

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

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.

DECISION

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.