Public Document Pack

Scottish Borders COUNCIL

AUDIT COMMITTEE
MONDAY, 20 MAY 2024

A MEETING of the AUDIT COMMITTEE will be held in the VIA MICROSOFT TEAMS on

MONDAY, 20 MAY 2024 at 10.00 am

All attendees, including members of the public, should note that the public business in this meeting will be livestreamed and video recorded and that recording will be available thereafter for public view for 180 days.

N. MCKINLAY,
Director Corporate Governance,

10 May 2024

	BUSINESS		
1.	**Apologies for Absence**		
2.	**Order of Business**		
3.	**Declarations of Interest**		
4.	**Minute**		5 mins
	(a) **Minute - 11 March 2024** Consider Minute of the Meeting held on 11 March 2024 for approval and signature by the Chair. (Copy attached.)	(Pages 3 - 8)	
	(b) **Audit Committee Action Tracker** Consider update on Audit Committee actions. (Copy attached.)	(Pages 9 - 10)	
5.	**Director Risk Management Presentation** Consider presentation on corporate risks by Chief Executive.		30 mins
6.	**Risk Management Annual Report 2023-24** (Pages 11 - 26) Consider report by Chief Officer Audit and Risk. (Copy attached.)		15 mins
7.	**Internal Audit Work to March 2024** (Pages 27 - 40) Consider report by Chief Officer Audit and Risk. (Copy attached.)		15 mins
8.	**SLACIAG Annual Report 2023** (Pages 41 - 50) Consider report by Chief Officer Audit and Risk. (Copy attached.)		10 mins

9.	**Progress on Implementation of External Audit Recommendations 2022-23** (Pages 51 - 60) Consider report by Director Finance and Procurement. (Copy attached.)	15 mins
10.	**Internal Audit Annual Assurance Report 2023-24** (Pages 61 - 74) Consider report by Chief Officer Audit and Risk. (Copy attached.)	10 mins
11.	**Counter Fraud Annual Report 2023-24** (Pages 75 - 84) Consider report by Chief Officer Audit and Risk. (Copy attached.)	10 mins
12.	**Audit Committee Annual Report 2023-24 and Annual Self-Evaluation** (Pages 85 - 108) Consider report by Chair of the Audit Committee. (Copy attached.)	15 mins
13.	**Proposed Schedule for Audit Committee Development Sessions 2024-25** (Pages 109 - 112) Consider report by Chief Officer Audit and Risk. (Copy attached.)	5 mins
14.	**Any Other Items Previously Circulated**	
15.	**Any Other Items which the Chair 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 E. Thornton-Nicol (Chair), N. Richards (Vice-Chair), J. Anderson, J. Cox, M. Douglas, J. PatonDay, E. Robson, S. Scott, F. Sinclair and Mr P. Whitfield

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SCOTTISH BORDERS COUNCIL
AUDIT COMMITTEE

MINUTES of Meeting of the AUDIT COMMITTEE held in via Microsoft Teams on Monday, 11 March 2024 at 10.00 am

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Present:-   Councillors E. Thornton-Nicol (Chair), N. Richards (Vice-Chair), J. Anderson, J. Cox, M. Douglas, E. Robson, S. Scott and Mr P. Whitfield

Apologies:-   Councillor Paton-Day

In Attendance:-   Chief Executive, Director Corporate Governance, Chief Officer Audit and Risk, Chief Officer Finance and Procurement Services (L. Turner), Corporate Risk Officer (E. Elder), Principal Internal Auditor (S. Pow), Senior Internal Auditor (K. Culley), Internal Auditor (D. Cockburn), Ms J. Law (Audit Scotland) and Democratic Services Officer (L. Cuerden).

1.   **MINUTE**
       There had been circulated copies of the Minute of the Meeting held on 12 February 2024.

       DECISION
       AGREED to approve the Minute for signature by the Chair.

2.   **AUDIT COMMITTEE ACTION TRACKER**
       There had been circulated copies of the Audit Committee Action Tracker. It was noted that the closed actions marked in green would be removed from the Tracker and that the status of the remaining actions were ongoing.

       DECISION
       NOTED the action tracker.

3.   **DIRECTOR RISK MANAGEMENT PRESENTATION**
3.1   There had been circulated copies of a presentation by Nuala McKinlay, Director Corporate Governance, the purpose of which was to inform Members on Corporate and Service risk management for which she was the designated risk owner and to summarise the various responsibilities of the Directorate. Mrs McKinlay presented some highlights of the presentation. A chart of the service structure within Corporate Governance was shared. There was to be a new Democratic Services Manager in post in May 2024. A chart of Corporate risks and their RAG status was shared. Health & Safety (H&S) Compliance was shown as red and a number of activities to address this was detailed in additional slides. It was anticipated that by the next review, the RAG status was expected to be amber. The internal control around CMT agenda regularly including H&S updates had raised the profile of H&S issues and prompted action to be taken to address any red risks. A chart of Corporate risk in relation to legislative compliance and its RAG status was shared, currently at amber. The spike in the trend was attributed to SBC's loss in the Court of Session regarding the challenge to the closure of Hawick Day Services. In response to that, a project had been created to improve the understanding and use of Equalities Impact Assessments within Scottish Borders Council. The now completed programme had produced a suite of documents, allied with Champions to support colleagues in their role and responsibilities, all of which had reduced the impact/likelihood score of the Corporate risk. Mrs McKinlay reported that most of the internal controls concerned with legislative compliance were fully effective. Mandatory training was

highlighted as being partially effective and there had been recent significant improvement in this area since 23 December 2023 and was expected to be fully effective by the next risk review meeting. A chart of Service Risks Registers overseen by Director Corporate Governance, and their RAG status was shared. The five risks from the Legal/ Licensing Service were detailed and at amber status. The Health & Safety Service risks were shared, with two at amber and two at green status, one of which was highlighted as Recruitment and Retention. Of the seven risks from Protective Services six were detailed and at amber status, and one at red. Previously, Staff Skills and Knowledge had been red due to the national shortage of Environmental Health and Trading Standards Officers. Notwithstanding, Protective Services were now at the point of being almost fully staffed. The new risk, identified in January 2024, of 'New Legislative Requirements' and its red status was attributed to the significant amount of legislation that had been or was about to be passed by both Parliaments. Mitigating actions were now in place and to be given time to take effect and reduce the risk to amber/green. The five Service risks from the Assessor and Electoral Registration Officer were shared with the majority at amber or green status. One red risk, 'Electoral Registration Canvassers' related to the ability to carry out the annual canvas. New permanent posts had been created to address issues around the use of zero-hours contracts and a reduction in risk level was anticipated. A new risk register for Democratic Services was currently in development. It was confirmed that next Corporate Health & Safety Risk review was due take place on 14 March 2024. Concern was expressed at CGI's responsibility for both the prevention of data breaches and the auditing of them. Mrs McKinlay pointed out that CGI had responsibility for systems security. Scottish Borders Council officers, the Council Management Team and herself had responsibility around data breaches and the reporting of those issues and SBC was required to be reaccredited annually for the Public Services Network and was assessed and audited by the Cabinet Office. In relation to mandatory training, concern was expressed at the level of Information Management Training, which sat at 60% and how this was to be addressed.   Information Management Training was an annual occurrence and the 60% was to include staff who had completed it last year but were still to complete if for the current year. It was acknowledged that the course was a considerable undertaking and there was the intention to create more proportionate training better tailored to staff roles and responsibilities. Recent changes to Business World system also afforded managers an opportunity to check on the progress of mandatory training within their teams.

DECISION
NOTED the presentation.

4. **FOLLOW-UP REVIEW 2023-24 OF COMPLETED INTERNAL AUDIT RECOMMENDATIONS**
There had been circulated a report by Chief Officer Audit & Risk, the purpose of which was to provide an update to the Audit Committee on the results of the Follow-Up Review which included a sample check on the adequacy of new internal controls for Internal Audit Recommendations marked as completed by Management in the period January to December 2023. Ms Stacey reported satisfactory evidence in all cases around improvement action undertaken. Further checks throughout 2024 were to take place to ensure improvement actions were sustained. There was a request for contextualisation in terms of the number of actions/recommendations completed or still outstanding. Ms Stacey reported that there was to be a routine summary of all recommendations made and their status as part of the annual assurance report to be presented to the next meeting of the Audit Committee.

DECISION
AGREED TO:-

a) **Acknowledge the results of the spot check on Internal Audit recommendations that had been marked as completed by Management in**

the period January to December 2023 to improve internal controls and governance, and mitigate risks;

b) **Confirm that it was satisfied with the outcomes and note that further action was required; and**

c) **Note that Internal Audit was to continue to monitor the completion of recommendations and was to provide update reports to this Committee.**

5.   **EXTERNAL AUDIT PLAN 2023-24 FOR THE COUNCIL**
There had been circulated copies of the Scottish Borders Council Draft Annual Audit Plan 2023/24. John Boyd, Audit Scotland, presented the draft plan, the purpose of which was to summarise the work plan for the 2023/24 audit for the Council. The main elements of the Audit was to include: an audit of the financial statements and opinion on whether they gave a true and fair view and were free from material misstatement; an audit opinion on other statutory information published with the financial statements in the annual accounts; consideration of arrangements in relation to wider scope areas; consideration of Best Value arrangements; an assurance on the Housing Benefit Subsidy Claim, Non-Domestic Rates Return and the Whole of Government Accounts return; a review of Scottish Borders Council's arrangements for preparing and publishing statutory performance information; and the provision of an Independent Auditor's Report that expressed Auditor opinions on the different elements of the annual accounts and an Annual Audit Report setting out conclusions on the wider scope areas. Mr Boyd spoke of the Financial Statements Audit where a risk-based approach was adopted. Mr Boyd highlighted a reporting threshold of £435k at which point SBC were to be made aware. There had been two areas of significant risk identified: a presumed risk of fraud through management override; and a risk attached to the estimation of land and buildings. In relation to wider audit reporting, there was to be consideration of financial management, financial sustainability, vision, leadership and governance, and use of resources to improve outcomes. The plan identified one area of significant risk around financial sustainability on which the audit was to focus. As a requirement of the audit, a key theme had been identified this year around workforce innovation and management. It was the intention to complete all audit work by 30 September 2024 in line with statutory timescales. Concern was expressed at the lack of dates in the timeline this year; work continued with officers to identify firm dates in relation to Audit Committee meeting dates.
The 6.5% increase in fees was driven by the underlying base rates charged by the auditor appointments contract and aimed to be truly reflective of the cost base. With regards to the pooled costs of £9,753, Mr Boyd agreed to bring further information back to the Committee on its key components. There was a request to arrange a meeting without officers of the external auditors and Members of the Audit Committee for the purposes of self-assessment. In response to a question about the scope for an expectation of work hours/days to carry out an audit of SBC within a stable control environment, Mr Boyd stated that a minimum level of audit work was necessary for any local government audit and directed Members to the audit plan for 2023/24 where other areas of risk had been identified as requiring further resource in addition to the routine internal control environment.   SBC Chief Executive David Robertson raised a question about the auditing of the Health & Social Care IJB and the impact that the NHS/SBC partnership was to have on the SBC audit and overall financial sustainability. Additionally, the SBC strategic review of Live Borders that was underway was also to have implications for the audit. Mr Boyd responded that as external auditor for the IJB, SBC and NHS Borders, he was afforded a wider view across all partners, their interdependency and the key risks. With regards to Live Borders, this was not identified as a specific risk but was to be an area of focus to ensure best value. The Chair proposed that the draft plan be agreed in principle on the understanding that Members were provided with key dates for the timeline as soon as possible.

DECISION

AGREED

(a)   the draft plan in principle on the understanding that Members were provided with key dates for the timeline as soon as possible;

(b)   to arrange a meeting without officers of the external auditors and Members of the Audit Committee for the purposes of self-assessment; and

(c)   that Mr Boyd was to bring further information back to the Committee on the key components of the pooled costs.

6.   **EXTERNAL AUDIT PLAN 2023-24 FOR THE PENSION FUND**
There had been circulated copies of the Scottish Borders Council Pension Fund Draft Annual Audit Plan 2023/24. John Boyd presented the report, the purpose of which was to summarise the work plan for the 2023/24 audit for the Pension Fund. The main elements of the Audit was to include: an audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement; an audit opinion on other statutory information published with the financial statements in the annual accounts, including the Performance Report, the Annual Governance Statement, and the Governance Compliance Statement; consideration of arrangements in relation to wider scope areas; and provision of an Independent Auditor's Report expressing my opinions on the different elements of the annual accounts and an Annual Audit Report setting out conclusions on the wide scope areas. The draft plan had already been circulated to and considered at the joint meeting of the SBC Pension Committee and the Pension Board on 4 March 2024 and timeline dates were noted. SBC Chief Executive highlighted SBC's recent reaccreditation to the Stewardship Code and internal communications were to be arranged to promote this, which was also to be raised at the March 2024 meeting of SBC.

DECISION
NOTED the draft SBC Pension Fund Annual Audit Plan 2023/24.

7.   **INTERNAL AUDIT CHARTER**
There had been circulated copies of a report by Chief Officer Audit & Risk, the purpose of which was to provide the Audit Committee with the updated Internal Audit Charter for approval, in accordance with the Public Sector Internal Audit Standards (PSIAS), that defined the terms of reference for the Internal Audit function to carry out its role to enable the Chief Audit Executive to prepare the annual Internal Audit opinions on the adequacy of each organisation's overall control environment. Appendix 1 detailed the Internal Audit Charter which: established the Internal Audit function's position within the organisation, including the nature of the Chief Audit Executive's functional reporting relationship with the board; authorised access to records, personnel and physical properties relevant to the performance of engagements; and defined the scope of Internal Audit activities. Ms Stacey highlighted a summary of changes to the Internal Audit Charter in paragraph 4.3 of the cover report since it was last approved in March 2023.

DECISION
AGREED to:
a)   **Note the changes to the Internal Audit Charter outlined in section 4 of this report in conformance with PSIAS;**

b)   **Approve the updated Internal Audit Charter, as shown in Appendix 1 to this report; and**

c)   **Note that the Internal Audit Charter will be reviewed annually.**

8. **INTERNAL AUDIT STRATEGY AND ANNUAL PLAN**
    There had been circulated copies of a report by Chief Officer Audit & Risk, the purpose of which was to gain approval for the proposed Internal Audit Strategy and Internal Audit Annual Plan 2024/25 that was to enable the Chief Audit Executive (CAE) to prepare annual opinions on the adequacy of the overall control environment for Scottish Borders Council (SBC), Scottish Borders Pension Fund (PF), and Scottish Borders Health and Social Care Integration Joint Board (IJB). Paragraph 4.1 of the cover report outlined a summary of key standards within the PSIAS which related to Managing the Internal Audit Activity.   Appendix 1 detailed the strategic direction for how Internal Audit was to achieve its objectives as per the Internal Audit Charter and listed the strategy objectives along with the assurance framework and details on the monitoring and reporting of the Internal Audit work. Appendix 2 contained the Internal Audit Plan 2024/25 which set out the range and breadth of audit activity and sufficient work within the audit programme of work to enable the CAE to prepare an Internal Audit annual opinions for SBC, PF, and IJB.
    Scott Pow, Principal Internal Auditor, provided a brief summary of planned developments over the next year in relation to data analytics and the effective use of data held by SBC in the internal audit process with the aid of new software. It was confirmed that Live Borders was included in the planned review of strategic contracts and the associated risk management framework was in development with Director Resilient Communities. There was to be a meeting of the Health & Social Care IJB Audit Committee on 18 March 2024 to which a separate Internal Audit Plan for the IJB, based on the IJB Strategic Risk Register, was to be presented. In response to a question about oversight of IJB audit reports by SBC and the Audit Committee, Ms Stacey confirmed that appropriate governance routes were followed and Elected Members were able to access all IJB Audit Committee Plans and reports via the Health & Social Care IJB Audit Committee section of Modern.Gov.   Members could also be signposted offline to reports and plans and were to contact Ms Stacey. In relation to Education, it was confirmed that all of a school's financial and business administration processes were audited: school fund; devolved school management funds; pupil equity fund (PEF); inventories; and petty cash. Ms Stacey confirmed that there was a framework for ensuring the 'audit universe' was in place and was used to inform discussions with Directors across SBC and the Council Management Team on the proposed timing of Internal Audit reviews over a 5-year period based on risk and cyclical review.

    DECSION
    AGREED to:
    a) **Endorse the Internal Audit staff resources needed to deliver the Internal Audit Strategy and Annual Plans;**

    b) **Approve the Internal Audit Strategy (Appendix 1); and**

    c) **Approve the Internal Audit Annual Plan 2024/25 (Appendix 2).**

The meeting concluded at 12:05 pm.

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ACTION TRACKER

SCOTTISH BORDERS COUNCIL AUDIT COMMITTEE 2023/24

Notes:-
1. Paragraphs Marked with a * require full Council approval before action can be taken
2. Items for which no actions are required are not included

TITLE	DECISION REQUIRING ACTION	DIRECTORATE/ SECTION	RESPONSIBLE OFFICER	STATUS
13 March 2023				
Director Risk Management Presentation	**AGREED that the Director Infrastructure and Environment would bring back an update on service risks following the establishment of the Project Programme Management Office (PMO).**	Infrastructure and Environment	John Curry	*Role of Capital PMO included as topic within Audit Committee Development Sessions 2024/25 – Audit Committee 20 May 2024.* *Complete*
10 May 2023				
Progress Update on LDS Financial Management Recommendation	**AGREED:** **(i) To pursue a joint IJB/SBC audit committee review of the LDS progress on the financial management recommendations by May 2024; and,** **(ii) To recommend to the Integration Joint Board Audit Committee to look at Best Value of the service to ensure it is operating accordingly**	Health & Social Care IJB	Chris Myers / Simon Burt	*IJB agreed to a wider budget review at its extraordinary meeting on 17 April 2024.* *Complete*
Counter Fraud Annual Report 2022-23	**AGREED that the Chief Officer Audit and Risk would present to the Committee, after the counter fraud maturity assessment, a report on counter fraud effectiveness.**	Audit & Risk	Jill Stacey	*Integrity Group conducted the counter fraud maturity assessment during 2023/24 and outcomes stated within Counter Fraud Annual Report 2023/24 - Audit Committee on 20 May 2024.* *Complete*
25 September 2023				
External Audit Annual Audit Reports 2022/23	**AGREED to request updates from the Director – Finance and Procurement on progress against the agreed actions in the Action Plans from within the SBC 2022/23 Annual Audit Report and the Best Value thematic report.**	Finance	Suzy Douglas	*Update report to Audit Committee on 20 May 2024, noting that many of the agreed actions in the Action Plans have an agreed completion date of 31 March 2024.* *Complete*

TITLE	DECISION REQUIRING ACTION	DIRECTORATE/ SECTION	RESPONSIBLE OFFICER	STATUS
12 February 2024				
Committee Membership	**The Chair indicated that the recruitment process for a new external member of the Audit Committee was to get underway, following the resignation of one of the external members.**	Audit & Risk	Jill Stacey	Advert being prepared for publication on myjobscotland recruitment portal.
Draft Treasury Management and Investment Strategy 2024-25	**AGREED that a training session be organised for Members on the difference between IFRS 16 and UK GAAP.**	Finance	Suzy Douglas	*Included as topic within Audit Committee Development Sessions 2024/25 – Audit Committee 20 May 2024.* *Complete*
Internal Audit Work to December 2023	**AGREED to draw to the attention of the Education Sub-Committee the report on revised attendance policy.**	Audit & Risk	Jill Stacey / Chair of Audit Committee	*Education Sub-Committee meeting 23 April 2024 – JS notified Cllr Leagh Douglas (chair) on behalf of Chair of AC on 5 April 2024.* *Complete*
11 March 2024				
External Audit Plan 2023-24 for the Council	**AGREED** **(a) the draft plan in principle on the understanding that Members were provided with key dates for the timeline as soon as possible;** **(b) to arrange a meeting without officers of the external auditors and Members of the Audit Committee for the purposes of self-assessment; and** **(c) that Mr Boyd was to bring further information back to the Committee on the key components of the pooled costs.**		External Auditor, Audit Scotland	*(a) Provided to officers 18 March and distributed to Audit Committee members 29 March 2024 - Complete*

RISK MANAGEMENT ANNUAL REPORT 2023/24

Report by Chief Officer Audit & Risk

AUDIT COMMITTEE

20 May 2024

1   PURPOSE AND SUMMARY

1.1 **The purpose of this report is to provide Members with an overview of Scottish Borders Council's responsibilities in respect of risk management and an update on the risk management activity during 2023/24 for assurance purposes.**

1.2 Effective Risk Management is one of the foundations of effective Corporate Governance as recognised in the Council's Local Code of Corporate Governance. Compliance with the principles of sound Corporate Governance requires the Council to adopt a coherent approach to the management of risks that it faces every day. Better and more assured risk management will bring many benefits to the Council and the people it serves.

1.3 Management have the primary responsibility to systematically identify, analyse, evaluate, control and monitor risks to the achievement of the Council's objectives. Internal Audit is required to give independent assurance on the effectiveness of all internal controls and other arrangements put in place by Management to manage risk. Part of the Audit Committee's role is to have oversight of the adequacy and effectiveness of the Council's Risk Management systems and associated internal control environment.

1.4 In 2021, a revised Risk Management Policy statement and a 3-year Risk Management Strategy were endorsed by this Committee and approved by the Council to enable the Council to refine its approach to managing risks and embed these key aspects into the management practices of the Council. Risk Management activity during the year, in line with the Policy and Strategy, is outlined in this annual report.

2   RECOMMENDATIONS

2.1 **I recommend that the Audit Committee:**

a) **Acknowledges that it is satisfied with the arrangements for managing risks at the Council in support of the Council's Risk Management Policy and Strategy;**

b) **Notes the content of the Corporate Risk Register, contained within Appendix One, as at Quarter Four 2023/24 and;**

c) **Acknowledges the outcome of the Risk Management Maturity Assessment and notes that an Improvement Plan has been developed for implementation in 2024/25.**

3   BACKGROUND

3.1   Effective Risk Management is one of the foundations of effective Corporate Governance as stated in the Council's Local Code of Corporate Governance (approved by Council at its meeting on 30 March 2023). Compliance with the principles of sound corporate governance requires the Council to adopt a coherent approach to the management of the risks that it faces every day. Common sense serves to underline the message that better and more assured risk management will bring many benefits to the Council and the people it serves.

3.2   The Roles and Responsibilities are set out in the Council's Risk Management Policy. Management have the primary responsibility to systematically identify, analyse, evaluate, control and monitor risks that potentially endanger or have a detrimental effect upon the achievement of the Council's objectives and its people, property, reputation and financial stability whether through core service delivery or through a programme of change. Management continue to be supported by the Corporate Risk Officer to apply the risk management process with risk registers at Corporate and Service levels that are then uploaded to Ideagen (previously Pentana), the Council's performance and risk management system.

3.3   The Risk Management Strategy 2021-2024 states that risk registers should be reviewed on a proportionate basis to ensure effective monitoring of current risks and mitigating actions. As such Corporate and Red risks should be reviewed at least quarterly, Amber risks bi-annually and Green risks at least annually. This also presents an opportunity to add newly identified risks or archive risks which are no longer relevant.

3.4   Internal Audit is required to give independent assurance on the effectiveness of all internal controls and other arrangements put in place by Management to manage risk, and to make recommendations designed to improve the management and mitigation of risks, in particular where there is exposure to significant financial, strategic, reputational and operational risks to the achievement of the Council's objectives.

3.5   Part of the Audit Committee's role is to have oversight of the adequacy and effectiveness of the Council's Risk Management systems and associated internal control environment. The Audit Committee Annual Report 2022/23 (presented to Council at its meeting on 25 May 2023, by the Chair of the Audit Committee) contained the following improvement action to strengthen its development as a fully effective Audit Committee: "Support Management proposals to implement risk management benchmarking to enable the Committee to fully assess effectiveness of risk management arrangements."

4   RISK MANAGEMENT ACTIVITY 2023/24

4.1   During 2023/24, Corporate Risks have received quarterly risk reviews, facilitated by the Corporate Risk Officer and a summary of these were presented to the Council Management Team (CMT) on a quarterly basis, in accordance with the Risk Management Strategy 2021-24 (See Appendix One for the Q4 2023/24 summary of the Corporate Risk Register). The presentation of the Corporate Risk Register forms part of a quarterly Risk Management Update Report which details wider activity progressed by the Corporate Risk Officer during each quarter and includes, as appropriate, reference to specific activity underway in relation to individual Corporate Risks. These quarterly reports are instrumental in aiding CMT to have effective oversight of the implementation of the Council's Risk Management Framework with a focus on risk mitigation actions, particularly those relating to Red rated risks. In addition, these quarterly Risk Management Update Reports and the underpinning summary of the Corporate Risk Register are now being disseminated to Senior Management Teams (SMTs) to increase knowledge and awareness of the Council's strategic risks and ongoing risk mitigation activity. It is envisaged that this approach will not only facilitate greater transparancy of risk reporting arrangements but will allow Service Risk Owners to see more clearly the linkages between the Council Plan, the Corporate Risk Register and Service Plans.

4.2   Building on the above, Directors have remained cognisant of any emerging threats to the achievement of both implicit and explicit Council objectives and have established mechanisms to strengthen current controls and identify new controls for existing risks, where appropriate. At times, emerging threats lead to the development of new Corporate Risks, whereby they are comprehensively mapped out, understood and then managed (through the identification of required controls and actions) to ensure that they remain within tolerable levels. During 2023/24, new Corporate Risks 034 "National Care Service Partnership" and 035 "External Providers of Sport, Leisure and Culture Services" were added to the Risk Register. Corporate Risk 034 was added to reflect the potential implications of Scottish Government's proposed National Care Service while the development of Corporate Risk 035 was informed by the Live Borders – Joint Strategic Review of Sports, Leisure and Cultural Services and Facilities Report (presented to Council at its meeting on 23 November 2023).

4.3   Furthermore, one of the key principles of effective Risk Management is proportionality and in this regard two notable changes have taken place during the year. Firstly, a decision was taken by CMT in December 2023 to align the review of the Corporate Risk Register with that of Service Risk Registers and as such Corporate Red Risks will be reviewed quarterly and Corporate Amber Risks will be reviewed bi-annually. This decision ensures that risks exceeding tolerable levels continue to be reviewed on a quarterly basis while acknowledging that there is often very little change to Amber risks within a quarter, given the lead times inherent in the implementation of strategic work to mitigate them. Secondly, it should be noted that reviews of Corporate Risk 019 "C&YP/Learner Placements" have taken place more frequently than the requirements set out in the Risk Management Strategy 2021-24. This is in response to its heightened risk score and the subsequent need to maintain a strong focus on this risk and more closely monitor the progress of enhanced mitigations as they are developed.

4.4 Similarly during 2023/24 the Corporate Risk Officer has facilitated risk reviews for all Service Risk Registers broadly in line with the Risk Management Strategy 2021-24 (Red risks quarterly, Amber risks bi-annually and Green risks at least annually), balancing this with Risk Owner availability and other competing priorities such as the refresh of the Pension Fund Risk Register and the undertaking of the Risk Management Maturity Assessment. An update on service risk review activity is also presented to CMT on a quarterly basis in the form of a Risk Tree. This details the date on which risks were last reviewed, the Red, Amber, Green (RAG) status of each and any notable information associated with individual risk registers, helping to enable greater CMT oversight of risk management activity at an operational level. The Quarter 4 2023/24 Risk Management Update Tree, presented to CMT on 8 May 2024, detailed that there were approximately 40 established Service Risks Registers, six new ones in development and 14 Programme and Partnership Risk Registers. An overview of Service Risk Registers were captured as part of the Directors Risk Management Presentations to Audit Committee during 2023/24.

4.5 Building on the above, the Corporate Risk Officer has continued to facilitate risk workshops and development sessions for several new Service, Programme and Partnership Risk Registers and to refresh existing ones on request by Management. This work is indicative of the ever-changing responsibilities, partnerships, projects and legislative dimensions to which the Council is exposed and both the threats and opportunities that arise as a result. It should be noted that the development of new risk registers takes substantially more time than it does to carry out reviews of established risk registers. The Corporate Risk Officer has also provided guidance and advice to Programme Managers to indirectly support them to develop other risk registers, providing feedback and scrutiny to ensure the consistent application of the Risk Management Policy and Strategy 2021-24, as risk registers are being developed.

4.6 The cycle of Director Risk Management Presentations to the Audit Committee continued during 2023/24. The Director Risk Management Presentations strongly focused on the strategic risks facing their respective service areas and the internal controls and governance in place to manage and mitigate those risks, demonstrating how risk management is embedded at both corporate and service levels. This approach provided an opportunity for the Members of the Audit Committee, as part of their oversight remit, to gain a fuller understanding of how Management are discharging their risk management responsibilities in practice and to assess the adequacy and effectiveness of the Council's risk management arrangements. It should be noted that during 2023/24 CMT has undergone a restructure and as a result the Directorate Finance & Corporate Governance was separated into two: Finance & Procurement and Corporate Governance. Finally, and in line with the dissemination of the Quarterly Risk Management Update Reports to SMTs, the Director Risk Management Presentations were also disseminated to SMTs during 2024, in response to feedback received and to aid greater transparency. The record of Director Risk Management Presentations is outlined below:

Director	Date of Presentation
Director Education & Lifelong Learning	12 December 2022
Chief Executive	13 February 2023
Director Infrastructure & Environment	13 March 2023
Director Social Work & Practice	10 May 2023
Director Strategic Commissioning & Partnerships	27 June 2023
Director Resilient Communities	25 September 2023
Director People, Performance & Change	13 November 2023
Director Finance & Procurement	12 February 2024
Director Corporate Governance	11 March 2024

4.7 Work has been undertaken on the Risk Appetite Toolkit in 2023/24 to revisit and enhance the Technology and Information Section to reflect cyber-security threats and associated controls more fully. This change was made to meet a recommendation of the Cyber Security Maturity Assessment undertaken in 2022 and reflects a process of continuous review and refinement of the Risk Appetite Toolkit to ensure its ongoing relevance in capturing emerging threats and feedback received from eternal experts and colleagues. The changes to the Toolkit were approved by the Digital Security Board at its meeting on 22 April 2024 and was endorsed by CMT at its meeting on 8 May 2024.

4.8 Since the presentation of the Risk Management Annual Report 2022/23 work has continued to be progressed by the Emergency Planning Team to upgrade and update the Council's Business Continuity System (Continuity2), following approval by the Covid-19 Response and Recovery Board on 15 February 2022. As set out in the approved proposal: "Business Continuity Management (BCM) is an established part of the UK's preparations for managing risks faced by organisations, whether from internal system failures or external emergencies such as extreme weather, flooding, terrorism, or infectious diseases". It was further noted that: "The Civil Contingencies Act 2004 places a statutory requirement on Scottish Borders Council as a Category 1 Responder to put in place internal Business Continuity Arrangements". Integral to this is the establishment of a standardised and consistent approach to the updating of Business Continuity Plans and their subsequent review and testing, for which the system upgrade is a key enabler. Work to upgrade the system is nearing completion and once finalised the Corporate Risk Officer will support the Emergency Planning Team in the training and development of Business Continuity Plan Owners to ensure that they have the required skills and knowledge to review and update their plans and utilise the full functionality of the new software system, ensuring a consistency of approach across the organisation and the achievement of best value. As Risk Management and Business Continuity are intrinsically linked, supporting this work also serves to support the effective application of the Risk Management Framework and foster stronger links between these two cross cutting and interdependent Council activities, whilst meeting corporate objectives to ensure the provision of statutory Council functions and remove the single point of failure (i.e. resourcing) which has previously existed in this area.

4.9 The Chief Officer Audit & Risk and the Corporate Risk Officer liaise on a regular basis with a number of colleagues, to support cohesive and joined-up internal working. Most notably, during 2023/24 there has been ongoing monthly engagement with the Corporate Policy Team with a view to ensuring stronger links between the Council Plan (and its subsequent refreshes), the development of Service Plans and Risk Management.

4.10 Furthermore, regular engagement with senior managers continues to be undertaken with the Chief Officer Audit & Risk attending Service Management Team Meetings to provide updates on risk management activity and, where relevant, to raise awareness of new developments and to gather feedback, which during 2023/24 has led to the dissemination of the Risk Management Quarterly Update Reports and the Director Risk Management Presentations.

4.11 The Chief Officer Audit & Risk and the Corporate Risk Officer are corporate members, for the Council, of two professional risk management bodies: the Institute of Risk Management (IRM) and the Association of Local Authority Risk Managers (ALARM). Membership allows access to a wide range of resources, seminars and information on best practice as it is developed, knowledge from which can be used to strengthen the Council's approach to and implementation of effective risk management processes and practices.

4.12 The Corporate Risk Officer joined the Internal Audit Team in attendance at the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) Conference at Dumfries House, on the 15 & 16 June 2023. The conference covered a number of topics: procurement fraud, data analytics, climate change and resourcing. This presented a valuable opportunity to network with risk colleagues from other Scottish Local Authorities. One key outcome of the conference was the decision to create a SLACIAG Risk Sub-Group and the Terms of Reference (TOR) for this group was approved in December 2023. The creation of the Sub-Group will facilitate shared learning, the transfer of knowledge and will enable peer review and benchmarking opportunities.

4.13 Liaison continues with the Corporate Risk Officer and Internal Audit on an on-going basis to ensure that assurance audits are informed by risk and that risk reviews take account of improvement recommendations arising from audit work. The Corporate Risk Officer receives final Internal Audit Reports as relevant and appropriate and supports Risk Owners in the implementation of any risk related actions arising.

4.14 The Chief Officer Audit & Risk is a mandatory consultee for all Committee reports. Due to resource capacity and sometimes time pressures this is carried out on a sample basis. The Committee Reports Guidance document enables report writers to complete the Risk and Mitigations section sufficiently referencing relevant risks. The appropriate risk implications within committee reports ensures that Elected Members have sufficient access to information to support them in the decision making process. During 2023/24 the Corporate Risk Officer has provided feedback to several Report Authors on the Risk and Mitigations section of Committee Reports to aid them in strengthening their underlying message, to highlight mitigation actions that are being pursued, new risks that have emerged or risks that will be positively impacted by the report or proposal.

5 PARTNERSHIP ARRANGEMENTS

5.1 To reflect the Council's contribution of corporate support resources to partnership working, risk management advisory and support services were provided by the Corporate Risk Officer to Live Borders, the Scottish Borders Health and Social Care Integration Joint Board and the Scottish Borders Council Pension Fund, using the same systematic approach as part of their respective business or strategic planning processes.

5.2 Monthly meetings have been held with the Integration Joint Board's (IJB) Chief Officer, Chief Financial Officer and NHS Borders' (NHSB) Risk Manager to focus on specific IJB Audit and Risk items. The Integrated Risk Forum that was established in early 2023, to foster strong working relationships between the partners of the IJB (SBC & NHS), has continued to meet during 2023/24 with a key aim being to support enhanced risk management reporting to the IJB and better enable the achievement of IJB objectives.

5.3 Building on the above, work was undertaken during 2023/24 to refresh and reframe the Strategic IJB Risk Register to establish close alignment with the Strategic Issues identified in the Health and Social Care Strategic Framework 2023-2026. The aim of this work was to underpin the objectives of integration and to create a 'golden thread' which should ultimately support effective and informed decision making by the IJB. The refreshed Risk Register was endorsed by the IJB at its meeting on 15 November 2023.

5.4 Furthermore, the IJB Risk Management Policy and Strategy was reviewed and refreshed in 2023 to reflect the Risk Management developments that have been introduced during the last three years and improvements identified to better align it to the IJB's strategic commissioning role, whilst also recognising the partnering dimension. Notably, this refresh was undertaken with input from the NHSB's Risk Manager at the Integrated Risk Forum, evidencing strengthened partnership working between SBC and NHSB. The revised Risk Management Policy and Strategy 2023-2026 were endorsed by the IJB at its meeting on 24 January 2024.

5.5 Work was also undertaken by the Chief Officer Audit & Risk and the Corporate Risk Officer during 2023/24 to refresh the Pension Fund Risk Register and develop an associated risk reporting timetable. The aim of this piece of work was to reduce the number of risks to a more manageable amount, ensuring that they are appropriate, easily measurable and within control of the Pension Fund Committee. Significant engagement was undertaken with relevant Risk Owners to inform this work which culminated in a reduction in the number of risks on the register from 51 to 17. The refreshed Risk Register was endorsed at the joint meeting of the Pension Fund Committee and Pension Board on 4 March 2024.

5.6 Finally, work was also undertaken during 2023/24 to create a standalone Pension Fund Risk Management Policy and Strategy 2024-2026. This ensures that there is a relevant risk management framework in place for the SBC Pension Fund aligned to its specific objectives, governance and administration and; outlines its vision, and states the roles and responsibilities in managing the risks of the SBC Pension Fund. The Risk Management Policy and Strategy 2024-26 were approved at the joint meeting of Pension Fund Committee and Pension Board on 4 March 2024.

6   RISK MANAGEMENT MATURITY ASSESSMENT

6.1   As set out in the Risk Management Annual Report 2022/23: Next Steps, the Chief Officer Audit & Risk and the Corporate Risk Officer undertook a Risk Maturity Assessment in 2023/24 to evaluate the efficacy of the Council's Risk Management Framework with a view to identifying distinct examples of good performance and identify areas of required improvement.

6.2   The Assessment utilised a toolkit developed by HM Treasury (entitled: Risk Management Assessment Framework: A Tool for Departments, July 2009) which was itself adapted from the European Foundation for Quality Management (EFQM) Excellence Model. The Toolkit is structured around seven core areas for assessment:

- Leadership,
- Risk Strategy Policies
- People,
- Partnerships,
- Processes,
- Risk Handling
- Outcomes

Each core area has a set of underpinning questions. These questions were answered using a combination of self-assessment evidence gathering and survey questions which were answered by Directors and Risk Owners across the Council.

6.3   The Assessment culminated in the creation of an Improvement Plan that will be implemented during 2024/25. The graphic (Appendix Two) illustrates the current Assessment of Scottish Borders Council's Risk Management Maturity 2023/24 in further detail.

7   CONCLUSION

7.1   The above demonstrates that the management of risks continues to be embedded throughout the Council and is recognised as an essential part of management practice, which is the key objective of the Corporate Risk Management Policy and Strategy 2021-2024. Effective Risk Management is a key enabler of informed decision-making and should help to ensure that decisions are taken with a comprehensive understanding of the associated risks.

8 RISK MANAGEMENT NEXT STEPS 2024/25

8.1 The Risk Review Programme of Work for the Corporate Risk Officer in 2024/25 is being developed on a quarterly rolling basis to incorporate the cycle of Corporate Risk Register reviews, relevant Service Risk Register reviews, Programme and Partnership Risk Register reviews along with the development of new risk registers, in collaboration with Management.

8.2 The Risk Appetite Toolkit will continue to be implemented across the Council, the application of which will support the development of additional risk reporting to CMT to facilitate enhanced risk management oversight and decision making. Building on this, the Chief Officer Audit & Risk and the Corporate Risk Officer will continue to explore the ways in which current Risk Management Reporting can be further enhanced. This will be informed by the knowledge gained from the Council's membership of two professional risk management bodies: The IRM and ALARM.

8.3 Furthermore, the Risk Management Training Course for Managers will be updated by the Corporate Risk Officer to reflect the Risk Management Policy, Strategy, Process Guide and the Appetite, Tolerance and Capacity Toolkit, and to reflect lessons learned from the Risk Management Maturity Assessment 2023/24. The updated Risk Management Training Course will be available on the e-Learning platform (SB Learn) and will ensure that Managers continue to have the skills and competencies required to identify, evaluate, monitor and control risks in line with the Corporate Risk Management Framework.

8.4 Building on the alignment of the Corporate Risk Register with the Council Plan 2024/25, efforts will continue to be made by the Chief Officer Audit & Risk and the Corporate Risk Officer to align the corporate risk management process with both the business planning (i.e. departmental delivery plans / service plans) and performance management processes as they are further developed. Once in place Management will have access to a very valuable management tool for planning, monitoring, reporting and assurance. This will be supported by ongoing engagement with key colleagues, ensuring that joined-up and collaborative working is progressed in the pursuit of achieving the objectives and priorities outlined in the Council Plan.

8.5 Significant time will be allocated during 2024/25 for the Chief Officer Audit & Risk and the Corporate Risk Officer to implement actions within the Improvement Plan arising from the Risk Management Maturity Assessment 2023/24. This will culminate in the revised Risk Management Policy and Risk Management Strategy 2025-2027 being presented for consideration by the Audit Committee in advance of its approval by Council.

8.6 Discussions will be held with the members of the Audit Committee, following the conclusion of the cycle of Director Risk Management Presentations to the Audit Committee during 2022 to 2024, to establish the future Reporting arrangements for Assurance Purposes and enable these to be reflected within the revised Risk Management Policy and Risk Management Strategy 2025-2027.

9   IMPLICATIONS

9.1 Financial
There are no financial implications as a direct result of the report. The Corporate Risk Officer resource costs are contained within budgets. Any additional costs arising from enhanced risk mitigation will have to be considered and prioritised against other pressures in the revenue budget.

9.2 Risk and Mitigations
The report sets to assure the Audit Committee that the Council is undertaking its risk management responsibilities adequately. It also allows the Committee to fulfil their remit as set out in the Council's Risk Management Policy.

9.3 Integrated Impact Assessment
There is no relevance to Equality Duty or the Fairer Scotland Duty for this report. An Integrated Impact Assessment (IIA) was completed as part of the revised Risk Management Policy statement and Risk Management Strategy 2021-2024, approved by Council on 16 December 2021. This is a routine good governance report for assurance purposes.

9.4 Sustainable Development Goals
The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals, based on completion of the checklist as part of the revised Risk Management Policy statement and Risk Management Strategy 2021-2024, approved by Council on 16 December 2021. Good governance including the management of risks is important to enable Scottish Borders Council to achieve its objectives, including those supporting sustainable development.

9.5 Climate Change
This report does not relate to any proposal, plan or project and as a result the checklist on Climate Change is not an applicable consideration. Good governance including the management of risks, is important to enable Scottish Borders Council to achieve its objectives, including those supporting its climate change obligations. Information on Corporate Risk CMT032 Climate Change is contained within the Q4 2023/24 summary of the Corporate Risk Register (Appendix One).

9.6 Rural Proofing
This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

9.7 Data Protection Impact Statement
There are no personal data implications arising from the content of this report.

9.8 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 content in this report.

10   CONSULTATION

10.1 This report has been presented to the Council Management Team (CMT) on 8 May 2024 who play a key leadership role in ensuring the identification and effective management of the risks relating to the Council's core business, transformation and partnership activities, and in embedding these key aspects into the management practices of the Council. Part of CMT's oversight includes a strong focus on the mitigation actions associated with those risks that present the most significant threat to achieving the Council's objectives as set out in the Council Plan.

10.2 The Director of Finance, Director of Corporate Governance (and Monitoring Officer), Director of People, Performance & Change, and Communications Team have been consulted on this report and any comments received have been taken into account.

Approved by

Jill Stacey, Chief Officer Audit and Risk   Signature ………………………………………

Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit & Risk
Emily Elder	Corporate Risk Officer

Background Papers: Scottish Borders Council's Corporate Risk Management Policy Statement and Corporate Risk Management Strategy 2021-2024
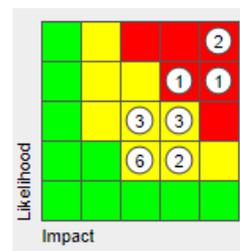**Previous Minute Reference:** Audit Committee 10 May 2023

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

Contact us at Emily.Elder@scotborders.gov.uk

Appendix 1: Corporate Risk Register

Q4 2023/24

Risk Code	Managed By	Assigned To	Risk Title	Description	Risk Score	Status	Trend	Last Review Date
CMT001 (SD)	Suzy Douglas	Nick Byers; Suzy Douglas	IT Infrastructure	If we do not have appropriate IT infrastructure then we may not be able to achieve our current business objectives or deliver the Transformation Programme in full resulting in significant service delivery issues and inability to deliver savings.	6 Moderate - Unlikely			17-Apr-2024
CMT002 (SD)	Suzy Douglas	Nick Byers; Suzy Douglas	IT Data and System Security	Lack of appropriate IT data and system security could lead an inability to access data and systems, data being compromised resulting in service delivery failure, significant negative financial implications and reputational damage.	12 Major - Possible			17-Apr-2024
CMT008 (NM)	Nuala McKinlay	Stuart Ford	H&S Compliance	If someone is harmed because we do not have, or we fail to comply with health and safety policy and procedures, then we may face litigation, fines and significant reputational damage.	16 Major - Likely			14-Mar-2024
CMT011 (JCu)	John Curry	Andy McLean	Major Incidents	If we are unprepared for major incidents then we may not be able to deliver our services, communities may be adversely affected and people may come to harm.	6 Moderate - Unlikely			02-Apr-2024
CMT014 (NM)	Nuala McKinlay	Nuala McKinlay	Legislative Compliance	If the Council fails to comply with the various legislation that it is bound by, then there is a risk of financial penalties, litigation, reputational damage and prosecution.	8 Major - Unlikely			12-Dec-2023
CMT016 (JCr)	Jenni Craig	Jenni Craig	Insufficient Resources for the delivery of the Commissioning Framework	If we do not have sufficient resources for delivery of the Strategic Commissioning Framework for the IJB then there may be insufficient care and support for vulnerable people in the Scottish Borders leading to poor outcomes and reputational damage.	12 Major - Possible			26-Oct-2023
CMT017 (LM)	Lesley Munro	John Fyfe; Gwyneth Lennox; Lesley Munro	C&YP and Adults at Risk of Harm	Failure to protect C&YP and adults at risk of harm may result in harm to them and reputational damage for the Council and Integration Joint Board.	8 Major - Unlikely			08-Dec-2023
CMT019 (LM)	Lesley Munro	John Fyfe; Lesley Munro	C&YP/Learners Placements (DEEP DIVE UNDERWAY)	If children, young people and learners are placed/educated outwith the local area to meet their needs, this may result in significant costs to SBC and by definition their needs may not be met locally.	25 Critical - Almost Certain			08-Mar-2024
CMT022 (CH)	Clair Hepburn	Clair Hepburn	Corporate Change and Transformation	If we fail to manage and appropriately resource major Transformation Programmes/projects being undertaken simultaneously and do not have effective change management processes in place to modernise the organisation then we may be unable to achieve corporate objectives, make savings, and conflicts with employees and their representative bodies may emerge.	6 Moderate - Unlikely			08-Dec-2023

Appendix 1 – Risk Management Annual Report 2023/24
Corporate Risk Register Summary Q4 2023/24   1

Risk Code	Managed By	Assigned To	Risk Title	Description	Risk Score	Status	Trend	Last Review Date
CMT023 (CH)	Clair Hepburn	Clair Hepburn	Staff Recruitment and Retention	If we are unable to recruit and retain suitably qualified, experienced and motivated staff then we may not be able to deliver our objectives.	6 Moderate - Unlikely	🔺		08-Dec-2023
CMT026 (JCu)	John Curry	John Curry	Property	If we do not identify opportunities for rationalisation, savings and investment in the Operational property portfolio then there may be negative financial implications.	9 Moderate - Possible	🔺		04-Dec-2023
CMT027 (JCu)	John Curry	John Curry	Capital Projects	If Capital projects are not evaluated to take into account ROI and whole life costs then the benefits may not be realised or give value for money.	12 Major - Possible	🔺		04-Dec-2023
CMT029 (JCr)	Jenni Craig	Jenni Craig	Community Planning Partnership	If we do not ensure effective partnership working with the CPP then we will not be able to deliver on agreed strategies or realise our intended objectives and outcomes.	6 Moderate - Unlikely	🔺		21-Dec-2023
CMT030 (JCr)	Jenni Craig	Jenni Craig	Stakeholder Engagement	If we do not engage with our primary stakeholders (residents, businesses, partners, staff) then we may not gain the support and buy-in to enable the changes required to deliver services in the future.	9 Moderate - Possible	🔺		21-Dec-2023
CMT032 (JCu)	John Curry	Ian Aikman; Michael Cook; Louise Cox; Jenny Fausset	Climate Change	If the Council and its partners do not act to assess and address climate change threats, the consequences of climate change may be more adverse and the Council could fail to meet its legislative obligations and the targets it has set.	20 Critical - Likely	🔴		14-Mar-2024
CMT033 (SD)	Suzy Douglas	Suzy Douglas	Financial Sustainability	If we do not ensure that the Council is financially sustainable then we may need to withdraw services, increase charges beyond planned levels (incl. Council Tax) and there could be a failure in the provision of statutory services and increased levels of public dissatisfaction in service provision.	9 Moderate - Possible	🔺		21-Dec-2023
CMT034 (CM)	David Robertson	Chris Myers	National Care Service Partnership	Shared accountability of Adult Social Work and Social Care, as outlined in the current Scottish Government and Cosla Partnership on the National Care Service could potentially impact on local agility and decision making. However, this position continues to be negotiated at a national level and with Cosla so there could be further changes impacting on local arrangements and a subsequent need for the Council to adapt to these.	6 Moderate - Unlikely	🔺		16-Feb-2024
CMT035 (JCr)	Jenni Craig	Jenni Craig	External Providers of Sport, Leisure and Culture Services (JCr)	If we fail to manage and monitor partnering arrangements with Trusts providing Sport, Leisure and Culture activities then we may be unaware of and unable to address any performance challenges or provide required support. This could lead to negative impacts on service delivery, the achievement of objectives and there could be significant negative financial implications.	25 Critical - Almost Certain	🔴	*New: Trend not yet available*	30-Apr-2024

Appendix 1 – Risk Management Annual Report 2023/24
Corporate Risk Register Summary Q4 2023/24   2

Assessment of Scottish Borders Council's Risk Management Maturity 2023/24

	Awareness & Understanding	Implementation Planned & in Progress	Implementation in all Key Areas	Embedding & Improving	Excellent Capability Established
Leadership	Senior Management are proactive in setting clear direction and accountability to embed the application of consistent Risk Management practices; criteria and arrangements for the Council's Appetite, Capacity & Tolerance Levels; in driving implementation of improvement in Risk Management arrangements.				Reinforce risk capability to empower & encourage innovation
Strategy & Policies	There is a clear Risk Management Policy Statement and Risk Management Strategy and which are reviewed annually and improved as appropriate. This Risk Management Framework defines the structures for monitoring, review and gaining assurance about the management of risk and helps to drive the risk agenda consistently across Council services.				
People	People are encouraged and supported to challenge practices, identify new ways of doing things and are generally empowered to take well-managed risks relevant to their areas of responsibility and accountability. Most people have relevant skills & knowledge to manage risks effectively and regular learning opportunities are available for people to enhance their risk knowledge and skills.				Risk competency is strengthened through awareness & learning and is linked to Service Plans
Partnerships	Approaches for addressing risk with partners are being developed and implemented but cannot provide assurances of consistency.	Risk with partners is managed consistently for key areas across the organisation.	Sound Risk Management arrangements have been established and consistent oversight is in place.		Excellent arrangements in place to manage risks with all partners to improve performance and continuity
Processes	Risk management is an integral part of the organisation's core processes (policy, planning, delivery etc.) and data are collected to monitor and improve risk management performance.				Risk Management is an integrated part of all business processes (Service/Continuity Plans). Best practice approaches are applied

	No Evidence	Satisfactory	Good	Very Good	Excellent
Risk Handling	Clear evidence that risks are being handled very effectively in all areas relating to the following elements: Strategic Risk Management; Decision and Policy Making; Handling of cross-cutting Issues; Review and Assurance; Planning & Target Setting; Risk Allocation; Management of Risks to Delivery and; Greater Efficiency.				Very clear evidence of excellent risk handling in all areas and that improvement is being pursued (e.g. contingency plans)
Outcomes	Clear evidence of very significantly improved delivery of outcomes and showing positive and sustained improvement relating to the following: Successful delivery of Core Services, Projects and Partnering; Achieving Planned Financial Outcomes; Positive comments from Internal & External Stakeholders.				Excellent evidence of markedly improved delivery of outcomes which compares favourably with other best practice organisations

HM Treasury Risk Management Assessment Framework: A Tool for Departments, July 2009

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INTERNAL AUDIT WORK TO MARCH 2024

Report by Chief Officer Audit and Risk

AUDIT COMMITTEE

20 May 2024

1 PURPOSE AND SUMMARY

1.1 **The purpose of this report is to provide members of the Audit Committee with 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.**

1.2 The work Internal Audit has carried out in the period from 1 January to 31 March 2024 associated with the delivery of the approved Internal Audit Annual Plan 2023/24 is detailed in this report. A total of 6 final Internal Audit reports have been issued. There were 11 recommendations made associated with 2 of the reports (0 High-rated; 7 Medium-rated; 4 Low-rated).

1.3 An Executive Summary of the final Internal Audit assurance 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, is shown in Appendix 1 to this report.

1.4 The SBC Internal Audit function conforms 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.

2 RECOMMENDATIONS

2.1 **I recommend that the Audit Committee:**

a) **Notes the Executive Summaries of the final Internal Audit assurance reports relating to with work Internal Audit has carried out in the period from 1 January to 31 March 2024 (Appendix 1) associated with the delivery of the approved Internal Audit Annual Plan 2023/24;**

b) **Notes the Internal Audit Consultancy and Other Work carried out in accordance with the approved Internal Audit Charter;**

c) **Acknowledges the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work; and**

3   BACKGROUND

3.1   The Internal Audit Annual Plan 2023/24 was approved by the Audit Committee on 13 March 2023. To facilitate operational delivery an Internal Audit Programme of Work has been developed which provides an indication of when work is scheduled during the year, taking account of discussions with Management and availability of Internal Audit resources.

3.2   For each assurance audit: prior to commencement, an Audit Assignment detailing the scope, objectives and timing is agreed with the relevant Director and Service Management; at the conclusion of the fieldwork, a Draft Report is issued to the relevant Director and Service Management for response on the factual accuracy and acceptance of the findings and recommendations, as appropriate; and a Final Report is then issued.

4   PROGRESS UPDATE

4.1   Internal Audit has carried out the following work in the period from 1 January to 31 March 2024 to complete the delivery of the Annual Plan 2023/24.

4.2   The SBC Internal Audit function conforms 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.

Completed Internal Audit Assurance Reports

4.3   Internal Audit issued final assurance reports on the following subjects:

- Staff Retention and Recruitment
- Licensing (Short Term Lets)
- UK Shared Prosperity Fund
- Residential Care Homes Administration Processes
- Sustainable Environment - Climate Change
- Information Governance

4.4   An Executive Summary of the final Internal Audit assurance reports issued, including audit objective, findings, good practice and 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, is shown in Appendix 1.

4.5   The definitions for Internal Audit assurance categories are as follows:

Level	Definition
Full assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied, to support the achievement of objectives. Minor improvements might be required.
Substantial assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.
Moderate assurance	Whilst there is a system of governance, risk management and control in place, there are weaknesses in the system that leaves some risks not addressed, and there is evidence of non-compliance with some of the controls.
Limited assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives.
No assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives.

Internal Audit Consultancy and Other Work

4.6 Internal Audit staff have been involved in the following for the Council to meet its aims and objectives, and its roles and responsibilities in accordance with the approved Internal Audit Charter:

a) Provided 'critical friend' internal challenge and assurance through engagement in meetings of change programmes and projects (Fit for 2024 / Digital Transformation Programme Boards, Information Governance Group, Sustainability Board, and Digital Security Board).

b) Published an Internal Audit consultancy report on Care Homes & Care at Home Quality Management based on work carried out during the year to ascertain and review the revised procedures and processes that are designed by Management to improve the Care Inspectorate gradings of all Council run Care Homes and Care at Home services and secure improved experiences for service users.

c) Carried out an independent review of the Fit for 2024 end of Transformation Programme evaluation that was presented to Council on 29 February 2024 to learn lessons and inform governance arrangements for the Future Transformation programme.

d) Engaged in the Capital Projects Programme Management Office (PMO) presentation over three sessions on the new arrangements to govern and control Capital Spend that had been introduced for 6 capital schemes in the Pilot Key Project Set in 2023/24, covering: Purpose of the Capital Projects PMO, Gateway Approval Process, Developing the rolling Capital Investment Plan (CIP), Terms of Reference for the Strategic Estate Management Group (SEMG), Project Prioritisation Scoring (Project Category, Strategic Alignment, Capital Funding, Revenue Impact), revised Project Business Case (PBC) format, and Key Project Dashboard Reporting. Discussed the interaction between Capital Projects PMO and Internal Audit as part of planned assurance work in 2024/25 to test a sample of significant capital investment projects over the lifespan of each project.

e) Reviewed information associated with the provision of a range of financial support and advice to local residents linked to the cost of living crisis. Observations from Internal Audit work will be considered as part of a lessons learned report by the Director of Resilient Communities to Council at the conclusion of the final elements of the programme.

f) Presented quarterly updates to the Council Management Team on the status of in-progress Internal Audit recommendations to ensure senior management oversight of progress with their implementation to demonstrate continuous improvement.

g) The Chief Officer Audit & Risk, Principal Internal Auditor and Senior Internal Auditor along with Directors and senior Councillors engaged in an 'Exercise in a Box – Ransomware from Phishing' facilitated by Cyber Fraud Centre to test the Council's resilience planning arrangements.

h) The Chief Officer Audit & Risk is the Chair of the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG), a member of the Chartered Institute of Internal Auditors (CIIA) Local Authority Forum, and a member of the Heads of Internal Audit and Risk UK Forum, which provide the opportunity to share good practice and to keep knowledge of new Internal Audit developments up to date. The virtual CIIA webinars in recent months covered the topics of 'Shaping the Future' and 'Global Internal Audit Standards'. Others in the Internal Audit team are members of relevant specialist practitioners' forums, including Data Analytics, Counter Fraud, and Computer Audit.

Page 29

i) The Chief Officer Audit & Risk joined virtual meetings of the External Services Providers Monitoring Group to observe their oversight and scrutiny of the performance of CGI, Live Borders and SB Contracts as part of the Council's Scheme of Administration.

j) The Chief Officer Audit & Risk and Principal Internal Auditor took part in an Internal Audit / External Audit liaison meeting on 12 February 2024 with the Council's External Auditors, Audit Scotland.

k) The Chief Officer Audit & Risk reviewed and updated the Internal Audit Charter and Internal Audit Strategy and the Principal Internal Auditor updated the Audit Universe. Both engaged with the Corporate Risk Officer and Directors/Service Managers at each Strategic Management Team meeting to consult on proposed risk-based coverage within the Internal Audit Annual Plan 2024/25 (*subsequently approved by the Audit Committee on 11 March 2024*).

l) The Chief Officer Audit & Risk facilitated the annual Audit Committee self-evaluation during the Development Session on 5 March 2024, using the Good Practice Principles Checklist and Evaluation of Effectiveness Toolkit from the CIPFA Audit Committees Guidance 2022.

m) Audit and Risk Service Away Days were held on 27 and 28 March 2024 at Council HQ as an opportunity for all to meet in-person to support team building and wellbeing. The Away Days included a mix of presentations and workshop sessions to reflect on Audit and Risk service performance during 2023/24 and set out improvements to Internal Audit and Risk Management programmes of work in 2024/25.

Recommendations

4.7   Recommendations in reports are suggested changes to existing procedures or processes to improve the controls or to introduce controls where none exist. The grading of each recommendation reflects the risk assessment of non-implementation, being the product of the likelihood of the risk materialising and its impact:

High: Significant weakness in existing controls, leaving the Council or Service open to a very high risk of not achieving its strategic objectives or evidencing best value, where the risk is sufficiently high to require immediate action within one month of formally raising the issue. Added to the relevant Risk Register and included in the relevant Director Assurance Statement on Internal Control and Governance.
Medium: Substantial risk of not achieving its strategic objectives or evidencing best value, requiring reasonably urgent action within three months of formally raising the issue.
Low: Moderate risk of not achieving its strategic objectives or evidencing best value, requiring action within six months of formally raising the issue to improve efficiency, effectiveness and economy of operations or which otherwise require to be brought to the attention of Senior Management.
Outwith the report, Internal Audit informs operational managers about other matters as part of continuous improvement.

4.8   The table below summarises the number of Internal Audit recommendations made during 2023/24:

	2023/24 Number of Recs
High	0
Medium	7
Low	4
Sub-total reported this period	**11**
Previously reported	18
Total	**29**

Recommendations agreed with action plan	29
Not agreed; risk accepted	0
Total	**29**

5   IMPLICATIONS

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

5.2   Risk and Mitigations
During the development of the Internal Audit Annual Plan 2023/24 and at the start of each audit engagement, to capture potential areas of risk and uncertainty more fully, key stakeholders have been consulted and risk registers have been considered during discussions with the Corporate Risk Officer. The agreed Internal Audit recommendations are linked to relevant risks in the Ideagen (formerly Pentana) performance and risk system. This ensures that these improvements in governance arrangements and internal controls can be considered during routine risk review activity, thus aligning Risk Management practices to Internal Audit assurance.

If audit recommendations are not implemented, there is a greater risk of loss and/or reduced operational efficiency and effectiveness, and Management may not be able to demonstrate effective management of risks through improved internal controls and governance.

5.3   Integrated Impact Assessment
There is no relevance to Equality Duty or the Fairer Scotland Duty for this report. This is a routine good governance report for assurance purposes, required under the Local Authority Accounts (Scotland) Regulations 2014 and the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017).

The Internal Audit work is carried out in accordance with the appropriate legislation and professional standards. The latter includes compliance by those in the Internal Audit function with the Code of Ethics set out in the PSIAS which is appropriate for the profession of Internal Audit founded as it is on trust placed in its objective assurance about risk management, internal control and governance.

The Internal Audit work has been carried out in accordance with the Internal Audit Strategy for 2023/24, which incorporates integrated impact assessment compliance into all assurance audits as a cross-cutting risk to provide assurance that the underlying controls and processes in all Services are operating as intended to demonstrate the Council is fulfilling its Equality Duty and Fairer Scotland Duty.

5.4   Sustainable Development Goals
The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals, based on completion of the checklist during the preparation of the Internal Audit Charter, and the Internal Audit Strategy and Plan 2023/24. Good governance is important to enable Scottish Borders Council to achieve its objectives, including those supporting sustainable development.

5.5   Climate Change
This report does not relate to any proposal, plan or project and as a result the checklist on Climate Change is not an applicable consideration.

The Internal Audit work has been carried out in accordance with the Internal Audit Strategy for 2023/24, which incorporates integrating climate change into all assurance audits as a cross-cutting risk to provide assurance that the underlying controls and processes in all Services that support climate change commitments, plans and programmes are operating as intended.

During 2023/24 the Internal Audit function has adopted a continuous audit approach, including observation of the Sustainability Board, to assess the Council's governance arrangements and progress with the Climate Change Route Map Priority Actions to meet the Council's obligations. The executive summary of findings, conclusions and assurance rating associated with this continuous audit work are stated within the Appendix for the audit named 'Sustainable Environment (Climate Change)'.

5.6 **Rural Proofing**

This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

5.7 **Data Protection Impact Statement**

There are no personal data implications arising from the content of this report.

5.8 **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 content in this report.

6 **CONSULTATION**

6.1 The Directors relevant to the Internal Audit reports issued have signed off the relevant Executive Summary within Appendix 1.

6.2 The Council Management Team have been consulted on this report on 8 May 2024 to acknowledge its content, assurance and actions therein.

6.3 The Director of Finance, Director of Corporate Governance (and Monitoring Officer), Director of People Performance and Change, and Communications team have been consulted on this report by email as required practice.

Approved by

Jill Stacey, Chief Officer Audit and Risk   Signature ………………………………………

Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit and Risk Tel 01835 825036
Scott Pow	Principal Internal Auditor

Background Papers: Appropriate Internal Audit files
Previous Minute Reference: Audit Committee 12 February 2024

Note – You can get this document on tape, in Braille, large print and various computer formats by using the contact details below. Information on other language translations can also be given as well as provision of additional copies.

Contact us at Internal Audit intaudit@scotborders.gov.uk

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Audit Plan Category: Corporate Governance Corporate Risk: CMT 023 – Staff Recruitment & Retention ⚠️ Subject: Staff Retention and Recruitment No: 033/008 Date issued: 08 April 2024 Draft; 23 April 2024 Final Level of Assurance: Substantial	The purpose of the audit was to review the approach to staff retention and the revised approach to staff recruitment to ensure skills, knowledge and competencies are retained or provided, respectively, for service delivery to meet the Council's objectives. Effective staff recruitment is critical for the success and sustainability of the Council. A skilled and motivated workforce is essential for achieving strategic goals and maintaining operational excellence. Retaining valuable employees ensures continuity, knowledge retention, and a positive organisational culture. The following examples of good practice were found: • The Council promotes a positive working environment encouraging staff retention and recruitment across its Services. • The HR Service has recognised where improvements could be made (in the recruitment and appraisals processes) and is actively working to implement them. Appropriate data relating to the workforce is analysed and used by the HR Business Partners with the results being discussed with Management and also being utilised in succession planning. There is a variety of easy to access, family friendly policies published on the Council's website. A recent development has been the career pathway policy to support the retention of staff. The appraisals and recruitment processes redesign to improve their efficiency and effectiveness is slightly behind timescales due to capacity in Services and focus on other priorities within HR. The corporate risk Staff Recruitment & Retention is reviewed quarterly by the appropriate Director and CMT. A number of mitigation actions are being pursued. Internal Audit are able to provide substantial assurance. There is a generally sound system of governance, risk management and control in place. No recommendations were made due to the Management actions that are underway.	0	0	0	HR Management have checked the factual accuracy of the report and accepted its findings.

Page 33

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Audit Plan Category: Internal Controls Corporate Risk: CMT 014 Legislative Compliance ⚠️ Subject: Licensing (Short Term Lets) No: 091/005 Date issued: 13 March 2024 Draft; 22 April 2024 Final Level of Assurance: Full	The purpose of the audit was to ensure there is an adequate control environment for licensing, specifically relating to short-term lets. In 2022 the Scottish Government introduced new Legislation regarding licensing requirements for short-term lets. This was cascaded to Local Authorities for developing and implementing the necessary methodology and processes. The Council received their first applications for the new licenses in December 2022. Processes and procedures were developed to ensure Legislation was being complied with. There are good working processes in place with controls as necessary. Each application received has numerous attachments. Internal Audit have made a minor improvement action for the Licensing Service to liaise with Customer Service Development Team to consider any further enhancements to their working practices which could assist regarding the time taken to process and save the attachments. Internal Audit are able to provide full assurance (a sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied, to support the achievement of objectives. Minor improvements might be required).	0	0	0	Management have checked the factual accuracy of the report and accepted its findings and minor improvement action. Officers across Services have been liaising to streamline working practices and processes, noting that some technical system-based solutions will be required to further improve efficiency.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Audit Plan Category: Legislative and Other Compliance Corporate Risk: none (third party funder assurance) Subject: UK Shared Prosperity Fund No: 154/034 Date issued: 05 April 2024 Draft; 22 April 2024 Final Level of Assurance: Full	The purpose of the audit was a high-level assessment of compliance with the requirements of the Funding Agreements and other relevant regulations. The UK Shared Prosperity Fund (UKSPF) is a central pillar of the UK Government's Levelling Up policy agenda; its investment priorities being communities and place, business support, people and skills, and Multiply which is about improving numeracy for employability purposes. Each local authority in Scotland has been given two separate allocations over the financial years 2022/23 – 2024/25 for their administrative areas to be used to meet UKSPF investment priorities and Multiply objectives respectively. Governance, management processes, and administration for the UKSPF are effective. Adequate arrangements are in place to ensure compliance with the relevant Funding Agreement and applicable regulations. Robust controls over the administration of claims for projects within the Fund have been developed and have been followed. Internal Audit are able to provide full assurance. A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied, to support the achievement of objectives. Minor improvements might be required. *Multiply has not been examined or evaluated in this audit but work will be undertaken on this element as part of planned audit work for 2024/25.*	0	0	0	Management have checked the factual accuracy of the report and accepted its findings.

Page 35

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Audit Plan Category: Internal Controls

Corporate Risk: none - key controls in Residential Care Homes; Management request

Subject: Residential Care Homes Administration Processes

No: 176/011

Date issued: 27 February 2024 Draft; 22 March 2024

Level of Assurance: Limited | The purpose of the audit was to ensure the internal financial controls and business administrative processes are in place to ensure the efficient and effective use of resources in residential care homes.

Internal Audit are able to provide limited assurance relating to the Administration Processes in Residential Care Homes (significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives).

Internal Audit have made the following recommendations:
• Management should ensure, and monitor, that all Residential Care Home staff follow the policy for recording of income including it being recorded on the transaction sheets appropriately, and where necessary recorded in Business World system as Gifts or Hospitality. (Low)
• Management should evaluate and explore alternatives for banking arrangements to minimise the on-site cash being held in all Residential Care Home settings. (Low)
• Management should ensure that the policy for "Management of Residents Funds" be fully refreshed, all staff receive adequate training in the application of the policy, and appropriate checks for compliance are in place in all Residential Care Homes. (Low)
• Management should ensure all Residential Care Homes have adequate security of their buildings, ensuring the protection of staff, vulnerable residents, assets (including iPads) and sensitive data. (Medium)
• Management should ensure all the appropriate staff have access to only the relevant keys for their duties. (Medium)
Management should ensure that proper procedure notes and instructions are followed consistently to adhere to Financial Regulations regarding the completion of inventories across all Residential Care Homes. (Low) | 0 | 2 | 4 | Management have checked the factual accuracy of the report, accepted its findings, and agreed to implement the recommendations.

At the time of the site visits, some of the recommendations had been identified and the required actions were already underway to demonstrate Management commitment to improvement. |

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Audit Plan Category: Legislative & Compliance Corporate Risk: CMT032 Climate Change 🔴 Subject: Sustainable Environment (Climate Change) No: 202/014 Date issued: 19 February 2024 Draft; 29 March 2024 Final Level of Assurance: Moderate	The purpose of the audit was to assess progress with the Climate Change Route Map Priority Actions to meet the Council's obligations regarding sustainable environmental programmes. The Climate Change (Scotland) Act 2009 set economy-wide (not organisational) emissions reduction targets. It introduced a statutory requirement for public bodies to undertake 'climate change duties' and to operate in the best way to contribute to delivering these targets and to help meet any Scottish programme for adapting to the impacts of a changing climate. The Climate Change Route Map (CCRM) sets out the direction for the Council and its partners and communities to move to a net zero emissions Scottish Borders economy by 2045. The CCRM has been distilled into 5 themes, each with its own action plan. The CCRM is supported by a Priority Action Plan approved by Council on 10 March 2022. Actions and outcomes are overseen by the Sustainability Board of officers which meets on a monthly basis. On 24 November 2022 responsibilities were remitted to the Council's Executive Committee to provide oversight and scrutiny of the Council's strategies, plans, policies and actions regarding tackling climate change and promoting sustainable environmental practices (previously Sustainable Development Committee). To date no reports relating to those remits have been presented to the Executive Committee to allow oversight and scrutiny to take place. However, the Sustainability Members Reference Group has met in September and December 2023 (quarterly meetings proposed for 2024) to enable elected member awareness and engagement. The corporate risk Climate Change, which underpins the Council Plan and the specific 'Clean, Green Future' outcome, is reviewed quarterly by the appropriate Director and CMT. A number of mitigation actions are being pursued to manage and minimise this risk as far as is possible.	0	5	0	The high-level findings and recommended areas of improvement were discussed with the Sustainability Board on 15 January and 8 February 2024, and with relevant Directors on 25 March 2024. Management responses have checked the factual accuracy of the report and accepted of its findings. Implementation of the improvements will require a whole Council approach as well as a collaborative approach with partners at a local and national level.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Subject: Sustainable Environment (Climate Change)	Reports submitted to Council requesting a decision contain an "Implications" section, which covers Sustainable Development Goals and Climate Change. The comprehensiveness of the completion of this section is inconsistent across Council Services.				
	The Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Amendment Order 2020 (applicable November 2022) requires local authorities and other major public bodies to report to Scottish Ministers in November each year in respect of the preceding financial year on what they have done to comply with their duties. The latest report was approved by full Council and submitted in the required format to the Scottish Government in advance of the deadline of 30 November 2023. Data could not be provided for all areas of the report, and data in the report is not validated. The Sustainable Scotland Network (SSN) submission also indicated that the peer validation process did not take place. Accordingly, the due dates of the two previous Internal Audit recommendations associated with these improvements to reporting obligations will be extended.				
	Notable outputs to date include: • Roll out of LED street lighting; • Delivery of an energy efficient programme across some property estate; • Transition of the fleet to low emission vehicles; • Significant reduction in business travel mileage; • Huge reduction in the household waste sent to landfill and associated increase in recycling rates; • Development of a Local Biodiversity Action Plan and the introduction of nature based solutions.				
	Scottish Government in collaboration with Sustainable Scotland Network (SSN) is updating the statutory guidance for public bodies to meet the duties under the Climate Change (Scotland) Act 2009. A number of engagement sessions have been planned to inform the guidance at the earliest possible opportunity.				

Page 38

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Subject: Sustainable Environment (Climate Change)

Page 39 | No one organisation can tackle climate change on their own – a partnering approach is required. Addressing emissions reduction requires effective communication and collaboration with national agencies, communities, industry, businesses, activists and residents. The emissions directly attributable to the Council are approximately 2% of the area wide emissions. Industry and commerce, agriculture, and travel (mainly on A roads) account in roughly equal proportions for the other 98%. A workshop facilitated by the Edinburgh Climate Change Institute (ECCI) took place in Spring 2023 with Community Planning Partners with a focus on the approach needed for area-wide emissions. Securing financial support for sustainable initiatives and projects is and will remain to be a challenge.

Internal Audit considers that the level of assurance is Moderate. Whilst there is a system of governance, risk management and control in place, there is evidence of non-compliance with some of the controls, and improvements required to address the corporate risk. Internal Audit have made the following recommendations:
- Present at least annually reports on the delivery of actions and outcomes set out in the Priority Action Plan to the Executive Committee to enable oversight and scrutiny of whether rate of action is sufficient to achieve the 2030 & 2045 targets. (Medium)
- Develop and gain approval to a strategic plan for the Council's estate to inform investment, provide focus on project delivery, and formulate a credible emissions reduction target. (Medium)
- Ensure that Service Managers have a defined objective in their Service Plans in respect of reducing emissions arising from their service. Provide further guidance/learning. (Medium)
- Develop financial planning and asset management planning to clearly integrate with planning for emissions reduction. (Medium)
- Review the governance arrangements with partners, including CPP and SOSE, to promote emissions reductions within their respective Plans, and ensure the Council receives appropriate assurance thereon from partners. (Medium) | | | | *Note: CPP is Community Planning Partnership; SOSE is South of Scotland Enterprise* |

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Audit Plan Category: Corporate Governance

Corporate Risk: CMT 014 Legislative Compliance ⚠️

Subject: Information Governance

No: 236/017

Date issued: 22 March 2024 Draft; 29 March 2024 Final

Level of Assurance: Substantial | The purpose of the review was to examine the Information Governance Framework including roles and responsibilities, policy development and implementation, and compliance with legislation, and provide assurance to Senior Information Risk Owner (SIRO).

Information Governance: The Information Governance Group (IGG) meets quarterly to monitor improvement actions through a Tracker. The Risks in IGG Risk Register are linked to improvement actions and reviewed appropriately. IGG monitors the completion rates of integrated Information Management awareness e-learning course on a quarterly basis; planned review of approach/content.

Records Management: The Records Management Policy has now been reviewed with minor changes required and will be published now that IGG has approved it. A review of the Information Asset Register is now underway as well as other actions to bring all elements into full compliance with the Act.

Information Security and Information Sharing: The Council's PSN accreditation was renewed successfully in April 2023; the PSN compliance certificate is to 30 June 2024. Data sharing agreements are recorded on the Information Asset Registers maintained within Services, overseen by Information Management Team. IGG considers Security Incident reports quarterly to determine any lessons learned.

Data Protection and Information Access: Information Access reports (FOI/EIR) and Data Breach reports are monitored by IGG quarterly to check performance and determine any actions required; the number of requests continues to rise. The assessment of all Information Management documents found that most required some updating.

Internal Audit are able to provide Substantial assurance. There is scope for improvement, specifically to ensure that the mandatory training completion rate is achieved and information management documents are up-to-date and published. Management actions are underway; therefore no recommendations were made. | 0 | 0 | 0 | Senior Information Risk Owner (SIRO) checked the factual accuracy of and accepted these findings, which reflect the results of the continuous auditing work during 2023/24 on this area. |

SCOTTISH LOCAL AUTHORITIES' CHIEF INTERNAL AUDITORS' GROUP (SLACIAG) ANNUAL REPORT 2023

Report by Chief Officer Audit and Risk

AUDIT COMMITTEE

20 May 2024

1   **PURPOSE AND SUMMARY**

1.1   **This report provides the Audit Committee with the Annual Report 2023 of the Scottish Local Authorities' Chief Internal Auditors' Group (SLACIAG) to highlight the value of this forum for the Internal Audit functions of Scottish Borders Council and other local authorities.**

1.2   Scottish Borders Council's Chief Officer Audit & Risk, in the role of the Chair of SLACIAG, presented the SLACIAG Annual Report 2023 at the SLACIAG AGM on 15 March 2024. The content covers:

➤ the purpose and vision of the Group from the Constitution;

➤ the activity during 2023 for the Management Committee, the Chief Auditors Group (SLACIAG), and its sub-groups Computer Audit Sub-Group (CASG), and Fraud Investigators Group (SLAIG); and

➤ the conclusions on a challenging but successful year as evidenced by the attendance at the 2-day in-person Conference in June 2023 at Dumfries House, East Ayrshire, as well as other virtual meetings, and the range of topics discussed.

1.3   Following its endorsement by the Group at the AGM, the Chair requested all Chief Internal Auditors to distribute the SLACIAG Annual Report 2023 to key stakeholders within their organisations, in particular the Audit Committee or equivalent, to highlight the value of this forum.

2   **RECOMMENDATIONS**

2.1   **I recommend that the Audit Committee:**

a) **Notes the content of the appended SLACIAG Annual Report 2023; and**

b) **Notes the value of the SLACIAG Forum for the Internal Audit functions in Scottish Borders Council and other local authorities.**

ANNUAL REPORT FROM THE CHAIR – 2023

"WORKING TOGETHER TO SUPPORT THE KEY ROLE OF INTERNAL AUDIT"

1.   **INTRODUCTION**

1.1   Membership of the CIPFA Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) is open to the chief internal auditor from each Scottish local authority and the Strathclyde Partnership for Transport (SPT).   SLACIAG is a Special Interest Group of CIPFA in Scotland, with operational arrangements, vision, and objectives set out in a formal Constitution.

1.2   SLACIAG's vision is to be the voice of internal audit across Scottish local authorities and a driving force for best practice in respect of local authority and public transport bodies internal audit, governance, and operations.

1.3   In support of that vision, SLACIAG has the following objectives:

- to secure a quality and responsive service for members of the group;

- to develop the influence of the group with key decision makers and institutions in Scotland, as the key representative body for internal audit in local government with a particular emphasis on governance, risk, control and assurance matters;

- to strengthen links and build long term relationships across the internal audit community within the public service;

- to provide an effective group for the discussion of issues of common concern, sharing of good practice and commissioner of work to develop advanced practice;

- to consider the development and training needs of our people as a collective to ensure that the best available products are procured at the best price;

- to uphold the group's key values including: respect; openness and honesty; adding value; professional team working; sharing best practice; integrity; continuous improvement.

1.4   The purpose of this annual report to key stakeholders is to provide an update on SLACIAG's activities and achievements over the course of 2023 and to recognise actions required to achieve its vision.

1.5   SLACIAG has two long-established sub-groups whose activity is reflected in this report:
- the Computer Audit Sub-Group (CASG); and
- the Scottish Local Authorities Investigators' Group (SLAIG).

1.6   During 2023 some further sub-groups were established by SLACIAG to lead on development actions arising from the SLACIAG Conference held in June 2023 within specific themes, including risk, data analytics, resourcing, and sustainability/climate change. Their activity is also reflected in this report.

Page 42

2. MANAGEMENT COMMITTEE

2.1 I, Jill Stacey, Scottish Borders Council, was appointed as Chair of SLACIAG at the AGM on 11 March 2022. I previously served as Chair of SLACIAG during 2014-2015. In accordance with SLACIAG's Constitution, my term of office will expire after serving 2 years at the SLACIAG AGM in March 2024. There is an expectation that the Chair of SLACIAG joins the meetings of the CIPFA Scotland Branch Executive Committee, as SLACIAG is a special interest group of CIPFA in Scotland.

2.2 Yvonne Douglas, South Lanarkshire Council, was re-elected as Treasurer of SLACIAG at the AGM March 2022 having initially been appointed to the role in June 2020. Yvonne provided regular updates on the financial position of SLACIAG to enable the Management Committee to plan activity.

2.3 The appointments to the SLACIAG Management Committee were approved at the AGM March 2022. New members were welcomed to the Management Committee, with former Chairs providing valuable continuity. The same membership has continued during 2023, as follows:

SLACIAG MANAGEMENT COMMITTEE 2023		
Jill Stacey	Scottish Borders Council	Chair SLACIAG
Yvonne Douglas	South Lanarkshire Council	Treasurer SLACIAG
Eilidh Mackay	East Ayrshire Council	member and former Chair
Kenneth Ribbons	West Lothian Council	member and former Chair
Pamela Redpath	Fife Council	member
Gillian McConnachie	East Dunbartonshire Council	member
Duncan Stainbank	East Lothian Council	member
Duncan Black	Glasgow City Council	member
Peter Moore	East Lothian Council	Chair CASG
Barry Moncur	East Dunbartonshire Council	Chair SLAIG

2.4 There were six SLACIAG Management Committee virtual meetings during 2023 in January, February and July (weekly meetings). The purpose of these meetings was to reflect on learning and review actions arising from past meetings in order to forward plan meetings, considering topics, setting dates and arranging speakers. The weekly meetings held in July 2023 were to analyse the extensive content from the workshop Menti results from the Conference to determine actions for the Group and sub-groups, take early steps to re-focus and re-purpose the SLAIG and CASG sub-groups, consider new sub-groups, and agree future collaborations to implement actions.

2.5 The Chairs of both CASG and SLAIG participate in the SLACIAG Management Committee meetings to derive benefits from their sectoral expertise and to ensure synergy when forward planning the regular meetings.

2.6 The Management Committee also oversees the External Quality Assessment (EQA) process, which is a peer review process established by SLACIAG to enable external validation of compliance with the Public Sector Internal Audit Standards (PSIAS). The Management Committee monitors progress with completion against a recommended programme of reviews each year to ensure that all participating organisations comply with the requirement to undertake an EQA once every 5 years.

3.   **SCOTTISH LOCAL AUTHORITIES CHIEF INTERNAL AUDITORS GROUP (SLACIAG)**

SLACIAG Conference 2023

3.1   The SLACIAG Conference was held on 15-16 June at Dumfries House in East Ayrshire, the first in-person conference held since 2019. The event was attended by 137 delegates from Internal Audit teams representing 31 local authorities and Strathclyde Partnership for Transport.

3.2   There were excellent networking opportunities for all individuals, significant sharing of knowledge and practice during the workshop sessions, and lots of suggestions for improvement actions in keeping with the conference title 'Connections Collaborations Catalysts'.

3.3   The themes of the conference were:
  - Counter fraud
  - Data analytics
  - Climate change
  - Resourcing the function.

3.4   Keynote speakers were the Chief Executive of East Ayrshire Council and the Executive Director of Finance of Glasgow City Council. They shared their perspectives on the role of Internal Audit in challenging times, the value of Internal Audit and the vital role it has in councils across the country (not only in terms of providing assurance, but through insight and advice on a whole range of areas of work) and reflected on the significant challenges facing the public sector. They also acted as catalysts for the workshop connections and collaborations each day.

3.5   There were also a range of virtual and in-person speakers including representatives from:
  - Tenancy Fraud Forum
  - Scotland Excel
  - Chartered Institute of Internal Auditors
  - Birmingham City Council
  - Sustainable Scotland Network
  - Audit Scotland.

3.6   Images from the SLACIAG Conference 2023 were featured in East Ayrshire's blog for that week and the #SLACIAG23 hashtag was used to promote the event through social media. Digital tools were used to capture output from the workshop sessions.

SLACIAG Meetings 2023

3.7   There were three other SLACIAG virtual meetings in 2023 with topics/speakers set out in the table below in addition to core business. The network continues to be strongly supported by members with a focus on significant and current issues.

Date	Topics / Speakers
17 March 2023	**AGM** • SLACIAG Annual Report 2022 (Chair) • SLACIAG Constitution (Chair) • SLACIAG Annual Accounts 2022 (Treasurer – Yvonne Douglas, South Lanarkshire Council) **Consultation on Internal Audit Standards (CIPFA Group)** • Francis Scott, Glasgow City Council **Group discussion on CIA Issues and Challenges** • Duncan Black, Glasgow City Council

Date	Topics / Speakers
15 & 16 June 2023	**SLACIAG Conference 2023 title 'Connections Collaborations Catalysts'** The themes of the conference were: • Counter fraud • Data analytics • Climate change • Resourcing the function. There were also a range of virtual and in-person speakers including representatives from: • Tenancy Fraud Forum • Scotland Excel • Chartered Institute of Internal Auditors • Birmingham City Council • Sustainable Scotland Network • Audit Scotland
8 September 2023	**Management Committee / Sub-Groups recommendations arising from SLACIAG Conference 15 and 16 June 2023** • SLACIAG Management Committee **CIPFA Publication 'Internal audit: untapped potential' (learning and development session including a broad range of Chairs and Vice Chairs from Scottish Council's and IJB's Audit Committees)** • Diana Melville, CIPFA Governance Advisor **EQA2 Update and EQA3 Planning** • Pamela Redpath, EQA Sub-Group – Lead, Fife Council
8 December 2023	**Update from Risk Group – draft Terms of Reference** • Pamela Redpath, Fife Council, Eilidh Mackay, East Ayrshire council, and Jill Stacey, Scottish Borders Council **SLACIAG Risk in Focus 2023 – Analysis of Key Risks and Potential Impact on Internal Audit Assurance Work** • Pamela Redpath, Fife Council **Update from Data Analytics Group (Workshops; Skills; Strategy)** • Duncan Black, Glasgow City Council **Update from Resourcing Group (Challenges; Training; Delivery Model)** • Laura Calder, City of Edinburgh Council **Update from Sustainability / Climate Change Group (Shared audit experience; Information Requests; Membership)** • Laura Miller, North Ayrshire Council

3.8 The Treasurer, Yvonne Douglas of South Lanarkshire Council, produced the 2022 annual accounts, which were considered by the Group at the AGM in March 2023. Thanks to those at South Ayrshire Council for completing the audit of the 2022 Accounts. The Treasurer provided regular updates on the financial position of SLACIAG which is of particular importance during 2023 due to the significant income and expenditure associated with the Conference to ensure the Group remains financially sustainable. Thanks to Yvonne for her professionalism in fulfilling this role.

External Quality Assessment (EQA)

3.9   There are increasing challenges for the EQA2 schedule including staff resourcing issues in Councils, knock-on effect of delays in EQA2 completions during the pandemic response and recovery periods, and conflicts of interest arising from increased Internal Audit shared services arrangements. Responsibility is on the reviewee Council CAE to meet EQA requirements and to keep their Audit Committee informed of any delays in meeting the 5-year timeframe.

3.10 The appointments to the re-established SLACIAG EQA Sub-Group and Moderation Panel were approved at the December 2022 meeting. The same membership has continued during 2023, as follows, to oversee the completion of the EQA2 schedule, and initiative planning of the EQA3 schedule:

EQA Sub-Group		Moderation Panel	
Pamela Redpath	Fife Council	Paul MacAskill	Argyll & Bute Council
Andrew Paterson	Orkney Islands Council	Ken Adamson	North Lanarkshire Council
Cecilia McGhee	South Ayrshire Council	Gordon O'Connor	Stirling Council

New Sub-Groups

3.11 SLACIAG agreed to formally constitute the **Data Analytics subgroup** at the December 2023 meeting and appointed Duncan Black, Glasgow City Council (GCC) as CAE lead/sponsor, with Will Hart, GCC, as coordinator of workshops. SLACIAG agreed to an iterative workplan (all to offer to organise presentations and topics). GCC had hosted a Data Analytics workshop that had been held in-person in September 2023 in Glasgow, then virtual workshops were held in October and November 2023 to which CASG members were invited as an opportunity to share practice. There had been very good participation at all these workshops including Scottish Government (September), South West Audit Partnership (SWAP) (November), and Derek Jamieson of Chartered Institute of Internal Auditors (CIIA).

3.12 At the September 2023 meeting, it was agreed to set up a **Resourcing Group** to cover all matters resourcing our teams including recruitment, succession planning, training, soft skills, ways of working, and mentoring. Volunteers for Resourcing Group were Laura Calder (City of Edinburgh Council) - Lead, Eilidh Mackay (East Ayrshire Council), Richard Fox (Dumfries & Galloway Council), Michelle Blair (East Renfrewshire Council), Cathie Wyllie (Angus Council/Dundee City Council).

3.13 At the September 2023 meeting, volunteers were approved to join a short life **Sustainability / Climate Change Group** to develop an Internal Audit Programme covering the broad aspects of this topic, linked to new statutory guidance that is being developed by Sustainable Scotland Network in collaboration with SLACIAG and Audit Scotland on the Role of Audit. Volunteers were Laura Miller (North Ayrshire Council), Andrew Steven (East Lothian Council), Chris Hurt (Scottish Borders Council), Paul Brown (East Dunbartonshire Council), Paul Davies (East Ayrshire Council).

3.14 At the December 2023 meeting whilst noting that not all CAEs have the corporate risk management framework as part of their remit, a **Risk Group** was established with an approved Terms of Reference. Volunteers were Jill Stacey (Scottish Borders Council), Pamela Redpath (Fife Council), Eilidh Mackay (East Ayrshire Council), with their corporate risk officers, and Kenneth Ribbons (West Lothian Council).

SLACIAG Knowledge Hub

3.15 All Agendas, Minutes, and Presentations of SLACIAG meetings, Conference, EQA Framework Guidance, and other relevant documents are uploaded to the SLACIAG Knowledge Hub to enable access by all members in a secure way. New Members have been registered on the SLACIAG Knowledge Hub, including those delegates at the SLACIAG Conference 2023, thus enabling greater participation.

4. COMPUTER AUDIT SUB-GROUP

4.1 The main aim of the Computer Audit Sub-Group (CASG), which is a permanent sub-group of SLACIAG, is to provide a forum to share and discuss computer audit practices and developments. This includes raising awareness of new standards, updates to legislation, new and current topics of interest, and computer audit developments, resources, and techniques.

4.2 The Computer Audit Sub Group (CASG) met twice in 2023, all meetings were virtual, with topics/speakers as follows in addition to core business:

Date	Topics / Speakers
23 March 2023	**Power Query** • Callum Justice, Glasgow City Council - CASG acknowledged that Power Query is a useful tool to use for members who don't have other data analytics systems such as IDEA and are dealing with large amounts of data.
30 August 2023	**Cyber Security in Internal Auditing** • Adam Howie, Glasgow City Council
29 November 2023	**Introduction to AI** • Recorded Teams presentation from Charlie Anderson, Head of BTS (Business Technology Solutions), Fife Council **AI and Ethics of AI** • Recorded Teams presentation from Fi Wiliams, Team Manager (Digital Skills and Learning), Fife Council

4.3 A common discussion point at CASG meetings during 2023 has continued to be the sustainability of the sub-group. One specific action arising from the SLACIAG Conference June 2023 has been discussion on widening the role and outputs of CASG in light of suggestions to cover, for example, Digital Transformation, Artificial Intelligence (AI), IT/Cyber Security, and Data Analytics, in addition to core Computer Audit work. The sub-group is keen to influence its future, as evidenced by the topics at August and November 2023 meetings.

4.4 It was also agreed that one of the SLACIAG Management Committee would be assigned as Senior Sponsor of CASG to provide direction from SLACIAG re Group's cycle of meetings and agendas; this will be considered as part of the AGM business in March 2024.

4.5 All Agendas, Minutes, and Presentations for CASG meetings are uploaded to the SLACIAG Knowledge Hub (CASG sub-folder) to enable access by all members in a secure way.

5. SCOTTISH LOCAL AUTHORITY INVESTIGATORS GROUP (SLAIG)

5.1 The main aim of the Scottish Local Authority Investigators Group (SLAIG), which is a permanent sub-group of SLACIAG, is to provide a forum to share and discuss counter fraud practices and developments. This includes raising awareness of updates to legislation, new and current topics of interest, and developments in counter fraud activities.

5.2 The Scottish Local Authority Investigators Group (SLAIG) met four times in 2023, all meetings bar one were virtual, with topics/speakers as follows in addition to core business:

Date	Topics / Speakers
1 March 2023	**Presentation on the work of the Scottish Social Security Agency** • John Gregson, Dean Liddle & Susan Marr – SSSA Intelligence and Teresa Cullen and Amanda Bissett - SSSA Investigation Team **Brief update presentation on the Digital Economy Act (2017)** • Jabeen Kamran, Michael Sowerby, Ryan White - Cabinet Office and Alison Dewar, Scottish Government
31 May 2023	**Presentation on the work of Trading Standards Scotland entitled 'Opportunities for Joint Working' and sharing case studies** • Andy Wilson, Principal Investigator, Trading Standards Scotland
30 September 2023	**Feedback from the SLACIAG Conference June 2023 to outline and discuss ongoing objectives for SLAIG** • Jill Stacey, Chair of SLACIAG, Scottish Borders Council
13 December 2023	**Overview of role of HMRC RIS Intelligence Bureau** • Lucy Biggerstaff and Audrey Fulton, HMRC RIS Intelligence **Outline of the facility to provide local authorities in Scotland and England to trace and verify individuals** • Jacqueline Davenport and Steve Black, LOCTA **Case Study - Sharing lessons learned from case study where a Head Teacher had embezzled School Funds** • Stuart Saunders, West Lothian Council

5.3 In order to align with the vison and objectives of SLACIAG and SLAIG's Terms of Reference, one specific task arising from the SLACIAG Conference June 2023 assigned to SLAIG was the Benchmarking on fraud activity and resources. It has been agreed that all local authorities will participate in a benchmarking exercise. The core content of the exercise has still to be agreed but will also include resources, training, and outcomes. It was also agreed that one of the SLACIAG Management Committee would be assigned as Senior Sponsor of SLAIG to provide direction re Group's meetings and agendas; this will be considered as part of the AGM business in March 2024.

5.4 All Agendas, Minutes, and Presentations of SLAIG meetings, and other relevant documents are uploaded to the SLAIG Knowledge Hub to enable access by all members in a secure way.

6. CONCLUSION

6.1 Notwithstanding the challenges that continue to affect our organisations, SLACIAG and its sub groups have had another successful year, as evidenced by the attendance at our 2-day in-person Conference at Dumfries House, East Ayrshire, as well as other virtual meetings, and the range of topics discussed.

6.2 During the year Chief Internal Auditors: considered matters such as consultation on Internal Audit Standards, data analytics, counter fraud and crime, climate change, and internal audit developments; discussed key issues facing our assurance functions, including resourcing, workforce planning, and the skills and knowledge mix; and shared approaches being taken to address these. In line with their remits, the CASG and SLAIG sub-groups focussed on computer audit and counter fraud matters respectively. New Data Analytics, Resourcing, and Sustainability/Climate Change sub-groups were established during the year to explore and develop specific matters.

6.3 I would like to thank the Management Committee and the office bearers of our sub groups for their work in organising meetings and responding to the challenges that have arisen. I would also like to thank our speakers for giving up their time to join us at our Conference and other virtual meetings during 2023 and assist us in enhancing our effectiveness as internal auditors and fraud investigators.

6.4 My thanks are also extended to our members for their support, as evidenced not just by engaging in our Conference and other virtual meetings during 2023, but also by the generous advice and assistance provided in relation to the myriad of audit, risk and governance questions which have arisen within our membership during the year.

6.5 I am very proud to have been SLACIAG Chair for the past two years, engaging with such dedicated and hard-working public sector professionals in these challenging times.

Jill Stacey
Chief Officer Audit & Risk, Scottish Borders Council
Chair of SLACIAG
14 March 2024

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UPDATE ON EXTERNAL AUDIT ACTION PLAN 2022/23

Report by Director of Finance

AUDIT COMMITTEE

20 May 2024

1   PURPOSE AND SUMMARY

1.1   The purpose of this report is to provide members of the Audit Committee with an update on the delivery of the External Audit action plan agreed with Audit Scotland following the external and best value audits for the year end 31st March 2023, as approved at the Audit Committee on 25 September 2023.

1.2   As part of the scope of the audit and conclusions on Scottish Borders Council's performance in meeting its Best Value duties, Audit Scotland presented the report on 'Leadership of the development of new local strategic priorities' under International Standard on Auditing (UK) 260 which included its view on the qualitative aspects of the Council's accounting practices. The Council agreed management actions for 6 recommendations.

1.3   The Code of Audit Practice also requires all auditors to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. Audit Scotland's audit opinion was that the annual accounts are free from material misstatement, however, the Council agreed management actions around 4 significant findings raised by Audit Scotland for 2022/23 and 2 follow up actions from 2021/22 Audit.

1.4   Appendix 1 contains a table of the issues raised, recommendations, agreed management actions and a progress update.

2   RECOMMENDATIONS

2.1 It is recommended that the Audit Committee

a) considers the details of the External Audit action plan and acknowledges the update on actions by management.

3   BACKGROUND

3.1   2022/23 was the first year of a new Audit Scotland team undertaking the external audit of the Council's Annual Accounts. Audit Scotland presented their Annual Audit Report to Audit Committee on 25th September 2023 which summarised their conclusions, including:
- An unqualified audit opinion
- Agreement with management's accounting treatment and judgements; and
- A positive conclusion in respect of financial management, financial sustainability, vision, leadership and governance and use of resources to improve outcomes.

3.2   Audit Scotland identified four recommendations for improvement requiring action along with two follow-up to prior year recommendations.

3.3   A further six recommendations were reported following work performed on reviewing Scottish Borders Council 's performance in meeting its Best Value duties.

4   EXTERNAL AUDIT ACTION PLAN 2022/23

4.1   Appendix 1 contains the Audit Scotland recommendations and resulting management actions and update for consideration by the Audit Committee.

4.2   This is based on the action plan 2022/23 as agreed at the Audit Committee on 25 September 2023.

4.3   There has been work progressed on all recommendations; however those dependent on the development of the revised Operating Model are ongoing and are part of the wider transformation programme required to ensure that the Council can evolve to fulfil its responsibilities, build on existing plans, and remain environmentally and financially sustainable.

5   IMPLICATIONS

5.1 **Financial**
There are no additional financial implications in relation to this report.

5.2 **Risk and Mitigations**
The key purpose of presenting the update to Audit Committee is to ensure that the members are satisfied that officers have reviewed and addressed the recommendations from Audit Scotland. The risks of not delivering the recommendations have been identified within the table itself at Appendix 1. The identified risks have been mitigated by the actions of the officers.

5.3 **Integrated Impact Assessment**
There is no impact or relevance to Equality Duty or the Fairer Scotland Duty for this report.

5.4 **Sustainable Development Goals**
There are no direct economic, social or environmental issues with this report which would affect the Council's sustainability policy.

5.5 **Climate Change**
There are no direct carbon emissions impacts as a result of this report.

5.6 **Rural Proofing**
It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 **Data Protection Impact Statement**
There are no personal data implications arising from the proposals contained in this report.

5.8 **Changes to Scheme of Administration or Scheme of Delegation**
No changes to the Scheme of Administration or Scheme of Delegation are required as a result of this report.

6   CONSULTATION

6.1 The Director Corporate Governance (including as Monitoring Officer), the Chief Officer Audit and Risk, Director People Performance & Change, Communications and the Clerk to the Council have been consulted and any comments received have been incorporated in the report.

Approved by

Suzy Douglas   **Signature** ....
Director of Finance

Author(s)

Name	Designation and Contact Number
Suzy Douglas	Director of Finance (X5881)

Background Papers:
External Audit Report 2022-23
Best Value Thematic Report 2022-23
Previous Minute Reference: not applicable

Audit Committee, 20 May 2024

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Contact us at Finance and Procurement, Scottish Borders Council, Council Headquarters, Newtown St Boswells, Melrose, TD6 0SA Tel: 01835 825249 Fax 01835 825166. email: mailto:t&cteam@scotborders.gov.uk

2022/23 recommendations from the BV thematic report

Issue/risk	Recommendation	Agreed Management action/timing	Update
1. **Refresh of the community plan**	The Council should ensure it prioritises progressing the refresh of the community plan according to milestones set on the Council Plan.	The Community Plan will be fully refreshed during 2023.	**Complete - Community Plan (Local Outcomes Improvement Plan) 2023/2033 was approved by CPP Strategic Board on 7 September 2023.**
2. **Ensure the performance management framework includes clearer outcome based targets for the next ten years, so it can demonstrate progress against outcomes.**	The Council should ensure its performance management framework captures progress against the Council Plan. This should include actions being met according to target milestone and progress against the six council outcomes.	A revised performance management framework will be developed to report performance against the Council Plan strategic outcome to the Executive Committee on a quarterly basis**.**	**Complete - progress made against the Council Plan milestones and performance indicators presented to Executive Committee quarterly.**
3. **Transformation, innovation and service improvement.**	Report on improvements to service delivery and customer experience that have been achieved through Fit for 2024. Set out how innovation and transformation will be taken forward over the next 5 years.	Reporting of transformation outcomes and improvements will be developed during 2023. The Council will develop a new Target Operating Model to deliver improvements in service delivery, performance and ensure the Council is resourced to deliver its strategic priorities.	**Complete - A Fit for 24 Close out report was approved by Council in February 24. The concept of the Future Operating Model which will determine future transformation was approved by Council in August 23 and continues to be developed. The concept of the Future Operating Model which will determine future transformation was approved by Council in August 23 and continues to be developed.**

Audit Committee, 20 May 2024

4.	Elected member leadership	The council should encourage uptake of personal development plans for elected members. These should be flexible to individual needs and be able to show that training is meeting needs. The Council should continue to support opportunities for cross-party working and promote the benefits that brings.	Position will be reviewed and reported to Council as part of work on developing a new Operating Model for the Council.	**Complete - The Elected Members' Training and Development Policy was approved by Council on 26 October 2023.**
5.	Senior officer leadership	The Council should review the senior management structure after a period of stability to determine how changes at directorate level are supporting delivery of the Council Vision.	Position will be reviewed and reported to Council as part of work on developing a new Operating Model for the Council.	**Complete – The Council Management Team Restructure was approved by Council on 25 March 2024. The People Structure workstream will ensure that the Operating Model has a workforce structure that fully meets SBC's priorities.**
6.	Planning for the workforce	The Council should prioritise improvement activity on planning for the workforce and addressing vacancies and hard to fill posts.	People planning will be fully aligned with service and financial planning as part of the budget process for financial year 2024/25.	**Complete – The Strategic People Plan refresh was approved by Council on 25 April 2024.**

2022/23 recommendations from the external audit

Issue/risk	Recommendation	Agreed Management action/timing	Update
1. **Valuation of land and buildings** **Risk –** assets are not held at the correct value in the accounts.	The Council should ensure there is a more robust process in place to review valuations assumptions, data used and ensure conclusions are robust. An overarching review to ensure that all valuations make sense should be completed at the end of the process.	2022/23 year end coincided with significant staffing movement in the Council and a new approach in engaging external support to deliver much of the valuation. Officers will undertake a 'lessons learned' exercise to determine what improvements can be implemented for the 2023/24 audit process.	**Officers have engaged earlier to improve valuations review and are utilising the same external support as prior year with the aim to improving delivery.**
2. **Significant trading operation** **Risk –** the Council's significant trading operation activities do not represent best value for the Council.	The Council should carry out a review of SBc Contracts to examine the cost effectiveness of the service provided to ensure that it continues to represent best value for the Council.	This review has commenced and will be progressed during 2023/24 as part of the Council's future Target Operating Model work.	**Work has progressed with a report scheduled to be presented to CMT on 22nd May 24.**
3. **Internal recharges** **Risk –** the value of the asset is misstated in the accounts.	As part of the review recommended in point 2 above, the Council should also review the accounting treatment of asset additions from work done by SBc Contracts to ensure it complies with accounting standards.	Officers can confirm that this will form part of the review of SBc Contracts.	**Work is ongoing to ascertain the position and provide sufficient comfort to Audit Scotland that the accounting treatment is in line with guidance.**

Audit Committee, 20 May 2024

	Issue/risk	Recommendation	Agreed Management action/timing	Update
4.	**Assets on Common Good land** **Risk** – that the Council does not have a formal agreement in place.	The current accounting treatment reflects the substance of the transaction, but the Council should look to establish a formal agreement between the Council and Common Good funds for the use of the assets.	Officers are committed to progressing this work during the remainder of 2023/24.	**Legal agreements are in the process of being concluded.**

Follow up of prior year recommendations 2021/22

	Issue/risk	Recommendation	Agreed Management action/timing	Update
5.	**Inquiry Action Plan** **Risk** – the required improvement actions are not being addressed.	An action plan implementing the recommendations highlighted in the inquiry report into the Council's handling of school assaults accusations was approved by Council at their meeting on 10 March 2022 along with the establishment of a Review Group to steer the progress required.	The Independent Inquiry Action Plan Update was presented to Councillors in March 2023. At 30 March 2023, of the 54 actions, 42 were completed, 4 were ongoing and 8 were to be completed at that point. It was agreed at the meeting that any ongoing actions contained in the plan progress as continuous improvement. The Chief Executive was granted delegated authority to monitor and approve any actions deemed to be ongoing.	**Complete - Remaining actions continued to be monitored per the delegated authority approved by Council.**
6.	**NFI match investigation** **Risk** – there are fraud and errors undetected without investigating the data matches.	The Council should investigate a sample of recommended and further matches to be assured that they are not indicative of fraud or error.	We will continue to review progress for the 2022/23 NFI matches.	**Complete -NFI matches have been investigated and reported with an assurance that these are not indicative of fraud or significant error.**

Audit Committee, 20 May 2024

| 7. | Non-Domestic Rates Risk – the Council's reporting to the Scottish Government on Non-Domestic Rates is inconsistent with the Code. | The Council should do further work and analysis to ensure that they are fully consistent with the Code. | The Council made adjustments within the 2021/22 financial statements to ensure that the carrying value of NDR balances due to the Scottish Government is in line with the Code.
Work remains in progress to ensure that disclosures within the financial statements are fully compliant with the requirements of the Code.
The 2022/23 audit work identified that, in respect of balances with taxpayers, the NDR year-end net debtor and the NDR bad debt provision net to zero and therefore balances due from taxpayers are not recognised in the Balance Sheet, which is satisfactory. | **Complete – this will be reviewed in 2023/24 Accounts to ensure this remains consistent with the Code.** |

Audit Committee, 20 May 2024

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INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2023/24

Report by Chief Officer Audit and Risk

AUDIT COMMITTEE

20 May 2024

1   PURPOSE AND SUMMARY

1.1 **The purpose of this report is to present to the Audit Committee the Internal Audit Annual Assurance Report for the year to 31 March 2024, which includes the Chief Officer Audit & Risk's independent assurance opinion on the adequacy of the Council's overall control environment.**

1.2 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Audit Executive (CAE), the Council's Chief Officer Audit & Risk, provides an annual internal audit opinion and report on the adequacy and effectiveness of the Council's governance, risk management and internal controls to support the preparation of the Annual Governance Statement. This is in support of the overall governance arrangements of the Council, as set out in the Local Code of Corporate Governance.

1.3 The Remit of the Audit Committee, relevant to the content of this report, indicates that it should:

➢ Assess the adequacy and effectiveness of the Council's systems of internal financial control and framework of internal control, risk management and corporate governance arrangements, and consider annual assurance reports.

➢ Monitor and review the performance of Internal Audit, conformance to the Public Sector Internal Audit Standards and code of ethics.

1.4 To meet the requirements of the PSIAS the Internal Audit Annual Assurance Report 2023/24, at Appendix 1, includes the annual Internal Audit opinion, provides details of the Internal Audit activity and performance during the year to fulfil its role, and summarises the outcomes of assessments of the Internal Audit service against the PSIAS.

2   RECOMMENDATIONS

2.1 **I recommend that the Audit Committee:**

a) **Considers the Internal Audit Annual Assurance Report 2023/24 (Appendix 1) and the assurances contained therein; and**

b) **Provides any commentary thereon, including any further actions required by Management.**

3 BACKGROUND

3.1 The Local Authority Accounts (Scotland) Regulations 2014 that came into force on 10 October 2014 require a local authority to operate a professional and objective internal auditing service. This service must be provided in accordance with recognised standards and practices in relation to internal auditing. Recognised standards and practices are those set out in the *Public Sector Internal Audit Standards: Applying the IIA International Standards to the UK Public Sector* (PSIAS). The standards require Internal Audit to have suitable operational independence from the organisation.

3.2 The Public Sector Internal Audit Standards (PSIAS) 2017 require that:

"The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme."

3.3 The Remit and Terms of Reference of the Audit Committee, relevant to the content of this report, indicates that it should:

➢ Assess the adequacy and effectiveness of the Council's systems of internal financial control and framework of internal control, risk management and corporate governance arrangements, and consider annual assurance reports.

➢ Monitor and review the performance of Internal Audit, conformance to the Public Sector Internal Audit Standards and code of ethics.

4 INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2023/24

4.1 The Internal Audit Annual Assurance Report 2023/24, at Appendix 1, includes the Chief Officer Audit & Risk's (chief audit executive) independent and objective opinion regarding the adequacy and effectiveness of the Council's governance, risk management and internal controls. It also provides details of the Internal Audit activity that supports the opinion and of the performance during the year to fulfil its role, and summarises the outcomes of assessments of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAS).

4.2 Internal Audit's purpose is to support the Council in its activities, designed to achieve its declared objectives for the benefit of Scottish Borders' communities and other stakeholders.

4.3 The Internal Audit Annual Assurance Report 2023/24 provides assurances in relation to the Council's corporate governance framework that is a key component in underpinning the delivery of the Council's outcomes and priorities in accordance with its values as set out within the Council Plan. The key messages of assurance and areas of improvement set out in the Internal Audit Annual Assurance Report 2023/24 will be used to inform Scottish Borders Council's Annual Governance Statement 2023/24.

5   IMPLICATIONS

5.1   **Financial**
The Local Authority Accounts (Scotland) Regulations 2014 that came into force on 10 October 2014 require a local authority to operate a professional and objective internal auditing service.

The net cost of the Internal Audit service was £292k (2022/23 £273k). The net service expenditure (100%) relates to staff resources totalling 5.5 FTE comprising Chief Officer Audit & Risk (50% for Internal Audit activity), one Principal Internal Auditor, two Senior Internal Auditors (one is an interim contractor), and two Internal Auditors. These resources are for the provision of Internal Audit services to prepare annual opinions on the adequacy of the overall control environment for Scottish Borders Council, Scottish Borders Council Pension Fund, and Scottish Borders Health and Social Care Integration Joint Board.

5.2   **Risk and Mitigations**
The PSIAS require Internal Audit to evaluate the effectiveness of the Council's Risk Management arrangements and contribute to improvements in the process. Each Internal Audit engagement has been risk-based and, where appropriate, has tested the specific Service's management of risk, with recommendations made to improve compliance with the Council's Risk Management Policy.

Internal Audit provides assurance to the Council Management Team and the Audit Committee on the adequacy and effectiveness of internal controls, governance and risk management within the Council, highlights good practice and recommends improvements. Key components of the audit planning process include a clear understanding of the Council's functions, associated risks, and range and breadth of audit areas for inclusion within the Annual Plan. There is effective liaison between Internal Audit and the Corporate Risk Officer on an on-going basis to ensure that risks are considered in every audit and that risk reviews take account of findings and improvements arising from Internal Audit work.

Continuous improvements in internal controls and governance arrangements can be demonstrated through Management-initiated actions complemented by the implementation of Internal Audit recommendations. It is anticipated that further improvements in the management and mitigation of risks will arise as a direct result of Management implementing the Internal Audit recommendations made during the year or outstanding from previous years, which will enable Management to demonstrate further improvement in internal controls and governance arrangements.

Delivery of the Internal Audit services in conformance with the PSIAS will enable the Council to meet the requirements of the Local Authority Accounts (Scotland) Regulations 2014 to review findings of assessments as part of the consideration of the system of internal control required by regulation 5.

5.3   **Integrated Impact Assessment**
There is no relevance to Equality Duty or the Fairer Scotland Duty for this report. This is a routine good governance report for assurance purposes, required under the Local Authority Accounts (Scotland) Regulations 2014 and the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017).

The Internal Audit work is carried out in accordance with the appropriate legislation and professional standards. The latter includes compliance by those in the Internal Audit function with the Code of Ethics set out in the PSIAS which is appropriate for the profession of Internal Audit founded as it is on trust placed in its objective assurance about risk management, internal control and governance.

The Internal Audit work has been carried out in accordance with the Internal Audit Strategy for 2023/24, which incorporates integrated impact assessment compliance into all assurance audits as a cross-cutting risk to provide assurance that the underlying controls and processes in all Services are operating as intended to demonstrate the Council is fulfilling its Equality Duty and Fairer Scotland Duty.

5.4 **Sustainable Development Goals**
The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals, based on completion of the checklist during the preparation of the Internal Audit Charter, and the Internal Audit Strategy and Plan 2023/24. Good governance is important to enable Scottish Borders Council to achieve its objectives, including those supporting sustainable development.

5.5 **Climate Change**
This report does not relate to any proposal, plan or project and as a result the checklist on Climate Change is not an applicable consideration.

The Internal Audit work has been carried out in accordance with the Internal Audit Strategy for 2023/24 which incorporates integrating climate change into all assurance audits as a cross-cutting risk to provide assurance that the underlying controls and processes in all Services that support climate change commitments, plans and programmes are operating as intended.

During 2023/24 the Internal Audit function has adopted a continuous audit approach, including observation of the Sustainability Board, to assess the Council's governance arrangements and progress with the Climate Change Route Map Priority Actions to meet the Council's obligations. The executive summary of findings and conclusions are outlined in the report 'Internal Audit Work to March 2024', published on the same agenda, associated with the audit named 'Sustainable Environment (Climate Change)' to which is also referred in the Appendix to this report.

5.6 **Rural Proofing**
This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

5.7 **Data Protection Impact Statement**
There are no personal data implications arising from content of this report.

5.8 **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 content in this report.

6 **CONSULTATION**

6.1 Directors have been advised to take into account the findings from Internal Audit work during the year when completing their internal control and governance assurance statements as part of the annual self-evaluation and assurance process for the Council's Annual Governance Statement 2023/24.

6.2 The Chief Officer Audit & Risk (*chief audit executive*) is required to give an independent opinion on the Council's governance, risk management and internal controls. This report and Appendix 1 have been presented to the Council Management Team on 8 May 2024 to outline the key messages of assurance and areas of improvement.

6.3 The Director of Finance, Director of Corporate Governance (and Monitoring Officer), Director of People Performance and Change, and Communications team have been consulted on this report in line with required practice.

Approved by
Jill Stacey, Chief Officer Audit & Risk   Signature ………………………………….

Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit and Risk Tel 01835 825036
Scott Pow	Principal Internal Auditor Tel 01835 822620

Background Papers: Appropriate Internal Audit files
Previous Minute Reference: Audit Committee 10 May 2023

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Contact us at Internal Audit intaudit@scotborders.gov.uk

Chief Officer Audit & Risk's Annual Assurance Report and Opinion 2023/24 for Scottish Borders Council

1   Introduction

1.1   It is Management's responsibility to design and maintain proper risk management, governance and internal control processes and systems to ensure probity in systems and operations, including the prevention, detection and resolution of fraud and irregularities. Management is also responsible for checking that the arrangements and controls are operating effectively. These are known as the first and second lines, which are not fixed but evolve as the Council changes.

1.2   Internal Audit, as the third line, is an independent appraisal function established for the review of the internal control system as a service to Scottish Borders Council. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources and the management of risk.

1.3   The Internal Audit activity adds value to the organisation (and its stakeholders) when it considers strategies, objectives, and risks; strives to offer ways to enhance governance, risk management and control processes; and objectively provides relevant assurance.

1.4   The Objectives of Internal Audit are set out in its Charter: As part of Scottish Borders Council's system of corporate governance, Internal Audit's purpose is to support the Council in its activities designed to achieve its declared objectives and to do so:
  - In support of the Council's vision, values and priorities.
  - As a contribution to the Council's corporate management of risk.
  - As an aid to ensuring that the Council and its elected members, employees and contracted third parties are operating within the law and relevant regulations.
  - As a contribution towards establishing and maintaining a culture of honesty, integrity, openness, accountability and transparency throughout the Council in all its activities and transactions.
  - As a contribution towards ensuring that financial statements and other published performance information are accurate and reliable.

1.5   The Public Sector Internal Audit Standards (PSIAS) (2017) requires that:

"The chief audit executive *(the Council's Chief Officer Audit & Risk)* must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:
  - the opinion;
  - a summary of the work that supports the opinion; and
  - a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme."

1.6   This Annual Report provides the annual internal audit opinion and summarises the work carried out by Internal Audit during the year to 31 March 2024 that underpins the opinion in accordance with the Internal Audit Charter, Strategy and Annual Plan 2023/24. The report also summarises the outcomes of assessments of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAS)

2   Opinion on the systems of Internal Control and Governance

2.1   My opinion is that there are generally sound systems of governance, risk management and control in place across the Council. This is against a backdrop of challenging financial and people resources, increasing service demands and additional obligations on the Council. Some issues, non-compliance or scope for improvement were identified through Internal Audit work during the year which may put at risk the achievement of some of the strategic and operational objectives.

2.2   Internal Audit reports during the year confirm evidence of improvements in governance, risk management and internal controls through Management-initiated actions complemented by their implementation of Internal Audit recommendations. Management have implemented 16 of the 32 recommendations made in 2021/22, 18 of 26 in 2022/23 and 10 of 29 in 2023/24. This is a positive position given the significant pressures on Council officers, and their hard work is recognised by Internal Audit.

2.3   Reasonable assurance can be provided on the adequacy of the internal controls and governance arrangements in place. The key governance documents have been reviewed and updated where required, including: Local Code of Corporate Governance (30 March 2023); Interim Scheme of Administration (28 September 2023); Procedural Standing Orders (25 August 2022); Scheme of Delegation (21 July 2023); Financial Regulations (22 February 2022); Procurement & Contract Standing Orders (25 May 2023); Member Officer Relationships Protocol (25 August 2022) to complement the Councillors' Code of Conduct by Standards Commission (December 2021); and Code of Conduct for Employees (November 2022). The Local Code of Corporate Governance reflects the appropriate framework for effective governance of the Council's affairs and facilitates the exercise of its functions to deliver best value. The Scheme of Delegation will need to be further updated arising from the proposals in the Council Management Team Restructure that was approved by full Council on 28 March 2024.

2.4   The Council continues to make progress in embedding Risk Management and awareness ensuring that the risks to achieving corporate objectives are systematically identified, analysed, evaluated, controlled, monitored and reported regularly and consistently to provide assurance. Corporate and Service Risk Registers are subject to regular review by those Managers who are allocated the responsibilities for managing individual risks. The Council Management Team received quarterly updates on risk management, and the Audit Committee received an annual report and risk presentations by Directors during the year to fulfil their role of oversight of how risks are managed. Further improvements are required on the Council's Business Continuity Framework to demonstrate that business continuity is being applied in practice: complete the work to upgrade the Continuity2 system; ensure deployment of adequate support resources; and create a standardised and consistent approach to the updating of Business Continuity Plans and their subsequent review and testing, for which the system upgrade is a key enabler.

2.5   Management have agreed further recommendations, as highlighted in Internal Audit reports during the year 2023/24. The common issues, non-compliance or scope for improvement were: keeping policies up-to-date and published on Council website or Intranet which is of particular importance during a period of change; and in light of the complex operating environment the need for Senior Management to carry out second line monitoring of controls for assurance purposes relating to the most significant risks, for example, performance management and training completion. The Council Management Team should continue to oversee implementation of Internal Audit recommendations to demonstrate continuous improvement.

Audit Committee – 20 May 2024

3   Internal Audit Annual Plan 2023/24 Delivery

3.1   The whole Internal Audit team continued in 2023/24 to work from home, facilitated by the use of MS Teams and access to network drives and business applications, to complete their audit engagements. The Audit & Risk service (including Internal Audit team) met in-person once a quarter as an opportunity to support team building and wellbeing.

3.2   The following minor amendments have been made to assurance audits in the Internal Audit Annual Plan 2023/24 to ensure each audit engagement reflects the specific risks and areas of assurance required by the relevant Directors and Service Managers consistent with the Council's objectives, approved by the Audit Committee (*date notified*):

- Biodiversity of the Scottish Borders *(originally Parks & Environment in Plan)*
- Cost of Living Crisis Support *(originally Benefits Assessments audit in Plan split into 2)*
- Pupil Equity Fund (PEF) *(originally Benefits Assessments audit in Plan split into 2; 15 days transferred from Consultancy)*
- Refugee and Asylum Seekers Funding *(originally Homelessness in Plan)*
  (25 September 2023)
- UK Government Shared Prosperity Fund (*originally Economic Development Funded Programmes audit in Plan split into 2*)
- Scottish Government Community Led Local Development Fund *(originally Economic Development Funded Programmes audit in Plan split into 2)*
  (13 November 2023)

3.3   The following revisions to the Internal Audit Annual Plan 2023/24 were approved by the Audit Committee (*date notified*):

- VAT - deferred to 2024/25 in agreement with the Director Finance & Procurement to avoid over-burdening the Income & Reconciliations team with more than one audit in-year. (*12 February 2024*)
- Residential Care Homes Administration Processes (Internal Controls) - added to 2023/24 Plan on request by Director Strategic Commissioning & Partnership having originally been in 2022/23 Plan. (*12 February 2024*)

3.4   There has been no impairment to the independence or objectivity of the Internal Audit function arising from the above changes to audits nor from consultancy work undertaken during the year.

3.5   The level of Actual Audit Days 757 was broadly in line with the Plan Days 767 in total (99%), mainly attributed to staff retirement from and recruitment to the Principal Internal Auditor role. The allocation of audit plan days is not an exact science and some of the audit engagements have been carried out using less than planned days and some using more. The range and breadth of Internal Audit work that has been performed during the year, which is listed below, is sufficient to inform the Internal Audit assurance opinion.

Corporate Governance Audits

3.6   To provide assurances in relation to the Council's corporate governance framework that is a key component in underpinning delivery of the corporate objectives and priorities within the Council Plan, reviews included (*date reported to Audit Committee*):

- Corporate Governance (Assessment of progress on implementation of improvement actions within the Annual Governance Statement 2023/24. Annual evaluation against the Local Code of Corporate Governance to determine whether the arrangements are operating as described. Prepare this Annual Assurance Report for Management and the Audit Committee, forming the statutory opinion on the adequacy of the Council's arrangements for governance, internal control and risk management.) - *20 May 2024*

- Information Governance (Continuous audit approach to review the Information Governance framework including roles and responsibilities, policy development and implementation, to assess compliance with legislation, and provide annual assurance to the Senior Information Risk Owner) - *20 May 2024*

- Performance Management Framework (Continuous audit work as a 'critical friend' on the development of a revised Performance Management Framework for the Council led by the Corporate Performance & Improvement Team. Significant activity included the review of the service planning process and measures.) – *13 November 2023*

- Performance Management LGBF (Provide independent validation of performance indicators and benchmarking information, specifically to ensure accuracy of data submitted on an annual basis to the Improvement Service as part of the Local Government Benchmarking Framework) – *25 September 2023*

- Corporate Transformation Programme (Continuous audit approach to review the governance and accountability arrangements of Fit for 2024 and Digital transformation programmes. Specific review of the Fit for 2024 end of Transformation Programme evaluation to learn lessons and inform governance arrangements for the Future Transformation programme.) – 2*0 May 2024*

- Staff Retention and Recruitment (Review the approaches to staff retention and recruitment to ensure skills, knowledge and competencies are retained or provided, respectively, for service delivery to meet the Council's objectives.) – *20 May 2024*

- Complaints *(b/f from 2022/2023)* (Review and assess the new arrangements in place for complaints to ensure the implementation of the revised policy and procedures in October 2022, which was based on the guidance provided by the Scottish Public Services Ombudsman (SPSO).) – *25 September 2023*

- Partnering Arrangements (Assess the governance relating to organisations that constitute significant partnering arrangements from the Council's perspective to ensure roles and responsibilities of partners are clearly defined, and controls are in place to ensure resources are used effectively.) – *13 November 2023*

- Resilience Planning (Review the approach to emergency and business continuity planning, including resilient communities, risk assessments, early warning systems, post incident reviews and lessons learned.) – *25 September 2023*

- Health and Safety (Ensure the Council is complying with relevant Health & Safety (H&S) legislation, has a structured approach to H&S awareness, including use of the H&S Management system to ensure there are adequate and effective controls in place to manage health and safety risks.) – *25 September 2023*

Financial Governance Audits

3.7 To provide assurance on the internal financial controls in place and substantive testing of transactions to ensure completeness and accuracy of data in core financial systems, reviews included:

- Revenues (Council Tax and NDR) - Self Catering (Assess the application and implementation of changes in legislation affecting Council Tax and Non-Domestic Rates (NDR), specifically changes in self-catering legislation.) – *13 November 2023*

- Record to Report (R2R) (Review processes, including controls within the core General Ledger system and Management monitoring and reporting.) – *12 February 2024*

- Sales to Cash (S2C) (Review the controls in place throughout the Council to set fees and charges for services, raise invoices promptly, and collect debts efficiently resulting in debtors' balances that are complete, accurate and recoverable.) – *12 February 2024*

ICT Governance Audits

3.8   To provide assurances that computer systems are secure, reliable and conform to nationally agreed standards, reviews included:

- IT Environmental & General Controls (Assess the adequacy and effectiveness of the governance in place for cyber security including the progress of the Cyber Security Maturity Assessment improvement actions.) – *12 February 2024*

Internal Controls Audits

3.9   To provide assurances in relation to a range of the Council's internal controls in areas identified by Management, reviews included:

- Schools Financial and Business Administration Processes (Review of internal financial controls and business administrative procedures in place to ensure the efficient and effective use of resources in the school establishments.) – *12 February 2024*

- Cost of Living Crisis Support (Review of information associated with the provision of a range of financial support and advice to local residents linked to the cost of living crisis.) – *20 May 2024*

- Pupil Equity Fund (PEF) (Assess the arrangements in place to administer the Pupil Equity Fund (PEF) and ensure that it is being utilised in line with the National Operational Guidance issued by the Scottish Government.) – *13 November 2023*

- Licensing (Short-Term Lets) (Ensure there is an adequate control environment for licensing, specifically relating to short-term lets.) – 2*0 May 2024*

- Looked After Children (Assess the adequacy of controls in place to ensure sound budgetary control and meet the demand on service delivery for Looked After Children.) – 25 September *2023*

- Refugee and Asylum Seekers Funding (Review the controls in place to ensure efficient and effective use of Home Office Refugee Money and Asylum Distribution Money.) – 13 November *2023*

- Biodiversity of the Scottish Borders (Review progress on the implementation of Scottish Borders Local Biodiversity Action Plan 2018-2028 to ensure compliance with the Council's Biodiversity duty under the Nature Conservation (Scotland) Act 2004.) – *25 September 2023*

- Residential Care Homes Administration Processes (Ensure the internal financial controls and business administrative processes are in place to ensure the efficient and effective use of resources in residential care homes.) – *20 May 2024*

Asset Management Audits

3.10   To provide assurances that Council assets are safeguarded and properly accounted for, and used economically, efficiently and effectively, reviews included:

- Asset Management (Property) *(b/f from 2022/2023)* (Specific review of the controls over the consumption of utilities (energy and water), as part of Property Asset Management assurance, to confirm on a sample basis that utility bills at the time of payment relate to property that form part of the Council's estate.) – *12 February 2024*

- Management of Capital Programme and Projects (Assess the new Capital Projects Programme Management Office (PMO) arrangements to govern and control Capital Spend that had been introduced for 6 capital schemes in the Pilot Key Project Set in 2023/24.) – *20 May 2024*

- Flood Protection (Review the structured framework, including community partner engagement, for investment in flood protection schemes, and operational and financial controls in place for the effective response to flooding to meet statutory obligations and to demonstrate efficient and effective use of resources.) – *12 February 2024*

Legislative and Other Compliance Audits

3.11   To test compliance with the terms of the funders' service level agreements or legislative requirements, reviews included:

- Hawick Conservation Area Regeneration Scheme (CARS) (Review as part of programme compliance and evaluation requirements of the external funders including audit requirements.) – *13 November 2023*

- UK Shared Prosperity Fund (Assess compliance with the requirements of the Funding Agreement and other relevant regulations, associated with the specific Shared Prosperity Fund provided by the UK Government.) – *20 May 2024*

- Scottish Government Community Led Local Development (CLLD) Fund (Assess compliance with the requirements of the Funding Agreement and other relevant regulations, associated with the specific CLLD fund for rural areas of Scotland provided by the Scottish Government since 2022.) – *12 February 2024*

- Sustainable Environment - Climate Change (Continuous audit approach during the year to assess governance arrangements, including observation of the Sustainability Board, and assess progress with the Climate Change Route Map Priority Actions to meet the Council's obligations regarding sustainable environmental programmes.) – *20 May 2024*

Audit Consultancy Work

3.12   Provision of 'critical friend' internal challenge and assurance through engagement in meetings of programmes and projects involving major change (Fit for 2024 / Digital Transformation Programme Boards, Information Governance Group, Social Work Programme Board, Integrated Impact Assessment Review, Sustainability Board, and Digital Security Board).

3.13   Significant activity as a 'critical friend' on the working group in the development of a property asset management plan led by the Infrastructure & Environment directorate.

3.14   Carried out Internal Audit consultancy work during the year to ascertain and review the revised procedures and processes, that are designed by Management to improve the Care Inspectorate gradings of all Council run Care Homes and Care at Home services and secure improved experiences for service users, and published an Internal Audit consultancy report for Management on Care Homes & Care at Home Quality Management.

3.15   During the year Internal Audit responded to various requests for ad hoc advice and assistance on internal controls, risk management and governance.

Other Audit Work

3.16   During the year Internal Audit resources were deployed in undertaking the following other audit work in support of the Internal Audit function meeting its wider objectives as set out in the Internal Audit Charter:

- Follow-up - Presented quarterly updates to the Council Management Team on the status of in-progress Internal Audit recommendations to ensure senior management oversight of progress with their implementation to demonstrate continuous improvement. Undertook two formal reviews for reporting to Audit Committee: The first formal review assessed performance of Management in implementing Internal Audit recommendations by the agreed due date (*13 November 2023 Q2 & 12 February 2024 Q3 on request)*; and the second formal review included a check of Internal Audit recommendations which were flagged as completed by Management to review the adequacy of the actions taken and improvements made. This practice is to provide additional assurance on the evidence of improvement in internal controls, risk management and governance as part of its continuous improvement processes (*11 March 2024*).

The following table highlights the status as at 05 April 2024 of Internal Audit recommendations from current and previous years:

Year	Total	Implemented	Not Yet Due	Overdue
2021/22	32	21	9	2
2022/23	26	18	5	3
2023/24	29	10	16	3

- Counter Fraud - Internal Audit activity included: testing fraud prevention controls and detection processes to ensure fraud risk is considered in assurance audit work; and engaging with other Services to oversee the Council's participation in the National Fraud Initiative (NFI) including oversight of their investigation of data matches and recording outcomes in the NFI portal.

- PSIAS Self-Assessment - Undertook an annual self-assessment of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAS) and reported its outcomes to Management and Audit Committee (*13 November 2023 & 20 May 2024*).

- Audit Committee Self-assessment - Provided support for the Audit Committee members' learning and development during the year 2023/24, including Audit Committee Development Sessions and monthly provision of additional information to external members. Provided assistance to the Chair in undertaking the Self-Assessment of the Audit Committee against the CIPFA best practice guidance with members of the Audit Committee on 5 March 2024.

- Boards / Committees - Prepared for and attended Audit Committee virtual meetings and other Boards / Committees, as relevant to fulfilling the Internal Audit role. For example, External Services Providers Monitoring Group.

- Administration of Audit Scotland Reports - Monitored publication of Audit Scotland national reports that give rise to introducing best practice arrangements or lessons learned from other local authorities or other public sector bodies, and co-ordinated submission to the relevant Committees thus adding value to the Council.

- Audit Planning 2024/25 - Reviewed and updated the Internal Audit Charter and Internal Audit Strategy. Updated the Audit Universe to develop and consult on the proposed coverage within the Internal Audit Annual Plan 2024/25 (*approved by Audit Committee on 11 March 2024*).

Non SBC Work

3.17   The Council's Internal Audit function provided independent assurance services to the Scottish Borders Council Pension Fund and the Scottish Borders Health and Social Care Integration Joint Board relating to their systems of internal control, corporate governance and risk management arrangements.

3.18   Separate Internal Audit annual assurance opinions will be reported to their respective Senior Management and Board / Audit Committee, based on the work delivered in accordance with their respective Internal Audit Annual Plans 2023/24 that were approved by their respective Senior Management and Board / Audit Committee in March 2023.

4   Public Sector Internal Audit Standards and Quality Assurance & Improvement Plan

4.1   The professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017) include:
   ➢ Definition of Internal Auditing;
   ➢ Code of Ethics;
   ➢ Attribute Standards (Purpose, Authority and Responsibility; Independence and Objectivity; Proficiency and Due Professional Care; Quality Assurance and Improvement Programme);
   ➢ Performance Standards (Managing the Internal Audit Activity; Nature of Work; Engagement Planning; Performing the Engagement; Communicating Results; Monitoring Progress; and Communicating the Acceptance of Risks).

4.2   The Public Sector Internal Audit Standards (PSIAS) requires the annual internal self-assessment against the PSIAS to be subject to an External Quality Assessment (EQA) every five years, by appropriately qualified and independent reviewers. The findings of the SBC EQA, completed by North Lanarkshire Council in early January 2021, assessed the function as 'fully conforms' with the requirements within the 13 Assessment Areas of the Definition of Internal Auditing, the Code of Ethics, Attribute Standards and Performance Standards. The findings and the main areas for improvement highlighted in the Final EQA Report were reported to the Audit and Scrutiny Committee on 15 February 2021.

4.3   The PSIAS requires the chief audit executive, the Council's Chief Officer Audit & Risk, to carry out an annual internal self-assessment against the PSIAS, develop a quality assurance and improvement plan (QAIP) based on the outcome, and report the results of the QAIP to senior management and elected members. An internal self-assessment 2023/24 of Internal Audit practices against the Standards was carried out in February/March 2024. Changes were made to the Internal Audit Charter and the Internal Audit Strategy 2024/25 arising from improvements identified during the self-assessment. Some minor refinements were also identified relating to operational tools to ensure their efficiency and effectiveness and other housekeeping actions for inclusion in the QAIP. These were discussed with the whole team at Away Days on 27 & 28 March 2024. Progress on their implementation will be reported to the Audit Committee within the Internal Audit Mid-Term Report 2024/25.

Jill Stacey BA(Hons) ACMA CGMA
Chief Officer Audit & Risk
30 April 2024

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Scottish Borders COUNCIL

COUNTER FRAUD ANNUAL REPORT 2023/24

Report by Chief Officer Audit & Risk

AUDIT COMMITTEE

20 May 2024

1 PURPOSE AND SUMMARY

1.1 **This report provides the Audit Committee with details of the Council's counter fraud responsibilities and an update on the fraud prevention, detection and investigation activity during the year to 31 March 2024, including outcomes from the Council's participation in the National Fraud Initiative 2022-2023.**

1.2 The Council is committed to minimising the risk of loss due to fraud, theft or corruption and to taking appropriate action against those who attempt to defraud the Council, whether from within the authority or from outside. Tackling fraud is not a one-off exercise; it is a continuous process across all parts of the Council because the service delivery processes it underpins are continuous. Tackling fraud is an integral part of good governance within the Council, safeguarding the Council's resources for delivery of services, as part of protecting the public purse.

1.3 The primary responsibility for the prevention, detection and investigation of fraud rests with Management, supported by the Integrity Group, whose purpose is to improve the Council's resilience to fraud, theft, corruption, and crime.

1.4 Part of the Audit Committee's role is to oversee the framework of internal financial control including the assessment of fraud risks and to monitor counter fraud strategy, actions and resources. Assurances about the effectiveness of the Council's existing systems and arrangements for the prevention, detection and investigation of fraud can be taken from the outcomes contained within this report.

2 RECOMMENDATIONS

2.1 **I recommend that the Audit Committee:**
   a) **Considers the specific counter fraud activity undertaken in 2023/24 in support of the Council's counter fraud policy and strategy; and**
   b) **Notes the counter fraud next steps planned for 2024/25.**

Page 75

3 BACKGROUND

3.1 The size and nature of the Council's services, as with other large organisations, puts the Council at risk of loss due to fraud, theft, corruption and crime. The Council at its meeting on 16 December 2021 approved a refreshed Counter Fraud Policy Statement and Counter Fraud Strategy 2021-2024. These enable the Council to continue to refine its approach to tackling fraud, taking account of reducing resources, with a focus on prevention and detection and promotion of a counter fraud culture across the Council to improve its resilience to fraud.

3.2 The Counter Fraud Policy Statement outlines the key objectives and states the roles and responsibilities in tackling fraud. The primary responsibility for the prevention, detection and investigation of fraud rests with Management. The Counter Fraud Strategy 2021-2024 outlines the approach that will be adopted within Scottish Borders Council to tackle fraud, in support of the Counter Fraud Policy Statement. It is based upon the national counter fraud standard CIPFA's Code of Practice on 'Managing the Risk of Fraud and Corruption' published in December 2014.

3.3 Establishing and maintaining a counter fraud culture is fundamental to ensuring an effective response to fraud, theft, corruption or crime and the leadership part played by the Council Management Team and Service Managers is key to establishing counter fraud behaviours within the organisation, its partners, suppliers and customers.

3.4 Tackling fraud is not a one-off exercise; it is a continuous process across all parts of the Council because the service delivery processes it underpins are continuous. Tackling fraud is an integral part of good governance within the Council, safeguarding the Council's resources for delivery of services, as part of protecting the public purse.

3.5 The Integrity Group is an officer forum, chaired by the Chief Officer Audit & Risk, which reports directly to the Council Management Team (CMT) and has representatives from HR, Finance, Legal, IT, and Procurement to support Management to fulfil their responsibilities in tackling fraud. Its purpose is to improve the Council's resilience to fraud, theft, corruption, and crime. It oversees the counter fraud policy framework, agrees and monitors the implementation of counter fraud improvement actions, raises awareness as a method of prevention, and performs self-assessment checks against best practice.

3.6 Internal Audit is required to give independent assurance on the efficacy of processes put in place by Management to manage the risk of fraud. The Internal Audit Strategy, approved by the Audit Committee, states that during the course of all assurance work Internal Audit will consider fraud risks, and prevention and detection controls.

3.7 Part of the Audit Committee's role is to oversee the framework of internal financial control including the assessment of fraud risks and to monitor counter fraud strategy, actions and resources.

4   COUNTER FRAUD SPECIFIC ACTIVITY 2023/24

4.1   Meetings of the Integrity Group were held during the year 2023/24 on 5 June, 4 September, and 4 December 2023 to undertake its remit to improve the Council's resilience to fraud, corruption, theft and crime.

4.2   It is important that associated policies, procedures and guidelines across the Council are regularly reviewed and updated, as appropriate, to ensure that they keep pace with best practice in relation to fraud and corruption prevention and detection. The Integrity Group carried out an assessment during 2023/24 of the Council's counter policy framework against best practice, the CIPFA Counter Fraud guidance, as set out in the table below:

The CIPFA Counter Fraud guidance states the minimum policy framework will include:	Associated Policies across the Council (latest approved date and responsible officer in brackets):
Counter Fraud Policy	Counter Fraud Policy and Strategy (December 2021; Chief Officer Audit & Risk)
Whistleblowing Policy	Whistle Blowing – Public Interest Disclosure Policy Appendix 2 of Code of Conduct for Employees (November 2022)
Anti-Money Laundering Policy	Anti-Money Laundering Policy (April 2020; s95 Officer/Pensions & Investments Manager)
Anti-Bribery & Corruption Policy	References to Bribery in Paras 1.2 Introduction, 9.2 Corruption, 14.5 Unacceptable Behaviour and Appendix 1 para 3.5 Gifts within Code of Conduct for Employees (November 2022)
Gifts & Hospitality Policy and register	Section 7 Hospitality, Section 8 Gifts and Appendix 1 General Guidance re Gifts within Code of Conduct for Employees (November 2022)
Conflict of Interest Policy and register	Section 4 Conflicts of Interest within Code of Conduct for Employees (November 2022) and Guidelines on Register of Interests (May 2022)
Codes of Conduct and Ethics	Code of Conduct for Employees (November 2022; Director People, Performance & Change/HR Manager)
Information Security Policy	Information Security Policy incorporates the subset of cyber security policy (September 2018; Information Governance / IT Security Lead)
Cyber Security Policy	

Integrity Group recommended actions are:
 ➢ A refresh of the Anti-Money Laundering policy (scheduled)
 ➢ Review and update of Information Security Policy (underway)
It is noted that some enhancements might provide the opportunity to raise awareness of the associated Policy as part of counter fraud measures.

4.3   One way to improve the Council's resilience to fraud, corruption, theft and crime is through carrying out a self-assessment of the Council's arrangements and agreeing any appropriate actions. The Chief Officer Audit & Risk disseminated the Audit Scotland report 'Fraud and Irregularity Update 2022/23' to the Integrity Group on 19 July 2023 [Fraud and irregularity: Annual report 2022/23 (audit-scotland.gov.uk)](published 13 July 2023) that set out a summary of the cases of fraud and other irregularities at public bodies reported by external auditors for the financial year 2022/23. Each of the case studies (Grant Payments; Invalid Supplier; Procurement Card; School Funds; Payroll; Pensions; Theft of IT Hardware) were assigned to the relevant officer to set out the fraud risk controls in place at Scottish Borders Council and to determine whether any Management Actions were required to enhance those controls. The Audit Committee on 25 September 2023 considered the same Audit Scotland report and endorsed the tasks being undertaken by the Integrity Group.

4.4   The findings from the Integrity Group's assessment of counter fraud controls 2023-24 and associated Action Plan, in response to fraud risks set out in the Audit Scotland report, were presented to the Council Management Team on 1 November 2023 then to the Audit Committee on 13 November 2023 [Item No. 10 - Counter Fraud Controls Assessment 2023-24.pdf (moderngov.co.uk)]. This provided assurances about the effectiveness of the Council's existing systems and arrangements for the prevention, detection and investigation of fraud, though also highlighted that some fraud risk mitigation actions are required to be applied on a continuous basis.

4.5   The efficacy of the Council's arrangements for the prevention, detection and investigation of fraud and corruption is predicated on the ongoing awareness of and compliance with the approved policies, procedures and guidelines by staff when carrying out their duties, and on the vigilance of staff in identifying and reporting any irregularities. A suite of on-line training modules covering Fraud Awareness, The Bribery Act, and Anti-Money Laundering are available for staff to utilise, though this is an opportune time to refresh their content to ensure their ongoing relevance and to promote the modules within targeted Service areas where fraud risks are prevalent. Fraud Awareness is also included in the Induction for new members of staff. There is regular and evolving IT security awareness training for staff/users across all levels of the Council, delivered in various methods to ensure engagement and ownership. Furthermore, continued periodic emails are distributed regularly reminding staff of their responsibilities and guidance on what to do if a phishing email is received.

4.6   The Integrity Group routinely at its meetings through its membership gained insights on emerging risks and suggested actions from members' represented on national forums such as Scottish Local Authorities' Investigators Group, Scottish Local Authority Information Security Group, and Scottish Government Public Sector Cyber Resilience Network.

4.7   The graphic (Appendix 1) illustrates the current Assessment of Scottish Borders Council's Counter Fraud Maturity 2023/24, using the Scottish Government Counter Fraud Maturity Model 2015 as a best practice framework for self-assessment purposes, taking into account the counter fraud activity during the year overseen by the Integrity Group.

5   NATIONAL FRAUD INITIATIVE 2022-2023 OUTCOMES

5.1   Scottish Borders Council continues to participate in the National Fraud Initiative (NFI) 2022/2023 which is a UK-wide counter-fraud 2-year exercise led by the Cabinet Office and Audit Scotland. It uses data analytic techniques to compare information about individuals held by different public bodies, and on different systems, to identify circumstances (data matches) that might suggest the existence of fraud or error. The Chief Officer Audit & Risk is the Senior Responsible Officer (SRO) for NFI and a Senior Internal Auditor acts as the Council's Key Contact for NFI (*since October 2023*).

5.2   The Integrity Group oversaw the initial planning, resourcing and data submissions associated with the Council's participation in the National Fraud Initiative (NFI) Exercise 2022/2023, including the completion of the NFI Self-Appraisal Checklist Part A Q1-9 'For those charged with Governance' and Part B Q1-9 'For the NFI Key Contacts and Users' (relevant to the Planning phase) in October 2022, which was presented to the Audit Committee on 13 February 2023 Item No. 08 - NFI 2022-2023 Exercise Self-Appraisal Checklist.pdf (moderngov.co.uk).

5.3   During its meetings on 5 June, 4 September, and 4 December 2023 the Integrity Group has received updates on the NFI 2022-2023 Exercise resourcing and data match review activity being carried out by Services across the Council. This included the NFI Self-Appraisal Checklist Part B Q10-18 that was completed in August 2023 (relevant to Review Data Matches phase), and Part B Q19-21 that was completed in October 2023 (relevant to the Recording Outcomes phase).

5.4   The SRO facilitated the completion of the Self-Appraisal Checklist Part B Q10-18 and Part B Q19-21 with those individuals from Services involved in the review of data matches, and subsequent recording of outcomes. This ensured that the self-assessment took account of the Council's progress with the review of data matches phase of the NFI exercise and considered the staff resources that continue to be constrained due to other priorities. The latter was of particular importance when planning arrangements for the subsequent recording of outcomes. The NFI 2022-2023 Exercise Update and Self-Appraisal Outcomes were considered by the Council Management Team in advance of them being presented to the Audit Committee on 13 November 2023 Item No. 11 - NFI 2022-2023 Exercise Self-Appraisal Checklist.pdf (moderngov.co.uk) to provide assurance that the Council's approach, resources and progress during the NFI exercise is appropriate.

5.5   The lead officers on NFI within Audit Scotland and the Cabinet Office have been kept informed of the approach within Scottish Borders Council to focus Services' limited staff resources on the review of data matches during the year 2023.

5.6   It should be noted that NFI is a small component of the Council's counter fraud framework which is implicit in the policies, procedures and controls (Financial, HR and Other) that are designed to prevent and detect fraud, theft and corruption across the range of the Council's Services as part of protecting the public purse.

5.7 The recording of outcomes by individuals in Services in the NFI Portal got underway in earnest in February and March 2024 with support from the Key Contact as this was a new learning experience for all of the individuals. The NFI 2022-2023 outcomes for Scottish Borders Council are summarised in the Table below:

Type	No of Matches in 2022/2023	No of matches reviewed	Fraud Detected	Errors Detected	Outcome (overpayment)
Housing Benefit	38	38	0	0	£0.00
Pensions	106	106	0	0	£0.00
Payroll	343	343	0	0	£0.00
Blue Badge	234	234	0	0	£0.00
Council Tax Reduction Scheme (CTRS)	433	433	1	12	£35,091.49
Creditors	4,249	4,249	0	12	£38,565.53
VAT	4,244	4,244	0	1	£26.00
Procurement	93	93	0	0	£0.00
Misc	89	0	0	0	£0.00
Sub-Total	**9,829**	**9,740**	**1**	**25**	**£73,683.02**
Council Tax Single Person Discount (SPD)	7,848	1,682	0	9	£960.11
TOTAL	**17,677**	**11,422**	**1**	**34**	**£74,643.13**

5.8 Key messages from the outcomes are as follows:

- Significant learning from the extensive coverage of data matches reviewed, based on the knowledge and experience of individuals in Services who are subject matter experts.

- Only 1 fraud detected through the NFI exercise which gives assurance on the efficacy of the Council's counter fraud framework (policies and procedures to support appropriate standards, behaviours and expectations; and processes and system-based controls to prevent and detect fraud proportionate to the risk).

- Low level of errors detected (34) relative to the totality of transactions within the types of data matches.

- It helps to confirm that services and payments are provided to the correct people and businesses.

- Recovery action of the circa £75k total overpayments, relating to the 1 fraud and 34 errors, is well-progressed.

5.9 Evaluation has been undertaken by individuals in Services of what worked well and what could be improved, as well as recognition of the extensive staff resources engaged from across a range of the Council's Services. These lessons learned will be invaluable in preparation for the Council's participation in the National Fraud Initiative (NFI) 2024/2025, which will be commencing soon.

6   COUNTER FRAUD NEXT STEPS 2024/25

6.1   The main elements of the Annual Plan 2024/25 activity for the Integrity Group will be to:

a)   Monitor the implementation of the improvement actions arising from the Counter Fraud Controls Assessment and the Cyber Security Maturity Assessment (CSMA); carry out a review of the policy framework for managing the risk of fraud; and raise fraud awareness as a method of prevention.

b)   Review the fraud awareness, bribery, gifts, hospitality and interests, and anti-money laundering eLearning modules to set out the approach for e-learning targeted at specific groups across the whole Council.

c)   Carry out a self-assessment of the Council's counter fraud arrangements using the Counter Fraud Maturity Model and identify any actions for implementation to improve the Council's resilience to fraud, corruption, theft and crime.

d)   Oversee the planning for the Council's participation in the NFI Exercise 2024-2025 and, on a quarterly basis, monitor progress by Services on the data submission phase, the data match investigation phase, and the recording and reporting phase.

7   IMPLICATIONS

7.1   **Financial**
Effective internal control systems are designed to prevent and detect fraud and this contributes to safeguarding the Council's resources, for delivery of services, as part of protecting the public purse.

The Council's corporate subscription to the National Anti-Fraud Network (NAFN) £1,700 for 2024/25 is included within the Corporate Fraud budget in Audit & Risk service. Any additional costs arising from enhanced fraud risk mitigation will have to be considered and prioritised against other pressures in the revenue budget.

All frauds and irregularities greater than £5,000 must be reported to Audit Scotland. There were no known frauds greater than £5,000 during 2023/24 that resulted in loss to the Council.

7.2   **Risk and Mitigations**
The process of identifying fraud risks by Management is based on the principles of the Council's Counter Fraud Policy and Strategy. Evaluation and monitoring of fraud risks and mitigations are facilitated through the Integrity Group, including their oversight of the Council's participation in the NFI Exercise. The Audit Committee provides Elected Member oversight.

7.3   **Integrated Impact Assessment**
There is no relevance to Equality Duty or the Fairer Scotland Duty for this report. An Integrated Impact Assessment (IIA) was completed as part of the revised Counter Fraud Policy statement and Counter Fraud Strategy 2021-2024, approved by Council on 16 December 2021. This is a routine good governance report for assurance purposes. Equality, diversity and socio-economic factors are accommodated by way of all alleged frauds being investigated and pursued in accordance with appropriate legislation.

7.4 **Sustainable Development Goals**
The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals, based on completion of the checklist as part of the revised Counter Fraud Policy and Strategy 2021-2024. However, the application of practices associated with the Council's Counter Fraud Policy and Strategy is fundamental to ensuring an effective response to fraud, theft, corruption, or crime. This will make a difference to the UN Sustainable Development Goal 16 "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels".

7.5 **Climate Change**
This report does not relate to any proposal, plan or project and as a result the checklist on Climate Change is not an applicable consideration.

7.6 **Rural Proofing**
This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

7.7 **Data Protection Impact Statement**
There are no personal data implications arising from the report content.

7.8 **Changes to Scheme of Administration or Scheme of Delegation**
No changes are required as a result of the report content.

8 CONSULTATION

8.1 The Integrity Group has been consulted on this report during its quarterly meeting on 23 April 2024 as part of fulfilling its role in enhancing the Council's resilience to fraud.

8.2 The Council Management Team, who play a key leadership role in establishing counter fraud behaviours within the organisation, its partners, suppliers and customers, has been consulted on this Report on 8 May 2024.

8.3 The Director of Finance, Director of Corporate Governance (and Monitoring Officer), Director of People Performance and Change, and Communications team have been consulted on this report and any comments received have been taken into account.

Approved by

Jill Stacey, Chief Officer Audit and Risk   Signature ………………………………….

Author(s)

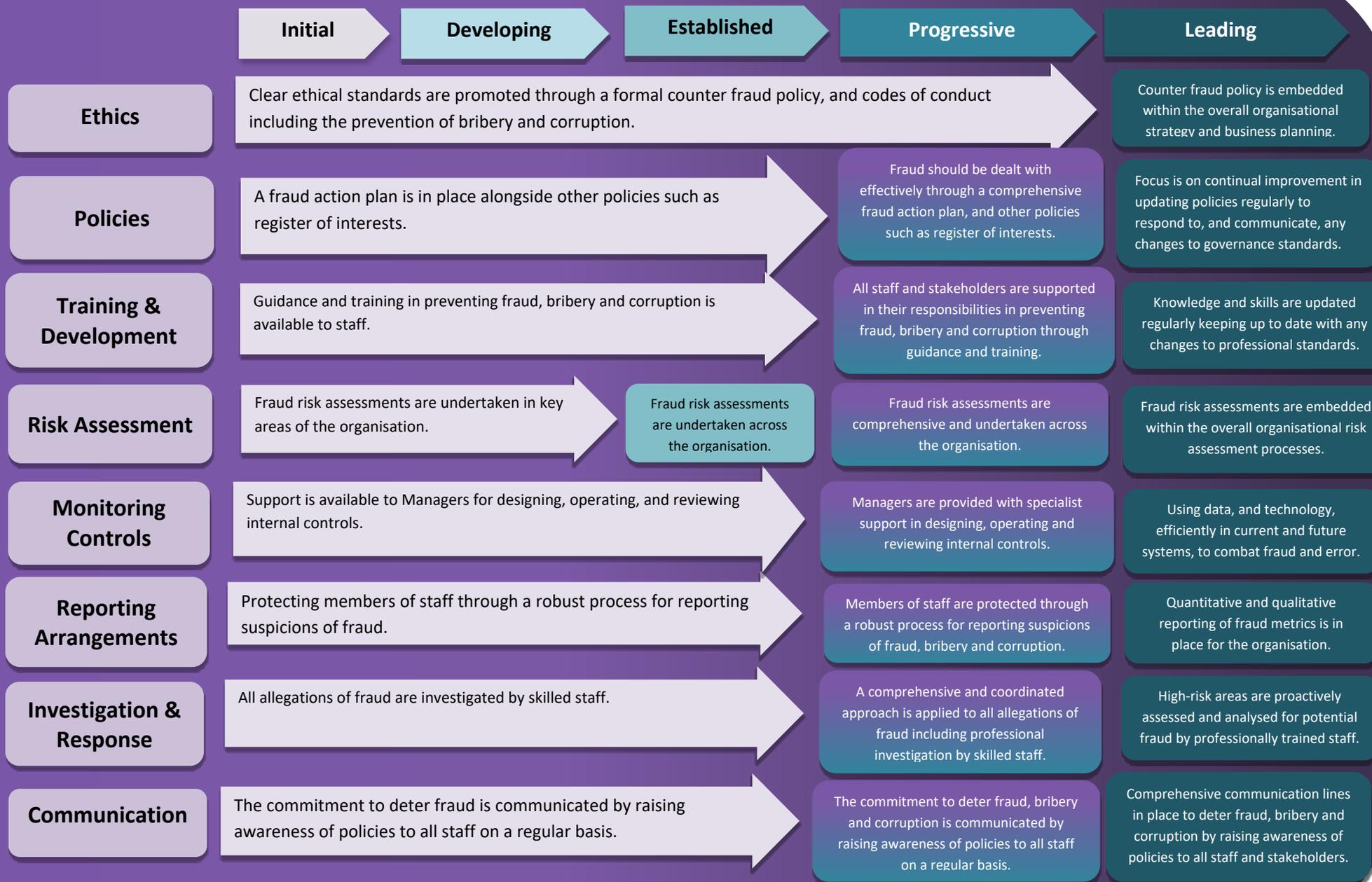| Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit and Risk Tel 01835 825036

Background Papers: Audit Scotland publications on website
Previous Minute Reference: Audit Committee 10 May 2023

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Assessment of Scottish Borders Council's Counter Fraud Maturity 2023/24

	Initial	Developing	Established	Progressive	Leading
Ethics	Clear ethical standards are promoted through a formal counter fraud policy, and codes of conduct including the prevention of bribery and corruption.				Counter fraud policy is embedded within the overall organisational strategy and business planning.
Policies	A fraud action plan is in place alongside other policies such as register of interests.			Fraud should be dealt with effectively through a comprehensive fraud action plan, and other policies such as register of interests.	Focus is on continual improvement in updating policies regularly to respond to, and communicate, any changes to governance standards.
Training & Development	Guidance and training in preventing fraud, bribery and corruption is available to staff.			All staff and stakeholders are supported in their responsibilities in preventing fraud, bribery and corruption through guidance and training.	Knowledge and skills are updated regularly keeping up to date with any changes to professional standards.
Risk Assessment	Fraud risk assessments are undertaken in key areas of the organisation.		Fraud risk assessments are undertaken across the organisation.	Fraud risk assessments are comprehensive and undertaken across the organisation.	Fraud risk assessments are embedded within the overall organisational risk assessment processes.
Monitoring Controls	Support is available to Managers for designing, operating, and reviewing internal controls.			Managers are provided with specialist support in designing, operating and reviewing internal controls.	Using data, and technology, efficiently in current and future systems, to combat fraud and error.
Reporting Arrangements	Protecting members of staff through a robust process for reporting suspicions of fraud.			Members of staff are protected through a robust process for reporting suspicions of fraud, bribery and corruption.	Quantitative and qualitative reporting of fraud metrics is in place for the organisation.
Investigation & Response	All allegations of fraud are investigated by skilled staff.			A comprehensive and coordinated approach is applied to all allegations of fraud including professional investigation by skilled staff.	High-risk areas are proactively assessed and analysed for potential fraud by professionally trained staff.
Communication	The commitment to deter fraud is communicated by raising awareness of policies to all staff on a regular basis.			The commitment to deter fraud, bribery and corruption is communicated by raising awareness of policies to all staff on a regular basis.	Comprehensive communication lines in place to deter fraud, bribery and corruption by raising awareness of policies to all staff and stakeholders.

Scottish Government counter fraud maturity model 2015

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AUDIT COMMITTEE ANNUAL REPORT 2023/24 AND SELF-ASSESSMENT OUTCOMES

Report by the Chair of the Audit Committee

AUDIT COMMITTEE

20 May 2024

1   PURPOSE AND SUMMARY

1.1   **The purpose of this report is to provide Members with the Audit Committee Annual Report 2023/24 which presents the Committee's performance in relation to its Terms of Reference and the effectiveness of the Committee in meeting its purpose.**

1.2   It is important that the Council's Audit Committee fully complies with best practice guidance on Audit Committees to ensure it can demonstrate its effectiveness as a scrutiny body as a foundation for sound corporate governance for the Council.

1.3   The CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition (hereinafter referred to as CIPFA Audit Committees Guidance) includes the production of an annual report on the performance of the Audit Committee against its remit for submission to the Council. The Audit Committee Annual Report 2023/24 (Appendix 1) is presented for consideration. Scottish Borders Council continues to be a lead authority in adopting this best practice.

1.4   The Audit Committee carried out self-assessments of Compliance with the Good Practice Principles Checklist and Evaluation of Effectiveness Toolkit from the CIPFA Audit Committees Guidance during Development Sessions on 5 March 2024 facilitated by the Chief Officer Audit & Risk. The self-assessments are appended to this report as Appendix 2 (Good Practice Principles) and Appendix 3 (Effectiveness) for consideration. The outcome of the self-assessments was a high degree of performance against the good practice principles and a medium degree of impact and effectiveness.

2   RECOMMENDATIONS

2.1   **I recommend that the Audit Committee:**

a)   **Approves the Audit Committee Annual Report 2023/24 (Appendix 1) which incorporates its self-assessments (Appendices 2 and 3) using the CIPFA Audit Committees Guidance; and**

b)   **Agrees that the Audit Committee Annual Report 2023/24 should be presented to the Council by the Chair.**

3 BACKGROUND

3.1 It is important that the Council's Audit Committee fully complies with best practice guidance on Audit Committees to ensure it can demonstrate its effectiveness as a scrutiny body as part of sound corporate governance.

3.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued an updated guidance note Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition (hereinafter referred to as CIPFA Audit Committees Guidance). It incorporates CIPFA's 2022 Position Statement: Audit Committees in Local Authorities and Police which sets out CIPFA's view of the role and functions of an Audit Committee. The content of the Good Practice Principles Checklist and Evaluation of Impact and Effectiveness Toolkit, within the updated CIPFA Audit Committees Guidance, includes new requirements of an Audit Committee consistent with the updated Position Statement and new bases of evidence.

3.3 The CIPFA Audit Committees Guidance includes the production of an annual report on the performance of the Audit Committee against its remit for submission to the Council.

4 AUDIT COMMITTEE SELF-ASSESSMENTS AND ANNUAL REPORT 2023/24

4.1 The Audit Committee carried out self-assessments of Compliance with the Good Practice Principles Checklist and Evaluation of Impact and Effectiveness Toolkit from the CIPFA Audit Committees Guidance during the Informal Session on 5 March 2024 facilitated by the Chief Officer Audit & Risk. The self-assessments are appended to this report as Appendix 2 (Good Practice Principles) and Appendix 3 (Impact and Effectiveness) for consideration.

4.2 The outcome of the self-assessments for the Audit Committee was a high degree of compliance against the good practice principles and a medium degree of impact and effectiveness, which is to be expected when first utilising updated guidance which contains additional requirements and new bases of evidence. The self-assessments identified improvement actions to enable its development as a fully effective Audit Committee.

4.3 The Audit Committee Annual Report 2023/24 (Appendix 1) is presented for consideration. Scottish Borders Council continues to be a lead authority in adopting this best practice. It is designed both to provide assurance to full Council and to identify actions to improve its effectiveness.

5 IMPLICATIONS

5.1 **Financial**
There are no direct financial implications associated with this report.

5.2 **Risk and Mitigations**
The role of the Audit Committee includes the high level oversight of the effectiveness of the Council's systems of internal financial control, internal control and governance, including risk management.

There is a risk that the Audit Committee does not fully comply with best practice guidance thus limiting its effectiveness as a scrutiny body as part of sound corporate governance. The completion of the annual self-assessment and identification and implementation of improvement actions as evidenced through this Annual Report will mitigate this risk.

5.3 **Integrated Impact Assessment**
This is a routine good governance report for assurance purposes, not a new or revised policy or strategy for decision and, as a result, completion of an integrated impact assessment is not an applicable consideration.

5.4 **Sustainable Development Goals**
The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals.

5.5 **Climate Change**
Audit Committee meetings and Development Sessions during 2023/24 have been held using a virtual platform MS Team (with the exception of an in-person meeting in September 2023) to minimise the need for business travel and reduce potential climate impact.

5.6 **Rural Proofing**
This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

5.7 **Data Protection Impact Statement**
There are no personal data implications arising from content of this report.

5.8 **Changes to Scheme of Administration or Scheme of Delegation**
The recommendations of the Audit Committee in respect of proposed amendments to its Terms of Reference within the Scheme of Administration (which are set out in Appendix 1) will require to be approved by Council. A report has been prepared for presentation to Scottish Borders Council on 30 May 2024 for this purpose.

6 CONSULTATION

6.1 The members of the Audit Committee were engaged in the annual self-assessment process during the Development Sessions on 5 March 2024 facilitated by the Chief Officer Audit & Risk.

Approved by
Cllr Elaine Thornton-Nicol, Chair of the Audit Committee

Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit and Risk Tel 01835 825036

Background Papers: CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition
Previous Minute Reference: Audit Committee 10 May 2023; Scottish Borders Council 25 May 2023

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SCOTTISH BORDERS COUNCIL
AUDIT COMMITTEE
ANNUAL REPORT FROM THE CHAIR – 2023/24

This annual report has been prepared to inform the Scottish Borders Council of the work carried out by the Council's Audit Committee during the financial year. The content and presentation of this report meets the requirements of the CIPFA Audit Committees Guidance 2022 to report to full Council on a regular basis on the Committee's performance in relation to the terms of reference and the impact and effectiveness of the Committee in meeting its purpose.

Meetings

The Audit Committee has met 6 times during the financial year relating to its audit and risk functions, which included meetings on 10 May 2023, 27 June 2023, 25 September 2023, 13 November 2023, 12 February 2024 and 11 March 2024 to consider reports pertinent to the Audit Cycle.

The remit of the Audit Committee is to have high-level oversight of the Council's framework of internal financial control, corporate governance, risk management systems and associated internal control environment. To fulfil this remit, the Committee sought assurance on the adequacy and effectiveness of the Council's systems of corporate governance and internal control for efficient operations and for the highest standards of probity and public accountability. It did this through material it received from Management, Internal Audit, External Audit, and other national audit bodies.

The Audit Committee reviewed the Annual Governance Statement 2022/23 (draft version in June 2023 and final version within Annual Report and Accounts in September 2023) to assess whether the AGS properly reflects the risk environment and whether the content is consistent with the Committee's evaluation of the internal controls and governance arrangements based on evidence received during the year. This also provided the opportunity for the promotion of the highest standards of conduct and professional and ethical behaviour as part of the Council's governance arrangements.

The Audit Committee scrutinised the Annual Report and Accounts 2022/23 of the Council (draft unaudited version in June 2023 and final audited version in September 2023) in accordance with its terms of reference prior to their formal approval by Council. This provided the opportunity for the Audit Committee to act as a bridge between the Council and other stakeholders, outlining the value of the audit process, and overseeing the integrity of financial reporting and governance arrangements. The Committee acknowledged the significant preparation work undertaken by the Finance team.

The Audit Committee in May 2023 considered the statutory annual audit opinion within the Internal Audit Annual Assurance Report 2022/23 that was used to inform the Annual Report and Accounts 2022/23 of the Council. During the year, relating to the Internal Audit Annual Plan 2023/24 that the Committee had previously approved, it considered Internal Audit's executive summaries of reports findings, audit opinions, good practice and recommendations, and scrutinised their implementation. It monitored Internal Audit's performance including progress against the Annual Plan 2023/24, conformance with Public Sector Internal Audit Standards 2017 (PSIAS), and quality assurance and improvement plan (QAIP) within Internal Audit mid-term performance report 2023/24 in November 2023. The Committee approved the terms of reference for Internal Audit (Internal Audit Charter) and the Internal Audit Strategy and Annual Plan 2024/25 at its meeting in March 2024.

The Audit Committee considered the External Audit Annual Reports 2022/23 to Members and the Controller of Audit on the annual audits of the Council and of the Pension Fund in September 2023. The Committee reviewed the main issues arising from the statutory audit process and the agreed actions arising. The Committee acknowledged the significant work undertaken by the external auditors and the Finance team to achieve the statutory reporting timescales. It reviewed the External Audit Plans for the statutory audits 2023/24 at its meeting in March 2024.

The Audit Committee considered the effectiveness of the risk management process throughout the Council by way of a Risk Management Annual Report 2022/23 in May 2023, which set out the risk management activity within the preceding year and the next steps to refine practices. At each of its meetings in 2023/24, the Committee received presentations by Directors, as part of a scheduled programme, on the corporate risks within their areas of responsibility and the internal controls and governance in place to manage those significant risks, and other information to demonstrate how risk management is embedded within their Services.

The Audit Committee considered the adequacy and effectiveness of the Council's counter fraud arrangements by receiving: a Counter Fraud Annual Report 2022/23 in May 2023, which set out the counter fraud activity within the preceding year; Audit Scotland's national Fraud and Irregularity Report 2022/23 in September 2023; outcomes of a Counter Fraud Controls Assessment 2023/24 by the Integrity Group of officers in November 2023; a Self-Appraisal on the Council's participation in the National Fraud Initiative (NFI) Exercise 2022-2023 by the Integrity Group in November 2023; and assurances from Internal Audit and External Audit on fraud risks and controls in their respective work.

The Audit Committee reviewed and monitored treasury management arrangements, in accordance with the CIPFA Treasury Management Code of Practice. This included the following, prior to their approval by Council: in September 2023, reviewed the Treasury Management Annual Report 2022/23 that set out the extent of compliance with the approved strategy and an analysis of the performance against the targets set; in November 2023, monitored the Treasury Management Mid-Year Report 2023/24 that set out performance against targets within the current year strategy; and in February 2024, undertook the scrutiny role for the development of future Treasury Management Strategy 2024/25 to check its affordability, sustainability and prudence.

The Committee also considered the Audit Commission's Local Government in Scotland Financial Bulletin 2022/23 in February 2024 to gain national insights on local government funding.

The Minutes of Audit Committee meetings were presented for approval by the Council.

Membership

The Membership of the Audit Committee is set out in the approved Scottish Borders Council's Interim Scheme of Administration, comprising of Ten members of the Council and Two additional members appointed from an external source as non-voting members. Four elected members are also on the Executive Committee as members of the opposition (not the Council's Administration), although it is noted that this is to ensure effective governance of the Council and is deemed not to impair the independence of the Audit Committee.

Two non-voting external members were appointed from the community on a three-year term from November 2022 to October 2025, following an open recruitment and selection process carried out during autumn 2022, which was approved by the Council. This enhances the independence of the Audit Committee's role in the scrutiny process of internal controls and governance and complies with best practice on independence, as set out in CIPFA 'Audit Committees' Guidance (2022). One of the external members resigned from the Committee in February 2024; a recruitment process will be undertaken to appoint a replacement.

The Committee membership during the year was: Councillors E. Thornton-Nicol (Chairman), N. Richards (Vice-Chairman), J. Anderson, P. Brown (to 23 November 2023), J. Cox, M. Douglas, J. PatonDay, E. Robson, S. Scott, and F. Sinclair, and Mr S. Whalley (to 8 February 2024) and Mr P. Whitfield.

Those present at the virtual meetings of Audit Committee was as follows:

Member	10 May 2023	27 Jun 2023	25 Sept 2023	13 Nov 2023	12 Feb 2024	11 Mar 2024
Cllr E. Thornton-Nicol (Chair)	√	√	√	√	√	√
Cllr N. Richards (Vice Chair)	√	√		√	√	√
Cllr J. Anderson	√	√	√		√	√
Cllr P. Brown	√					
Cllr J. Cox	√		√		√	√
Cllr M. Douglas	√	√	√	√	√	√
Cllr J. PatonDay		√	√	√		
Cllr E. Robson	√	√	√	√	√	√
Cllr S. Scott	√		√	√	√	√
Cllr F. Sinclair	√		√	√		√
Mr S. Whalley	√	√	√	√		
Mr P. Whitfield	√		√	√	√	√

Every meeting of the Audit Committee in 2023/24 was quorate (i.e. at least four Elected Members present).

The Chief Executive, the Director Finance & Procurement, the Chief Officer Audit & Risk, and external auditors attend all Committee meetings; other Directors and senior officers attend Committee meetings on request relevant to the business. The Democratic Services section has provided a Committee Officer as the minute secretary.

Knowledge and Skills

Given the wider corporate governance remit of Audit Committees within local government and the topics now covered by the Internal Audit and External Audit functions, it is noteworthy that there is a range of knowledge, skills and experience that Audit Committee members bring to the committee to fulfil its functions, not limited to financial and business management. This enhances the quality of scrutiny and discussion of reports at the meetings. No one committee member would be expected to be expert in all areas.

The CIPFA 'Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition' includes an Audit Committee Members' Knowledge and Skills Framework, which has been utilised. Current members have each completed a self-assessment using this toolkit during 2022, which has been used to inform the content of the Development Sessions as well as provide other information to individuals to meet their needs.

Core Knowledge: Organisational Knowledge; Audit Committee role and functions; Governance; Internal Audit; Financial Management and Accounting; External Audit; Risk Management; Counter Fraud; Values of Good Governance; Treasury Management (only if it is within the terms of reference of the committee to provide scrutiny) .

Core Skills: Strategic Thinking and Understanding of Materiality; Questioning and Constructive Challenge; Focus on Improvement; Able to Balance Practicality against Theory; Clear Communication skills and Focus on the Needs of Users; Objectivity; Meeting Management Skills (specifically for the Chair).

The Audit Committee, at its meeting in May 2023, approved its Development Programme 2023/24 that was designed to enhance its members' knowledge and skills during the year.

The Development Sessions provide the space for Audit Committee members to receive induction and other training, to reflect on their knowledge and skills, and to identify other learning and development to fulfil their role. The following were delivered during the year 2023/24:

- 27 June 2023 – The Director of Finance & Procurement provided an overview presentation 'Statutory Accounts 2022/23' to provide insights on the accounts format and key content in advance of the consideration of the unaudited accounts 2022/23 during the formal meeting.
- 29 August 2023 – The External Auditors, Audit Scotland, delivered a presentation 'Role of External Audit in the Public Sector'. The presentation covered: Public audit in Scotland; the Role of Audit Scotland; the Code of Audit Practice; Wider Scope Areas and Best Value; Key Stages of the Audit; Key Concepts; Annual Audit Plan; Financial Statements Audit; and Reports.
- 30 October 2023 – The Chief Officer Audit & Risk provided a refresh 'Overview of Role of Internal Audit' specific to local government in Scotland to outline the Who, Why, What, How, When, Where of Internal Audit. The presentation covered: the Definitions of Internal Auditing; the Statutory requirement for Internal Auditing in Scotland; the Chartered Institute of Internal Auditors' Three Lines Model; Independence and Objectivity; Categories of Internal Audit activity; Performing an Internal Audit review; and the Public Sector Internal Audit Standards (PSIAS).
- 6 November 2023 – The Council's Treasury Advisor, Link Group, provided training for Members on Capital Strategy and Treasury Management covering an outline of what Treasury Management involves, the legal and regulatory framework, the role officers and elected members' in decisions, risk management, capital programme and capital financing, economics and the markets, debt management, treasury deposit strategy, and governance and scrutiny.
- 5 February 2024 – The Procurement Business Partner delivered a presentation 'Overview of the Council's Procurement framework' to outline the control environment and arrangements for value for money of the procurement framework within which officers must operate. The presentation covered: the key principles of public procurement; the Scottish model; regulated procurement; key statutory requirements; unregulated procurement; procurement approval processes; and the purchase order approval process.

Self-Assessment of the Committee

The annual self-assessment of the Audit Committee was undertaken during a virtual session on 5 March 2024. There was an opportunity for all Members of the Audit Committee to contribute to the self-assessment.

The Chief Officer Audit & Risk facilitated the annual self-assessment using the updated 'Good Practice Principles Checklist' and 'Evaluation of Impact and Effectiveness Toolkit' from the CIPFA Audit Committees Guidance 2022. There was focus on the additional requirements and new bases of evidence that were set out in both documents. The former was used to assess the application of the good practice principles aiming for effective audit committee arrangements. The latter states that "An audit committee's effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'. "

The outcome of the self-assessments for the Committee was a high degree of compliance against the good practice principles and a medium degree of impact and effectiveness, which is to be expected when first utilising updated guidance which contains additional requirements and new bases of evidence.

The self-assessment identified the following improvement actions to enable its development as a fully effective Audit Committee:

1. Arrange an opportunity to meet privately with external auditors in 2024/25 as part of the statutory audit process.
2. Ensure delivery by dates agreed on Action Tracker to hold Management to account on implementation of improvements to address Committee's significant concerns over controls (ongoing).
3. Support Management proposals to implement risk management benchmarking i.e. Risk Management Maturity Assessment 2023/24 to enable the Committee to fully assess effectiveness of risk management arrangements (ongoing).
4. Refresh training to be arranged for Audit Committee members on External Audit role and to gain understanding of the best value area of focus.
5. Refresh training to be arranged for Audit Committee members on role of Internal Audit and process with a corporate audit example.
6. Update on role of Capital Programme Management Office (PMO).
7. Ensure the Action Tracker includes follow-up to critically evaluate progress with delivery of Best Value actions.
8. Request Development Session by Monitoring Officer covering ethical standards in public life – relevant to Audit Committee remit.
9. When Committee scrutinises the unaudited accounts 2023/24 it needs to confirm that feedback has been considered and has been addressed as appropriate.

Assurance Statement to the Council

The Audit Committee provides the following assurance to the Council:

a) The Audit Committee has operated in accordance with its agreed terms of reference, and accordingly with the audit committee principles in the CIPFA Position Statement 2022. It did this through material it received from Management, Internal Audit, External Audit, and other national audit bodies. It focussed entirely on matters of risk management, internal control and governance.
b) For all audit reports, the Audit Committee considered whether it was satisfied that an adequate Management response was in place to ensure action would be taken to manage risk and address concerns on internal controls and governance arrangements.
c) The Audit Committee has received and considered material to fulfil its scrutiny role on treasury management activity in advance of the treasury management strategy and monitoring reports being presented for Council approval.
d) There is evidence of continuous improvement through Actions recommended by the Audit Committee, which are monitored through an Action Tracker and scrutinised to ensure these are acted upon within reasonable timescales to address concerns raised by the Committee to its satisfaction. Key issues escalated in the year: recommended to the IJB Audit Committee to look at Best Value of the learning disability service; requested counter fraud maturity assessment to confirm effectiveness of counter fraud controls; requested further quarterly update as not satisfied with the Q2 progress by Management on implementation of Internal Audit recommendations.
e) There is an opportunity for committee members to engage and raise salient matters in virtual meetings, noting that their knowledge, skills and experience of the Council and its Audit Committee are developing over time.
f) The self-assessment was useful for Members in that it provides an opportunity to reflect on how the Audit Committee conducts its business and to identify any areas of improvement or learning and development. This ensures the Committee can demonstrate its impact and effectiveness as a scrutiny body as a foundation for sound corporate governance for the Council.

Recommendations for the Council including proposed amendments to the Terms of Reference of the Audit Committee

The Audit Committee recommends that other Council Committees should carry out an annual evaluation to assess whether they are fulfilling their remits to support continuous improvement and learning for their members.

During the annual self-assessment 2023/24 the Audit Committee reviewed its Terms of Reference considering the additional requirements and new bases of evidence that were set out in the CIPFA Audit Committees Guidance 2022, and specifically the CIPFA Position Statement 2022: Audit Committees.

It proposes adding the Purpose of the Audit Committee to the remit for the Audit Committee in the SBC Scheme of Administration for clarity, as follows:

Purpose
To provide an independent and high-level focus on the adequacy of governance, risk and control arrangements.

Furthermore, it proposes to update the Terms of Reference for the Audit Committee in the SBC Scheme of Administration with the following amended functions 1-9 to explicitly address all the core areas identified in the 'CIPFA Position Statement 2022: Audit Committees':

Maintenance of governance, risk and control arrangements
1.   Support a comprehensive understanding of governance across the Council and amongst all those charged with governance, fulfilling the principles of good governance.

2.   Consider the effectiveness of the Council's risk management arrangements. Understand the risk profile of the Council and seek assurances that active arrangements are in place on risk-related matters across the Council's full range of operations and collaborations with other entities.

3.   Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics, and managing the Council's exposure to the risks of fraud and corruption.

Financial and governance reporting
4.   Be satisfied that the Council's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the Council's objectives.

*5.   Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them, prior to their submission to Council for approval.

Establishing appropriate and effective arrangements for audit and assurance
6.   Consider the arrangements in place to secure adequate assurance across the Council's full range of operations and collaborations with other entities.

7.   In relation to the Council's Internal Audit function:
   •   oversee its independence, objectivity, performance and conformance to professional standards;
   •   support effective arrangements for Internal Audit, including approval of its Terms of Reference (Charter), and Internal Audit Strategy and Annual Plan; and
   •   promote the effective use of Internal Audit within the assurance framework, including all matters relating to the implementation by management of recommendations contained within Internal Audit reports.

Page 94

8. Consider the opinion, reports and recommendations of external audit and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.

9. Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.

Expand function 10 as follows:

10. The scrutiny of treasury management strategy and monitoring reports in advance of their submission to Council for approval, in accordance with the CIPFA Treasury Management Code of Practice.

Transfer function 11 to the Pension Fund Committee to reflect the practice that separate Internal Audit Annual Plans and Annual Assurance Reports covering internal control, risk and governance arrangements of the Pension Fund are submitted to the Pension Fund Committee:

11. Assess the adequacy and effectiveness of the Pension Fund's systems of internal financial control, including counter fraud, theft or corruption and framework of internal control to provide reasonable assurance of effective and efficient operations.

Remove function 12 to avoid duplication as the review of the statutory statements of account of the Pension Fund and any reports that accompany them is already included in the Terms of Reference of the Pension Fund Committee:

*12. ~~Note the Pension Fund's audited Statement of Accounts and the Annual Report from the External Auditor to members and the Controller of Audit, prior to submission to Council.~~

Councillor Elaine Thornton-Nicol
Chair of Audit Committee
24 April 2024

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Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

Audit committee purpose and governance

1 Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?

2 Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?

3 Has the committee maintained its advisory role by not taking on any decision-making powers?

4 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?

5 Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?

6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?

7 Does the governing body hold the audit committee to account for its performance at least annually?

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* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:					
• compliance with the CIPFA Position Statement 2022					
• results of the annual evaluation, development work undertaken and planned improvements					
• how it has fulfilled its terms of reference and the key issues escalated in the year?					

Functions of the committee

9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
Governance arrangements					
Risk management arrangements					
Internal control arrangements, including: • financial management • value for money • ethics and standards • counter fraud and corruption					
Annual governance statement					
Financial reporting					
Assurance framework					
Internal audit					
External audit					
10 Over the last year, has adequate consideration been given to all core areas?					
11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?					
12 Has the committee met privately with the external auditors and head of internal audit in the last year?					

Page 98

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

Membership and support

13 Has the committee been established in accordance with the 2022 guidance as follows?					
• Separation from executive					
• A size that is not unwieldy and avoids use of substitutes					
• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation					
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?					
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?					
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?					
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?					
18 Is adequate secretariat and administrative support provided to the committee?					
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?					

Effectiveness of the committee

20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?					
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?					
22 Are meetings effective with a good level of discussion and engagement from all the members?					
23 Has the committee maintained a non-political approach to discussions throughout?					

Page 99

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?					
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?					
26 Do audit committee recommendations have traction with those in leadership roles?					
27 Has the committee evaluated whether and how it is adding value to the organisation?					
28 Does the committee have an action plan to improve any areas of weakness?					
29 Has this assessment been undertaken collaboratively with the audit committee members?					
Subtotal score					
Total score					
Maximum possible score					200**

** 40 questions/sub-questions multiplied by five.

Page 100

Evaluating the impact and effectiveness of the audit committee

An audit committee's effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'.

The improvement tool below can be used to support a review of effectiveness. It identifies the broad areas where an effective audit committee will have impact.

Figure 1: The influential audit committee

The table includes examples of what the audit committee might do to have impact in each of these areas.

The third area includes key indicators that might be expected to be in place if arrangements are in fact effective. These indicators are not directly within the control of the audit committee, as it is an advisory body. They do provide an indication that the authority has put in place adequate and effective arrangements, which is the purpose of the committee.

Use the tool for discussion and evaluation of the strengths and weakness of the committee, identifying areas for improvement.

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
1. Promoting the principles of good governance and their application to decision making.	• Supporting the development of a local code of governance. • Providing a robust review of the AGS and the assurances underpinning it. • Supporting reviews/audits of governance arrangements. • Participating in self-assessments of governance arrangements. • Working with partner audit committees to review governance arrangements in partnerships.	• Elected members, the leadership team and senior managers all share a good understanding of governance, including the key principles and local arrangements. • Local arrangements for governance have been clearly set out in an up-to-date local code. • The authority's scrutiny arrangements are forward looking and constructive. • Appropriate governance arrangements established for all collaborations and arm's-length arrangements. • The head of internal audit's annual opinion on governance is satisfactory (or similar wording).	• *Committee is aware that the Local Code of Corporate Governance is used for annual self-assessment, and scrutinised AGS prior to its inclusion in Annual Report and Accounts.* • *Chair met with the Chief Executive as and when required.* • *Committee supports the role of audit in improving internal control and governance.* • *Committee considers national reports and uses self-assessment toolkits.* • *Chair met partners' Audit Committees' Chairs (IJB and NHS Borders) on 21 August 2023 and commits to meeting on an annual basis (as a minimum).* Rating 5 of 5 (2022/23 = 4)
2. Contributing to the development of an effective control environment.	• Encouraging ownership of the internal control framework by appropriate managers. • Actively monitoring the implementation of recommendations from auditors. • Raising significant concerns over controls with appropriate senior managers.	• The head of internal audit's annual opinion over internal control is that arrangements are satisfactory. • Assessments against control frameworks such as CIPFA's FM Code have been completed and a high level of compliance identified. • Control frameworks are in place and operating effectively for key control areas – for example, information security or procurement.	• *Committee received periodic progress reports from Auditors e.g. follow-up activity.* • *Action Tracker used to assign tasks to relevant Directors/Managers and to monitor completion of Committee recommendations.* • *Ongoing Improvement – ensuring delivery on dates agreed to hold Management to account.* Rating 4 of 5 (2022/23 = 4)

Page 102

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
3. Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	• Reviewing risk management arrangements and their effectiveness, e.g. risk management maturity or benchmarking. • Monitoring improvements to risk management. • Reviewing accountability of risk owners for major/strategic risks.	• A robust process for managing risk is evidenced by independent assurance from internal audit or external review.	• *Improvement c/f – support Management proposals for risk management benchmarking i.e. Risk Management Maturity Assessment 2023/24.* • *Committee considered update on Risk Management activity within Annual Report.* • *Committee received risk presentations by various Directors, as per agreed schedule, on key risks and mitigations to gain assurance on strategic risk management.* Rating 4 of 5 (2022/23 = 4)
4. Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	• Reviewing the adequacy of the leadership team's assurance framework. • Specifying the committee's assurance needs, identifying gaps or overlaps in assurance. • Seeking to streamline assurance gathering and reporting. • Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit.	• The authority's leadership team have defined an appropriate framework of assurance, including core arrangements, major service areas and collaborations and external bodies.	• *Committee considered Annual Plans and Reports received from appointed External Auditor, and received relevant national reports for assurance purposes.* • *Internal Audit Strategy contains the SBC assurance framework.* • *Committee seeks information on how internal and external audit interact with each other. Development Session 29 August 2023 on External Audit role in public sector.* • *Improvement: development sessions on External Audit role and best value area of focus, and Assurance Framework.* Rating 4 of 5 (2022/23 = 4)

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
5. Supporting effective external audit, with a focus on high quality and timely audit work.	• Reviewing and supporting external audit arrangements with focus on independence and quality. • Providing good engagement on external audit plans and reports. • Supporting the implementation of audit recommendations.	• The quality of liaison between external audit and the authority is satisfactory. • The auditors deliver in accordance with their audit plan, and any amendments are well explained. • An audit of high quality is delivered.	• *Committee considered Annual Plans and Reports received from appointed External Auditor, and received relevant national reports for assurance purposes.* • *Committee seeks information on how internal and external audit interact with each other.* • *Committee considered Annual Audit Report.* • *Improvement: private session with External Auditor* Rating 4 of 5 (2022/23 n/a)
6. Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.	• Reviewing the audit charter and functional reporting arrangements. • Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements. • Actively supporting the quality assurance and improvement programme of internal audit.	• Internal audit that is in conformance with PSIAS and LGAN (as evidenced by the most recent external assessment and an annual self-assessment). • The head of internal audit and the organisation operate in accordance with the principles of the CIPFA Statement on the Role of the Head of Internal Audit (2019).	• *Committee approved the Internal Audit Charter, noting PSIAS requirements.* • *Committee approved the Internal Audit Strategy and Plan, and considered regular Reports on Internal Audit work, raised queries and endorsed recommendations.* • *Committee received QAIP and PSIAS conformance, including outcomes of EQA process, within Internal Audit reports.* • *Development Session 30 October 2023 'role of internal audit'* • *Improvement – refresh on Internal Audit role and process with a corporate audit example* Rating 5 of 5 (2022/23 = 4)

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
7. Aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.	• Reviewing how the governance arrangements support the achievement of sustainable outcomes. • Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. • Reviewing the effectiveness of performance management arrangements.	• Inspection reports indicate that arrangements are appropriate to support the achievement of service objectives. • The authority's arrangements to review and assess performance are satisfactory.	• *Auditors provided assurance reports on governance of transformation programme, sustainability, and performance management, including lessons learned and best practice.* • *Assurance gained from those members on the Executive Committee on how it fulfils its performance monitoring role. Minutes of Executive Committee provided to External Members for information.* • *Improvement – Update of capital projects risk and PMO role by Director I&E May 2024* Rating 4 of 5 (2022/23 = 4)
8. Supporting the development of robust arrangements for ensuring value for money.	• Ensuring that assurance on value-for-money arrangements is included in the assurances received by the audit committee. • Considering how performance in value for money is evaluated as part of the AGS. • Following up issues raised by external audit in their value-for-money work.	• External audit's assessments of arrangements to support best value are satisfactory.	• *Auditors provided assurance on value for money arrangements via Best Value area of focus 2022/23.* • *AGS sets out the Governance Framework including arrangements for best value.* • *Committee places reliance on the Executive Committee for financial and service delivery performance monitoring.* • *Development Session covering overview of Procurement framework on 5 February 2024.* • *Improvement: Committee Action Tracker includes follow-up to critically evaluate progress with delivery of Best Value action.* Rating 4 of 5 (2022/23 = 3)

Page 106

Areas where the audit committee can have impact by supporting improvement	Examples of how the audit committee can demonstrate its impact	Key indicators of effective arrangements	Your evaluation: strengths, weaknesses and proposed actions
9. Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	• Reviewing arrangements against the standards set out in the *Code of Practice on Managing the Risk of Fraud and Corruption* (CIPFA, 2014). • Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. • Assessing the effectiveness of ethical governance arrangements for both staff and governors.	• Good ethical standards are maintained by both elected representatives and officers. This is evidenced by robust assurance over culture, ethics and counter fraud arrangements.	• *Committee considered update on Counter Fraud activity within Annual Report associated with the Counter Fraud Policy & Strategy.* • *Committee considered outcomes of Counter Fraud Controls Assessment by Integrity Group against fraud cases in national reports.* • *Auditors provided assurance reports on fraud risks and counter fraud controls.* • *Committee places reliance on the Standards Committee fulfilling its role.* • *Improvement – Development Session by Monitoring Officer on ethical standards in public life – relevant to AC remit.* Rating 4 of 5 (2022/23 = 4)
10. Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	• Working with key members to improve their understanding of the AGS and their contribution to it. *(moved from no.1)* • Improving how the authority discharges its responsibilities for public reporting – for example, better targeting the audience and use of plain English. • Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency. • Publishing an annual report from the committee.	• The authority meets the statutory deadlines for financial reporting with accounts for audit of an appropriate quality. • The external auditor completed the audit of the financial statements with minimal adjustments and an unqualified opinion. • The authority has published its financial statements and AGS in accordance with statutory guidelines. • The AGS is underpinned by a robust evaluation and is an accurate assessment of the adequacy of governance arrangements.	• *Committee scrutinised annual accounts and reports prior to publication and statutory audit, and commented on the format/content for users, and scrutinised audited accounts.* • *Annual Audit Report 2022/23 confirmed unqualified opinion – 25 September 2023.* • *Chair met partners' Audit Committees' Chairs (IJB and NHS Borders) 21 August 2023 and commitment to meeting on an annual basis (as a minimum) to understand transparency and accountability in partners.* • *Committee's Annual Report presented to Council and published for transparency.* • *Improvement – when Committee scrutinises the unaudited accounts 2023/24 it needs to confirm that feedback has been considered and has been addressed as appropriate.* Rating 4 of 5 (2022/23 = 4)

OVERALL QUESTIONS TO CONSIDER

1   Does the committee proactively seek assurance over the key indicators?

2   How proactive is the committee in responding to aspects of governance, risk, control and audit that need change or improvement?

3   Are recommendations from the committee taken seriously by those responsible for taking action?

REPORTING RESULTS

The outcome of the review can be used to inform the committee's annual report.

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PROPOSED SCHEDULE FOR AUDIT COMMITTEE DEVELOPMENT SESSIONS 2024/25

Report by the Chief Officer Audit & Risk

AUDIT COMMITTEE

20 May 2024

1   **PURPOSE AND SUMMARY**

   1.1 The purpose of this report is to provide Members of the Audit Committee with the proposed schedule for Audit Committee Development Sessions 2024/25. These are designed to enhance the members' core knowledge and skills to enable the Committee to fulfil its remit effectively.

   1.2 It is important that the Audit Committee, as a foundation for sound corporate governance, is able to demonstrate its effectiveness as a scrutiny body to the Council.

   1.3 This report outlines the proposed schedule for Audit Committee Development Sessions 2024/25. These are designed to enhance the Members' core knowledge and skills to enable the Committee to fulfil its remit effectively.

2   **RECOMMENDATIONS**

   2.1 I recommend that the Audit Committee:

   a) Approves the schedule for Development Sessions 2024/25 for the Members, that is set out in paragraph 4.1; and

   b) Notes that feedback on the development sessions will be obtained to re-assess the Members' core knowledge and skills and to evaluate the effectiveness of the Audit Committee annually.

3 BACKGROUND

3.1 It is important that the Audit Committee, as a foundation for sound corporate governance, is able to demonstrate its effectiveness as a scrutiny body to the Council.

3.2 All members of the Audit Committee have carried out a self-assessment during 2022 of their individual core knowledge and skills relating to the Council, Audit Committee, Governance and Audit using the Audit Committee Members' Knowledge and Skills Framework within the CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition (CIPFA Audit Committees Guidance).

3.3 In March each year the members of the Audit Committee undertake an annual evaluation of compliance with good practice and of the effectiveness of the Committee, using the checklist and toolkit respectively from the CIPFA Audit Committees Guidance.

3.4 The proposed schedule of topics for Development Sessions during 2023/24 was approved by the Audit Committee at its meeting on 10 May 2023.

3.5 In accordance with the approved schedule, the following topics have been delivered remotely using MS Teams within Audit Committee Development Sessions (or presentation within formal meeting*) during 2023/24:

- 'Statutory Accounts 2022/23' including accounts format and content by Director of Finance & Procurement (27 June 2023*).

- 'Role of External Audit in the Public Sector' by External Auditors, Audit Scotland (29 August 2023).

- 'Overview of Role of Internal Audit specific to local government in Scotland' by Chief Officer Audit & Risk (30 October 2023).

- 'Capital Strategy and Treasury Management' (with a focus on Debt Management) by Link Group, Scottish Borders Council's treasury advisors (6 November 2023).

- 'Overview of the Council's Procurement framework' to outline control environment and arrangements for value for money by Procurement Business Partner (5 February 2024).

3.6 At the Audit Committee annual self-evaluation session on 5 March 2024 the Committee members reflected on the above learning and development sessions, as well as the cycle of business considered during the year 2023/24, to re-assess their individual core knowledge and skills and to evaluate the effectiveness of the Audit Committee as a whole. During the self-evaluation, the Committee members suggested a number of topics for their learning and development including some as a refresh, in recognition of the ongoing requirement to develop their core knowledge and skills as an Audit Committee member.

4 AUDIT COMMITTEE DEVELOPMENT SESSIONS 2024/25

4.1 The individual core knowledge and skills self-assessments by Audit Committee members during 2022, and their re-assessment and their suggested topics for their learning and development identified during the Audit Committee annual self-evaluation on 5 March 2024 have been used to inform the content of the Development Sessions for 2024/25.

4.2 The proposed schedule for Audit Committee Development Sessions during 2024/25, set out below, is designed to enhance Members' core knowledge and skills to enable the Audit Committee to fulfil its remit effectively:

Proposed Date	Proposed Topic
13 June 2024	High level technical update to outline the difference between IFRS 16 and UK GAAP (Link Group).
25 June 2024	Financial management and accounting principles and practice, including accounts format and content (Director of Finance).
17 September 2024	Refresh on External Audit role and to gain understanding of the best value area of focus (Audit Scotland).
22 October 2024	Refresh on role of Internal Audit and process with a corporate audit example (Chief Officer Audit & Risk).
14 November 2024	Refresh on Capital Strategy and Treasury Management (Link Group, SBC's treasury advisors).
03 December 2024	Role of Capital Programme Management Office (Director of Infrastructure & Environment).
06 February 2025	Ethical standards in public life – relevant to Audit Committee remit (Monitoring Officer)
05 March 2025	Annual self-evaluation of Audit Committee (Chief Officer Audit & Risk).

4.3 As previously agreed by the Audit Committee, the Development Sessions will be scheduled separate from the formal meetings to enable dedicated time for Members' development though in alignment with the Audit Cycle to ensure their relevance and timeliness. The Audit Committee Development Sessions will continue to be delivered using a virtual platform MS Teams, and invites will be extended to all elected members for relevant topics.

5 IMPLICATIONS

5.1 **Financial**
There are no direct financial implications associated with this report.

5.2 **Risk and Mitigations**
There is a risk that the Audit Committee does not fulfil its remit. This will be mitigated by carrying out self-assessments on core knowledge and skills and putting in place development sessions to enhance core knowledge and skills on specific topics relevant to the remit of the Audit Committee.

5.3 **Integrated Impact Assessment**
This is a routine good governance report for assurance purposes, not a new or revised policy or strategy for decision and, as a result, completion of an integrated impact assessment is not an applicable consideration.

5.4 **Sustainable Development Goals**
The recommendations in this report will not directly impact any of the 17 UN Sustainable Development Goals.

5.5 **Climate Change**
This report does not relate to any proposal, plan or project and as a result the checklist on Climate Change is not an applicable consideration. The Audit Committee Development Sessions will continue to be delivered using a virtual platform MS Teams during 2024/25 to minimise the need for business travel and reduce potential climate impact.

5.6 **Rural Proofing**
This report does not relate to new or amended policy or strategy and as a result rural proofing is not an applicable consideration.

5.7 **Data Protection Impact Statement**
There are no personal data implications arising from content of this report.

5.8 **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 content in this report.

6 CONSULTATION

6.1 The members of the Audit Committee were engaged in the core knowledge and skills self-assessment process during 2022 and the annual self-evaluation of the Audit Committee as a whole on 5 March 2024.

6.2 The Council Management Team has been consulted on this report on 8 May 2024 to acknowledge its content and proposals therein.

6.3 The Director of Finance, Director of Corporate Governance (and Monitoring Officer), Director of People Performance and Change, and Communications team have been consulted on this report as required practice.

Approved by
Jill Stacey, Chief Officer Audit & Risk

Author(s)

Name	Designation and Contact Number
Jill Stacey	Chief Officer Audit and Risk Tel 01835 825036

Background Papers: CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition
Previous Minute Reference: Audit Committee 10 May 2023

Note – You can get this document on tape, in Braille, large print and various computer formats by using the contact details below. Information on other language translations can also be given as well as provision of additional copies.

Contact us at Internal Audit intaudit@scotborders.gov.uk