway as part of the CGI contract; and**
- (b) **that a further report be brought to the Audit and Scrutiny Committee in a year's time, demonstrating the progress made with the CGI Contract against the targets based on the original business case, the timescales and the anticipated financial savings**

The meeting concluded at 12.35pm