
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
Director of Finance

Signature

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

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

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.

<p>4. Elected member leadership</p>	<p>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.</p> <p>The Council should continue to support opportunities for cross-party working and promote the benefits that brings.</p>	<p>Position will be reviewed and reported to Council as part of work on developing a new Operating Model for the Council.</p>	<p>Complete - The Elected Members' Training and Development Policy was approved by Council on 26 October 2023.</p>
<p>5. Senior officer leadership</p>	<p>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.</p>	<p>Position will be reviewed and reported to Council as part of work on developing a new Operating Model for the Council.</p>	<p>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.</p>
<p>6. Planning for the workforce</p>	<p>The Council should prioritise improvement activity on planning for the workforce and addressing vacancies and hard to fill posts.</p>	<p>People planning will be fully aligned with service and financial planning as part of the budget process for financial year 2024/25.</p>	<p>Complete – The Strategic People Plan refresh was approved by Council on 25 April 2024.</p>

2022/23 recommendations from the external audit

Issue/risk	Recommendation	Agreed Management action/timing	Update
<p>1. Valuation of land and buildings Risk – assets are not held at the correct value in the accounts.</p>	<p>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.</p>	<p>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.</p>	<p>Officers have engaged earlier to improve valuations review and are utilising the same external support as prior year with the aim to improving delivery.</p>
<p>2. Significant trading operation Risk – the Council's significant trading operation activities do not represent best value for the Council.</p>	<p>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.</p>	<p>This review has commenced and will be progressed during 2023/24 as part of the Council's future Target Operating Model work.</p>	<p>Work has progressed with a report scheduled to be presented to CMT on 22nd May 24.</p>
<p>3. Internal recharges Risk – the value of the asset is misstated in the accounts.</p>	<p>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.</p>	<p>Officers can confirm that this will form part of the review of SBc Contracts.</p>	<p>Work is ongoing to ascertain the position and provide sufficient comfort to Audit Scotland that the accounting treatment is in line with guidance.</p>

<p>4. Assets on Common Good land Risk – that the Council does not have a formal agreement in place.</p>	<p>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.</p>	<p>Officers are committed to progressing this work during the remainder of 2023/24.</p>	<p>Legal agreements are in the process of being concluded.</p>
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Follow up of prior year recommendations 2021/22

Issue/risk	Recommendation	Agreed Management action/timing	Update
<p>5. Inquiry Action Plan Risk – the required improvement actions are not being addressed.</p>	<p>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.</p>	<p>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.</p>	<p>Complete - Remaining actions continued to be monitored per the delegated authority approved by Council.</p>
<p>6. NFI match investigation Risk – there are fraud and errors undetected without investigating the data matches.</p>	<p>The Council should investigate a sample of recommended and further matches to be assured that they are not indicative of fraud or error.</p>	<p>We will continue to review progress for the 2022/23 NFI matches.</p>	<p>Complete -NFI matches have been investigated and reported with an assurance that these are not indicative of fraud or significant error.</p>

<p>7. Non-Domestic Rates Risk – the Council’s reporting to the Scottish Government on Non-Domestic Rates is inconsistent with the Code.</p>	<p>The Council should do further work and analysis to ensure that they are fully consistent with the Code.</p>	<p>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.</p>	<p>Complete – this will be reviewed in 2023/24 Accounts to ensure this remains consistent with the Code.</p>
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