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AUDIT AND SCRUTINY COMMITTEE MONDAY, 14 MARCH 2022

A MEETING of the AUDIT AND SCRUTINY COMMITTEE will be held VIA MS TEAMS on
MONDAY, 14 MARCH 2022 at 10.15 am

J. J. WILKINSON,
Clerk to the Council,

8 March 2022

BUSINESS		
1.	Apologies for Absence.	
2.	Order of Business.	
3.	Declarations of Interest.	
4.	Minute. (Pages 3 - 12) (a) Consider Minute of the Meeting held on 14 February 2022 to be approved and signed by the Chairman. (Attached) (b) Consider Audit Business Action Tracker. (Attached)	5 mins
AUDIT BUSINESS		
5.	Progress Update on LDS Financial Management Recommendation (Pages 13 - 16) Consider update report by Director for Health & Social Care. (Attached)	30 mins
6.	Internal Audit Work to February 2022 (Pages 17 - 24) Consider report by Chief Officer Audit and Risk. (Attached)	15 mins
7.	Follow-Up Review of Completed Audit Recommendations (Pages 25 - 28) Consider report by Chief Officer Audit and Risk. (Attached)	15 mins
8.	Audit and Scrutiny Committee Annual Self-Assessments and End of Term Report 2021/22 (Pages 29 - 46) Consider report by Chairman of Audit & Scrutiny Committee. (Report and appendices attached)	20 mins
9.	External Audit Annual Plan 2021/22 for the Pension Fund (Pages 47 - 64)	15 mins

	Consider Audit Scotland "Scottish Borders Council Pension Fund Annual Audit Plan 2021/22". (Attached)	
10.	Internal Audit Charter (Pages 65 - 76) Consider report by Chief Officer Audit and Risk. (Attached)	15 mins
11.	Internal Audit Strategy and Annual Plan 2022/23 (Pages 77 - 94) Consider report by Chief Officer Audit and Risk. (Report and appendices attached)	15 mins
12.	Any Other Audit Items Previously Circulated.	
13.	Any Other Audit Items which the Chairman Decides are Urgent.	
SCRUTINY BUSINESS		
14.	Management and Maintenance of Public Halls (Pages 95 - 102) Consider report by Director Strategic Commissioning and Partnerships. (Attached)	20 mins
15.	Any Other Scrutiny Items Previously Circulated.	
16.	Any Other Scrutiny Items which the Chairman 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 S. Bell (Chairman), H. Anderson, J. A. Fullarton, J. Greenwell, N. Richards, E. Robson, H. Scott, S. Scott, E. Thornton-Nicol; Mr M. Middlemiss and Ms H. Barnett.

Please direct any enquiries to William Mohieddeen, Democratic Services Officer
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**SCOTTISH BORDERS COUNCIL
AUDIT AND SCRUTINY COMMITTEE**

MINUTES of Meeting of the AUDIT AND
SCRUTINY COMMITTEE held via Microsoft
Teams on Monday 14 February 2022 at
10.15 am

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

Apologies: Councillor J. Greenwell.

In Attendance: Director Finance and Corporate Governance, Pensions & Investment Manager, Chief Officer Audit and Risk, Principal Internal Auditor, Project Manager (M. Hermiston), Ms G. Woolman and Ms J. Law (Audit Scotland), Senior Manager Business Strategy & Resources, Clerk to the Council, Democratic Services Officer (W. Mohieddeen).

1. CHAIRMAN'S REMARKS

The Chairman invited Ms Woolman to introduce a new attendee to the Meeting. Jennifer Law was introduced as Lead Senior Auditor from Audit Scotland overseeing the audit team.

2. MINUTE

There had been circulated copies of the Minute of the Meeting held on 13 January 2022. With reference to paragraph 2.3 of the Minute, the Clerk to the Council advised that an update on the action regarding Jedburgh Contact Centre and Library was addressed in the Scrutiny Action Tracker.

DECISION

AGREED to approve the Minute for signature by the Chairman.

3. AUDIT BUSINESS ACTION TRACKER

- 3.1 With reference to paragraph 2 of the Minute of the Meeting held on 22 November 2021, there had been circulated copies of the Audit Business Action Tracker that included audit actions up to November 2021. The Chief Officer Audit & Risk advised that a number of actions were complete or are being considered as part of the agenda for the day's business.
- 3.2 With reference to the decision of 29 June 2021, regarding the reorganising of three SBC Trusts, Councillor Bell advised that his understanding was that action had taken place and the Trusts were more active. Councillor Anderson asked whether the realistic target date of 31 December 2021 indicated that the action had been completed. The Director Finance and Corporate Governance advised that the SBC Welfare Trust and the SBC Community Enhancement Trust were both live and work was progressing on the SBC Education Trust restructure. Members agreed to mark the action as complete.
- 3.3 With reference to the decision of 20 September 2021, Councillor Robson enquired about the status of the action on the progress update on Learning Disability Services Financial Management Recommendations. The Director Finance and Corporate Governance advised

that an update had been considered by the Strategic Leadership Team the previous week and an item would be brought to the Audit and Scrutiny Committee meeting to be held on 14 March 2022.

- 3.4 With reference to the decision of 21 October 2021 regarding the Audited Report and Accounts for Scottish Borders Council Pension Fund, the Director Finance and Corporate Governance advised that the action could now be considered complete.

DECISION

(a) AGREED that the following actions now be marked as complete:

- (i) the action with regard to the reorganisation of three SBC Trusts from the Meeting held on 29 June 2021; and,**
- (ii) the action with regard to the Audited Report and Accounts for the Scottish Borders Council Pension Fund from the Meeting held on 21 October 2021.**

(b) NOTED the update.

4. TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2022-23

- 4.1 There had been circulated copies of a report by Director Finance and Corporate Governance on the proposed Treasury Management Strategy for 2022-23 for consideration by the Audit & Scrutiny Committee prior to the Strategy being presented to Council for approval. The report explained that the Treasury Management Strategy was the framework which ensured that the Council operated within prudent, affordable limits in compliance with the CIPFA Code. The Strategy for 2022-23 which required to be submitted to Council on 22 February 2022 was detailed in Appendix 1 to the report and reflected the impact of the Administration's draft Financial Plans for 2022-23 onwards on the prudential and treasury indicators for the Council. The Director Finance and Corporate Governance, Mr Robertson, presented key highlights of the report including a summary of proposed indicators and significant changes from 2021-22 strategy. There was a decrease in the Capital Financing Requirement (CFR) in the first two years with increases in later years due to the re-phasing of one primary school and two residential care homes. Also impacting on the CFR was the anticipated capital borrowing requirements associated with the re-phasing of projects from 2021-22 into future years also impacted the CFR movement as well as movements in the scheduled debt amortisation projections for the year. There was a reduction in Prudential Indicator PI-6, under-borrowing against the CFR, in the last two years as a result of the increased level of external borrowing required to fund the Capital Plan. The gap between the 'operational boundary' external borrowing limits and projected borrowing maintained an 'under-borrowed' position for the next five years. However, the gap was reducing due to significant programme of works including three new high schools, the Hawick flood prevention works and new care facilities in Tweedbank. Additional information on revisions to the Treasury Strategy was included in Appendix 1 of the Report but did not need to be formally adopted until 2023-24.

- 4.2 There were ongoing discussions on the implementation date of International Financial Reporting Standard (IFRS) 16 which may be extended and work was ongoing to introduce new systems to be able to comply. Mr Robertson gave assurances that the Council had been working on the IFRS 16 for a number of years and would be ready when it was finally implemented. The delay to the implementation reflected the capacity of auditors. With regard to a question about the gilt markets, it was confirmed that daily updates were received from the Treasury advisers, but it was unlikely that any changes would impact on the Treasury Strategy. Level of borrowing was explained by Mr Robertson as being dependent on progress of the Capital Plan and the requirement to undertake more borrowing to fund it. Frequency of reviews of the external market took place through the Treasury

Management Strategy report and mid-year and year-end reports which assessed the impact of decisions made. Members discussed movement of the 'operational boundary' of external borrowing and that it may not be prudent to adjust these limits. There would be a peak in spend on the Capital Plan but this would then start to fall. By that time, eight of the nine secondary schools would be replaced. Mr Robertson and Pensions and Investments Manager, Ms Robb, provided further explanations on IFRS 16 and Prudential Indicators to 2026-27.

- 4.3 Mr Robertson then presented highlights of the Treasury Management Strategy contained in Appendix 1 of the Report. Gross borrowing for the year 2021-22 was £290.3 million which was £136 million under borrowed per the Prudential Indicator PI-6. In response to a question, Mr Robertson advised that the Council had access to a range of Money Market Funds (AAA) which had been set at £25 million and these were appropriate to current operational needs. In response to a question from Ms Barnett regarding ethical considerations, Ms Robb advised that treasury investments were made in cash markets rather than equities. There was further discussion on loan repayments and debt management.

DECISION

- * (a) **AGREED to RECOMMEND to COUNCIL that treasury management activity in the year to 31 March 2021 had been carried out in compliance with the approved Treasury Management Strategy and Policy as detailed in the report and in Appendix 1 to the report, but noted the narrowing of the gap between capital financial requirements and authorised limit for external debt and recommended Council gave full consideration to this.**
- (b) **AGREED to congratulate the Treasury Team on their active management of the implementation of the Council's Treasury Strategy in difficult circumstances.**

5. BEST VALUE ACTION PLAN UPDATE

- 5.1 With reference to paragraph 4 of the Minute of 15 February 2021, Jason McDonald, Senior Manager Business Strategy & Resources, was in attendance to give a presentation and progress update relating to the Best Value Audit Implementation Plan. A copy of the presentation slides had been included with the papers circulated with the agenda. The update considered the full suite of 40 actions associated with the Best Value Implementation Plan. End dates for actions had been reviewed and amended where applicable as recommended by the Committee. Two key projects were underway that addressed key recommendations of the Best Value Audit report. The projects were the refresh of the Council Plan and a review of the organisation's performance management approach. Three actions were amended and had been presented to the committee. These were actions numbers 23, 24 and 36. The change to action 23 reflected the use of Yammer as a platform for Council-wide staff engagement sessions with members of the Strategic Leadership Team (SLT). The change to action 24 was developed to ensure Scottish Borders Council continued to learn from and exploit opportunities brought about by the Covid-19 pandemic. The change to action 36 was developed to clarify focus on service improvement than to address broad services.
- 5.2 Members discussed the progress on action points and expressed disappointment that only 50% of proposed actions had been completed two years later while welcoming the review of the Corporate Plan. Mr McDonald explained that the Community Plan was due for review which provided an opportunity for matching priorities with those in the new business plan. The way the Council Plan had been drawn together showed a team effort and the same approach was needed in terms of production and development of the Community Plan to reflect key partners' priorities. With regard to the adoption of PSIF for self-evaluation, Mr McDonald did not want to overburden Services with demands for information and that self-

evaluation would form part of Service plans. In response to a question from Councillor Thornton-Nicol querying the 100% completion of locality models, Mr McDonald explained that the locality model had been accelerated during Covid and was a successful way of responding to community need. There were some concerns about the engagement of some partners but the model was operational, which was why it had been marked as complete. Councillor Thornton-Nicol suggested this action be re-addressed as NHS was not fully interacting with the locality model. Councillor Bell suggested that it may be better for a recommendation to go to the Integration Joint Board (IJB) rather than add something into the Improvement Plan and this was unanimously agreed.

- 5.3 Councillor Anderson, seconded by Councillor H. Scott, proposed as a Motion that the committee “Notes with disappointment that 2 years on only 50% of the proposed actions have been completed, therefore we welcome the commitment to produce a new Council Plan which will enable a more robust culture of performance management to be undertaken and ask that these recommendations be addressed in this Plan.” Councillor S. Scott, seconded by Councillor Richards, proposed an amendment that “due to Covid, the Committee noted the report”.

VOTE

Motion – moved by Councillor Anderson, seconded by Councillor H. Scott

Amendment – moved by Councillor S. Scott, seconded by Councillor Richards

Motion - 5 votes

Amendment – 3 votes

The Motion was accordingly carried.

DECISION

(a) AGREED to the amended actions contained within the Best Value Audit Implementation Plan

(b) AGREED to RECOMMEND to the H&SC INTEGRATION JOINT BOARD that it directed attention to the operation of the Localities Model and the participation of partners therein.

(c) DECIDED to note with disappointment that, two years on, only 50% of the proposed actions have been completed and that the commitment to produce a new Council Plan which would enable a more robust culture of performance management to be undertaken was welcomed and asked that these recommendations be addressed in this Plan.

6. COUNTER FRAUD CONTROLS ASSESSMENT 2021-22

Copies of a report by the Chief Officer Audit and Risk on Counter Fraud Controls Assessment 2021/22 had been circulated. This report made the Committee aware of the findings and necessary actions arising from the Integrity Group’s assessment of counter fraud controls. The report explained that the Council was committed to minimising the risk of loss due to fraud, theft or corruption and to taking appropriate action against those who attempted to defraud the Council, whether from within the authority or from outside. Tackling fraud was not a one-off exercise; it was a continuous process across all parts of the Council because the service delivery processes it underpinned were continuous. Tackling fraud was an integral part of good governance within the Council and demonstrated effective financial stewardship and strong public financial management. The primary responsibility for the prevention, detection and investigation of fraud rested with Management, supported by the Integrity Group, whose purpose was to improve the Council’s resilience to fraud,

theft, corruption, and crime. One way it could achieve that was by self-assessing the Council's arrangements against best practice and agreeing any appropriate actions to continuously improve the arrangements in place. Part of the Audit and Scrutiny Committee's role was 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 could be taken from the outcomes contained within the report. The Integrity Group, at its meeting on 6 December 2021, had received a progress update on the Action Plan from each of the Integrity Group Action Owners along with further information on additional practices that had been introduced since the counter fraud controls assessment was carried out during 2020-21. The output from that was included within Appendix 1 of the Report. Ms Stacey advised that as Services moved to digital delivery, cyber risks were emerging and that there was continuing activity in tackling fraud. In response to a question from Members, Ms Stacey confirmed that the Committee - following the local government elections in May 2022 - would continue to monitor effectiveness of the Council's existing systems for the prevention, detection and investigation of fraud, as outlined in the Counter Fraud Strategy 2021 – 2024, and that a report would be brought to the meeting of the Committee in June 2022.

DECISION

AGREED to:

- (a) Acknowledge the findings from the Integrity Group's assessment of counter fraud controls 2021-22 in response to fraud risks; and,**
- (b) Endorse the ongoing actions to enhance the Council's resilience to fraud, as summarised in the Action Plan in Appendix 1 of the Report.**

7. INTERNAL AUDIT WORK TO JANUARY 2022

7.1 There had been circulated copies of a report by the Chief Officer Audit and Risk that provided members of the 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. The work Internal Audit had carried out in the period from 6 November 2021 to 31 January 2022 associated with the delivery of the approved Internal Audit Annual Plan 2021/22 was detailed in the report. A total of five final Internal Audit reports had been issued relating to assurance audits. There were two recommendations (one Medium-rated; one Low-rated) made associated with two of the reports. An Executive Summary of the final Internal Audit 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, was shown in Appendix 1 to this report. The SBC Internal Audit function conformed to the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017) including the production of the report to communicate the results of the reviews. In response to questions on climate change, fuel poverty and sustainability, Ms Stacey explained that with regard to the audit approach, the Principal Internal Auditor observed the Sustainable Development Committee and also the Officers' Working Group which were developing an action plan. This would be included in the Audit Plan for 2022/23, to ensure the risk of the Council not fulfilling its obligations on sustainability was monitored.

7.2 Councillor Robson referred to the digital strategy and the need for Members to have better access to more information. Mrs Stacey referred to the Accounts Commission report 'Digital Progress in Local Government' around designing services, especially when using technology, which recognised that appropriate skills were needed to use it. Discussions were underway with the Director Strategic Commissioning & Partnerships who had recently

taken over responsibility for the CGI contract, and the governance going forward needed to incorporate wider stakeholder groups in the different phases. Mr Robertson further advised that in terms of support for Members, there was a proposal to develop a Members' portal which would be a repository for information which would also help with Ward work. Proposals for this would be brought forward as part of the digital strategy. It would be helpful for the Council's Strategic Leadership Team to have conversations with Elected Members on the provision of information to Members as part of the development of the digital strategy. Mrs Stacey confirmed that the audit had looked at the ICT provider as part of the digital strategy and part of the contract with CGI, with the risk level around governance and having implementation plans in place along with how stakeholder engagement would work. Governance of this needed to be fit for purpose for the next phase. Mr Robertson added that the IT client function had transferred to the Director Strategic Commissioning & Partnerships, but the whole focus of the digital strategy remained a corporate priority. The digital strategy had been approved the previous February and officers had been working since then to deliver what was a very high level document, with detailed business change and projects to come forward. The first such one had been the Total Mobile roll out, originally to the eastern Borders care services and now in the south and west, so all the Council's care services were on Total Mobile. This provided technology to all front line operatives, allowing business processes to link up front line to back office to reduce paper. The digital strategy aimed to link 77 systems into one information hub so everyone could get much better information, and that would include the Members' portal. The digital strategy would be monitored through the Fit for 2024 Board, which was attended by Mrs Stacey and the audit team could also look at specific projects associated with the strategy as part of the 2022/23 audit plan.

DECISION

AGREED to:

- (a) note the final assurance reports issued in the period from 6 November 2021 to 31 January 2022 associated with the delivery of the approved Internal Audit Annual Plan 2021-22;**
- (b) note the Internal Audit Assurance Work in Progress and Internal Audit Consultancy and Other Work carried out in accordance with the approved Internal Audit Charter; and,**
- (c) acknowledge the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.**

8. ACCOUNTS COMMISSION REPORT 'COMMUNITY EMPOWERMENT: COVID-19 UPDATE'

There had been circulated copies of the published Report by the Accounts Commission. The Accounts Commission report, 'Community Empowerment – Covid-19 Update' was published on 28 October 2021 which was available at [Community empowerment: Covid-19 update | Audit Scotland \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/community-empowerment-covid-19-update). The Accounts Commission highlighted in its report that Communities played a crucial role in the response to Covid-19. Public bodies could learn from good practice and new ways of working which emerged in response to Covid-19 and use this to shape the way they would work in the future to promote the best outcomes for local communities and help address inequalities.

DECISION

NOTED:

- (a) the Accounts Commission report **Community Empowerment: Covid-19 Update**; and,
- (b) that the Strategic Leadership Team was consulted on the report content in full to learn from good practice and new ways of working which emerged in response to Covid-19 and to use this to shape their medium-term strategic plans and their approaches to supporting and empowering communities.

9. **ACCOUNTS COMMISSION AND AUDITOR GENERAL 'SOCIAL CARE BRIEFING'**
Copies of the Social Care Briefing from the Accounts Commission and the Auditor General had been circulated. Ms Stacey advised that this provided the national picture and the report was also due to be considered by the Chair and the Chief Officer of the H&SC Integrated Joint Board.

DECISION
NOTED the Briefing.

10. **SCRUTINY BUSINESS ACTION SHEET**
With reference to paragraph 2 of the Minute of 13 January 2022, copies of the updated Scrutiny Action Tracker had been circulated. The Clerk to the Council, Ms Wilkinson, advised that an update of maintenance of public halls would be made as part of a report from Director Resilient Communities for the Meeting to be held on 14 March 2022. With reference to action 3 from the Meeting held on 9 December 2021, Councillor Bell expressed concern about the lack of progress on Waste and Recycling Communications. Ms Wilkinson confirmed that the Communications Team was currently short of staff but did intend to take forward communications on waste and recycling as part of the Communications Strategy that was being developed to ensure that the right messages were being sent out. Ms Wilkinson further advised that all outstanding actions from before the 2022 Council election would be taken forward for a future committee to consider.

DECISION
NOTED the update.

Meeting concluded at 1.00pm

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ACTION SHEET MASTER COPY

SCOTTISH BORDERS COUNCIL AUDIT and SCRUTINY COMMITTEE 2021/22 (AUDIT BUSINESS)

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
22 November 2021				
Internal Audit Work to October 2021	AGREED to request the Corporate Management Team to review business continuity arrangements across the Council and that an assurance report be presented to the Audit and Scrutiny Committee at its February 2022 meeting.	Finance & Corporate Governance	David Robertson	A&SC 14 March 2022 proposed for verbal Update on progress by Chief Officer Audit & Risk based on recent Internal Audit follow-up work.
14 February 2022				
Treasury Management and Investment Strategy 2022-23	AGREED to RECOMMEND to COUNCIL that treasury management activity in the year to 31 March 2021 had been carried out in compliance with the approved Treasury Management Strategy and Policy as detailed in the report and in Appendix 1 to the report, but noted the narrowing of the gap between capital financial requirements and authorised limit for external debt and recommended Council gave full consideration to this.	Finance & Corporate Governance	David Robertson	Treasury Management and Investment Strategy 2022-23 presented to Council for approval 22 February 2022. Complete.
Best Value Action Plan Update	AGREED to RECOMMEND to the H&SC INTEGRATION JOINT BOARD that it directed attention to the operation of the Localities Model and the participation of partners therein.			
Best Value Action Plan Update	DECIDED to note with disappointment that, two years on, only 50% of the proposed actions have been completed and that the commitment to produce a new Council Plan which would enable a more robust culture of performance management to be undertaken was welcomed and asked that these recommendations be addressed in this Plan.			

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- Completed by: Simon Burt - General Manager 31st January 2022
- Approved by Finance Business Partner 31st January 2022
- Updated 7th March 2022 for GRIP SLT meeting and Audit and Scrutiny Committee
- Approved by: Chris Myers – Director for Health and Social Care

1. Purpose

The Audit and Scrutiny Committee at their meeting on 10th May 2021 have requested a further update report in relation to the recommendation within the “Final Internal Audit Report- Learning Disabilities Services Financial Management” dated 30th April 2021 and the impact of these actions on overall budget spend. An initial update was provided in September 2021. This report sets out the actions taken by the Learning Disability Service in response and impact.

2. Final Audit Report Recommendation

There was 1 recommendation contained within the above report as detailed below:

Table 1

Rec. Ref No	Recommendation	Responsibility and Timescale
5.1	<p>The LDS Manager should have greater clarity of what client volume and complexity of needs can be afforded within the available budget, including the delivery of savings. A project plan timeline and measures for delivery of savings should be developed and implemented.</p> <p>Assumptions behind the development of the budget should be agreed between LDS and Finance. This will assist with the provision of variance analysis as part of the budget monitoring process for this demand-led Service. This may require some financial management training.</p>	<p>LDS Manager</p> <p>July 2021</p>

3. Actions undertaken and in progress

The service has taken into consideration this recommendation and have undertaken a range of actions. These are set out in the table 1 below followed by an additional section detailing the response to the external Consultant's audit and the efficiencies projects within the financial plan.

Table 2

Recommendation	Management response	By whom	Completion date
The LDS Manager should have greater clarity of what client volume and complexity of needs can be afforded within the available budget, including the delivery of savings. A project plan timeline and measures for delivery of savings should be developed and implemented. Assumptions behind the development of the budget should be agreed between LDS and Finance. This will assist with the provision of variance analysis as part of the budget monitoring process for this demand-led Service. This may require some financial management training.	1. Monthly Financial Monitoring Client expenditure reports produced by finance. These reports include all expenditure month by month for each client. Also includes movement in costs month by month.	Finance	Complete and on-going
	2. Fortnightly Management Finance meetings held including all LD managers, Finance business partner and admin. Formal agenda and action tracker maintained. Covers monthly analysis by Group manager of client expenditure as in 1 above and the monitoring of all efficiencies projects within LDS financial plan.	General manager	Complete and on-going (moved to monthly)
	3. The fortnightly Resource Panel has now been moved to weekly. All new proposed care plans and reviewed Care Plans are submitted	General Manager	Complete and on-going
	4. Breakdown of budget to east West Team level and monthly reporting against budget requested. This will include a dash board highlighting when budget expenditure is within or out with budget.	Finance	To commence April 2022
	5. Training for budget managers in financial reporting and monitoring. This is included within scheduled finance meetings on-going. Specific training will be delivered by finance with the role out of the new financial reporting programme.	Finance	Partially complete
	6. External consultant analysis of assessments and care plans. A comprehensive action plan is in place reporting into FF2024.	Julie Heywood (External Consultant)	Complete and on-going

	7. Reports to CMT (X2) detailing efficiencies position, additional mitigations and extended timeline. Developed with finance business partner. 3 rd report delivered to SLT on 9 th Feb 22 detailing efficiencies update and budget forecast position 22/23. This includes forecasting cost pressures for 22/23. Efficiencies progress and planning detailed in this update report.	General Manager/ Finance	Complete
	8. Further budget position statement submitted to CMT Feb 22 as in action 7 above.	General Manager/ Finance	Complete Feb 22
	9. Benchmarking unit price and budget expenditure against other Councils. From the 2 Councils to date (1 within the SBC family of Councils). LDS spend per person with a LD is in line with these 2 Councils. Data from a 3 rd Council now also received and in process of being compared. Initial feedback from our Finance Business Partner is that 3 rd benchmarking Council is in line with the other 2 Councils. Unit price is lower than or equivalent to other Councils (comparison with national Scotland Excel contract price).	General Manager/Finance	Complete Feb 22
	10. Overall budget analysis completed establishing how the budget is spent, what measures have been taken to ensure proper governance and the efficient use of resources is delivered including other potential opportunities to develop further efficiencies. Budget analysis continues on a monthly basis as part of general governance.	General Manager	Complete
	11. Improved reporting of review activity. Monthly reporting detailing date of last review for all service users and ongoing.	Performance team SBC	Complete

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INTERNAL AUDIT WORK TO FEBRUARY 2022

Report by Chief Officer Audit and Risk

AUDIT AND SCRUTINY COMMITTEE

14 March 2022

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to provide members of the Audit and Scrutiny 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 to 28 February 2022 associated with the delivery of the approved Internal Audit Annual Plan 2021/22 is detailed in this report. A total of 2 final Internal Audit reports have been issued. There were 4 recommendations made associated with the 2 reports (1 High-rated, 1 Medium-rated and 2 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 and Scrutiny Committee:**
 - a) Notes the final assurance reports issued in the period from 1 to 28 February 2022 associated with the delivery of the approved Internal Audit Annual Plan 2021/22;**
 - b) Notes the Internal Audit Assurance Work in Progress and Internal Audit Consultancy and Other Work carried out in accordance with the approved Internal Audit Charter; and**
 - c) Acknowledges the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.**

3 BACKGROUND

- 3.1 The Internal Audit Annual Plan 2021/22 was approved by the Audit and Scrutiny Committee on 8 March 2021. 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 of the fieldwork, an Audit Assignment detailing the scope, objectives and timing is agreed with the relevant Service Management; and, at the conclusion of the fieldwork, a draft Report is issued to relevant Service Management for response on the factual accuracy and acceptance of the findings and recommendations, as appropriate, which is then issued as a final Report.

4 PROGRESS UPDATE

- 4.1 Internal Audit has carried out the following work in the period from 1 to 28 February 2022 associated with the delivery of the Plan to meet its objective of providing an opinion on the efficacy of the Council's risk management, internal control and governance.
- 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:
- Grants incorporating Following the Public Pound
 - Schools Financial and Business Administration Processes
- 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
Comprehensive assurance	Sound risk, control, and governance systems are in place. These should be effective in mitigating risks to the achievement of objectives. Some improvements in a few, relatively minor, areas may be required.
Substantial assurance	Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement as current arrangements could undermine the achievement of objectives or leave them vulnerable to error or misuse.
Limited assurance	Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives and leave them vulnerable to an unacceptable risk of error or misuse.
No assurance	The systems for risk, control, and governance are ineffectively designed and operated. Objectives are not being achieved and the risk of serious error or misuse is unacceptable. Significant improvements are required.

Current Internal Audit Assurance Work in Progress

4.6 Internal Audit assurance work in progress to complete the delivery of the Internal Audit Annual Plan 2021/22 consists of the following:

Audit Area	Audit Stage
Sustainable Environment (b/f from 2020/21)	Drafting the report
Capital Investment	Testing underway
IT Asset Management	Testing underway
Business World Key Controls	Testing underway
Information Governance	Testing underway
Economic Development Industrial Property	Testing underway
Roads Asset Management (b/f from 2020/21)	Testing underway

Internal Audit Consultancy and Other Work

4.7 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 programmes and projects involving major change (Fit for 2024 Transformation Programme, Information Governance Group, Social Work Performance Board, Social Work Review Delivery Group, Sustainable Development Core Group, Homelessness Compliance Review Group).
- b) Carried out background research and engagement associated with the planning and implementation of the Corporate Transformation Programme - Fit for 2024, and updates on programmes and projects via the Fit for 2024 Board. Internal Audit will include an assurance audit in its Annual Plan 2022/23 to perform an in-depth review of one of the Fit for 2024 projects to critically evaluate its delivery against plans, achievement of savings, and realisation of business benefits.
- c) Learning and development is progressed for all Internal Audit team members during the research stage of new audit areas. A specific training workshop has been held for all Internal Audit team members on the Council's new Contract Management System, as part of the internal rollout of this system across the Council's services to those involved in contract management.
- d) The Chief Officer Audit & Risk and Principal Internal Auditor have joined virtual audit forums and meetings to keep knowledge of new Internal Audit developments up to date (Chartered Institute of Internal Auditors (CIIA) Local Authority Forum; CIIA Data Analytics Forum and Practitioners Forum; and Scottish Local Authority Chief Internal Auditors Group). Topics have included: Risk Appetite and the Annual Audit Opinion; Fraud Risk Assessment; and Challenge the Audit Plan.

Recommendations

- 4.8 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 weaknesses in existing controls, leaving the Council or Service open to error, fraud, financial loss or reputational damage, 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 Assurance Statement.

Medium: Substantial weaknesses in existing controls, leaving the Council or Service open to medium risk of error, fraud, financial loss or reputational damage requiring reasonably urgent action within three months of formally raising the issue.

Low: Moderate weaknesses in existing controls, leaving the Council or Service open to low risk of error, fraud, financial loss or reputational damage 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 attention of senior management.

Outwith the report, Internal Audit informs operational managers about other matters as part of continuous improvement.

- 4.9 The table below summarises the number of Internal Audit recommendations made during 2021/22:

	2021/22 Number of Recs
High	1
Medium	1
Low	2
Sub-total reported this period	4
Previously reported	12
Total	16
Recommendations agreed with action plan	16
Not agreed; risk accepted	0
Total	16

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 2021/22 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.
- 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).

- (b) 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.

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.

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.

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 Director - Finance & Corporate Governance, Chief Legal Officer (and Monitoring Officer), Director – People Performance and Change, Clerk to the Council, 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
Sue Holmes	Principal Internal Auditor Tel 01835 825556

Background Papers: Appropriate Internal Audit files

Previous Minute Reference: Audit and Scrutiny Committee 14 February 2022

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APPENDIX 1

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Internal Controls</p> <p>Subject: Schools Financial and Business Administration Processes</p> <p>No: 127/034</p> <p>Date issued: 23 February 2022 Draft; 4 March 2022 Final</p> <p>Level of Assurance: Substantial assurance (for most financial and business administration processes), and Limited (for Inventories and Mandatory eLearning Training Completion)</p>	<p>The purpose of the review was to ensure the internal financial controls and business administrative procedures are in place to ensure the efficient and effective use of resources in the schools.</p> <p>The Council's school estate comprises of 69 schools. Primary schools total 60 (including the specialist unit at Leader Valley) and there are 9 secondary schools. The Jedburgh Grammar campus caters for young people from nursery to secondary school and is included as both a Primary and Secondary school for continuity. As at 15 September 2021, the school roll was 7,909 in Primary, 6,713 in Secondary and 339 at Leader Valley. In total, there are 14,961 young people in SBC's school establishments.</p> <p>The following examples of good practice were found:</p> <ul style="list-style-type: none"> • Improvements have been made to the School Fund and Education Maintenance Allowances (EMA) processes. • Purchase Cards are working well with a low error rate. • The percentage take up of ParentPay is high (96%), reducing the need for cash within schools. <p>The Opening Balance for the School Fund as at the start of the academic year is considerably less than in previous years and can be attributed to there being less trips and activities planned as a result of the Covid-19 pandemic. Good progress has been made by Business Support (schools) in developing a new School Fund spreadsheet and guidance note, which is in line with our previous recommendation, though this is still work in progress.</p> <p>Parent Pay is an online service for schools and families, which provides a cost effective, secure and easy way to make online payments, reducing the amount of cash handled as well as reducing the financial risk within the school.</p>	1	1	1	Management have accepted the factual accuracy of the report and its findings, and agreed to implement the recommendations within the required timescales associated with the risk ratings. This has included immediate steps taken in respect of the high-rated recommendation.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Subject: Schools Financial and Business Administration Processes (cont'd)	<p>All staff should comply with the requirement to complete mandatory eLearning training. The completion of some mandatory eLearning training for teaching staff has improved since the 2020/21 audit, with the exception being Child Protection eLearning training. There are some teaching staff who have not completed any of the 4 mandatory eLearning training courses.</p> <p>Internal Audit are able to provide Substantial assurance (largely satisfactory risk, control, and governance systems are in place) for most Schools Financial and Business Administration Processes, and Limited assurance (Risk, control, and governance systems have some satisfactory aspects. There are some significant weaknesses) for Inventories and Mandatory eLearning Training Completion. Minor improvements which were discussed during the audit include a further review of petty cash, purchase cards rollout, and compliance with school fund procedures.</p> <p>Internal Audit have made the following recommendations:</p> <ul style="list-style-type: none"> • An Inventory template should be developed with appropriate procedure notes and instructions to ensure Financial Regulations are adhered to in a consistent manner across the school estate. Monitoring of compliance with the process should also be made by Management. (Medium) • Staff who have not completed the mandatory eLearning training (particularly child protection) must be reminded of the importance of completion, and further monitoring by Management should take place to check compliance. This should be included in staff annual appraisals. (High) • Evidence to support the data quality checks in SEEMIS and Business World systems should be recorded. The outcomes and any actions taken should also be recorded. Monitoring of compliance with the process should also be made by Management. (Low) 				

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Financial Governance</p> <p>Subject: Grants incorporating Following the Public Pound</p> <p>No: 027/001</p> <p>Date issued: 1 March 2022 Draft; 4 March 2022 2022 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the audit was to review the authorisation and monitoring procedures including criteria to evaluate grant applications and monitoring compliance with conditions of the grant. Assess the process against Following the Public Pound (FtPP) code of practice in support of securing best value.</p> <p>This audit focussed mainly on the community grants and in particular the Build Back a Better Borders (BBBB) grant.</p> <p>The Following the Public Pound code of practice (dated 16 March 2021) was published on the Council's intranet on 7 February 2022, and we are not aware of any staff communications bringing the revised policy to their attention. Additionally, the Following the Public Pound code of practice for community councils has been removed from the Council's website.</p> <p>The following examples of good practice were found:</p> <ul style="list-style-type: none"> • The submission process is well documented, with older versions being stored in archive folders. • Award letters were issued on a timely basis and were returned signed by the applicant. • All grants awarded that we tested were paid at the correct rate and in a timely manner. <p>Internal Audit are able to provide substantial assurance. Largely satisfactory risk, control, and governance systems are in place. There is some scope for improvement around applicants that have not provided the requisite 3 quotes and some minor improvements in streamlining administrative procedures, and publishing guidance for staff. Management Action was already underway in respect of the latter arising from a Management Review.</p> <p>Internal Audit have made the following recommendation:</p> <ul style="list-style-type: none"> • A waiver process should be considered for applications that are unable to supply the relevant 3 quotes. 	0	0	1	Management have accepted the factual accuracy of the report and its findings, and agreed to implement the recommendation as part of their wider ongoing Management review of the Community Grants process.

FOLLOW-UP REVIEW 2021-22 OF COMPLETED INTERNAL AUDIT RECOMMENDATIONS

Report by Chief Officer Audit & Risk

AUDIT AND SCRUTINY COMMITTEE

14 March 2022

1 PURPOSE AND SUMMARY

- 1.1 The purpose of the report is to provide an update to the Audit and Scrutiny 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 2021.**
- 1.2 Internal Audit 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 (by way of making audit recommendations); and objectively provides relevant assurance.
- 1.4 The Remit of the Audit and Scrutiny Committee includes the Audit function to consider "all matters relating to the implementation of recommendations contained within internal audit reports", as part of its high level oversight of the framework of internal control, risk management and governance within the Council.

2 RECOMMENDATIONS

2.1 I recommend that the Audit and Scrutiny Committee:

- a) Acknowledges the results of the spot check on Internal Audit recommendations that have been marked as completed by Management in the period January to December 2021 to improve internal controls and governance, and mitigate risks;**
- b) Considers whether it is satisfied with the outcomes or whether any further action is required; and**
- c) Notes that Internal Audit will continue to monitor the completion of recommendations and will provide update reports to this Committee.**

3 BACKGROUND

- 3.1 Internal Audit 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.
- 3.2 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 (by way of making audit recommendations); and objectively provides relevant assurance.
- 3.3 Management has the responsibility for ensuring that agreed audit actions are implemented to improve controls and governance and mitigate risks. At Internal Audit Final Report stage the Audit Recommendations are input to Pentana Risk, the Council's corporate performance management system. This is designed to assist with Management tracking of implementation, link with relevant risks, and evidence continuous improvement.
- 3.4 The Internal Audit Annual Plan 2021/22 includes two follow-up reviews. The first reports on progress Management have made in implementing the recommendations by the expected date (presented to 22 November 2021 Audit and Scrutiny Committee). The second checks a sample of Internal Audit recommendations which have been marked as complete by Management and reviews the adequacy of the actions taken and improvements made (the subject of this report).
- 3.5 The Remit of the Audit and Scrutiny Committee includes the Audit function to consider "all matters relating to the implementation of recommendations contained within internal audit reports", as part of its high level oversight of the framework of internal control, risk management and governance within the Council.

4 PROGRESS UPDATE

- 4.1 The objective of this follow-up audit was to review a sample of 'completed' Internal Audit recommendations to assess the evidence that they had been implemented satisfactorily and to ensure that the new controls had the desired outcomes of improving internal control and governance, and reducing risk.
- 4.2 A sample of 6 Internal Audit recommendations were selected that had been marked as completed on the Pentana system by Management during the period January to December 2021. The sample related to the Internal Audit reports in the following table:

Audit Report	Number of recommendations included in this review	High Priority	Medium Priority	Low Priority
ICT Security	1	0	1	0
Risk Management	2	0	2	0
Scottish Government Support Grants	3	0	3	0

- 4.3 From the 6 recommendations tested, 6 were found to have been completed satisfactorily.
- 4.4 For the 6 Audit recommendations that were found to have been completed satisfactorily (ICT Security 1 Medium-rated; Risk Management 2 Medium-rated; Scottish Government Support Grants 3 Medium-rated), the evidence that was provided by Management indicated that the Audit recommendations had been implemented satisfactorily and the action taken had the desired outcome of improving internal control and governance, and reducing risk. This provides assurance of evidence-based continuous improvement.
- 4.5 The Strategic Leadership Team (Chief Executive and Directors) considered this report on 2 March 2022 as part of their senior Management oversight of progress with and outcomes from implementing Internal Audit recommendations.
- 4.6 Internal Audit will continue to work with Directors and action owners as a critical friend to ensure the audit actions are fully completed with provision of evidence to support this, to demonstrate continuous improvement. Managers have been reminded that requests can be made to extend due dates if progress on implementation has not been as originally expected.
- 4.7 A further update on progress with the implementation of Internal Audit recommendations will be included within the Internal Audit Annual Assurance Report 2021/22 for Scottish Borders Council which is scheduled for presentation to the Audit and Scrutiny Committee in June 2022.

5 IMPLICATIONS

5.1 Financial

It is anticipated that efficiencies will arise either as a direct or indirect result of Management implementing the recommendations made by Internal Audit through improved internal controls and governance arrangements.

5.2 Risk and Mitigations

- a) Internal Audit provides assurance to Management and the Audit and Scrutiny Committee on the adequacy and effectiveness of internal controls and governance within the Council, including risk management, highlights good practice and makes recommendations.
- b) It is anticipated that improved risk management or mitigation will arise as a direct result of Management implementing the Internal Audit recommendations which will evidence improvements in internal controls and governance arrangements. If the Internal Audit recommendations are not implemented then risks may be more likely to occur or have a greater impact if they do.
- c) Internal Audit recommendations also highlight potential risks and are taken into account when risk registers are reviewed and new risks are identified. Internal Audit is the third line of defence in the governance of risk.

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).

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.

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.

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 Strategic Leadership Team (Chief Executive and Directors) have received quarterly update reports on Internal Audit recommendations, including this report, to enhance the senior Management monitoring and oversight of progress.

6.2 In addition, the Chief Legal Officer (and Monitoring Officer), Clerk to the Council, 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
Sue Holmes	Principal Internal Auditor Tel 01835 825556

Background Papers: Appropriate Internal Audit files and Pentana system

Previous Minute Reference: Audit and Scrutiny Committee 22 November 2021

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AUDIT AND SCRUTINY COMMITTEE ANNUAL / END OF TERM REPORT 2021/22

Report by the Chair of the Audit and Scrutiny Committee

AUDIT AND SCRUTINY COMMITTEE

14 March 2022

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to provide members with the Audit and Scrutiny Committee Annual / End of Term Report 2021/22 which presents the Committee's performance in relation to its Terms of Reference and the effectiveness of the Committee in meeting its purpose, relating to its Audit functions.**
- 1.2 It is important that the Council's Audit and Scrutiny Committee fully complies with best practice guidance on Audit Committees to ensure it can demonstrate its effectiveness as a scrutiny body (Audit functions) as a foundation for sound corporate governance for the Council.
- 1.3 The CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition (hereinafter referred to as CIPFA Audit Committees Guidance) includes the production of an annual report on the performance of the Audit and Scrutiny Committee against its remit (Audit functions) for submission to the Council. The Audit and Scrutiny Committee Annual / End of Term Report 2021/22 (Appendix 1) is presented for consideration. Scottish Borders Council continues to be a lead authority in adopting this best practice.
- 1.4 The Audit and Scrutiny 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 the Informal Session on 14 February 2022 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 high degree of effectiveness.

2 RECOMMENDATIONS

- 2.1 I recommend that the Audit and Scrutiny Committee:**
 - a) Approves the Audit and Scrutiny Committee Annual / End of Term Report 2021/22 (Appendix 1) which incorporates its self-assessments (Appendices 2 and 3) using the CIPFA Audit Committees Guidance; and**
 - b) Agrees that the Audit and Scrutiny Committee Annual / End of Term Report 2021/22 should be presented to the Council.**

3 BACKGROUND

- 3.1 It is important that the Council's Audit and Scrutiny Committee fully complies with best practice guidance on Audit Committees to ensure it can demonstrate its effectiveness as a scrutiny body (Audit functions) as a foundation for 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 2018 Edition (hereinafter referred to as CIPFA Audit Committees Guidance). It incorporates CIPFA's 2018 Position Statement: Audit Committees in Local Authorities and Police which sets out CIPFA's view of the role and functions of an Audit Committee.
- 3.3 The CIPFA Audit Committees Guidance includes the production of an annual report on the performance of the Audit and Scrutiny Committee against its remit of Audit functions for submission to the Council.

4 AUDIT AND SCRUTINY COMMITTEE SELF-ASSESSMENTS AND ANNUAL / END OF TERM REPORT 2021/22

- 4.1 The Audit and Scrutiny 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 the Informal Session on 14 February 2022 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.
- 4.2 The outcome of the self-assessments for the Committee was a high degree of performance against the good practice principles and a high degree of effectiveness. The Committee has identified the following lessons learned on how it has effectively fulfilled its Audit functions:
 - Recognising that regular training is important to enable them to fulfil their remit effectively;
 - Gain insights on the efficacy of the Council's risk management framework through a schedule of Directors presentations on risk and mitigations within their areas of responsibility; and
 - Target its critical evaluation of the Best Value Action Plan delivery, to enhance the arrangements for ensuring value for money.
- 4.3 The Audit and Scrutiny Committee Annual / End of Term Report 2021/22 (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 share lessons learned on how the Committee has improved its effectiveness during its 5-year term in order to inform the new Audit Committee and its members post-Local Elections in May 2022 (Audit functions).

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 and Scrutiny Committee (Audit functions) 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 and Scrutiny Committee does not fully comply with best practice guidance thus limiting its effectiveness as a scrutiny body (Audit functions) as a foundation for sound corporate governance. The completion of the annual self-assessment and identification and implementation of improvement actions as evidenced through this Annual / End of Term 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**

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.

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 and Scrutiny Committee were engaged in the annual self-assessment process during the Informal Session on 14 February 2022 facilitated by the Chief Officer Audit & Risk.

6.2 The Strategic Leadership Team, Chief Legal Officer (and Monitoring Officer), Clerk to the Council, and Communications team have been consulted by email on this report to ensure awareness of its content.

Approved by

Cllr Stuart Bell, Chair of the Audit and Scrutiny 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 2018 Edition

Previous Minute Reference: Audit and Scrutiny Committee 10 May 2021; Scottish Borders Council 27 May 2021

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**SCOTTISH BORDERS COUNCIL
AUDIT AND SCRUTINY COMMITTEE (AUDIT BUSINESS)
ANNUAL / END OF TERM REPORT FROM THE CHAIRMAN – 2021/22**

This annual/end of term report has been prepared to inform the Scottish Borders Council of the work carried out by the Council's Audit and Scrutiny Committee during the financial year. The content and presentation of this report meets the requirements of the CIPFA Audit Committees Guidance 2018 to report to full Council on a regular basis on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose relating to its Audit functions. In addition, this end of term report is to share lessons learned and areas of improvement to inform the new Audit Committee post-local elections in May 2022.

Meetings

The Audit and Scrutiny Committee has met 6 times during the financial year relating to its Audit functions, which included meetings on 10 May, 29 June, 20 September, 21 October, 22 November 2021, 14 February and 14 March 2022 to consider reports pertinent to the audit cycle. As and when required immediately prior to the formal meeting, an Informal Session was arranged to enable the members of the Committee to meet privately and separately with the auditors to raise any matters pertinent to the annual audit cycle of reporting or to discuss matters relevant to their learning and development. The Committee met at other times during the year to consider items relating to the Scrutiny Programme of Work.

The remit of the Audit and Scrutiny Committee (Audit functions) is to have high level oversight of the Council's and the Pension Fund's framework of internal financial control, corporate governance, risk management systems and associated internal control environment. To fulfil this remit, it sought assurance on the adequacy and effectiveness of Council's and the Pension Fund'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 Internal Audit, External Audit, other external scrutiny, audit and inspection agencies, and assurances from Management. It focused entirely on matters of risk management, internal control and governance, giving specialist advice to the Council on the value of the audit process, on the integrity of financial reporting and on governance arrangements, and acted as a bridge between the Council and other stakeholders.

The Committee scrutinised the Annual Report and Accounts of the Council and of the Pension Fund at appropriate times in accordance with its terms of reference, which also includes promotion of the highest standards of conduct and professional and ethical behaviour. The Audit Committee also reviewed the Annual Governance Statement in order to assess whether it properly reflects the risk environment and whether the content is consistent with its evaluation of the internal controls and governance arrangements based on evidence received during the year.

The Committee approved the terms of reference for Internal Audit (Internal Audit Charter) and the Internal Audit Strategy and Annual Plan. It considered Internal Audit's executive summaries of reports findings, audit opinions, good practice and recommendations and monitored their implementation on a regular basis. It monitored Internal Audit's performance including progress against the annual plan, conformance with Public Sector Internal Audit Standards 2017 (PSIAS), and quality assurance and improvement plan (QAIP) within Internal Audit mid-term performance and annual assurance reports, and considered the statutory annual audit opinion within the Internal Audit Annual Assurance Report.

It also reviewed the External Audit Strategies and Plans including arrangements for effective liaison between External and Internal Audit, considered External Audit reports including the Annual Reports to Members and the Controller of Audit on the annual audits of the Council and of the Pension Fund,

reviewed the main issues arising from the External Audit of the Council's statutory accounts and those of the Pension Fund, and monitored the implementation of agreed actions arising.

The Committee considered the effectiveness of the risk management process throughout the Council by way of an Annual Report which set out the risk management activity and the next steps to refine practices. It received presentations by Executive / Service Directors, as part of a scheduled programme with a new format, on the strategic risks facing their Services and the internal controls and governance in place to manage those risks to demonstrate how risk management is embedded within Services.

The Committee considered the adequacy and effectiveness of the Council's counter fraud arrangements by way of an Annual Report, which set out the counter fraud activity and progress with improvement actions, and received assurances from the Auditors on fraud risks and controls.

The Committee undertook the scrutiny role for the development of future Treasury Management strategy prior to its presentation to Council for approval. It also received mid-term and annual reports on the extent of compliance with the approved Treasury Management strategy and an analysis of the performance against the targets set. During the year it recommended the Treasury Management strategy and performance monitoring reports for Council approval.

The Minutes of Audit and Scrutiny Committee meetings were presented for approval by the Council, and any exceptional items or recommendations were referred to the Council in accordance with the remit of the Committee.

Membership

The Membership of the Audit and Scrutiny Committee is part of the approved Scottish Borders Council's Scheme of Administration (approved 28 September 2017; amended 25 February 2021) namely "Nine members of the Council not on the Executive Committee" and "....considering Audit matters (for that part of the meeting only) two additional members appointed from an external source as non-voting members." Two non-voting external members were appointed from the community to October 2021, one as a reappointment, following a recruitment and selection process carried out during autumn 2018 approved by the Council. This enhances the independence of the Audit and Scrutiny 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 (2018).

The Committee membership during the year was Councillors S Bell (Chairman), H Anderson, J Fullerton, J Greenwell, N Richards, E Robson, H Scott, S Scott, E Thornton-Nicol, Ms H Barnett and Mr M Middlemiss.

Those present at the virtual meetings which considered Audit matters was as follows:

Member	10 May 2021	29 Jun 2021	20 Sept 2021	21 Oct 2021	22 Nov 2021	14 Feb 2022	14 Mar 2022
Cllr S Bell (Chair)	✓	✓	✓	✓	✓	✓	
Cllr H Anderson	✓	✓	✓	✓	✓	✓	
Cllr J Fullerton	✓	✓	✓	✓	✓	✓	
Cllr J Greenwell	✓	✓	✓	✓			
Cllr N Richards	✓	✓	✓	✓	✓	✓	
Cllr E Robson	✓	✓	✓	✓	✓	✓	
Cllr H Scott		✓	✓	✓	✓	✓	
Cllr S Scott	✓	✓	✓			✓	
Cllr E Thornton-Nicol	✓		✓	✓	✓	✓	
Ms H Barnett			✓	✓		✓	
Mr M Middlemiss	✓	✓		✓		✓	

Every meeting of the Audit and Scrutiny Committee in 2021/22 which considered Audit matters was quorate (i.e. at least four Elected Members present).

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

Skills and Knowledge

Given the wider corporate governance remit of Audit and Scrutiny Committees within local government and the topics now covered by the external and internal audit functions, it is noteworthy that there is a range of skills, knowledge and experience that Audit and Scrutiny Committee members bring to the committee to fulfil its Audit 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 Informal Sessions provide the space for Committee members to reflect on their skills and knowledge, and to identify other learning and development to fulfil their role. For example:

- 29 June 2021 – To provide a refresh for Members on the Risk Management framework, process and practices, senior management and elected members' roles and responsibilities, and system.
- 22 November 2021 – The specialist advisor provided Treasury Management refresh training for Members covering legal and regulatory framework, officers and elected members' roles and responsibilities, risks (threats and opportunities), and skills and knowledge.

Self-Assessment of the Committee

The annual self-assessment was carried out by members of the Audit and Scrutiny Committee on 14 February 2022 during an Informal Session facilitated by the Chief Officer Audit & Risk using the 'Good Practice Principles Checklist' and 'Evaluation of Effectiveness Toolkit' from the CIPFA 'Audit Committees Guidance'. This was useful for Members to ensure the Committee can demonstrate its effectiveness as a scrutiny body (Audit functions) as a foundation for sound corporate governance for the Council.

The outcome of the self-assessments for the Committee was a high degree of performance against the good practice principles and a high degree of effectiveness. The Committee has identified the following lessons learned on how it has effectively fulfilled its Audit functions:

- The A&SC deems this a beneficial exercise on an annual basis. It provides an opportunity to reflect on how it conducts its business and to identify any areas of improvement or learning and development.
- The open recruitment and selection process to appoint external members of the Audit and Scrutiny Committee outwith the cycle of local elections facilitates continuity management of membership. In addition, the individual external members bring a different perspective to complement those Councillors appointed to A&SC. The self-assessment highlighted that the two external members have served beyond their original appointment to October 2021.
- The A&SC noted the benefits of an experienced Chair who utilises opportunities as required to meet with the key people involved in the Council's governance and conducts business effectively.
- The A&SC welcomes feedback on its performance from those interacting with the Committee or relying on its work. Those Directors who had presented to the Committee during the year provided feedback on their interaction with the Committee. This will be formally documented in future. In addition, the Director of Finance & Corporate Governance will be specifically asked for feedback as the SLT representative on A&SC.
- The approach for A&SC to receive presentations by Directors on the risks and mitigations associated with their areas of responsibility worked well.
- Recognise the importance of regular and refresher training to improve knowledge and understanding of technical areas, such as Treasury Management and Statutory Accounts, to enable them to fulfil their remit effectively.

- There is evidence of continuous improvement through appropriate scrutiny and challenge on its Action Tracker to ensure that A&SC recommendations have been recorded and are monitored to ensure they are fully implemented to its satisfaction.
- The Committee has critically evaluated progress with delivery of Best Value Action Plan. It recommends that the speed of implementation is increased by the Council to enhance the arrangements for ensuring value for money.
- The Committee endorsed the revised Counter Fraud Policy & Strategy prior to Council approval 16 December 2021. It notes that this is the beginning of the new counter fraud staff resourcing model and practices, which require close and ongoing scrutiny due to fraud risk.

Assurance Statement to the Council

The Audit and Scrutiny Committee provides the following assurance to the Council:

- The Council has received the Minutes of the Audit and Scrutiny Committee meetings throughout the year.
- The Audit and Scrutiny Committee has operated in accordance with its agreed terms of reference, and accordingly with the audit committee principles in CIPFA Position Statement, relating to its Audit functions. It did this through material it received from Internal Audit, External Audit, other audit and inspection bodies, and assurance from Management. It focussed entirely on matters of risk management, internal control and governance, giving specialist advice to the Council on the value of the audit process, on the integrity of financial reporting, and acted as a bridge between the Council and its stakeholders.
- For all audit reports, the Audit and Scrutiny 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.
- There is effective engagement of committee members including challenge and questions relating to the business on the agendas. Recommendations are made by the Audit and Scrutiny Committee which are monitored through an Action Tracker to ensure these are acted upon within reasonable timescales to address concerns raised by the Committee.
- The Audit and Scrutiny 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.

Recommendations for the Council

Approve an extension to the appointment of the external members for one year to October 2022, noting that the current incumbents are in agreement to this.

Agree that other Committees should carry out annual self-assessments of fulfilling their remits as part of continuous improvement.

Provide the opportunity for the external members of A&SC and other Committees to be involved in the Induction Programme and ongoing Development Programme for Elected Members post-local government elections in May 2022.

Agree that the appointed Chair will have previously served on the A&SC.

Endorse a further cycle of presentations by Directors on risks and mitigations to A&SC. In addition, the A&SC should gain insights on the efficacy of the Council's risk management framework through benchmarking with other organisations.

Agree that Informal / Development Sessions continue to be used of refresher briefing / training.

Councillor Stuart Bell
Chairman of Audit and Scrutiny Committee
3 March 2022

CIPFA 'audit committees' Practical Guidance for Local Authorities and Police 2018 Edition

Scottish Borders Council Audit and Scrutiny Committee – self-assessment of Good Practice at 14 February 2022

Audit committee purpose and governance	Yes/Partly /No	Comments
Does the authority have a dedicated audit committee?	<input type="text" value="Yes"/>	Scheme of Administration approved by the Council 28 September 2017 (amended 25 February 2021) includes the remit of the Audit and Scrutiny Committee.
Does the audit committee report directly to full council?	<input type="text" value="Yes"/>	Council approves Minute of each Audit and Scrutiny Committee meeting.
Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	<input type="text" value="Yes"/>	Review has been completed by Chief Officer Audit & Risk against CIPFA 'audit committees' Practical Guidance for Local Authorities and Police 2018 (CIPFA guidance 2018 'audit committees').
Is the role and purpose of the audit committee understood and accepted across the authority?	<input type="text" value="Yes"/>	Scheme of Administration is published on the shared X:drive. References to Audit and Scrutiny Committee role and reports are made to Senior Officers at Management Team meetings on a regular basis and to Corporate Management Team in advance of each Audit and Scrutiny Committee meeting by Chief Officer Audit & Risk.
Does the audit committee provide support to the authority in meeting the requirements of good governance?	<input type="text" value="Yes"/>	<p>The Audit and Scrutiny Committee is a key part of the Council's governance framework as outlined in the SBC Local Code of Corporate Governance approved by the Council on 28 June 2018.</p> <p>The Audit and Scrutiny Committee Annual Report is presented to and approved by the Council each year. SBC continues to adopt this best practice. As part of its annual self-assessment 2021/22 the Audit and Scrutiny Committee has evaluated the improvements implemented during the year to enhance its scrutiny and challenge role.</p>
Are the arrangements to hold the committee to account for its performance operating satisfactorily?	<input type="text" value="Yes"/>	<p>The Audit and Scrutiny Committee annually reviews its terms of reference as part of it carrying out an annual self-assessment of performance against best practice checklists.</p> <p>The Audit and Scrutiny Committee Annual Report is presented to the Council. It sets out the activities to enable stakeholders to understand how the Audit and Scrutiny Committee has discharged its duties and identifies areas of improvement to fulfil its remit. SBC continues to adopt this best practice.</p>

CIPFA 'audit committees' Practical Guidance for Local Authorities and Police 2018 Edition

Scottish Borders Council Audit and Scrutiny Committee – self-assessment of Good Practice at 14 February 2022

Functions of the committee	Yes/Partly /No	Comments
Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?		
<ul style="list-style-type: none"> • good governance 	Yes	Included in Audit functions nos. 1, 3, 10 & 11
<ul style="list-style-type: none"> • assurance framework, including partnerships and collaboration arrangements 	Yes	Implicit in all aspects of Audit functions. Explicit references to service delivery models/supply chain in Audit functions 1, 2 & 3
<ul style="list-style-type: none"> • internal audit 	Yes	Included in Audit functions nos. 5, 6 & 7
<ul style="list-style-type: none"> • external audit 	Yes	Included in Audit functions nos. 8 & 9
<ul style="list-style-type: none"> • financial reporting 	Yes	Included in Audit functions nos. 4 & 12
<ul style="list-style-type: none"> • risk management 	Yes	Included in Audit function no. 2
<ul style="list-style-type: none"> • Value for money or best value 	Yes	Included in Audit functions nos. 3 & 11 (implicit in 11 e.g. assurance of effective and efficient operations)
<ul style="list-style-type: none"> • Counter-fraud or corruption 	Yes	Included in Audit functions nos. 1 & 11
<ul style="list-style-type: none"> • Supporting the ethical framework 	Yes	Ethics references included in Audit functions nos. 3 & 6

CIPFA 'audit committees' Practical Guidance for Local Authorities and Police 2018 Edition

Scottish Borders Council Audit and Scrutiny Committee – self-assessment of Good Practice at 14 February 2022

Functions of the committee (cont'd)	Yes/Partly /No	Comments
Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	Yes	The Audit and Scrutiny Committee annually reviews its terms of reference as part of it carrying out an annual self-assessment of performance against best practice checklists. The A&SC deems this beneficial exercise to reflect on its business and identify areas for improvement. The A&SC recommends that other Committees carry out annual self-assessments of fulfilling their remits as part of continuous improvement.
Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	Yes	The Audit and Scrutiny Committee reviews and monitors treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice (Audit function no. 10).
Where coverage of core areas has been found to be limited, are plans in place to address this?	Yes	The Assurance Framework and the Audit Cycle that define the programme of work for the Audit and Scrutiny Committee are included in the Induction training pack along with Essential Questions for the Committee members to ask those charged with governance when considering the relevant reports as part of the Audit Cycle (under the three topics of Internal Control, Risk Management, and Governance).
Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Yes	The Committee conducts its business as reflected in Scheme of Administration through its membership and functions referred.

CIPFA 'audit committees' Practical Guidance for Local Authorities and Police 2018 Edition

Scottish Borders Council Audit and Scrutiny Committee – self-assessment of Good Practice at 14 February 2022

Membership and support

Yes/Partly
/No

Comments

Has an effective audit committee structure and composition of the committee been selected?

Yes

The membership of the Audit and Scrutiny Committee, set out in the Council's Scheme of Administration, comprises nine members of the Council not on the Executive Committee, and (for part of the meetings considering Audit matters) two non-voting additional members appointed from an external source. The latter helps to enhance the robustness and independence of the Audit and Scrutiny Committee's operations.

This should include:

- separation from the executive
- an appropriate mix of knowledge and skills among the membership
- a size of committee that is not unwieldy
- consideration has been given to the inclusion of at least one independent member

Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council?

Yes

There is an open recruitment and selection process to appoint external members of the Committee outwith the cycle of local elections to facilitate continuity management of membership (Selection Committee and appointment for 3 years to October 2021 approved by Council). Recommend an extension to appointment of one year to October 2022 (Note: current incumbents are in agreement to this). Recommend that the external members be afforded the opportunity to be involved in the Elected Members' Induction Programme and ongoing Development Programme post-Local Elections in May 2022.

Does the chair of the committee have appropriate knowledge and skills?

Yes

The Chair of the Audit and Scrutiny Committee is an experienced elected member and meets regularly with the Chief Officer Audit & Risk. Suggest the appointed Chair will have previously served on A&SC.

Are arrangements in place to support the committee with briefings and training?

Yes

Induction Programme for those appointed to the Audit and Scrutiny Committee including: Outline of Corporate Governance; role of the Audit and Scrutiny Committee; role of Internal and External Audit; Assurance Framework; and Audit Cycle. Informal Sessions have been held to coincide with the Audit Cycle to refresh their knowledge and understanding of more technical areas.

Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?

Yes

A formal assessment against the Knowledge and Skills Framework was carried out as part of the self-assessment in March 2019 with the conclusion of satisfactory skills and knowledge.

Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?

Yes

Members, in particular the Chair of the Audit and Scrutiny Committee, utilise opportunities as required to meet with the key people involved in the Council's governance.

Is adequate secretariat and administrative support to the committee provided?

Yes

A Committee Officer is assigned to the Audit and Scrutiny Committee.

CIPFA 'audit committees' Practical Guidance for Local Authorities and Police 2018 Edition

Scottish Borders Council Audit and Scrutiny Committee – self-assessment of Good Practice at 14 February 2022

Effectiveness of the committee	Yes/Partly /No	Comments
Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	Yes	Feedback from external auditors, Audit Scotland, was obtained during the Informal Session October 2020 on how the committee is performing. Those Directors who'd presented to the Committee during the year provided feedback on their interaction with the Committee. This will be formally documented. In addition, the Director of Finance & Corporate Governance will be specifically asked for feedback as the SLT representative on A&SC.
Are meetings effective with a good level of discussion and engagement from all members?	Yes	As reflected in the Minutes of the Committee.
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?	Yes	Directors are requested to attend the Audit and Scrutiny Committee as appropriate for the business being considered by the Committee to ensure action findings and action plans are acted upon. Directors have made presentations to the Committee on the risks and mitigations associated with their areas of responsibility. This approach worked well. Recommend a further cycle of presentations by Directors on risks and mitigations to A&SC.
Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	Yes	Recommendations are made by the Committee to Council in accordance with the business considered by the Committee. An Action Tracker is used to monitor that these are implemented satisfactorily.
Has the committee evaluated whether and how it is adding value to the organisation?	Yes	As part of its annual self-assessment 2021/22 it evaluated how effectively it had fulfilled its Audit functions using the toolkit 'Evaluating the Effectiveness of the Audit Committee' (CIPFA guidance 2018 'audit committees').
Does the committee have an action plan to improve any areas of weakness?	Yes	Actions to address areas of improvement and other learning and development requirements were discussed during the Informal Sessions. The Committee has identified where it could further improve as part of its annual self-assessment 2021/22, recognising the importance of regular refresher training to enable them to fulfil their remit.
Does the committee publish an annual report to account for its performance and explain its work?	Yes	The Audit and Scrutiny Committee Annual Report is presented to the Council each year. It sets out the activities to enable stakeholders to understand how the Committee has discharged its duties. SBC continues to adopt this best practice.

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Areas where the Audit Committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment 5-1 See key below
1. Promoting the principles of good governance and their application to decision making	Supporting the development of a local code of governance. Providing robust review of the Annual Governance Statement (AGS) and the assurances underpinning it. Working with key members/governors to improve their understanding of the AGS and their contribution to 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.	Committee is aware 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 regularly with Chief Executive / Director Finance & Corporate Governance. Committee supports the role of audit in improving internal control and governance. Committee considers national reports and uses self-assessment toolkits. Chair met Audit Committees' Chairs of IJB and NHS Borders to support improvement.	5 (2020/21 5)
2. Contributing to the development of an effective control environment.	Actively monitoring the implementation of recommendations from auditors. Encouraging ownership of the internal control framework by appropriate managers. Raising significant concerns over controls with appropriate senior managers.	Committee received periodic progress reports from Auditors e.g. follow-up activity. SLT monitor progress on implementation of Internal Audit recommendations on a quarterly basis, as recommended by Committee (November 2019). Action Tracker used to monitor completion of Committee recommendations.	5 (2020/21 5)
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 benchmarking. Monitoring improvements. Holding risk owners to account for major/strategic risks.	Committee considered update on Risk Management activity within Annual Report. Risk management benchmarking is required to identify any areas of improvement. Committee received presentations by various Directors, as per agreed schedule, on their key risks and mitigations to hold Management to account. Further schedule to ensure oversight.	5 (2020/21 5)

Areas where the Audit Committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment 5-1 See key below
4. Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	Specifying its 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.	Committee considered Annual Strategies, Plans and Reports received from Auditors and have highlighted areas for assurance, and received national reports for assurance. Committee seeks information on how internal and external audit interact with each other.	4 (2020/21 4)
5. Supporting the quality of the internal audit activity, particularly by 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 (QAIP) of internal audit.	Committee approved the Internal Audit Charter, noting PSIAS requirements. Committee approved the Internal Audit Strategy and Plan, and considered regular Reports raising queries and endorsing recs. Committee received QAIP and PSIAS conformance, including outcomes of EQA process, within Internal Audit reports.	5 (2020/21 5)
6. Aiding the achievement of the authority's goals and objectives through 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.	Auditors provided assurance reports on governance arrangements for transformation (including Fit for 2024 Programme), sustainability, and performance management, including lessons learned and best practice. Reliance placed on the Executive Committee that fulfils performance-monitoring role.	4 (2020/21 4)
7. 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.	Auditors provided assurance on value for money arrangements. AGS sets out the Governance Framework including arrangements for best value. Committee critically evaluating progress with delivery of Best Value Action Plan (more progress is required by the Council).	4 (2020/21 4)

Areas where the Audit Committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment 5-1 See key below
8. Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<p>Reviewing arrangements against the standards set out in the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).</p> <p>Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks.</p> <p>Assessing the effectiveness of ethical governance arrangements for both staff and governors.</p>	<p>Committee considered update on Counter Fraud improvements within Annual Report, and requested self-assessment against Covid fraud risks and mitigations using template in national report.</p> <p>Auditors provided assurance reports on fraud risks and counter fraud controls.</p> <p>Committee endorsed the revised Counter Fraud Policy & Strategy prior to Council approval 16 December 2021. Note that this is the beginning of the new counter fraud staff resourcing model and practices, which require close and ongoing scrutiny due to risk-rating.</p>	4 (2020/21 4)
9. Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	<p>Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English.</p> <p>Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency.</p> <p>Publishing an annual report from the committee.</p>	<p>Committee scrutinised annual accounts and reports prior to publication and audit, and commented on the format/content for users.</p> <p>Chair previously met Audit Committees' Chairs of IJB and NHS Borders to understand assurance arrangements to avoid duplication.</p> <p>Committee's Annual Report presented to Council and published for transparency.</p>	5 (2020/21 5)

Assessment key	
5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the audit committee has supported improvements in this area.

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Scottish Borders Council Pension Fund

Annual Audit Plan 2021/22



 AUDIT SCOTLAND

Prepared for Scottish Borders Council as the administering authority for the Pension Fund

March 2022

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Introduction

Summary of planned audit work

1. This document summarises the work plan for our 2021/22 external audit of Scottish Borders Council Pension Fund (the Fund). The main elements of our work include:

- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- an audit of the annual accounts and the provision of an Independent Auditor's Report which includes an opinion on statutory information published in the annual accounts, comprising the Management Commentary, the Annual Governance Statement and the Governance Compliance Statement
- consideration of arrangements in relation to the audit dimensions: financial management, financial sustainability, governance and transparency and value for money that frame the wider scope of public sector audit

Impact of Covid-19

2. The coronavirus (Covid-19) pandemic has had a significant impact on public services and public finances, and the effects will be felt well into the future.

3. The Auditor General for Scotland, the Accounts Commission and Audit Scotland continue to assess the risks to public services and finances from Covid-19 across the full range of our audit work, including annual audits and the programme of performance audits. The well-being of audit teams and the delivery of high-quality audits remain paramount. Changes in our approach may be necessary and where this impacts on annual audits, revisions to this Annual Audit Plan may be required.

Adding value

4. We aim to add value to the Fund through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we will help the Fund promote improved standards of governance, better management and decision making and more effective use of resources. Additionally, we attend meetings of the Pension Fund Committee and the Council's Audit and Scrutiny Committee and actively participate in discussions.

Respective responsibilities of the auditor and the Fund

5. The [Code of Audit Practice \(2016\)](#) sets out in detail the respective responsibilities of the auditor and the Fund. Key responsibilities are summarised below.

Auditor responsibilities

6. Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice](#) (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

7. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the arrangements within the Fund to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

The Fund's responsibilities

8. The Fund is responsible for maintaining accounting records and preparing financial statements that give a true and fair view.

9. Also, the Fund has the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance and propriety that enable them to deliver their objectives.

Managing the transition to 2022/23 audits

10. Audit appointments are usually for five years but were extended to six years due to Covid-19. 2021/22 is the final year of the current appointment and we will work closely with our successors to ensure a well-managed transition.

Financial statements audit planning

Materiality

11. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. We are required to plan our audit to determine with reasonable confidence whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2021/22 audit

12. We assess materiality at different levels as described in [Exhibit 1](#). The materiality values for the Fund are set out in [Exhibit 1](#).

Exhibit 1

2021/22 Materiality levels for the Fund

Materiality	
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross assets based on the latest investment adviser reports for assets valued as at 30 September 2021 for 31 March 2022.	£9.1 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 65% of planning materiality.	£5.9 million
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£250,000

Source: Audit Scotland

Lower specific materiality levels for the 2021/22 audit

13. In addition to overall materiality, we can set lower, specific materiality levels for certain classes of transaction, account balances or disclosures where lesser amounts could influence the decisions of the users of the financial statements.

14. We recognise that transactions with members and payments to pensioners are areas of importance to the users of the accounts and we set specific materiality levels as shown in [Exhibit 2](#).

Exhibit 2

2021/22 Lower specific materiality levels for the Fund

Materiality	
Specific materiality – It has been set at 10% of benefits paid for the year ended 31 March 2022 based on the latest audited financial statements for 2020/21.	£2.5 million
Specific performance materiality – Using our professional judgement, we have calculated specific performance materiality at 60% of the specific materiality.	£1.5 million

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

15. Our risk assessment draws on our cumulative knowledge of the Fund, its major transaction streams, key systems of internal control and risk management processes. Also, it is informed by our discussions with management, meetings with internal audit, attendance at committees and a review of supporting information.

16. Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 3](#) summarises the nature of the risk, the sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurance over the risk.

Exhibit 3**2021/22 Significant risks of material misstatement to the financial statements**

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable.</p>	<ul style="list-style-type: none"> • Assess the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Test journals at the year-end and post-closing entries and focus on significant risk areas. • Consider the need to test journal entries and other adjustments during the period. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements. • Assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • Focussed testing of accounting accruals and prepayments.
<p>2. Estimations applied to level 3 investments</p> <p>The pension fund has a significant portfolio of level 3 investments, for example unquoted equities, where valuations involve the application of a</p>	<p>Unquoted investments are valued by third parties including investment managers and independent valuers who follow detailed</p>	<ul style="list-style-type: none"> • Confirmation of year end valuations to valuation reports and/or other supporting documentation. • We will review user entity controls in relation to the use of service organisations. • Review the relevant investment manager controls' reports for qualifications or exceptions that may affect the audit risk. • Review the arrangements in place at the Fund to assess investment managers' governance arrangements.

Significant risk of material misstatement	Sources of assurance	Planned audit response
variety of estimates in determining appropriate valuations. This subjectivity gives rise to a significant risk of material misstatement in the financial statements.	professional, accounting and industry codes and guidelines.	<ul style="list-style-type: none"> Review the disclosures included in the accounts to ensure these are adequate in directing the user of the accounts to acknowledge the areas of major sources of estimation and uncertainty with regards to level 3 assets.

Source: Audit Scotland

17. As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statements*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements. We have rebutted this risk for the Fund because whilst the possibility of fraud exists, we do not judge it to be a significant risk due to the nature of the Fund's income streams.

18. In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition. We have rebutted this presumed risk in 2021/22 because, whilst the possibility of fraud exists, we do not judge it to be a significant risk due to the nature of the expenditure at the Fund.

19. We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

Other areas of audit focus

20. As part of our assessment of audit risks, we have identified other areas where we consider there are also risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk, we do not consider these to represent significant risks. We will keep these areas under review as our audit progresses. If our assessment of risk changes and we consider these risks to be significant, we will communicate this to management and those charged with governance and revise our planned audit approach accordingly.

21. The areas of specific audit focus are:

- Estimations applied to the actuarial valuation: The actuarial valuation depends on a range of financial and demographic estimations about the future. The subjectivity around these estimates gives rise to a risk of material misstatement in the financial statements.
- Valuation of level 1 and level 2 assets: Investments held by the Pension Fund are subject to market price fluctuations and a degree of estimation. The Pension Fund holds material level 1 (where valuation derived directly from unadjusted quoted active market price) and level 2 (where the instrument is traded in a market not considered to be active or where the fair value is determined using valuation techniques based on market prices). Due to the material amounts and in particular, the degree of subjectivity and complexity in the valuation of level 2, this gives rise to a risk of material misstatement in the financial statements.

Audit risk assessment process

22. Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management and where relevant, report them to those charged with governance.

Audit dimensions

Introduction

23. The [Code of Audit Practice](#) sets out the four dimensions that frame the wider scope of public sector audit. The Code of Audit Practice requires auditors to consider the adequacy of the arrangements in place for the audit dimensions in audited bodies.

Audit dimensions

24. The four dimensions that frame our audit work are shown in [Exhibit 4](#).

Exhibit 4

Audit dimensions



Source: Code of Audit Practice

25. In summary, the four dimensions cover the following:

- **Financial management** – financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.
- **Financial sustainability** – as auditors, we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on financial sustainability in the

medium/longer term. We define this as medium term (two to five years) and longer term (longer than five years).

- **Governance and transparency** – governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership, and decision-making and transparent reporting of financial and performance information.
- **Value for money** – value for money refers to using resources effectively and continually improving services.

Audit dimension risks

26. We have not identified any significant audit dimension risks.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

27. Audit reporting is the visible output for the annual audit. All Annual Audit Plans and the outputs, as detailed in [Exhibit 5](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

28. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officers to confirm factual accuracy.

29. We will provide an independent auditor's report to the Fund and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Fund and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

30. [Exhibit 5](#) outlines the target dates for our audit outputs, and we aim to issue the independent auditor's report by the statutory deadline of 31 October 2022. We acknowledge this will be challenging due to the ongoing pressures and uncertainties caused by Covid-19.

Exhibit 5 2020/21 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	31 March 2022	17 March 2022
Independent Auditor's Report	31 October 2022	To be confirmed
Annual Audit Report	31 October 2022	To be confirmed

Source: Audit Scotland

Timetable



31. To support an efficient audit, it is critical that the timetable for producing the annual accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 6](#) that has been discussed with management.

32. Covid-19 has had a considerable impact on the conduct and timeliness of the audit. We recognise that it is in the best interests of public accountability to get the reporting of audited accounts back to pre-pandemic timelines. To this end, 2021/22 is a transition year with the reporting deadline brought forward by one month relative to the two prior years. We are identifying ways to work more efficiently to expedite the 2021/22 audits whilst at the same time maintaining high standards of quality.

33. We will continue to work in close partnership with management with clarity over timescales and the requirement for high quality unaudited accounts and supporting working papers. Progress will be discussed with management and finance officers over the course of the audit.

Exhibit 6

Proposed annual accounts timetable

 Key stage	 Provisional Date
Consideration of the unaudited annual accounts by those charged with governance	29 June 2022
Latest submission date for the receipt of the unaudited annual accounts with complete working papers package.	30 June 2022
Latest date for final clearance meeting with management	To be confirmed
Issue of Letter of Representation and proposed Independent Auditor's Report	To be confirmed
Agreement of audited and unsigned annual accounts	To be confirmed
Issue of Annual Audit Report to those charged with governance.	To be confirmed
Signed Independent Auditor's Report	To be confirmed

Source: Audit Scotland

Audit fee

34. The proposed audit fee for the 2021/22 audit of the Fund is £22,110 (2020/21: £21,510). In determining the audit fee, we have taken account of the risk exposure

of the Fund, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit.

35. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts, the absence of adequate supporting working papers or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

Other matters

Internal audit

36. International standards on Auditing (UK) 610: *Considering the work of internal audit* requires us to:

- consider the activities of internal audit and their effect on external audit procedures;
- obtain an understanding of internal audit activities to inform our planning and develop an effective audit approach that avoids duplication of effort;
- perform a preliminary assessment of the internal audit function when there is scope for relying on internal audit work which is relevant to our financial statements' responsibilities; and
- evaluate and test the work of internal audit, where use is made of that work for our financial statements responsibilities to confirm its adequacy for our purposes.

37. From our initial review of the internal audit plans, we do not plan to use the work of internal audit for our financial statements' responsibilities. We will however take account of internal audit's findings to inform our wider Code responsibilities.

Independence and objectivity

38. Auditors appointed by the Auditor General for Scotland or Accounts Commission must comply with the [Code of Audit Practice](#) and relevant supporting guidance. When auditing the financial statements, auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual '*fit and proper*' declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland's Ethics Partner.

39. The engagement lead (i.e. appointed auditor) for the Fund is Gillian Woolman, Audit Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of the Fund.

Quality control

40. International Standard on Quality Control (UK) 1 (ISQC1) requires a system of quality control to be established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

41. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the [Code of Audit Practice](#) (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

42. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time, and this may be directed to the engagement lead.

Scottish Borders Council Pension Fund

Annual Audit Plan 2021/22

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INTERNAL AUDIT CHARTER

Report by Chief Officer Audit and Risk

AUDIT AND SCRUTINY COMMITTEE**14 March 2022**

1 PURPOSE AND SUMMARY

- 1.1 This report provides the Audit and Scrutiny Committee with the updated Internal Audit Charter for approval that defines 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.**
- 1.2 The definition of Internal Auditing within the Public Sector Internal Audit Standards (PSIAS) is "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."
- 1.3 In accordance with the PSIAS, the purpose, authority and responsibility of the Internal Audit activity must be formally defined in an Internal Audit Charter, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards. The Chief Audit Executive must periodically review the Internal Audit Charter and present it to senior management (Strategic Leadership Team) and the board (Audit and Scrutiny Committee) for approval.
- 1.4 The Internal Audit Charter has been updated by the Chief Audit Executive (SBC's Chief Officer Audit & Risk) and the Principal Internal Auditor in conformance with the PSIAS. The Internal Audit Charter is shown in Appendix 1 to this report for approval by the Audit and Scrutiny Committee to ensure that Internal Audit is tasked to carry out its role in accordance with best Corporate Governance practice.

2 RECOMMENDATIONS

- 2.1 I recommend that the Audit and Scrutiny Committee:**
- a) Notes the changes to the Internal Audit Charter outlined in section 4 of this report in conformance with PSIAS;**
 - b) Approves the updated Internal Audit Charter, as shown in Appendix 1 to this report; and**
 - c) Notes that the Internal Audit Charter will be reviewed annually.**

3 BACKGROUND

- 3.1 The definition of Internal Auditing within the Public Sector Internal Audit Standards (PSIAS) is "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."
- 3.2 The Scottish Borders Council Internal Audit function follows the professional standards as set out in the Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013 (amended 2017), along with the CIPFA Local Government Application Note for the United Kingdom. The PSIAS have been developed by the standard setters (CIPFA for local government) through the Internal Audit Standards Advisory Board (IASAB) and have been based on the Institute of Internal Auditors International Standards of Professional Practice.
- 3.3 In accordance with the PSIAS, the purpose, authority and responsibility of the Internal Audit activity must be formally defined in an Internal Audit Charter, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards. The Chief Audit Executive must periodically review the Internal Audit Charter and present it to 'senior management' (Strategic Leadership Team) and the 'board' (Audit and Scrutiny Committee) for approval.
- 3.4 Within the PSIAS, a Public Sector requirement states the Internal Audit Charter must also:
- define the terms 'board' and 'senior management' for the purposes of Internal Audit activity;
 - cover the arrangements for appropriate resourcing;
 - define the role of Internal Audit in any fraud-related work; and
 - include arrangements for avoiding conflicts of interest if Internal Audit undertakes non-audit activities.
- 3.5 Internal Audit assurance resources and services are also provided by Scottish Borders Council's Internal Audit team to the Scottish Borders Council Pension Fund (SBCPF) and to the Scottish Borders Health and Social Care Integration Joint Board (SBIJB), including the appointed Chief Internal Auditor. The Internal Audit Charter and Strategy are applicable to these organisations.

4 INTERNAL AUDIT CHARTER

- 4.1 The authority for Internal Audit to operate in Scottish Borders Council is contained in the Council's Local Code of Corporate Governance, and Financial Regulations. This Internal Audit Charter expands upon that framework.
- 4.2 The Internal Audit Charter as shown in Appendix 1 to this report: establishes the Internal Audit activity's position within the organisation, including the nature of the Chief Audit Executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit activities.

- 4.3 The Internal Audit Charter, which was previously approved by the Audit and Scrutiny Committee on 8 March 2021, has been updated by the Chief Audit Executive (SBC's Chief Officer Audit & Risk) and the Principal Internal Auditor. The summary of the changes reflect the following:
- The restructure of the Strategic Leadership Team in September 2021 and the change in roles and responsibilities of each Director; and
 - The associated change in the line management arrangements for the Chief Audit Executive.
- 4.4 The Internal Audit Charter should be considered alongside the Internal Audit Strategy and Annual Plan 2022/23. The Internal Audit Strategy sets out the Council's assurance framework within which Internal Audit operates, and the Chief Audit Executive's strategy for discharging its role and providing the necessary annual assurance opinions to the Council, the Pension Fund and the IJB. The Internal Audit Charter and Strategy are applicable to these organisations. There are separate Internal Audit Annual Plans for each organisation, which set out the range and breadth of audit activity.

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.

Internal Audit must have sufficient staff and other resources to enable it to carry out the objectives of the Charter and to deliver a programme of independent and objective audit assurance work alongside other available sources of assurance to enable the Chief Audit Executive (Chief Officer Audit & Risk) to prepare annual Internal Audit opinions on the adequacy of each organisation's overall control environment (Council, Pension Fund, and IJB). Internal Audit resources are set out in the Internal Audit Strategy and Plan 2022/23.

5.2 Risk and Mitigations

The authority for Internal Audit to operate in Scottish Borders Council is contained in the Local Code of Corporate Governance and in the Financial Regulations. This Internal Audit Charter expands upon that framework.

Approval of the Internal Audit Charter (Appendix 1), as recommended in this report, will ensure that Internal Audit is tasked to carry out its role in accordance with PSIAS and best Corporate Governance practice.

The PSIAS require Internal Audit to evaluate the effectiveness of the Council's Risk Management arrangements and contribute to improvements in the process. The work of Internal Audit (including its opinion on the control environment) shall contribute to the Council's review of its corporate governance arrangements the outcome of which is published in the Annual Governance Statement.

At all times, Management's responsibilities (led by the Strategic Leadership Team) include:

- Designing and maintaining proper risk management, governance and internal control processes and systems for which they have responsibility to ensure probity in systems and operations, including the prevention, detection and resolution of fraud and irregularities. These evolve as the Council changes.

- Checking that these governance arrangements and internal controls are operating effectively, and obtaining assurances from internal compliance, risk, inspection, quality, and control functions.

(The above are known as the first and second lines.)

- Engaging with Internal Audit (the third line) in a positive way to achieve shared goals for robust internal control and governance, best value and improvement, and ensuring that Internal Audit can properly fulfil its role.
- Considering and acting upon Internal Audit findings and conclusions, including implementation of audit recommendations within agreed timescales and updating Pentana performance system, or accepting responsibility for any resultant risk from not doing so.
- Seeking advice and consultancy support from Internal Audit on existing controls and on changes to and transformation of governance, processes and procedures.

Applying the framework of the PSIAS will give the Audit and Scrutiny Committee assurance that the Internal Audit function is compliant with legislative requirements and current best practice.

5.3 **Integrated Impact Assessment**

There is no relevance to Equality Duty or the Fairer Scotland Duty for this report, based on the completion of the Integrated Impact Assessment (IIA); a full IIA is not required. The revised Internal Audit Charter, Strategy and Annual Plan 2022/23 are designed to ensure that Internal Audit is tasked to carry out its role in accordance with best Corporate Governance practice (Charter), to set out the Council's assurance framework within which Internal Audit operates, and the Chief Audit Executive's (CAE) strategy for discharging its role and providing the necessary annual assurance opinions (Strategy), and to 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 opinion (Annual Plan 2022/23).

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.

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, alongside the Internal Audit Strategy and Annual Plan 2022/23. 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.

5.6 Rural Proofing

The revised Internal Audit Charter is unlikely to have a different impact in rural areas, based on completion of the checklist.

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 report and appendix have been presented to the Strategic Leadership Team (Chief Executive and Directors) on 2 March 2022 to outline the key role of Internal Audit as part of good governance.

6.2 In addition, the Chief Legal Officer (and Monitoring Officer), Clerk to the Council, and Communications team have been consulted on this report and appendix and any comments received have been taken into account.

Approved by

Jill Stacey, Chief Officer Audit & Risk **Signature**

Author(s)

Name	Designation and Contact Number
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Background Papers: Local Code of Corporate Governance; Financial Regulations
Previous Minute Reference: Audit and Scrutiny Committee 8 March 2021

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

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INTERNAL AUDIT CHARTER

INTRODUCTION

The Public Sector Internal Audit Standards (PSIAS) requires that the purpose, authority and responsibility of the Internal Audit activity must be formally defined in an Internal Audit Charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *International Standards for the Professional Practice of Internal Auditing* (Standards) detailed in the PSIAS.

The Council has adopted from the PSIAS¹: the definition of Internal Auditing,

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes².

the Mission Statement of Internal Audit "*To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight*" and the Core Principles.

OBJECTIVES OF INTERNAL AUDIT

Internal Audit's responsibility is to report to the Council on its assessment of the adequacy of the entire control environment, through the Strategic Leadership Team ('senior management') and the Audit and Scrutiny Committee (the 'board' for the purposes of Internal Audit activity for the Council).

Internal Audit adds value to the organisation (and its stakeholders) by enhancing governance, risk management and internal control and objectively providing assurance.

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 management of risks, including assisting Management to improve the risk identification and management process in particular where there is exposure to significant financial, strategic, reputational and operational risk to the achievement of the Council's objectives.
- 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, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 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 Public Sector Internal Audit Standards (PSIAS) (2017)

² Internal Audit Standards Advisory Board (IASAB) Public Sector Internal Audit Standards (PSIAS) (2017)

Scottish Borders Council's Internal Audit function provides assurance services to the Pension Fund and the Scottish Borders Health and Social Care Integration Joint Board (IJB). It will apply the same standards as defined in this Charter to any work undertaken for the Pension Fund and the IJB, with separate Internal Audit plans and reports presented to their respective 'senior management' and 'board'.

POSITION OF INTERNAL AUDIT WITHIN THE ORGANISATION

In terms of the PSIAS, the status of Internal Audit should enable it to function effectively, with recognition of the independence of Internal Audit fundamental to its effectiveness. The Chief Audit Executive (CAE) should have "sufficient status to facilitate the effective discussion of audit strategies, plans, results and improvement plans with senior management of the organisation"³

The CAE within the Council (the Chief Officer Audit & Risk) has full access to those charged with governance for each organisation, specifically the elected members or board members and the 'senior management' team. The latter includes the Council's statutory officers: head of paid service (Chief Executive), s95 finance officer (Director Finance & Corporate Governance), monitoring officer (Chief Legal Officer) and chief social work officer (Director Social Work and Practice). The CAE has free and unfettered access to the Chair of each organisation's 'board' (audit committee or equivalent) to discuss any matters the committee or auditors believe should be raised privately.

In terms of accountability and independence to ensure conformance with PSIAS, the CAE reports functionally to Scottish Borders Council's Audit and Scrutiny Committee. In this context functional reporting⁴ means the Audit and Scrutiny Committee will:

- Approve the Internal Audit Charter.
- Approve the risk-based Internal Audit Annual Plan.
- Ratify the Internal Audit budget and resource plan to ensure that Internal Audit is adequately resourced to meet assurance and other key responsibilities.
- Receive communications from the CAE on the Internal Audit activity's performance relative to its plan and other matters.
- Ratify all decisions regarding the appointment or removal of the CAE.
- Provide feedback to contribute to the performance appraisal of the CAE.
- Make appropriate enquiries of Management and the CAE to determine whether there are inappropriate scope or resource limitations.

The CAE is line managed by the Director Finance & Corporate Governance but retains responsibility for all operational audit activity and reports in their own name and retains final right of edit over all Internal Audit reports.

The reporting line is managed in a manner which: ensures the CAE is accorded open and direct communication with Management; ensures the CAE and the Internal Audit function have an adequate and timely flow of information concerning the activities, plans and initiatives of the Council, Pension Fund, and IJB.

³ Internal Audit Standards Advisory Board (IASAB) Public Sector Internal Audit Standards (PSIAS) (2017)

⁴ Chartered Institute of Internal Auditors (CIIA) – International Standards for Professional Practice of Internal Auditing

RIGHTS OF ACCESS

The CAE and any member of the Internal Audit service, authorised by them relevant to the performance of audit engagements for each of the organisations, has authority to:

- Have access at any reasonable times to all computer systems and records (both paper and electronic).
- Require and receive explanations concerning any matter under examination from personnel relevant to their roles including elected members or board members.
- Enter at all reasonable times and without notice any properties, provided that where such properties are leased to a third party that the terms of the lease are observed.
- Require personnel to produce cash, stores, or other assets under their control.

Internal Audit safeguards all information obtained in the carrying out of its duties, only uses it for defined purposes and makes no disclosure of any information held, unless this is authorised or there is a legal/professional requirement to do so.

SCOPE OF INTERNAL AUDIT ACTIVITY

For each organisation Internal Audit will systematically review, appraise, make appropriate recommendations for improvement, and report upon:

- The efficacy of governance arrangements put in place to achieve the organisation's objectives and priorities.
- The effectiveness of all internal controls and other arrangements put in place to manage risk, in particular where there is exposure to significant financial, strategic, reputational and operational risk to the achievement of the organisation's objectives (this involves liaising with the Corporate Risk Officer on an on-going basis to ensure that risk is considered in every audit and risk reviews take account of improvements arising from audit work).
- The completeness, reliability and integrity of information, both financial and operational performance, including working alongside Services in a 'critical friend' role to authenticate any self-assessment evidence of Service performance and improvement.
- The systems established to ensure compliance with policies, plans, procedures, laws and regulations whether established by the organisation or externally.
- The effectiveness of arrangements for safeguarding the organisation's assets and interests, including fraud prevention controls and detection processes (this involves liaising with the Counter Fraud Champions on an on-going basis to ensure fraud risk is considered in every audit; and this might involve assisting or liaising in fraud investigations where appropriate).
- The economy, efficiency and effectiveness with which resources are deployed.
- The extent to which Services' operational practices are being carried out as planned and objectives and goals are met.

Internal Audit's work covers:

- All activities, systems, processes, policies and protocols that are currently existing or under development.
- All records, personnel and properties.
- All services and other activities for which the organisation is responsible or accountable, whether delivered directly or by third parties through contracts, partnerships or other arrangements.

AUDIT RESOURCES AND WORK PRIORITISATION

The CAE ensures that Internal Audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan. Appropriate refers to the mix of qualifications, knowledge, skills and other competencies needed to perform the plan such as compliance with the Code of Ethics set out in the PSIAS and with the Nolan principles established in the Seven Principles of Public Life. This is of particular importance and relevance 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 CAE holds a professional qualification (BA (Hons) ACMA CGMA) and is suitably experienced. Sufficient refers to the quantity of resources needed to accomplish the plan. Effectively deployed refers to when they are used in a way that optimises the achievement of the approved plan.

The Internal Audit Strategy, as approved by the Audit and Scrutiny Committee, outlines the strategic direction for how Internal Audit will achieve its objectives in conformance with PSIAS. It guides the Internal Audit function in delivering high quality internal audit services to the Council, the Pension Fund and the IJB.

The SBC Internal Audit Annual Plan as approved by the Audit and Scrutiny Committee is the main determinant of the relative priority to be placed on each part of the work of Internal Audit, with Internal Audit Annual Plans specific to the Pension Fund and the Health and Social Care Integration Joint Board being approved and monitored by their respective 'senior management' and 'board'. The audit planning process, to determine the priorities of the Internal Audit activity consistent with the organisation's goals, includes consideration of the organisation's priorities, plans, strategies, objectives, risks and mitigating controls, and the internal and external assurances provided. The CAE determines the actual deployment of available resources covering the range and breadth of audit activity which is integral to the assurance process across the activities of the Council, Pension Fund, and IJB in order to provide the statutory annual internal audit opinion to each organisation's 'senior management' and 'board'. This plan also requires to be sufficiently flexible to reflect the changing risks and priorities of each organisation.

The Plan has within it provision of resources as contingency to respond to specific control issues highlighted during the year and covering other unforeseen variations in the level of resources available to Internal Audit, such as staff vacancies.

The Plan has within it provision of resources for Internal Audit 'critical friend' consultancy that are valued by Management to support them in delivering innovation, change and transformation. Requests are considered and approved by the CAE subject to any consultancy activity being deliverable within the boundaries of the role of Internal Audit and the resources available.

In the event that there is a need for greater audit work than there are resources available, the CAE will identify the shortfall in the plan and initially advise the Chief Executive and Director Finance & Corporate Governance (s95 officer) followed by the Audit and Scrutiny Committee as required. It will be for the Audit and Scrutiny Committee to decide whether to accept the risks associated with the non-delivery of such audit work or to recommend to the Council that it requires Management to identify additional resources.

NON AUDIT ACTIVITIES

The Internal Audit service preserves its independence and objectivity by ensuring that: staff are free from any conflicts of interest when undertaking assurance audits by following the requirements of relevant professional bodies and HR policies; and providing clarity on duties undertaken during audit consultancy engagements to ensure these do not impact on assurance audits and do not impair its independence and objectivity.

The CAE has managerial responsibility for the corporate functions and resources which develop, support and advise on the frameworks in place at the Council on Risk Management and on Counter Fraud to support Management. In order to prevent a perceived impairment of objectivity and to ensure that Internal Audit independence and objectivity is maintained and demonstrated, any planned audit engagements solely on Risk Management and Counter Fraud frameworks will be carried out by Internal Audit with the CAE as the client and therefore with no involvement in the delivery and reporting of the Internal Audit reviews. The Principal Internal Auditor will be accountable for those audit engagements directly to the Director Finance & Corporate Governance during the period.

APPROVAL

The Internal Audit Charter was reported to and approved by the Audit and Scrutiny Committee at its meeting on *14 March 2022* and will be subject to regular review by the CAE and the Audit and Scrutiny Committee.

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INTERNAL AUDIT STRATEGY AND INTERNAL AUDIT ANNUAL PLAN 2022/23

Report by Chief Officer Audit and Risk

AUDIT AND SCRUTINY COMMITTEE

14 March 2022

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to gain approval to the proposed Internal Audit Strategy and Internal Audit Annual Plan 2022/23 to enable the Chief Audit Executive to prepare annual opinions on the adequacy of the overall control environment for Scottish Borders Council, Scottish Borders Pension Fund, and Scottish Borders Health and Social Care Integration Joint Board.**
- 1.2 A fundamental role of the Council's Internal Audit function is to provide senior management and members with independent and objective assurance which is designed to add value and improve the organisation's operations. In addition, the Chief Audit Executive (CAE) is also required to prepare an Internal Audit annual opinion on the adequacy of the organisation's overall control environment.
- 1.3 The Internal Audit Strategy at Appendix 1 outlines the strategic direction for how Internal Audit will achieve its objectives, which are set out in the Internal Audit Charter, in conformance with PSIAS. It guides the Internal Audit function in delivering high quality Internal Audit services to Scottish Borders Council (SBC), Scottish Borders Council Pension Fund (SBCPF), and Scottish Borders Health and Social Care Integration Joint Board (SBIJB).
- 1.4 The Internal Audit Annual Plan 2022/23 at Appendix 2 has been developed by the Chief Officer Audit & Risk (CAE) and the Principal Internal Auditor. It sets 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, SBCPF, and SBIJB. Separate Internal Audit Annual Plans 2022/23 for the SBCPF and SBIJB will be presented to their respective board/audit committee for approval. Key components of the audit planning process include a clear understanding of each organisation's functions, associated risks, and assurance framework.

2 RECOMMENDATIONS

- 2.1 I recommend that the Audit and Scrutiny Committee:**
 - a) Endorses the Internal Audit staff resources needed to deliver the Internal Audit Strategy and Annual Plans;**
 - b) Approves the Internal Audit Strategy (Appendix 1); and**
 - c) Approves the Internal Audit Annual Plan 2022/23 (Appendix 2).**

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 SBC Internal Audit function follows the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (effective 1 April 2013; updated 2017) which require the Chief Audit Executive (CAE) to establish risk-based plans to determine the priorities of the Internal Audit activity, consistent with the organisation's goals. The plans also require to be sufficiently flexible to reflect the changing risks and priorities pertaining to each organisation.
- 3.3 A fundamental role of the Council's Internal Audit function is to provide senior management and members with independent and objective assurance, which is designed to add value and improve the organisation's operations. In addition, the CAE is also required to prepare an Internal Audit annual opinion on the adequacy of the organisation's overall control environment.
- 3.4 Internal Audit assurance resources and services are also provided by Scottish Borders Council's Internal Audit team to the Scottish Borders Council Pension Fund (SBCPF) and to the Scottish Borders Health and Social Care Integration Joint Board (SBIJB), including the appointed Chief Internal Auditor. The Internal Audit Charter and Strategy are applicable to these organisations.

4 INTERNAL AUDIT STRATEGY

- 4.1 The key standards within the PSIAS which relate to Managing the Internal Audit Activity are summarised below:

"The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organisation.

The internal audit activity is effectively managed when:

- The results of the internal audit activity's work achieve the purpose and responsibility included in the internal audit charter;
- The internal audit activity conforms with the Definition of Internal Auditing and the Standards; and
- The individuals who are part of the internal audit activity demonstrate conformance with the Code of Ethics and the Standards.

The internal audit activity adds value to the organisation (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes."

- 4.2 The Chief Officer Audit & Risk (CAE) and the Principal Internal Auditor have developed the Internal Audit Strategy at Appendix 1. It outlines the strategic direction for how Internal Audit will achieve its objectives, which are set out in the Internal Audit Charter, in conformance with PSIAS. It guides the Internal Audit function in delivering high quality Internal Audit services to the Scottish Borders Council (SBC), Scottish Borders Council Pension Fund (SBCPF) and to the Scottish Borders Health and Social Care Integration Joint Board (SBIJB).
- 4.3 The Internal Audit Strategy, since its previous approval by the Audit and Scrutiny Committee on 8 March 2021, reflects the following:
- The restructure of the SBC Strategic Leadership Team in September 2021 and the change in roles and responsibilities of each Director;
 - The mutual opt out of the shared Internal Audit services with Midlothian Council, approved by Council on 16 December 2021;
 - The associated change in approach for provision of resources to implement the Counter Fraud Strategy 2021-2024, approved by Council on 16 December 2021, incorporating the support role of Internal Audit;
 - The prioritisation of audit activity deferred from the previous year and with greatest risk within the approach to delivery of the Internal Audit Programme of Work; and
 - Emphasis of the use of data analytics within the approach to delivery of the Internal Audit Programme of Work to reflect the Council's increasing use of digital systems and automated processes.
- 4.4 The Internal Audit Strategy:
- Outlines the assurance framework, providing clarity of the respective responsibilities of Management for designing and monitoring governance and control systems and of the role of Internal Audit in providing independent assurance thereon;
 - States how the key themes which are integral to the assurance gathering process across the organisation's activities will be covered to inform the annual Internal Audit opinion statement;
 - Describes the approach to the development of the risk based Internal Audit annual plan;
 - Sets out the relative allocation of Internal Audit resources;
 - Outlines how the Internal Audit programme of work will be delivered to add value; and

Describes the monitoring and reporting of the Internal Audit findings from its work and progress with its plans to the relevant organisation's audit committee/board.

5 INTERNAL AUDIT ANNUAL PLAN 2022/23

- 5.1 The key standards within the PSIAS which relate to the preparation of the internal audit plan are summarised below:
- No. 2010 – Planning which states that “the chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals”
 - No. 2020 – Communication and Approval which states that “the chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.”

- 5.2 The CIPFA Audit Committees guidance states that "The audit committee should seek to make best use of the internal audit resource within the assurance framework. In particular, the audit committee should seek confirmation from internal audit that the audit plan takes into account the requirement to provide an annual internal audit opinion that can be used to inform the Annual Governance Statement. Specific activities will include:
- Approving (but not directing) the risk-based plan, considering the use made of other sources of assurance."
- 5.3 The CIPFA Publication also states that, "The committee will wish to seek assurance from the HIA that appropriate risk assessment has been carried out as part of the preparation of the internal audit plans when they are presented."
- 5.4 The Chief Officer Audit & Risk (CAE) and the Principal Internal Auditor have developed the proposed Internal Audit Annual Plan 2022/23 for Scottish Borders Council at Appendix 2. It sets 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 opinion. The proposed reviews, grouped into key themes as set out in the Internal Audit Strategy at Appendix 1. There is a brief commentary for each review.
- 5.5 As part of the Internal Audit planning process it was necessary to consider each organisation's priorities, plans, strategies, objectives, risks and mitigating controls, and the internal and external assurances provided to determine the priorities of the Internal Audit activity consistent with the organisation's goals, as follows:
- Analysis was undertaken of Internal Audit work during the past 5 years against the Audit Universe, which has been significantly revised and realigned by the Principal Internal Auditor to reflect the current strategic and operational management arrangements and approach to service delivery, to ensure appropriate coverage;
 - Corporate and Service Risk Registers were checked and discussions were held with the Corporate Risk Officer to confirm coverage on key corporate risks and other service strategic risks, as reliance is placed on the risk assessments carried out by the Risk Owners taking account of the risk ratings and mitigations;
 - Consultation discussions with senior management at each of the Directorate Management Team meetings; and
 - Account was taken of known external audit and inspection activities to avoid duplication of assurance work.
- 5.6 It is envisaged that 2022/23 will continue to be a year of change for the Council and other partner organisations. Therefore the Plan should be considered to be flexible and will be periodically reviewed, and amended as required, to reflect any new arrangement or changing risks and priorities. Any amendments relating to the Council will be brought to Strategic Leadership Team and the Audit and Scrutiny Committee for approval.
- 5.7 The Non SBC days reflect the Council's partnership working commitment to provide Internal Audit assurance resources and services to the Scottish Borders Council Pension Fund (SBCPF) and to the Scottish Borders Health and Social Care Integration Joint Board (SBIJB). Separate Internal Audit Annual Plans 2022/23 will be presented to their respective Board/Audit Committees for approval to fulfil that service provision.

6 IMPLICATIONS

6.1 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.

Internal Audit must have sufficient staff and other resources to enable it to carry out the objectives of the Charter and to deliver a programme of independent and objective audit assurance work alongside other available sources of assurance to enable the CAE to prepare annual opinions on the adequacy of the overall control environment for Scottish Borders Council, Scottish Borders Pension Fund, and Scottish Borders Health and Social Care Integration Joint Board.

The Internal Audit function within Audit & Risk reports directly to the Director Finance & Corporate Governance (operationally) and the Audit and Scrutiny Committee (functionally). The Internal Audit staff resources totalling 5.5 FTE comprises Chief Officer Audit & Risk (50% for Internal Audit activity), one Principal Internal Auditor, two Senior Internal Auditors, and two Internal Auditors. All except the two Internal Auditors have a professional internal audit or accountancy qualification, and all have suitable experience, knowledge, skills and competencies (such as Code of Ethics set out in the PSIAS and the Seven Principles of Public Life) needed to deliver the Plan. These staff resources engage in a collaborative way with the Corporate Risk Officer and will engage with the nominated Counter Fraud Champions in Services. After deduction for estimated annual leave, public holidays, absence including staff turnover, learning and development, and management and supervision, this equates to a total of 785 days available for Internal Audit activity (2021/22 800 days).

The Revenue Financial Plans which were approved by the Council on 22 February 2022 reflect the above resources.

The recruitment to the vacant Senior Internal Auditor post is underway though interim resources will be required in 2022/23 through an ongoing contract for services until the appointment of the new post holder.

6.2 Risk and Mitigations

The Internal Audit objectives in its Charter include "As a contribution to the Council's management of risks, including assisting Management to improve the risk identification and management process in particular where there is exposure to significant financial, strategic, reputational and operational risk to the achievement of the Council's objectives".

Key components of the audit planning process include a clear understanding of the Council's functions, associated risks, and potential range and breadth of audit areas for inclusion within the plan. To capture potential areas of risk and uncertainty more fully, key stakeholders have been consulted and risks and mitigations on corporate / service risk registers have been considered.

6.3 Integrated Impact Assessment

There is no relevance to Equality Duty or the Fairer Scotland Duty for this report, based on the completion of the Integrated Impact Assessment (IIA); a full IIA is not required. The revised Internal Audit Charter, Strategy and Annual Plan 2022/23 are designed to ensure that Internal Audit is tasked to carry out its role in accordance with best Corporate Governance practice (Charter), to set out the Council's assurance framework within which

Internal Audit operates, and the Chief Audit Executive's (CAE) strategy for discharging its role and providing the necessary annual assurance opinions (Strategy), and to 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 opinion (Annual Plan 2022/23).

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.

6.4 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, alongside the Internal Audit Charter. Good governance is important to enable Scottish Borders Council to achieve its objectives, including those supporting sustainable development.

6.5 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.

6.6 Rural Proofing

The revised Internal Audit Strategy and Annual Plan 2022/23 are unlikely to have a different impact in rural areas, based on completion of the checklist.

6.7 Data Protection Impact Statement

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

6.8 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.

7 CONSULTATION

7.1 The Internal Audit planning process has involved consultation with key stakeholders including discussions with Directors and Managers at each of their SMT meetings and with the Chief Executive to capture potential areas of risk and uncertainty more fully. Account was taken of known external audit and inspection activities to avoid duplication of assurance work.

7.2 The report has been presented to the Strategic Leadership Team on 2 March 2022 (Chief Executive and Directors) to outline the risk-based audit approach and the resultant planned audit coverage to ensure it will provide assurance on controls and governance relating to the key risks facing the Council and to assist them in discharging their roles and responsibilities.

7.3 In addition, the Chief Legal Officer (and Monitoring Officer), Clerk to the Council, and Communications team have been consulted on this report and appendix and any comments received have been taken into account.

Author(s)

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Background Papers: Local Code of Corporate Governance; Financial Regulations

Previous Minute Reference: Audit and Scrutiny Committee 8 March 2021

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

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1. AIM OF STRATEGY

- 1.1. The aim of this strategy is to guide SBC Internal Audit function in delivering high quality internal audit services to Scottish Borders Council, Scottish Borders Pension Fund, and Scottish Borders Health and Social Care Integration Joint Board, which is capable of:
- providing the statutory annual assurance and audit opinion on the adequacy of each organisation's risk management, internal control and governance arrangements to the relevant organisation's senior management and board/audit committee;
 - carrying out all other objectives contained in the Internal Audit Charter; and
 - adding value to each organisation by influencing and offering ways to enhance the governance and internal control environment in alignment to their strategic priorities.

2. STRATEGY OBJECTIVES

- 2.1. The objectives of this strategy are to:
- Outline the assurance framework which comprises assurances from within the organisation and from external providers of assurance to improve the organisational understanding of the expectations of Internal Audit;
 - State how the key themes which are integral to the assurance gathering process across the organisation's activities will be covered to inform the annual audit opinion statement;
 - Describe the approach to the development of the risk based Internal Audit Annual Plan;
 - Set out the relative allocation of Internal Audit resources;
 - Outline how the Internal Audit programme of work will be delivered to add value and will be prioritised to ensure that those areas of greatest risk are covered during the audit year; and
 - Describe the monitoring and reporting of the Internal Audit findings from its work and progress with its plans to the relevant organisation's Audit Committee/Board.

3. ASSURANCE FRAMEWORK

- 3.1. 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, and mitigation of risks, including the prevention, detection and resolution of fraud and irregularities. Management is also responsible for checking that the arrangements and controls are operating effectively and obtaining assurances from internal compliance, risk, inspection, quality, and control functions. These are known as the first and second lines. Internal Audit, as the third line, is the review function which will provide independent assurance on the effectiveness of the first and second lines, challenge current practices, recommend best practice and improvements to lead to a strengthening of the control environment and management of risks.
- 3.2. The organisation's assurance framework is the means by which the relevant organisation's Senior Management and Audit Committee/Board ensures that they are properly informed on the risks of not meeting objectives or delivering appropriate outcomes and that it has adequate assurances on the design and operation of systems in place to mitigate those risks.
- 3.3. The assurance framework comprises assurances from within the organisation (from Management and from compliance/service support functions such as health and safety, IT client, information management, finance and procurement, HR, business continuity, and independent assurance from Internal Audit) and from external providers of assurance. For example, Accounts Commission, External Audit (Audit Scotland - for SBC, Pension Fund, and IJB), Education Scotland, Care Inspectorate, Scottish Housing Regulator, and other regulators.
- 3.4. The assurances are considered during the annual review of the effectiveness of each organisation's overall governance framework carried out by officers of each organisation and supported by Internal Audit. The output is the Annual Governance Statement which is included within their respective Annual Report and Accounts.
- 3.5. Where audit assurance is required on Services that are delivered by public sector joint working arrangements which include the organisation as a partner, these assurances will be sought as appropriate from partners' Internal Audit service providers and Management.

4. KEY THEMES INTEGRAL TO INTERNAL AUDIT ASSURANCE

- 4.1. Each organisation is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Fundamentally corporate governance is about the systems and processes, and cultures and values that are used by each organisation to discharge those responsibilities in a timely, inclusive, open, honest and accountable manner. This includes: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law; Ensuring openness and comprehensive stakeholder engagement; Defining outcomes in terms of sustainable economic, social, and environmental benefits; Determining the interventions necessary to optimise the achievement of the intended outcomes; Developing the entity's capacity, including the capability of its leadership and the individuals within it; Managing risks and performance through robust internal control and strong public financial management; Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
- 4.2. Each organisation's statutory financial officer, Section 95 Officer or equivalent, i.e. Director Finance & Corporate Governance (roles relevant to the Council and Pension Fund) and Chief Finance Officer of the IJB, is responsible for the proper administration of each organisation's financial affairs. Under their direction, each organisation's system of internal financial control is based on a framework of Financial Regulations (rules and regulations for financial management or administration arrangements linked to other key financial documents that set out the policy framework, associated strategy, and the more detailed procedures and guidelines), regular Management Information, administrative procedures (including segregation of duties), Management Supervision, and a system of Delegation and Accountability.
- 4.3. The continued use of and investment in technology to support service delivery, and digital change and transformation to improve operations is a key part of the vision for each organisation, underpinned by the Council's ICT service delivery outsource contract with CGI. The overarching framework of the ICT security policy is designed to ensure that computer systems are secure, reliable and conform to nationally agreed standards, and the Digital Strategy is designed to support effective and modern service delivery to meet corporate objectives.

5. APPROACH TO PERIODIC PLANNING

- 5.1. The Internal Audit Strategy and the Internal Audit Annual Plan 2022/23 have been prepared in conformance with the Public Sector Internal Audit Standards (PSIAS) to fulfil the requirement to produce the statutory annual assurance and audit opinion for each organisation.
- 5.2. As part of the Internal Audit planning process it was necessary to consider each organisation's objectives, priorities, strategies, plans, risks and mitigating controls, and the internal and external assurances provided to determine the priorities of the Internal Audit activity consistent with each organisation's goals, as follows:
 - Analysis was undertaken of Internal Audit work during the past 5 years against the Audit Universe, which has been updated and realigned to reflect the current strategic and operational management arrangements, to ensure appropriate coverage;
 - Corporate and Service Risk Registers were checked and discussions were held with the Corporate Risk Officer to confirm coverage on key corporate risks and other service strategic risks, as reliance is placed on the risk assessments carried out by the Risk Owners; and
 - Account was taken of known external audit and inspection activities to avoid duplication of assurance work. For example: Discussions to agree which Internal Audit assurance work will be relied upon by External Audit; the schools Internal Audit work is designed to complement Education Scotland inspections; and any matters raised by other inspection and regulatory bodies, including Care Inspectorate and Scottish Housing Regulator, are considered.
- 5.3. The audit planning process involves consultation with key stakeholders including discussions with Senior Management, statutory officers, compliance/service support functions such as health and safety, IT client, information management, finance and procurement, HR, business continuity, and the External Auditors of each organisation to capture potential areas of risk and uncertainty more fully. This is of particular importance during a period of change and transformation as each organisation responds to new legislation or service delivery arrangements.

6. ALLOCATION OF INTERNAL AUDIT RESOURCES

- 6.1. The Internal Audit staff resources totalling 5.5 FTE comprise Chief Officer Audit & Risk (0.5 FTE for Internal Audit activity), one Principal Internal Auditor, two Senior Internal Auditors, and two Internal Auditors. All except the two Internal Auditors have a professional internal audit or accountancy qualification, and all have suitable experience, knowledge, skills and competencies (such as the Code of Ethics set out in PSIAS and the Seven Principles of Public Life) needed to deliver the plan. The Available Audit Days reflects the Internal Audit staff resources after consideration of estimated annual leave, public holidays, absence including staff turnover, learning and development, and management and supervision.
- 6.2. It is estimated that 69% of Internal Audit's available days will be spent on *assurance*, and *legislative and other compliance* activities combined. The Assurance work includes sufficient work across a range and breadth of audit areas within the key themes of *Corporate Governance, Financial Governance, ICT Governance, Internal Controls* and *Asset Management* which assure those processes that are currently in place and which Management rely on to deliver services, and to enable preparation of the statutory annual audit opinion on the adequacy of the organisation's overall control environment.
- 6.3. An estimated 13% of Internal Audit's available days will be utilised on *Other* activities in support of the Internal Audit function meeting its other objectives in the Internal Audit Charter.
- 6.4. An estimate of 12% of Internal Audit's available days will be utilised on *Consultancy* activities which support Management in delivering innovation, change and transformation through Internal Audit 'critical friend' challenge and quality assurance of change programmes and projects. Management seek this added value activity though this allocation reflects a reasonable estimate of what is actually deliverable within the boundaries of the role of Internal Audit and the resources available.
- 6.5. It is estimated that 6% of Internal Audit's available days will be spent on the provision of Internal Audit services to non-SBC organisations i.e. Scottish Borders Pension Fund, and Scottish Borders Health and Social Care Integration Joint Board. This reflects the Council's contribution of corporate support resources to partner organisations.

7. APPROACH TO DELIVERY OF PROGRAMME OF WORK

- 7.1. To facilitate operational delivery an Internal Audit Programme of Work will be developed which provides an indication of when work will be scheduled during the year, taking account of discussions with Senior Management and the availability of Internal Audit resources. Subject to the latter, the audit activity deferred from 2021/22 will be scheduled in the first half of the year, as well as planned work with the greatest risk to ensure these are covered during the audit year.
- 7.2. For each *assurance* audit within the key themes of *Corporate Governance, Financial Governance, ICT Governance, Internal Controls* and *Asset Management*, in line with recognised good practice, an Audit Assignment detailing the scope, objectives and timing will be prepared and agreed with the relevant Director and Service Manager prior to commencement of the Internal Audit fieldwork. Internal Audit will:
 - Within the *Corporate Governance* and *Internal Control* assurance work, use the organisation's Local Code of Corporate Governance (Council/IJB) or Business Plan (Pension Fund) as an integrated toolkit to test the extent of compliance;
 - Within the *Financial Governance* and *Asset Management* assurance work, undertake end-to-end reviews of financial management and administration processes to test the extent of compliance (an integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably), carry out substantive testing of transactions involving data analytics to ensure completeness and accuracy of data, and review Plans to deliver the organisation's objectives and priorities against best practice standards;
 - Within the themed *ICT Governance* assurance work, test the ICT arrangements in place to protect each organisation's computer systems from attack in relation to data security, integrity and availability and to conform to nationally agreed standards, and review Digital Strategy and Plans to confirm they are designed to support modern service delivery and each organisation's objectives and priorities;

- During the course of all *assurance* work consider fraud risk and prevention and detection controls, and other appropriate cross-cutting risks and controls (such as risk management, performance management, community engagement, equalities, business continuity, and health and safety), and highlight examples of effective internal controls and share good practice across Service areas; and
 - Consider and apply National Reports that give rise to introducing best practice arrangements or lessons learned from other local authorities or other public sector bodies. Engage proactively with, assist, and advise Management on best practice to evidence improvements.
- 7.3. The *Legislative and Other Compliance* work will include testing in accordance with the terms of the funders' service level agreements or legislative requirements.
- 7.4. Within *Consultancy* activities Internal Audit will continue to add value to each organisation as it transforms its service delivery models, re-designs its business processes, and utilises technology to automate processes by influencing and offering ways to enhance the governance and internal control environment. Internal Audit in its 'critical friend' role will provide internal challenge as part of strategic and service reviews, advise on effective controls for new systems and activities, highlight opportunities to reduce costs through greater economy and efficiency, provide quality assurance on a sample of projects involving major change and systems development, and provide an independent assessment of the evidence to support self-evaluation and improvement.
- 7.5. *Other* work will include:
- performing potentially high risk *Contingency* audits of issues highlighted during the year that may be the result of a weakness in internal controls or that may be requested by Management or the relevant organisation's Audit Committee/Board;
 - carrying out *Follow-Up* to monitor progress with implementation of Audit recommendations and ensure these have been timeously and effectively implemented, to check that these have had the desired effect to manage identified risks, and to demonstrate continuous improvement (Audit recommendations will be input to the Pentana performance management system to assist relevant Management in tracking and recording their implementation in a consistent way); and
 - responding to *Counter Fraud* data sharing requests from Police Scotland, being the key contact for the National Fraud Initiative (NFI) including co-ordination of the NFI data submissions and liaison with Services on their investigation of NFI data matches and progressing outcomes, and engaging in counter fraud forums at local and national levels with other partners as part of the wider assurance framework on counter fraud and crime controls.

8. MONITORING AND REPORTING THE WORK OF INTERNAL AUDIT

- 8.1. The Public Sector Internal Audit Standards (PSIAS) require periodic reporting on the Internal Audit activity to the relevant organisation's Senior Management and Audit Committee/Board.
- 8.2. Internal Audit assurance work completed and work in progress, and consultancy and other work for the Council associated with the delivery of the Plan will be outlined within regular reports to its Audit and Scrutiny Committee. This report will include an Executive Summary of the audit objective, good practice, findings, recommendations, and audit opinion of assurance for each Final Internal Audit Report issued to relevant Service Management in the period.
- 8.3. Regular reports to their respective Senior Management and Audit Committee/Board will provide progress updates on implementation by Management of relevant Audit recommendations for each organisation.
- 8.4. Internal Audit's compliance with its Strategy, delivery of its risk-based Annual Plan, and outcomes of assessment(s) against PSIAS will be considered by the CAE on a regular basis and formally reported every six months to the Council's Strategic Leadership Team and the Audit and Scrutiny Committee, within a Mid-Term Performance Report and the Annual Assurance Report.

- 8.5. The Internal Audit Annual Assurance Report for each organisation (Scottish Borders Council, Scottish Borders Pension Fund, and Scottish Borders Health and Social Care Integration Joint Board) to their respective Senior Management and Audit Committee/Board will provide the statutory annual audit opinion on the levels of assurance based on Internal Audit findings and conclusions over the year to inform each organisation's Annual Governance Statement.
- 8.6. The PSIAS also require an annual Internal Self-Assessment and an External Quality Assessment (EQA) each five years by appropriately qualified and independent reviewers to assess conformance with the Definition of Internal Auditing and Standards and the application of the Code of Ethics. The Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) has implemented a "peer review" framework, in which SBC participates, as a cost effective means of complying with the EQA requirement. Reporting on outcomes includes a statement on conformance with PSIAS and the quality assurance and improvement plan (QAIP) to enable an evaluation of the Internal Audit quality management framework, and to identify opportunities for improvement.

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Appendix 2 - Internal Audit Plan 2022-23

AUDIT	2022/23 (Days)	COMMENTARY
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Corporate Governance

Corporate Governance	35	Prepare an Annual Assurance Report for Management and the Audit and Scrutiny Committee summarising the work undertaken by Internal Audit during the year and forming an opinion on adequacy of the Council's arrangements for risk management, governance and internal control. Continuous audit approach on progress with areas of improvement. Annual evaluation of compliance with Local Code of Corporate Governance covering the corporate whole and Directorates/Services.
Information Governance	20	Continuous audit approach performing 'critical friend' role through the review of the Information Governance framework including roles and responsibilities for the different data controllers (including Assessor ERO), review policy development and implementation, assess compliance with the legislation, and provide annual assurance to the Senior Information Risk Owner (SIRO).
Performance Management	35	Provide independent validation of performance indicators and benchmarking information to support self-assessment and continuous improvement of the Council's services, specifically to ensure accuracy of data submitted for either Local Government Benchmarking Framework or Corporate Priorities Pls. Critically evaluate the revised Performance Management Framework and test a sample of performance indicators in Service Plans to validate their relevance, completeness and accuracy.
Corporate Transformation Programme - Fit for 2024	20	Review the governance and accountability arrangements, including processes for benefit (financial and other) identification, tracking and realisation (return on investment and value for money), and evaluation of outcomes and lessons learned.
Workforce Planning	10	Review of approach to workforce development and succession planning in alignment with business and financial planning processes to provide skills, knowledge and competency requirements for service delivery to meet the Council's objectives.
Attendance Management	15	There are adequate controls in place to manage short and long term absences to minimise the impact on service delivery.
Business Planning, Budget Setting, Monitoring and Reporting	10	Ensure business plans are aligned to Council priorities, that the systems and procedures for preparing, monitoring and controlling the budget, including efficiency savings, are robust, that the roles and responsibilities of budget holders are clear, and there is transparency of reporting to Elected Members.
Contract Management - Strategic Contracts	15	Review of the Council's Strategic Contract Management and Contract Monitoring arrangements, including roles and responsibilities, to ensure that there are adequate governance and effective internal controls in place.
Complaints	10	Review and assess the new arrangements in place for complaints to ensure the implementation of the revised policy and procedures.
Partnering Arrangements	10	Assess the governance and strategic arrangements in place to ensure they are robust; roles and responsibilities of partners are clearly defined; and controls are in place to ensure resources are used effectively.
	180	

AUDIT	2022/23 (Days)	COMMENTARY
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Financial Governance

Members Allowances	10	Adequate controls are in place to ensure Members allowances and expenses are accurate, and are paid correctly and timely.
Payroll	20	Compliance testing of controls at Service level, including assurance work on Payroll processes.
Procurement to Payment	25	Review of implementation of Contract and Supplier Management System, including assurance work on Procure to Pay processes.
Schools Budgets (DSM)	10	Review the Council's implementation of the new DSM scheme.
	65	

Appendix 2 - Internal Audit Plan 2022-23

AUDIT	2022/23 (Days)	COMMENTARY
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ICT Governance

IT Systems Maintenance and Support (including new developments)	15	Review of the controls in place to ensure new systems are adequately installed, tested and implemented in a timely manner to ensure business requirements are met, including ongoing ownership of support and maintenance.
	15	

AUDIT	2022/23 (Days)	COMMENTARY
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Internal Controls

Schools Financial and Business Administration Processes	40	Review of internal financial controls and business administrative procedures in place to ensure the efficient and effective use of resources in the school establishments including evaluation of the systems in place to set and monitor DSM budgets.
Mental Health Services (Adults & Children) (b/f from 2021/22)	15	Assess the governance arrangements in place to commission specialist mental health services to promote closer integration and partnership working to meet the needs of people with mental health needs. Ensure there is sound budgetary control in place.
Public Protection	10	Review the governance arrangements, including roles and responsibilities of partners, to ensure statutory obligations are met, for both adults and children.
Adult Social Services	10	Review of internal financial controls and governance arrangements regarding Self Directed Support to ensure national policy objectives are being met and public funds are safeguarded.
Protective Services (Environmental Health)	10	Review the Private Water Supply processes to ensure that statutory obligations are met and risks are appropriately managed.
Residential Care Homes	20	Review of internal financial controls and administrative procedures in place in Council-managed establishments for the effective delivery of services.
Homecare	20	Controls are adequate to ensure homecare provision is in place for those in need, and financial controls and administrative procedures are sound to safeguard Council and client funds.
Assessors (b/f from 2021/22)	10	There are adequate controls to ensure that responsibilities are discharged appropriately to provide and maintain the valuation roll and to ensure timely and correct value assessment of properties to meet required standards and practices.
Winter Service	15	Assess the economy, efficiency and effectiveness with which resources are deployed to deliver the Winter Service to ensure that operational practices are being carried out as planned and objectives and goals are met.
Benefits Assessments	15	Assess the adequacy of operational processes in place to administer the payment of grants and social funds to ensure they are effective, appropriate and consistent.
	165	

Appendix 2 - Internal Audit Plan 2022-23

AUDIT	2022/23 (Days)	COMMENTARY
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Asset Management

Asset Management (Property)	20	The Council has a structured asset management framework for buildings, other property and facilities to ensure they are fit for purpose, and accurate records to demonstrate efficient and effective use. Specific review of the controls over the consumption of utilities (energy and water consumption) ensuring usage is adequately controlled and represents value for money.
Housing Strategy	10	Controls are in place to ensure efficient and effective use of funding and other resources for the provision of affordable housing to ensure achievement of housing strategy with partners.
Passenger Transport	15	Analyse and assess current processes for Passenger Transport to identify the approach which represents best value. Review the internal and client provider practices and consider options for improvement.
Fleet Management	15	Adequate controls are in place to ensure fleet asset records are complete and accurate and fleet replacement decisions represent value for money.
	60	

AUDIT	2022/23 (Days)	COMMENTARY
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Legislative & Other Compliance

Jedburgh / Hawick Conservation Area Regeneration Scheme (CARS)	10	Review as part of programme compliance and evaluation requirements of the external funders including audit requirements.
Economic Development Funding / Funded Programmes	20	Annual audits of grant-funded programmes under the terms of Service Level Agreements (SLAs) to assess compliance with the requirements of the SLAs and relevant regulations.
Sustainable Environment	25	Continuous audit approach to assess progress with arrangements and action plans to meet obligations regarding sustainable environmental programmes, including corporate and social responsibility.
	55	

AUDIT	2022/23 (Days)	COMMENTARY
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Consultancy

Advice	5	Provision of ad-hoc Internal Audit advice and assistance on internal controls, risk management and governance in response to requests.
Critical Friend Consultancy	85	In its 'critical friend' role provide: internal challenge and quality assurance on a sample of programmes and projects involving major change and systems implementation; provide independent challenge of the evidence to support improvement; and perform an independent and objective assessment of the evidence to support self-evaluation and improvement in support of Best Value.
	90	

Appendix 2 - Internal Audit Plan 2022-23

AUDIT	2022/23 (Days)	COMMENTARY
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Other

Contingency	10	Carry out investigations and other reactive work to ensure high risk issues and concerns identified by Management during the year are appropriately addressed.
Follow-Up	15	Monitor progress with implementation of Internal Audit recommendations and ensure that Management Actions have been timeously and effectively implemented, to check that these have had the desired effect to manage identified risks, and to demonstrate continuous improvement in internal control and governance.
Counter Fraud Whistleblowing arrangements	40	Provide intelligence via data sharing requests from Police Scotland, and submission of data sets and case management of data matches arising from the Cabinet Office / Audit Scotland-led National Fraud Initiative (NFI) exercise. Review of the Council's Counter Fraud controls, including strategies, policies and whistleblowing arrangements.
PSIAS Self-Assessment	10	Undertake annual self-assessment of the Internal Audit function against the Public Sector Internal Audit Standards (PSIAS) and report findings to CMT and the Audit and Scrutiny Committee.
Audit and Scrutiny Committee Self-Assessment	5	Provide assistance to Chair of the Audit and Scrutiny Committee in undertaking a self assessment of the committee against the CIPFA best practice guidance.
Integrity Group and Serious Organised Crime Group	5	Attend and provide support to the Integrity Group and the Serious and Organised Crime Group.
Attendance at Boards / Committees	10	Prepare for and attend Audit and Scrutiny Committee meetings and other Boards / Committees as relevant.
Administration of Audit Scotland Reports	2	Monitor publication of Audit Scotland reports and co-ordinate submission by Management of Audit Scotland Reports to the relevant Committees.
Audit Planning for 2023/24	8	Develop and consult on proposed coverage within the Internal Audit Annual Plan 2023/24.
	105	

735

AUDIT	2022/23 (Days)	COMMENTARY
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Non Scottish Borders Council

Scottish Borders Pension Fund	5	To be determined and agreed with Pension Fund Committee and Management for review of governance of pension fund and provision of annual governance statement.
Scottish Borders Health and Social Care Integration Joint Board	45	To be determined and agreed by the Scottish Borders Health and Social Care Integration Joint Board (IJB) Audit Committee for review of the adequacy of the IJB's arrangements for risk management, governance and control of the delegated resources.
	50	

Total Audit Days

785



MANAGEMENT AND MAINTENANCE OF PUBLIC HALLS

Report by: Director, Strategic Commissioning and Partnerships

AUDIT & SCRUTINY COMMITTEE

14 MARCH 2022

1 PURPOSE AND SUMMARY

- 1.1 Item 6 of the Scrutiny Work Programme seeks an evaluation of the community contribution to the management and maintenance of public halls, including those managed by Live Borders.**
- 1.2 SBC has responsibility for 62 halls/community centres throughout the Borders. The Federation of Village Halls data indicates that there are currently a total of 96 Federation members in the Borders.
- 1.3 SBC retains maintenance/repair responsibility for the 62 halls under SBC ownership – including those leased to Live Borders. Each individual lease determines the level of maintenance/repair obligation including where Communities/Voluntary Management Committees have no obligation or responsibility for maintenance or repair.
- 1.4 SBC provides annual funding to the Federation of Village Halls of approx. £50k per annum. Live Borders provides voluntary management committees with funding on an annual basis towards the operational costs of running their community centre.
- 1.5 The social value of halls/community centres includes use of the venues for regular local events & activities, emergency response and Covid-response. Volunteers also regularly fund-raise for improvements to their building and, as a proxy measure, this can inform the 'community contribution'.

2 RECOMMENDATIONS

- 2.1 I recommend that the Audit & Scrutiny Committee notes the evaluation of the community contribution to the management and maintenance of public halls, including those managed by Live Borders as detailed within this report.**

3 BACKGROUND

- 3.1 There are a number of village halls and community centres in the Borders. Scottish Borders Council owns 62 halls. Under the Service Provision Agreement (SPA) that SBC has with Live Borders for the delivery of Sport and Cultural services, 29 of these come under the contractual responsibility of Live Borders. A breakdown of the 62 halls is shown at *Appendices 1a-1c*.
- 3.2 The Federation of Village Halls data indicates that there are 96 village halls in the Borders, who are also members of the Federation. This reflects the fact that a number of halls will be in community or private ownership (i.e.) neither the responsibility of SBC or Live Borders. Additionally there may be more than 96 halls in the Borders as membership of the Federation is voluntary.
- 3.3 Some of the benefits of Federation membership includes assisting their members in meeting legal responsibilities for requirements like public liability insurance, performance/theatre/cinema/music licensing, constitutional advice and for safety requirements such as fire equipment servicing, electrical PAT testing and full electrical infrastructure testing.
- 3.4 SBC provides annual funding to the [Federation of Village Halls](#). The awarded funding is administered by local voluntary organisations. Details of the funding amounts and who each award is administered by are shown in the table below:

Area	No' Halls	20/21 SBC Funding (£)	Award administered by
Berwickshire	27	13,502	BAVS
Central Borders	23	14,470	The Bridge
Roxburgh	32	13,869	The Bridge
Peeblesshire	14	8,184	The Bridge
	96	50,025	

3.5 **Community Contribution to Maintenance**

Each SBC lease for the 62 halls/community centres under SBC ownership will detail the individual maintenance/repair obligations. The 29 halls/community centres that are managed by Live Borders, are leased to Live Borders, but the maintenance/repair responsibility remains with SBC under the terms of a Property & Estates Service Level Agreement (SLA).

3.6 **Community Contribution to Management**

Community centres are generally run and managed by voluntary management committees. Through the SPA with SBC, Live Borders provides the voluntary management committees with funding on an annual basis towards the operational costs of running the community centre. The management committees take decisions on how the community centres run on a day-to-day basis and are responsible for the opening hours, bookings, and activities that take place within the centres.

- 3.7 Halls/Community Centres can also access the [SBC Community Fund](#) for additional funding, which is in place to provide support to voluntary and community groups that are active within their communities, assisting them with the development of community based projects. A few examples are shown at *Appendix 2*.
- 3.8 Many of the voluntary groups/management committees also undertake a huge range of fund-raising activities to provide community support and make improvements to their building (e.g.)
- For new equipment, lighting, seating, desks etc....
 - For extensions to improve the building, add accessible access/facilities etc...
- 3.9 The financial value of volunteering is never straightforward to quantify as volunteers will not work set times or complete timesheets. However, the social value of this type of volunteering should not be underestimated – for example, the community value delivered through the use of halls/community centres for:
- Local, regular social events and activities.
 - Covid-19 pandemic and vaccination response.
 - Emergency/Resilience response (e.g.) by police, mountain rescue, flood etc...
- 3.10 An ongoing issue with voluntary management committees is sustainability. Anecdotal evidence suggest that a significant number of Committee members are 65+ and that attracting new (particularly <65) members to Committees can be a struggle.
- 3.11 Some of the non-SBC owned halls/community centres are held as charitable trusts. This can include a form of tenure involving the creation of a Scottish Charitable Incorporated Organisation (SCIO). Under an SCIO set up, a nominated group of trustees manage the hall which is owned outright by the SCIO on behalf of the community. SCIO regulations require a detailed constitution containing key elements about community benefits and also how the asset will be disposed of in the event that the SCIO is wound up. One advantage of this type of Trust/Charitable may include the opportunity to access additional funding sources. Because these halls/community centres are outwith the ownership and remit of SBC it is a challenge to establish the full extent of the 'community contribution' for these.

4 IMPLICATIONS

4.1 Financial

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

4.2 Risk and Mitigations

There is an unmeasured and therefore anecdotal risk in regard to the sustainability of a number of voluntary Management Committees because of their age profile and the challenges of recruiting new volunteers.

4.3 Integrated Impact Assessment

IIA completed.

4.4 **Sustainable Development Goals**

Checklist completed.

4.5 **Climate Change**

Checklist completed.

4.6 **Rural Proofing**

n/a

4.7 **Data Protection Impact Statement**

There are no personal data implications arising from the proposals contained in this report.

4.8 **Changes to Scheme of Administration or Scheme of Delegation**

n/a

5 **CONSULTATION**

- 5.1 The Director (Finance & Corporate Governance), the Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Director (People Performance & Change), the Clerk to the Council and Corporate Communications have been consulted and any comments received have been incorporated into the final report.

Approved by

Name

Jen Holland

Title

Director – Strategic Commissioning & Partnerships

Author(s)

Name	Designation and Contact Number
Graeme McMurdo	Programme Manager

Background Papers: [insert list of background papers used in compiling report]

Previous Minute Reference: [insert last Minute reference (if any)]

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

Contact us at gmcmurdo@scotborders.gov.uk

Appendix 1:

1a) Community Centres/Wings

Estates Code	Name	Location	Type	Responsibility
CH005/01	North Church Community Centre	Chirnside	Community Centre	SBC
DN011/02	Southfield Community Centre	Duns	Community Centre	Live Borders
EY007/01	Eyemouth Community Centre	Eyemouth	Community Centre	Live Borders
FO002/01	Fogo Community Centre	Fogo	Community Centre	SBC
GL009/10	Langlee Community Centre	Galashiels	Community Centre	Live Borders
GL009/12	Portacabin at Langlee Centre	Galashiels	Community Centre	SBC
GL013/02	Focus Centre	Galashiels	Community Centre	Live Borders
HW006/02	Burnfoot Community Centre	Hawick	Community Centre	SBC
IN002/02	Innerleithen Library Community Centre	Innerleithen	Community Centre	SBC
IN003/02	St Ronans Community Wing	Innerleithen	Community Wing	SBC
KL004/02 KL004/01	Abbey Row Community Centre & Office Abbey Row Dry Bar	Kelso	Community Centre	Live Borders
LC001/01	Lamancha Hub	Lamancha	Community Centre	SBC
LA002/01	Lanton Community Centre	Lanton	Community Centre	SBC
NC003/03	Newcastleton No 8 Club	Newcastleton	Community Centre	Live Borders
NT003/02	Newtown Community Wing	Newtown St Boswells	Community Wing	Live Borders
PB021/01	Peebles Drill Hall	Peebles	Community Centre	Live Borders
SK014/03 SK014/04 SK014/01	Argus Centre - Boxing Club Argus Centre - The Shed Argus Centre - Youth Centre	Selkirk	Community Centre	Live Borders
SK020/02	Philiphaugh Community Centre	Selkirk	Community Centre	SBC
TW002/01	Tweedbank Community Centre	Tweedbank	Community Centre	Live Borders

1b) Halls

Estates Code	Name	Location	Type	Responsibility
AS003/01	Ashkirk Village Hall	Ashkirk	Hall	SBC
CS010/02	Roger Hall	Coldstream	Hall	SBC
DR002/01	Drumelzier Village Hall	Drumelzier	Hall	SBC
DN004/07	Former Games Hall	Duns	Hall	SBC
ET003/01	Boston Memorial Hall	Ettrick	Hall	SBC
GL049/01	Galashiels Volunteer Hall	Galashiels	Hall	Live Borders
GL036/02	Old Gala House	Galashiels	Hall	Live Borders
GL037/01	Galashiels Band Hall	Galashiels	Hall	SBC
GV002/01	Gavinton Village Hall	Gavinton	Hall	SBC
HW054/02	Hawick Town Hall	Hawick	Hall	Live Borders
HR005/01	Macfie Memorial Hall	Heriot	Hall	SBC
IN014/01	Innerleithen Memorial Hall	Innerleithen	Hall	Live Borders
JD023/01	Jedburgh Town Hall	Jedburgh	Hall	Live Borders
KL026/01	Kelso Tait Hall	Kelso	Hall	Live Borders
KL030/03	Kelso Town House	Kelso	Hall	SBC
LD020/01	Lauder Village Hall	Lauder	Hall	Live Borders
LD017/06	Lauder Town Hall	Lauder	Hall	SBC
LO003/01	Longformacus Village Hall	Longformacus	Hall	SBC
MX004/01	Maxton Village Hall	Maxton	Hall	SBC
ML015/02	Melrose Corn Exchange	Melrose	Hall	Live Borders
ML020/03	Ormiston Institute Hall	Melrose	Hall	Live Borders
ML013/02	Melrose Town Hall	Melrose	Hall	SBC
PB010/06	Peebles Burgh Hall	Peebles	Hall	Live Borders
PB043/07 PB043/46	Old Corn Exchange Upper Hall Old Corn Exchange Rear Hall	Peebles	Hall	SBC
SK029/02 SK033/10	Selkirk Victoria Hall Selkirk Town Hall	Selkirk	Hall	Live Borders
ST004/01	Stow Town Hall	Stow	Hall	Live Borders
WL010/01	Graham Institute	West Linton	Hall	Live Borders
YA002/01	Yarrow village hall (Catslackburn Hall)	Yarrow	Hall	SBC

1c) Other

Code	Description	Location	Type	Responsibility
GL025/01	St Andrews Art Centre	Galashiels	Other	SBC
HW013/01	Hawick Youth Centre	Hawick	Other	SBC
HW022/09	Hawick Heritage Hub	Hawick	Other	Live Borders
HW025/01	Heart Of Hawick Towermill	Hawick	Other	Live Borders
HW049/01	Hawick Old Baths	Hawick	Other	SBC
KL023/04	The Knowes Centre	Kelso	Other	SBC
MA001/01	Makerstoun Guide Centre	Makerstoun	Other	SBC
ML005/03	Melrose Grammar School Former Bike Shed	Melrose	Other	SBC
PB010/01	Chambers Institution	Peebles	Other	SBC, LB, CAB

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Appendix 2: SBC Community Fund

Locality	Organisation	Amount (£)	Project
Berwickshire	Allanton Village Hall	3,150	Repair damaged wall
Tweeddale	Peebles Community Centre	7,500	Crafting
Eildon	Oxton War Memorial Hall Committee	30,000	New village hub
Teviot & Liddesdale	Southdean Hall	2,160	Media equipment

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