

SCOTTISH BORDERS COUNCIL AUDIT AND SCRUTINY COMMITTEE

MINUTES of Meeting of the AUDIT AND
SCRUTINY COMMITTEE held in Via
Microsoft Teams on Thursday, 21 October
2021 at 10.15 am

Present:- Councillors S. Bell (Chairman), H. Anderson, J. A. Fullarton, J. Greenwell,
N. Richards (Vice-Chairman), E. Robson, H. Scott, E. Thornton-Nicol,
Mr M Middlemiss and Ms H Barnett(from para 2).

Apologies: Councillor S. Scott

In Attendance:- Director Finance & Corporate Governance, Pensions & Investment Manager,
Chief Officer Audit and Risk, Clerk to the Council, Democratic Services Officer
(D. Hall).
Mrs G. Woolman and Mr A. Haseeb – Audit Scotland.

AUDIT BUSINESS

1. MINUTE.

- 1.1 There had been circulated copies of the Minute of 20 September 2021.

DECISION

APPROVED for signature by the Chairman.

- 1.2 The Chairman asked about the Minute of the meeting of Audit & Scrutiny on 5 October 2021 and the Clerk to the Council apologised that the Minute was not before the meeting. It would be brought to the next meeting of the committee.
- 1.3 With reference to paragraph 6 of the Minute of 20 November 2020 regarding Internal Audit Work, and the decision of the Committee to request that the Executive Director Finance & Regulatory write to the Chief Executive NHS Borders to encourage sign-off at the earliest opportunity of the SLA relating to the Community Equipment Service, the Chairman advised that he had written to the Director of Finance and Corporate Governance asking for an update. Mr Robertson advised that he had provided a response to the Convenor. He could confirm to Committee that a letter had been issued to NHS Borders as previously agreed and the matter was with the Director of Finance of NHS Borders for action. While the SLA was not yet signed, NHS Borders is paying a 50% contribution to the costs of the service, the position would be clarified with NHS Borders as soon as possible,

DECISION

NOTED.

2. EXTERNAL AUDIT ANNUAL REPORT 2020/21 FOR SCOTTISH BORDERS COUNCIL PENSION FUND

With reference to paragraph 4 of the Minute of 22 October 2020, there had been circulated copies of a report by Audit Scotland in respect of Scottish Borders Council Pension Fund. Mrs Woolman, Audit Scotland, advised that their audit work on the 2020/21 annual report and accounts was now substantially complete. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of annual report and accounts for final review, they anticipated being able to issue unqualified audit

opinions in the independent auditor's report on 28 October 2021. In response to questions, the Director Finance & Corporate Governance, Mr Robertson, advised that with regard to a £0.36m unadjusted error identified, this was because some investment returns were declared after the audit, with those returns being accounted for in the 2021/22 accounts. As the amount was less than the materiality level, the accounts did not require to be adjusted. With regard to capacity issues within the Finance and Human Resources departments, Mr Robertson provided assurances that work levels were being monitored appropriately and that if more staff were required then this would be resolved in a suitable manner. Mr Robertson further advised that the online self-service tool for Pension Scheme members when implemented was expected to have a significant positive impact, reducing workloads for those working in the Pensions admin team. The Chairman congratulated the Pension Fund Board and Officers on their management of the Pension Fund.

DECISION

NOTED Scottish Borders Council Pension Fund Annual Report 2020/21 from the Council's External Auditor.

MEMBER

Mr M Middlemiss joined the meeting during the discussion of the above item.

3. AUDITED REPORT AND ACCOUNTS 2020/21 FOR SCOTTISH BORDERS COUNCIL PENSION FUND

There had been circulated copies of a report by Director Finance & Corporate Governance on the final Annual Report and Accounts for the Pension Fund for 2020/21. The report provided the Audit and Scrutiny Committee with an opportunity to scrutinise the final Account Report and Accounts for the Pension Fund for 2020/21 prior to their submission to Scottish Borders Council for signature. Mr Robertson advised of a typographical error in the report, where reference was made to accounts for 2019/20 in error, the report should have referred to 2020/21. The Local Government Pension Scheme Amendment (Scotland) Regulations 2010 specified the elements which must be contained in the Annual Report and Accounts, contained in Appendix 1 to the report. Audit Scotland had now completed their audit and had given an unqualified audit opinion. They had identified two new recommendations and five recommendations from previous audits requiring action and these had been accepted by Management and would be enacted within the agreed timescales. The Annual Report had also been presented to members of the Pension Fund Committee and Pension Board for approval prior to Scottish Borders Council for signature.

DECISION

- # (a) AGREED to recommend to the Pensions Fund Committee that it sought reassurance that by 31 March 2022 the recommendations detailed in the management action plan would be achieved; and**
- (b) NOTED the Scottish Borders Council Pension Fund Annual Report and Accounts for 2020/21.**

4. EXTERNAL AUDITORS' ANNUAL AUDIT REPORTS 2020/21

- 4.1** With reference to paragraph 6.1 of the Minute of 22 October 2020, there had been circulated copies of covering letters and a report by Audit Scotland, the Council's external auditors. The report explained that Audit Scotland had now completed the audit of the Council's Annual Accounts for 2020/21 and Ms Woolman anticipated issuing an unmodified audit opinion in all cases. Ms Woolman advised that the financial statement gave a true and fair view. There were no unadjusted misstatements or material weaknesses in the accounting and internal control systems identified during the audit. The Committee confirmed that they knew of new issues or any concerns with regard to fraud or non-compliance.

- 4.2 A number of questions were raised which were answered by officers. Regarding financial misstatements, Mrs Woolman explained that the audit aggregated all amounts, credits and debts to assess whether the approach to the audit was correct. Regarding cyber security accreditation, the Chief Officer Audit & Risk advised that elements were monitored through the Officers Information Governance Group which looked at PSN accreditation and that would be captured in the Internal Audit review of Information Governance. An assessment of this would be presented to the Committee in March 2022. A webinar was due to be held the following week which would share lessons learned from the cyber-attack on SEPA. Regarding £27m of Covid relief funds provided by the Scottish Government, Mr Robertson explained that Scottish Borders Council had used £11.3m of the funding to ensure the continuation of essential services and had retained £15.7m in reserves. Those reserves continued to be drawn down and deployed to meet Covid related challenges as they arose, and would continue to be used as such. With regard to inconsistencies in Educational Maintenance Allowance record keeping, Mr Haseeb advised that as there had been sufficient improvements in record keeping compared to the prior year as a result of the work undertaken across the Council to address the recommendation in last year's annual audit report, no further recommendation was being made. As further work was still being carried out to address this that would be monitored. In response to a question regarding £34m made available to CGI, Mr Robertson clarified that the sum referred to was in fact the future transformation projects budget, earmarked to harness new technologies to adapt to the changing way customers interact with the Council. With regard to medium and long term financial planning, Mrs Woolman acknowledged that whilst accurate long term planning was challenging, the Council had an obligation to proceed with caution. Mr Robertson added that the Council had first adopted its current approach to long term planning in 2013/14. He noted that transforming services took time and highlighted the Council's good track record in the area. Regarding S.106 charities, Mr Robertson explained that discussions had taken place with the Education Department regarding work to consolidate a significant number of education trusts into the SB Education charity. It had been agreed that the Education department had to lead the substantial piece of consultation work required before the technical process to consolidate the trusts could be undertaken led by Finance and Legal Services. In regard to National Fraud Initiative (NFI) matches, Mrs Woolman explained that whilst the current timescale matched to the 2 year NFI programme, an alternative timescale could be followed. Mrs Stacey added that if resources were available work would be undertaken before the end of the year.

DECISION

NOTED the Annual Reports from the Council's External Auditors prior to Council approval.

5. SCOTTISH BORDERS COUNCIL ANNUAL REPORTS AND ACCOUNTS 2020/21

- 5.1 With reference to paragraph 7.1 of the Minute of 22 October 2020, there had been circulated copies of a report by the Director Finance and Corporate Governance presenting copies of the Council's audited Annual Accounts for 2020/21. The audit appointment of Audit Scotland for Scottish Borders Council accounts included the requirement to provide an auditor's report for the Council as well as related charities. KPMG continued to provide the external audit of the Council subsidiary Bridge Homes LLP. Audit Scotland had now completed the audit of the Council's Annual Accounts for 2020/21 and were expected to issue an unqualified audit opinion in all cases. In addition, Audit Scotland concurred with Management's accounting treatment and judgements; and had reached positive conclusions in respect of financial sustainability, financial management, governance, transparency and value for money. Audit Scotland had identified six new and one follow-up to prior year recommendations for improvement requiring action and these had been accepted by Management and would be enacted within the agreed timescales.

- 5.2 As required under the Local Authority Accounts (Scotland) Regulations 2014, the audited Annual Accounts for Scottish Borders Council, SBC Common Good Funds, the SBC

Charitable Trusts, and Lowood Tweedbank Ltd were being presented to the Audit and Scrutiny Committee prior to signature. The report also referred to KPMG's external audit of Bridge Homes LLP which had raised no issues, with no matters to report. However, that audit was not yet complete and therefore was not before the Committee for final consideration that day. Mr Robertson advised that although the audit of Bridge Homes LLP by KPMG had not been signed off, no issues were expected to arise. In response to a question regarding Scottish Water (SW) balances, Mr Robertson explained that SBC collected water fees as an agent of Scottish Water (SW). However, because SBC did not collect 100% of the water charges that it levied, discussions were required with SW to ensure that those debts which had subsequently proven to be uncollectable were written off by SW.

DECISION

(a) AGREED to recommend the following accounts for officer signature and Council approval:

- i. the Scottish Borders Council's audited Annual Accounts for the year to 31 March 2021;**
- ii. the Scottish Borders Council Common Good Funds' (Charity SC031538) audited Annual Accounts for the year to 31 March 2021;**
- iii. the SBC Welfare Trust (Charity SC044765) audited Annual Accounts for the year to 31 March 2021;**
- iv. the SBC Education Trust (Charity SC044762) audited Annual Accounts for the year to 31 March 2021;**
- v. the SBC Community Enhancement Trust (Charity SC044764) audited Annual Accounts for the year to 31 March 2021;**
- vi. the SBC Ormiston Trust for Institute Fund (Charity SC019162) audited Annual Accounts for the year to 31 March 2021;**
- vii. the Scottish Borders Council Charitable Trusts (Charity SC043896) audited Annual Accounts for the year to 31 March 2021; and**
- viii. the Lowood Tweedbank Ltd Annual Accounts for the year to 31 March 2021.**

(b) NOTED the Bridge Homes LLP Annual Accounts for the year to 31 March 2021, prior to the receipt of the final audit certificate.

SCRUTINY BUSINESS

- 6. ANY OTHER SCRUTINY ITEMS WHICH THE CHAIRMAN DECIDED ARE URGENT**
In response to a question from the Chairman, the Clerk to the Council advised that no petition had been received relating to Teviot Day Services. In relation to further Scrutiny business coming before the Committee, the Clerk confirmed that an updated timeline would be brought to the next meeting.

**DECISION
NOTED.**

- 7. PRIVATE BUSINESS**

AGREED under Section 50A(4) of the Local Government (Scotland) Act 1973 to exclude the public from the meeting during consideration of the business detailed in the Appendix to this Minute on the grounds that it involved the likely disclosure of exempt information as defined in Paragraphs 3 & 10 of Part I of Schedule 7A to the Act.

SUMMARY OF PRIVATE BUSINESS

8. MINUTE

The private section of the meeting held on 20 September 2021 was approved.

The meeting concluded at 12.28 pm