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AUDIT COMMITTEE MONDAY, 25 SEPTEMBER 2023

A MEETING of the AUDIT COMMITTEE will be held in the COUNCIL CHAMBER, COUNCIL HEADQUARTERS, NEWTOWN ST. BOSWELLS AND VIA MICROSOFT TEAMS on MONDAY, 25 SEPTEMBER 2023 at 10.00 am

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

J. J. WILKINSON,
Clerk to the Council,

18 September 2023

BUSINESS		
1.	Apologies for Absence	
2.	Order of Business	
3.	Declarations of Interest	
4.	Minute and Action Tracker	5 mins
5.	Director Risk Management Presentation Consider presentation by Director – Resilient Communities.	30 mins
6.	Internal Audit Work to 30 July 2023 (Pages 11 - 22) Consider report by Chief Officer – Audit and Risk. (Copy attached.)	15 mins
7.	Audit Scotland Fraud and Irregularity Report 2022/23 (Pages 23 - 28) Consider report by Chief Officer – Audit and Risk. (Copy attached.)	15 mins
8.	Annual Treasury Management Report 2022/23 Consider report by Director – Finance and Procurement. (To follow.)	15 mins
9.	External Audit Annual Audit Reports 2022/23 Consider the Annual Audit Reports from the External Auditor on various entities for review and scrutiny prior to Council approval. (Reports to follow). (a) Scottish Borders Council Pension Fund 2022-23 Annual Audit Report; and	20 mins

	(b) Audit Scotland Scottish Borders Council annual report	
10.	Annual Report and Accounts Consider report by Director – Finance and Procurement. (To follow.)	30 mins
	(a) SBC Annual Accounts	
	(b) Scottish Borders Council Pension Fund	
	(c) Bridge Homes LLP Annual Accounts	
	(d) Lowood Tweedbank Ltd Annual Accounts	
	(e) SB Inspires LLP Annual Accounts	
11.	Any Other Items Previously Circulated	
12.	Any Other 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 E. Thornton-Nicol (Chair), N. Richards (Vice-Chair), J. Anderson, P. Brown, J. Cox, M. Douglas, J. PatonDay, E. Robson, S. Scott, F. Sinclair, Mr S. Whalley and Mr P. Whitfield

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**SCOTTISH BORDERS COUNCIL
AUDIT COMMITTEE**

MINUTES of Meeting of the AUDIT
COMMITTEE held in via Microsoft Teams on
Tuesday, 27 June 2023 at 10.00 am

- Present:- Councillors E. Thornton-Nicol (Chair), N. Richards (Vice-Chair), J. Anderson, M. Douglas, J. PatonDay, E. Robson
- Apologies:- Councillors P. Brown, J. Cox, S. Scott and F. Sinclair
- In Attendance:- Chief Executive, Director Strategic Commissioning & Partnerships, Acting Chief Financial Officer, Chief Officer Audit and Risk, Principal Internal Auditor, General Manager Mental Health and Learning Disability Services (Mr S. Burt), Mr S. Whalley, E. Mihulka, Mr J. Boyd, and Ms J. Law (Audit Scotland) and Democratic Services Officer (L. Cuerden).

MEMBER

Mr Whalley advised the Committee that he was Vice-Chair of the Police Pension Board.

1. **MINUTE**

There had been circulated copies of the Minute of the Meeting held on 10 May 2023.

DECISION

AGREED to approve the Minute for signature by the Chair

2. **AUDIT COMMITTEE ACTION TRACKER**

- 2.1 There had been circulated copies of the Audit Committee Action Tracker which was presented by the Chief Officer Audit and Risk.
- 2.2 With reference to paragraph 7 of the Minute of the Meeting of Audit and Scrutiny Committee held on 22 November 2021, work had progressed well and it was anticipated that there was a further two months of work to be done.
- 2.3 The action of 12 September 2022 was to be removed from the tracker as it had been superseded by action from the meeting of 10 May 2023.
- 2.4 The action of 13 February 2023 was to be removed from the tracker.
- 2.5 With reference to paragraph 3.1 of the Minute of the meeting of 13 March 2023, there was a review underway of the Capital Management Processes and there was to be work undertaken with Director Infrastructure and Environment John Curry to produce a combined report for the Audit Committee on the establishment of the Project Programme Management Office.
- 2.6 The actions of 13 March 2023 that related to the External Audit Plan 2022/23 were complete and to be removed from the tracker.
- 2.7 With reference to the actions of the meeting of 10 May 2023, Chief Officer Audit and Risk requested that timelines were associated with those actions going forward and undertook to liaise with relevant officers.

- 2.8 With reference to paragraph 9 of the Minute of the meeting on 10 May 2023, a report by the Officer Integrity Group on outcomes from the Counter Fraud Maturity Assessment was anticipated in the latter part of 2023. Chief Officer Audit and Risk was to have a meeting with the HR manager to review and refresh the whistle blowing policy which was to contribute to the Counter Fraud Maturity Assessment.
- 2.9 With reference to paragraph 6.2 of the Minute of 10 May 2023, it was confirmed that the appropriate risk rating had been applied to the scale of the risk of Mental Health Services (Adults and Children) as it was a matter of correct governance rather than fulfilment of statutory duties. The Director of Social Work & Practice was aware of how his statutory duties were being fulfilled; it was important to ensure that SBC had representation on the Board and included the Council Mental Health Services as well as NHS Borders Services.

DECISION

NOTED the update.

3. DIRECTOR RISK MANAGEMENT PRESENTATION

- 3.1 Director Strategic Commissioning and Partnerships Jen Holland presented Strategic Commissioning and Partnerships Risk Management overview. The service structure detailed officers' roles and responsibilities and covered IT and adult social care (six care homes, delivery of approximately 60% of home care services, five learning disability day services, the community equipment service and the alarm service). A new Performance Directorate had been set up primarily to look at Social Care and the providers of other external services across the Scottish Borders and in addition there was currently underway a large IT Transformation programme. SBC also had programme and project management responsibility for a number of projects supporting SC&P in Adult Social Care and the Care Villages programme.
- 3.2 A breakdown of Corporate Risk across the Directorate was provided. The likelihood and impact risk was generally medium with the exception of Corporate Risk 016 – Insufficient Resources for the delivery of the Commissioning Framework which presented a high impact risk. This was due to a number of factors in Social Care: challenges in recruitment and retention of staff; a number of care at home providers had failed during the pandemic and consequently had been brought under the auspices of Scottish Borders Council; and ongoing negotiations related to the National Care at Home contract rate, though all external providers to Scottish Borders Council have agreed to the 6% uplift proposed nationally. There was a need to provide the appropriate care at the right time and place, and to that end the first round of social prescribing, 'Healthier, Happier, Stronger', had taken place. A report on this programme was due to be brought before Council in September 2023 with a view to launching a second round with permanent funding thereafter. A mapping and monitoring exercise had taken place to review what services were commissioned and to what extent they delivered value for money; the completion date was 31 May 2023.
- 3.3 An overview of Service Risk for the Directorate was provided. Across Adult Social Care an amber RAG status was reported, with the exception of Recruitment and Retention which was coded red. Work had continued to address this with now only eight staff vacancies across SBC care homes, down from +60 FTE previously. Challenges remained in recruiting to care at home services. Training and development work through an appraisal programme and partnerships with schools and colleges continued. In relation to Commissioning & Performance, the development of a full risk register was underway to reflect and support the achievement of objectives and priorities. In relation to the ICT Contract, there were plans to recruit specialist staff to the IT client function to mitigate unplanned absence or staff departure.
- 3.4 The Director Strategic Commissioning & Partnerships answered Members' questions. It was confirmed that PSN accreditation was the responsibility of SBC, with CGI fulfilling it on their behalf. Ms Holland agreed to ascertain whether there were any penalties for CGI

for failure to meet those obligations. In terms of achieving the top rating for PSN, there were two outstanding actions under consideration that related to the work plan for the coming year and SBC now had an overview of the patching and upgrades required. In relation to mandatory training, managers and service directors were now in receipt of updates on staff compliance, which had increased across the Council. Dedicated training days had been earmarked and work continued to address the needs of remote workers and those who worked across multiple sites.

DECISION

NOTED the update

4. AUDIT SCOTLAND NATIONAL REPORT LOCAL GOVERNMENT IN SCOTLAND OVERVIEW

John Boyd, Audit Scotland, provided a brief summary for the Committee of the Local Government Review. The report brought together the findings from the External Audit work from the previous year. The key messages were the identification of the financial challenges faced by Local Authorities and pressures on service deliveries against a backdrop of post pandemic recovery, the current cost of living crisis and inflationary pressures. The report had been considered by the Council Management Team which had determined that SBC was well placed in terms of the existing governance framework to address the recommendations therein.

DECISION

NOTED the update

5. ANNUAL ASSURANCE STATEMENT 2022-23 TO SCOTTISH HOUSING REGULATOR

There had been circulated copies of a report from Director Social Work & Practice, the purpose of which was to propose that the Audit Committee considered and approved the Annual Assurance Statement 2022/23 in respect of landlord services provided by the Council. In 2019 a new requirement was placed on all social landlords to submit an Annual Assurance Statement to the Regulator by the end of October each year. Appendix 1 contained the Annual Assurance Statement while Appendix 2 detailed further self-assessment information. Some clarity was provided on the housing properties considered in the report; SBC did own Maxwell Park, Kelso. The Chief Executive undertook to provide Members with a note of the properties referred to in the report. There was a suggestion that the language of the report be strengthened in parts, specifically in reference to the service 'appearing to be operating satisfactorily' and being 'materially compliant'. Furthermore it was commented that in regards to the evidence of engagement with tenants, the provision of some case studies or examples of current practice might be included. The comments were to be relayed to Mr Easingwood, Director Social Work & Practice for his consideration.

DECISION

- (a) NOTED the details of the Annual Assurance Statement 2022/23 to the Scottish Housing Regulator in respect of landlord services provided by the Council (Appendix 1), and the further self-assessment information (Appendix 2), and acknowledges the actions by Management to improve arrangements; and,**
- (b) AGREED to approve the Annual Assurance Statement 2022/23 to the Scottish Housing Regulator in respect of landlord services provided by the Council (Appendix 1) to be submitted to the Scottish Housing Regulator along with the Summary Statement of Self-Assessment of Compliance against Regulatory Framework (Appendix 2).**
- (c) AGREED to circulate a list of housing properties referred to in the report to Members.**

6. **DRAFT ANNUAL GOVERNANCE STATEMENT 2022-23**

There had been circulated copies of a report by the Chief Executive, the purpose of which was to propose that the Audit Committee considered and approved the draft Annual Governance Statement 2022/23 for inclusion in the Council's unaudited Statement of Accounts 2022/23 in preparation for the statutory audit process. Scottish Borders Council was responsible for ensuring that its business was conducted in accordance with the law and proper standards and that public money was safeguarded, properly accounted for and used economically, efficiently and effectively. The remit of the Audit Committee included an assessment of the adequacy and effectiveness of corporate governance arrangements and to consider the annual assurance reports that related to the Council's service delivery models. The Governance Self-Assessment Working Group chaired by Chief Officer Audit and Risk had evaluated progress with the implementation of actions associated with the ten improvement areas of governance within the previous year's annual governance statement and identified where further improvements in governance arrangements were to be made.

DECISION

AGREED to the recommendations that the Audit Committee:

(a) to consider the details of the draft Annual Governance Statement 2022/23 (Appendix 1) to ensure it reflected the risk environment and governance in place to achieve objectives, and acknowledged the actions identified by Management to improve internal controls and governance arrangements; and

(b) to approve that the draft Annual Governance Statement 2022/23 (Appendix 1) to be published in the Council's unaudited Statement of Accounts 2022/23 in preparation for the statutory audit process.

7. **DRAFT ANNUAL REPORT AND ACCOUNTS**

7.1 There had been circulated copies of a report by Director Finance and Procurement Suzy Douglas, the purpose of which was to provide the Audit Committee with the opportunity to scrutinise the draft Scottish Borders Council and Group Annual Report and Accounts for the year ended 31 March 2023 prior to its submission to the External Auditors. It was estimated that the final report and Accounts were to be submitted to Council in September 2023.

7.2 The Director Finance and Procurement gave a presentation on the Draft Annual Accounts 2022/23. The slide deck gave an overview of service highlights during 2022/23. Financial highlights of 2022/23 were detailed and included the Revenue Outturn Underspend of £1.532m and a £12.027m Financial Plan Savings achieved, of which 74% was on a permanent basis. Statutory and governance arrangements were detailed which illustrated sign off protocols for the accounts and the timetable for publication of both unaudited and audited accounts. A breakdown of the total capital expenditure for 2022/23 of £63.5m illustrated the funding sources and the amount of capital expenditure spend per Directorate, most significantly in Infrastructure and Environment due to the extensive flood prevention programme undertaken. In regards to the Pension Fund, some key highlights and numbers were provided; following the 2020 triennial valuation, the Pension Fund was 110% funded with the results of the Actuarial Valuation due to be published in next year's Annual Report and Accounts.

7.3 Members discussed the report and presentation. In terms of Joint Ventures, it was to be noted that the Integration Joint Board figures were not yet received by SBC and so were not reflected. SBC and NHS Borders were working in partnership to support the IJB in this matter and it was hoped that this would be completed in time for the accounts to be submitted to Audit Scotland by 30 June. In regards to the investment in one unit trust as opposed to multiple trusts to spread risk, it was confirmed that the Aegon Monthly Unit

Trust into which the Common Good Funds and Trust Funds were invested was a diversified growth fund chosen for the purposes of scale, to minimise the fees charged and simplify the administration of the investment. The dividends paid were used by the Funds to administer grants to their communities. The Director Finance and Procurement undertook to provide a briefing note on the Aegon Monthly Income Unit Trust to explain the practice of holding all investments in one place as opposed to spreading the risk. In relation to the inclusion of performance information on museums and galleries in the annual accounts, it was confirmed that SBC retained the responsibility to deliver and report on the outturn position in partnership with Live Borders. In relation to the remuneration report and in particular senior teaching staff posts, a new Devolved School Management (DSM) scheme was approved by the Council and launched in all schools in August 2022. This had resulted in changes to teaching posts at the Principal Teacher level which in turn had impacted on the remuneration report. The remuneration report contained the numbers of SBC employees paid above £50k per annum, as per regulations. This salary figure had remained unchanged since 2010/11 and inflation had resulted in many Principal Teachers falling into that pay bracket. It was agreed that a note be added to the draft annual report to reflect this change in DSM. Any updated sets of accounts were to be circulated to Members. Appendices 1-5 contained draft Annual Accounts for 2022-23, for submission to Audit Scotland by 30 June 2023, for the following:

- **Scottish Borders Council** Annual Accounts for year ending 31 March 2023 (Appendix 1)
- **SBC Welfare Trust** (Charity SC044765) Annual Accounts for the year to 31 March 2023 (Appendix 2(i))
- **SBC Education Trust** (Charity SC044762) Annual Accounts for the year to 31 March 2023 (Appendix 2 (ii))
- **SBC Community Enhancement Trust** (Charity SC044764) Annual Accounts for the year to 31 March 2023 (Appendix 2 (iii))
- **Ormiston Trust for Institute Fund** (Charity SC019162) Annual Accounts for the year to 31 March 2023 (Appendix 2 (iv))
- **Scottish Borders Council Charitable Trusts** (Charity SC043896) Annual Accounts for the year to 31 March 2023 (Appendix 2 (v))
- **Bridge Homes LLP** Annual Accounts for the year to 31 March 2023 (Appendix 3)
- **Lowood Tweedbank Ltd** Annual Accounts for the year to 31 March 2023 (Appendix 4)
- **SB Inspires Ltd** Annual Accounts for the year to 31 March 2023 (Appendix 5)

DECISION

(a) NOTED the Draft Annual Report and Accounts 2022/23 for Scottish Borders Council and associated Group Accounts; and

(b) AGREED to support its submission for review by the External Auditors, Audit Scotland for Scottish Borders Council, Common Good and Trust Fund accounts.

(c) AGREED to Chief Finance and Procurement Officer to provide a briefing note on the Aegon Monthly Income Unit Trust to explain the practice of holding all investments in one place as opposed to spreading the risk.

8. **SBC PENSION FUND UNAUDITED ANNUAL ACCOUNTS AND REPORT FOR THE YEAR TO 31 MARCH 2023**

There had been circulated copies of the Scottish Borders Council Pension Fund Unaudited Annual Report and Accounts for the year to 31 March 2023. The Accounts had been submitted to the Pension Fund Committee and Pension Board the previous week, and were due to be submitted to Audit Scotland on 30 June 2023.

DECISION

NOTED the report

9. **PRINCIPAL INTERNAL AUDITOR**

The Chief Officer Audit and Risk highlighted that this was to be the last Audit Committee meeting for Susan Holmes, Principal Internal Auditor, who was to retire at the end of August 2023. Ms Holmes was thanked for her contribution to and support of the work of the Audit Committee since 2009 and the Chair wished her well for the future.

The meeting concluded at 11.50 am.

ACTION TRACKER

SCOTTISH BORDERS COUNCIL AUDIT COMMITTEE 2023/24

Notes:-

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

TITLE	DECISION REQUIRING ACTION	DIRECTORATE/ SECTION	RESPONSIBLE OFFICER	STATUS
22 November 2021				
Internal Audit Work to October 2021 (Audit of Business Continuity Framework)	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.	Chief Executive / Emergency Planning	David Robertson/Andy McLean	Progress on Internal Audit Actions followed-up during Resilience Planning audit to be reported to September 2023 Audit Committee meeting. Evidence of progress. Pending completion of one remaining Internal Audit action due 30 September 2023.
13 March 2023				
Director Risk Management Presentation	AGREED that the Director Infrastructure and Environment would bring back an update on service risks following the establishment of the Project Programme Management Office (PMO).	Infrastructure and Environment	John Curry	Internal Audit follow-up re Capital Investment is ongoing; PMO Role Specification and Terms of Reference of Strategic Asset Management Group in place though still too early to change risk score. Cycle of Directors' risk presentations agreed to February 2024 – propose Director I&E update March 2024.
10 May 2023				
Director Risk Management Presentation (Social Work & Practice)	AGREED to circulate statistic pertaining to those waiting to be discharged from hospital unnecessarily admitted to hospital that had been waiting for discharge for over 3 months.	Social Work & Practice	Stuart Easingwood	Performance Information on Delayed Discharge provided by Chris Myers, Joint Director Health & Social Care, was emailed to Audit Committee members on 4 September 2023. <i>Complete</i>
Progress Update on LDS Financial Management Recommendation	AGREED: (i) To pursue a joint IJB/SBC audit committee review of the LDS progress on the financial management recommendations by May 2024; and, (ii) To recommend to the Integration Joint Board Audit Committee to look at Best Value of the service to ensure it is operating accordingly	Health & Social Care IJB	Chris Myers / Simon Burt	To be included in Agenda papers for IJB Audit Committee in accordance with its monitoring of IJB Directions. Next meetings are scheduled in September and December 2023.

TITLE	DECISION REQUIRING ACTION	DIRECTORATE/ SECTION	RESPONSIBLE OFFICER	STATUS
Internal Audit Work to March 2023	AGREED that the Chair would raise with the Chief Social Work Officer the comment on receiving adequate management and performance information relating to Mental Health Services (Adults and Children).	Audit & Risk	Jill Stacey/Chair of Audit Committee	Stuart Easingwood, Director of Social Work & Practice (CSWO) confirmed that the issue related to the flow of information across the partnership to CSWO, rather than statutory duties not being fulfilled. <i>Complete</i>
Counter Fraud Annual Report 2022-23	AGREED that the Chief Officer Audit and Risk would present to the Committee, after the counter fraud maturity assessment, a report on counter fraud effectiveness.	Audit & Risk	Jill Stacey	Integrity Group will conduct the counter fraud maturity assessment during 2023/24 and report outcomes within Counter Fraud Annual Report 2023/24 to Audit Committee in May 2024.
27 June 2023				
Annual Assurance Statement 2022-23 to Scottish Housing Regulator	AGREED to circulate a list of housing properties referred to in the report to Members.	Social Work & Practice	Stuart Easingwood	Sharron Elsdon, Homelessness Team Leader, provided information which was sent to Audit Committee members by email on 16 August 2023. <i>Complete</i>
Draft Annual Report and Accounts 2022/23	AGREED that the Director Finance and Procurement would provide a briefing note on the Aegon Monthly Income Unit Trust to explain the practice of holding all investments in one place as opposed to spreading the risk.	Finance & Procurement	Suzy Douglas	Briefing note on the Aegon Monthly Income Unit Trust and attachment (Council report from 2011 when the decision was taken to amalgamate all investments) was sent to Audit Committee members by email on 29 August 2023. <i>Complete</i>

INTERNAL AUDIT WORK TO JULY 2023

Report by Chief Officer Audit and Risk

AUDIT COMMITTEE

25 September 2023

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to provide members of the Audit Committee with details of the recent work carried out by Internal Audit and the recommended audit actions agreed by Management to improve internal controls and governance arrangements.**
- 1.2 The work Internal Audit has carried out in the period from 1 April to 31 July 2023 associated with the delivery of the approved Internal Audit Annual Plan 2023/24 is detailed in this report. A total of 6 final Internal Audit reports have been issued. There were 8 recommendations made associated with 5 of the reports (0 High-rated; 3 Medium-rated; 5 Low-rated).
- 1.3 An Executive Summary of the final Internal Audit assurance reports issued, including audit objective, findings, good practice, recommendations (where appropriate) and the Chief Officer Audit and Risk's independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area, is shown in Appendix 1 to this report.
- 1.4 The SBC Internal Audit function conforms to the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017) including the production of this report to communicate the results of the reviews.

2 RECOMMENDATIONS

- 2.1 I recommend that the Audit Committee:**
- a) Notes the Executive Summaries of the final Internal Audit assurance reports issued in the period from 1 April to 31 July 2023 (Appendix 1) associated with the delivery of the approved Internal Audit Annual Plan 2023/24;**
 - b) Notes the Internal Audit Consultancy and Other Work carried out in accordance with the approved Internal Audit Charter;**
 - c) Acknowledges the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work; and**
 - d) Approve the minor amendments to the Internal Audit Annual Plan 2023/24, as set out in paragraph 4.8.**

3 BACKGROUND

- 3.1 The Internal Audit Annual Plan 2023/24 was approved by the Audit Committee on 13 March 2023. To facilitate operational delivery an Internal Audit Programme of Work has been developed which provides an indication of when work is scheduled during the year, taking account of discussions with Management and availability of Internal Audit resources.
- 3.2 For each assurance audit: prior to commencement, an Audit Assignment detailing the scope, objectives and timing is agreed with the relevant Director and Service Management; at the conclusion of the fieldwork, a Draft Report is issued to the relevant Director and Service Management for response on the factual accuracy and acceptance of the findings and recommendations, as appropriate; and a Final Report is then issued.

4 PROGRESS UPDATE

- 4.1 Internal Audit has carried out the following work in the period from 1 April to 31 July 2023 associated with the delivery of the Annual Plan 2023/24.
- 4.2 The SBC Internal Audit function conforms to the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017) including the production of this report to communicate the results of the reviews.

Completed Internal Audit Assurance Reports

- 4.3 Internal Audit issued final assurance reports on the following subjects:
- Performance Management Local Government Benchmarking Framework
 - Complaints (*b/f from 2022/23*)
 - Resilience Planning
 - Health and Safety
 - Looked After Children
 - Biodiversity of the Scottish Borders (*originally Parks & Environment in Plan*)
- 4.4 An Executive Summary of the final Internal Audit assurance reports issued, including audit objective, findings, good practice and recommendations (where appropriate), and the Chief Officer Audit and Risk's independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area, is shown in Appendix 1.
- 4.5 The definitions for Internal Audit assurance categories are as follows:

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

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 2023/24 consists of the following:

Audit Area	Audit Stage
Cost of Living Crisis Support (<i>originally Benefits Assessments audit in Plan split into 2</i>)	Drafting the report
Pupil Equity Fund (PEF) (<i>originally Benefits Assessments audit in Plan split into 2</i>)	Drafting the report
Refugee and Asylum Seekers Funding (<i>originally Homelessness in Plan</i>)	Drafting the report
Partnering Arrangements	Drafting the report
Hawick Conservation Area Regeneration Scheme (CARS)	Testing nearly completed
Asset Management (Property) (<i>b/f from 2022/23</i>)	Specific utilities review underway
Staff Retention (<i>originally Recruitment and Retention audit in Plan split into 2</i>)	Audit Assignment issued
Revenues (Council Tax and NDR)	Planning the engagement
VAT	Planning the engagement

Changes to Internal Audit Planned Assurance Work

4.7 It was highlighted within the cover report for the Internal Audit Strategy and Annual Plan 2023/24 that "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 Council Management Team and the Audit Committee for approval."

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

- Biodiversity of the Scottish Borders (*originally Parks & Environment in Plan*)
- Cost of Living Crisis Support (*originally Benefits Assessments audit in Plan split into 2*)
- Pupil Equity Fund (PEF) (*originally Benefits Assessments audit in Plan split into 2; 15 days transferred from Consultancy*)
- Refugee and Asylum Seekers Funding (*originally Homelessness in Plan*)
- Staff Retention (*originally Recruitment & Retention audit in Plan split into 2*)
- Staff Recruitment (*originally Recruitment & Retention audit in Plan split into 2; deferred to 4th quarter to allow streamlined process to be implemented*)

This demonstrates the agile approach to design risk-based plans that determine the priorities of the Internal Audit activity on a rolling basis throughout the year.

Internal Audit Consultancy and Other Work

4.9 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) Provide 'critical friend' internal challenge and assurance through engagement in meetings of programmes and projects involving major change (Fit for 2024 / Digital Transformation Programme Boards, Information Governance Group, Social Work Programme Board, Sustainability Board).
- b) Continuous audit work to assess the governance relating to organisations that constitute significant partnering arrangements from the Council's perspective.
- c) Learning and development is undertaken by all Internal Audit team members during the research stage of new audit areas, and through joining appropriate webinars and completing mandatory e-Learning courses.
- d) The Chief Officer Audit & Risk is the Chair of the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG), a member of the Chartered Institute of Internal Auditors (CIIA) Local Authority Forum, and a member of the Heads of Internal Audit and Risk UK Forum, which provide the opportunity to share good practice and to keep knowledge of new Internal Audit developments up to date. The Principal Internal Auditor is a member of CIIA Practitioners Forum, CIIA Data Analytics Forum and CIIA Fraud Forum, whose virtual meetings are providing valuable insights to take into account within Internal Audit work. The virtual CIIA webinars in recent months covered the topics of 'Roadmap to Resilience', 'Integrated Risk', 'Trusted Advisor', 'AI Evolution' and 'Elevating the Impact of Internal Audit: A Glimpse Into the Future'. HIA UK sessions covered: Cyber Security; ESG; Fraud; and Responsible AI and Internal Audit. Others in Internal Audit team are members of relevant specialist practitioners' forums, including Data Analytics, Counter Fraud, and Computer Audit.
- e) All 7 of the Audit & Risk team members attended the 2-day SLACIAG Conference on 15 & 16 June 2023 at Dumfries House in East Ayrshire which again proved to be a fantastic venue. This was first SLACIAG Conference held in-person since 2019, which was chaired by the Chief Officer Audit & Risk and attended by 137 delegates from the Internal Audit teams representing 31 Scottish Councils and Strathclyde Partnership for Transport. There was excellent networking opportunities for all individuals, significant sharing of knowledge and practice during the workshop sessions, and lots of suggestions for improvement actions in keeping with the Conference 2023 title "Connections Collaborations Catalysts". The themes of the Conference 2023 were Counter Fraud, Data Analytics, Climate Change, and Resourcing the Function with a range of virtual and in-person speakers from Tenancy Fraud Forum, Scotland Excel, Chartered Institute of Internal Auditors, Birmingham City Council, Sustainable Scotland Network, and Audit Scotland. Keynote Speakers were the Chief Executive of East Ayrshire Council (Day 1) and the Executive Director of Finance of Glasgow City Council (Day 2). Media photos taken at the event featured in the former's BLOG of that week and #SLACIAG23 was used to promote the event through Social Media. Digital tools captured output from the workshop sessions.

Recommendations

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

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

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

	2023/24 Number of Recs
High	0
Medium	3
Low	5
Sub-total reported this period	8
Previously reported	0
Total	8
Recommendations agreed with action plan	8
Not agreed; risk accepted	0
Total	8

5 IMPLICATIONS

5.1 Financial

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

5.2 Risk and Mitigations

- a) During the development of the Internal Audit Annual Plan 2023/24 and at the start of each audit engagement, to capture potential areas of risk and uncertainty more fully, key stakeholders have been consulted and risk registers have been considered during discussions with the Corporate Risk Officer. The agreed Internal Audit recommendations are linked to relevant risks and risk registers in the Pentana system.
- b) 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

- (a) 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.

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 Council Management Team at its meeting on 13 September 2023, and Director of Finance & Procurement, Director of Corporate Governance (and Monitoring Officer), Director of People Performance and Change, Clerk to the Council, and Communications team by email, have been consulted on this report.

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 Committee 10 May 2023

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APPENDIX 1

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Corporate Governance</p> <p>Corporate Risk: none (Statutory performance return)</p> <p>Subject: Performance Management Local Government Benchmarking Framework (LGBF)</p> <p>No: 016/020</p> <p>Date issued: 9 August 2023 Draft; 24 August 2023 Final</p> <p>Level of Assurance: Substantial assurance on the data included within the 2022/23 LGBF Return</p>	<p>The purpose of the review was to 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 the LGBF.</p> <p>The LGBF brings together a wide range of information about how all Scottish Councils perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them. The data is from all Scottish Councils which represent very diverse communities in terms of geography, population, deprivation levels and community needs.</p> <p>Scottish Borders Council reports on 13 Performance Indicators which cover a range of services which the Council and partners provide. They fall under 4 headings: Corporate; Corporate Assets; Culture & Leisure; and Environment.</p> <p>Services are aware that they will be required to provide their Data returns and the working documents to support their data for the year ending 31 March to the Performance and Improvement Team within the People, Performance and Change Directorate for the LGBF return. This should be prepared and checked for accuracy by Services in advance of the notification from the Performance Team, in June, when the data is requested.</p> <p>Internal Audit validation testing found 10 minor anomalies associated with 7 of the 13 performance indicators provided by Services; 3 of which are relevant to the audit recommendation from the previous year on accuracy of Culture and Leisure data provided by Live Borders which is ongoing. These anomalies have been resolved and amended figures included in the LGBF return prior to submission to the Improvement Service. Internal Audit are able to provide substantial assurance on the data included within the 2022/23 LGBF Return.</p>	0	0	0	<p>Management have checked the factual accuracy of the report and have accepted its findings.</p> <p>The LGBF return was submitted to the Improvement Service to meet the deadline of 31 August 2023.</p>

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Corporate Governance</p> <p>Corporate Risk: none (Management Request for assurance on revised policy)</p> <p>Subject: Complaints (b/f from 2022/23)</p> <p>No: 023/002</p> <p>Date issued: 29 June 2023 Draft; 09 August 2023 Final</p> <p>Level of Assurance: Substantial</p>	<p>The purpose of the audit was to review and assess the new arrangements in place for complaints to ensure the implementation of the revised policy and procedures.</p> <p>The Council implemented a revised Complaints process in October 2022, which was based on the guidance provided by the Scottish Public Services Ombudsman (SPSO). The new process involved using the Jadu system, which holds the details of the complaint, to whom it would be allocated, the required deadlines for responses, and the response provided.</p> <p>The following example of good practice was found:</p> <ul style="list-style-type: none"> The revised procedures are clear and easy to follow and are aligned to the SPSO information. <p>Internal Audit are able to provide Substantial assurance: there is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives. It is further acknowledged that this is still a relatively new process for staff to complete and it is anticipated to improve over time.</p> <p>Internal Audit have made the following recommendations that are designed to assist with the planned lessons learned evaluation:</p> <ul style="list-style-type: none"> Management should ensure full compliance to SPSO requirements by analysing non-compliant cases, setting realistic targets and by regular reporting and publishing of performance data. (Low) Line Managers should ensure their staff are completing their mandatory training, and greater monitoring and reporting structures should be put in place to assist with this. (Low) 	0	0	2	<p>Management have confirmed the factual accuracy and accepted the findings of the audit report, and have agreed to implement the recommendations which will be progressed as part of the planned lessons learned evaluation.</p>

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Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Corporate Governance</p> <p>Corporate Risk: CMT011 Major Incidents</p> <p>Subject: Resilience Planning</p> <p>No: 054/004</p> <p>Date issued: 10 July 2023 Draft; 02 August 2023 Final</p> <p>Level of Assurance: Substantial</p> <p>Page 19</p>	<p>The purpose of the audit was to review the approach to emergency and business continuity planning, including resilient communities, risk assessments, early warning systems, post incident reviews and lessons learned.</p> <p>The Civil Contingencies Act 2004 delivers a single framework for civil protection in the UK. The Council as a Category 1 responder is subject to the full set of civil protection duties.</p> <p>The following examples of good practice were found:</p> <ul style="list-style-type: none"> • The use of the Resilience Direct platform demonstrates various good practices including good cyber resilience. • Effective early warning systems are in place with good communication processes. • A number of community groups are in place with good governance to allow effective support to the Council. <p>The Council not only meets the specific duties placed on it by the Civil Contingencies Act but also demonstrates good practices defined in the guidance.</p> <p>Progress has been achieved by Management with 3 of the 4 previous audit recommendations relating to Business Continuity having been completed: Business Continuity Policy; Continuity2 System Upgrade; and Programme of Testing. The Training of BC plan owners is still to take place (due date 30 September 2023).</p> <p>Internal Audit are able to provide Substantial assurance: there is a generally sound system of governance, risk management and control in place. There is some scope for improvement.</p> <p>Internal Audit have made the following recommendation to provide clarity to stakeholders and assist in embedding resilience:</p> <ul style="list-style-type: none"> • Management should review and update the Council’s website content to ensure it covers information about the Council’s civil contingency duties and create a Resilience Policy and Framework. (Low) 	0	0	1	Management in Emergency Planning have confirmed the factual accuracy and accepted the findings of the audit report, and have agreed to implement the recommendation.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Corporate Governance</p> <p>Corporate Risk: CMT008 H&S Compliance</p> <p>Subject: Health and Safety</p> <p>No: 070/006</p> <p>Date issued: 18 July 2023 Draft; 07 August 2023 Final</p> <p>Level of Assurance: Moderate</p>	<p>The purpose of the audit was to ensure the Council is complying with relevant Health & Safety (H&S) legislation, has a structured approach to H&S awareness, including use of the H&S Management system to ensure there are adequate and effective controls in place to manage health and safety risks.</p> <p>To maintain compliance with the legislation there is a requirement for Health and Safety Risk Assessments to be completed by the relevant Service and saved within the H&S IT system Assure. We found reasonable evidence of this taking place. Policies and procedures are readily available to all staff via the Intranet. Mandatory training is available via the SB Learn system.</p> <p>The following examples of good practice were found:</p> <ul style="list-style-type: none"> • There is a comprehensive timetable for updating H&S policies. • Extensive performance and management data is produced. <p>Internal Audit are able to provide Moderate assurance. Whilst there is a system of governance, risk management and control in place, there are weaknesses in the system that leaves some risks not addressed, and there is evidence of non-compliance with some of the controls.</p> <p>Internal Audit have made the following recommendations:</p> <ul style="list-style-type: none"> • The H&S team should request the quarterly stats on H&S Mandatory training, to enable them to monitor the completion of H&S courses, and assess impact of course content (Medium) • The H&S team should liaise with relevant Managers to ensure that Overdue Actions in the Assure system are completed timeously. (Medium) • Managers should be reminded to tick the "Publish to Portal" box when completing a Health & Safety Risk Assessment to ensure relevant staff can readily locate the document to gain the appropriate understanding of the H&S risks and safe operating practices. (Medium) 	0	3	0	<p>H&S Management have confirmed the factual accuracy and accepted the findings of the audit report, and have agreed to implement the recommendations.</p> <p>This will require support from the Health and Safety Team in their specialist advisory and second line role, though needs to be led by Management within Services in line with their responsibilities for compliant health and safety practices within all the Council's Services.</p>

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Internal Controls</p> <p>Corporate Risk: CMT019 C&YP Learner Placements</p> <p>Subject: Looked After Children</p> <p>No: 170/005</p> <p>Date issued: 27 June 2023 Draft; 13 July 2023 Final</p> <p>Level of Assurance: Substantial</p> <p>Page 21</p>	<p>The purpose of the audit was to assess the adequacy of controls in place to ensure sound budgetary control and meet the demand on service delivery for Looked After Children.</p> <p>Scottish Borders is committed to ensuring that, where appropriate, children are cared for within a family setting either within their own families or within a foster care setting.</p> <p>The following examples of good practice were found:</p> <ul style="list-style-type: none"> • Good governance arrangements, supervision and sign off to ensure compliance with policies and procedures. • Unaccompanied Asylum Seeking Children (UASC) are cared for and protected in the same manner as with any other child. <p>It is difficult and challenging to manage the demand on service with a national shortage of both placements and Social Workers. Where placements are not available, other expensive options have to be used and additional costs must be paid where lack of provision to meet children's needs. In some cases, children are cared for out with the area. There has been a significant increase (60%) in placement costs over the last 5 years.</p> <p>The National Transfer Scheme for Unaccompanied Asylum Seeking Children (UASC) is mandatory for all local authorities in Scotland. With the Council being allocated 2 UASC per cycle, the majority are over the age of 16; however, there are UASC under 16 who are cared for as young people within the Scottish Borders. The Council currently have 14 UASC.</p> <p>Internal Audit are able to provide Substantial assurance, and have made the following recommendation:</p> <ul style="list-style-type: none"> • Management should ensure sufficient budget is secured for C&FSW to address the current low level of funding per child against comparator Councils, refocus on Early Intervention to provide support and advice to prevent children going into care in the first place, and ensure sufficient staff are employed in the service to meet current and future demands. (Low) 	0	0	1	<p>Management have confirmed the factual accuracy and acceptance of the findings of the audit report, and have agreed to implement the recommendation.</p> <p><i>Note: The Revenue Budget Monitoring 2023/24 Quarter 1 report, presented to the Executive Committee on 15 August 2023, has highlighted some budget control pressures relating to this area with further mitigation actions underway and planned by Management to ensure financial sustainability of the Council.</i></p>

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Audit Plan Category: Internal Controls</p> <p>Corporate Risk: CMT032 Climate Change</p> <p>Subject: Biodiversity of the Scottish Borders (originally Parks and Environment in Plan)</p> <p>No: 216/010</p> <p>Date issued: 31 July 2023 Draft; 23 August 2023 Final</p> <p>Level of Assurance: Substantial</p> <p>Page 22</p>	<p>The purpose of the audit was to review progress on the implementation of Scottish Borders Local Biodiversity Action Plan 2018-2028 to ensure compliance with the Council's Biodiversity duty under the Nature Conservation (Scotland) Act 2004.</p> <p>Our work strongly suggests that biodiversity issues have been well thought-out and that the Council is taking reasonable steps to meet its biodiversity duties.</p> <p>The Council has developed a Scottish Borders Local Biodiversity Action Plan (LBAP). The latest version covers the period 2018 to 2028 and provides a framework for delivery of biodiversity vision which is the maintenance and enhancement of the biodiversity of the Scottish Borders through the sustainable use of local natural resources and the conservation of the Scottish Borders way of life.</p> <p>The LBAP is highly co-produced, with several public bodies working in collaboration, and is organised around the priority themes of the Scottish Biodiversity Strategy (SBS) and addresses major issues such as planning, land use, flood management and climate change.</p> <p>Internal Audit are able to provide Substantial assurance. There is a generally sound system of governance, risk management and control in place. Some scope for improvement was identified which may put at risk the achievement of objectives.</p> <p>Internal Audit made the following recommendation to ensure there is appropriate oversight of Scottish Borders Council's progress with actions associated with the Scottish Biodiversity Strategy.</p> <p>Internal Audit have made the following recommendation:</p> <ul style="list-style-type: none"> • Targets and milestones should be developed for the delivery of the Scottish Borders Local Biodiversity Action Plan and progress should be monitored and reported to Management and Elected Members at appropriate intervals. (Low) 	0	0	1	Management have confirmed the factual accuracy and accepted the findings of the audit report, and agreed to implement the recommendation.

AUDIT SCOTLAND FRAUD AND IRREGULARITY REPORT 2022/23

Report by Chief Officer Audit and Risk

AUDIT COMMITTEE

25 September 2023

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to make the Audit Committee aware of a recently published counter fraud report by Audit Scotland and the Management Actions required in response for improvement and assurance purposes.**
- 1.2 Having robust fraud prevention and investigation arrangements in place contributes to safeguarding the Council's financial resources, for delivery of services, as part of protecting the public purse. A focus on prevention and detection and promotion of a counter fraud culture across the Council to improve its resilience to fraud, taking account of reducing resources, are associated with the Counter Fraud Strategy 2021-2024 that was approved by Council in December 2021.
- 1.3 The purpose of the Integrity Group is to improve the Council's resilience to fraud, theft, corruption, and crime. One way it can achieve that is self-assessing the Council's arrangements against best practice and agreeing any appropriate actions to continuously improve the arrangements in place. This report refers to a national fraud report recently published by Audit Scotland, which sets out recommendations for public sector organisations.
- 1.4 Part of the Audit Committee's role is to oversee the framework of internal financial control including the assessment of fraud risks and to monitor counter fraud strategy, actions and resources.

2 RECOMMENDATIONS

2.1 I recommend that the Audit Committee:

- a) Acknowledges the Audit Scotland Fraud and Irregularity Report 2022/23 published in recent months;**
- b) Endorses the tasks being undertaken by the Integrity Group, associated with the recently published counter fraud report by Audit Scotland, as set out in Action Plan in paragraph 4.6 of this report; and**
- c) Requests that the Integrity Group reports back to the Audit Committee on its findings and proposed further actions arising from these tasks.**

3 BACKGROUND

- 3.1 The size and nature of the Council's services, as with other large organisations, puts the Council at risk of loss due to fraud, theft, corruption, or crime. The Council's Counter Fraud Policy states the roles and responsibilities in tackling fraud; the primary responsibility for the prevention, detection and investigation of fraud rests with Management.
- 3.2 Having robust fraud prevention and investigation arrangements in place contributes to safeguarding the Council's financial resources, for delivery of services, as part of protecting the public purse. A focus on prevention and detection and promotion of a counter fraud culture across the Council to improve its resilience to fraud, taking account of reducing resources, are associated with the Counter Fraud Strategy 2021-2024 that was approved by Council in December 2021.
- 3.3 The Integrity Group is an officer forum which has representatives from across the Council's Services to support Management to fulfil their responsibilities in tackling fraud. Its purpose is to improve the Council's resilience to fraud, theft, corruption, and crime. It oversees the counter fraud policy framework, agrees and monitors the implementation of counter fraud improvement actions, raises awareness as a method of prevention, and performs self-assessment checks against best practice.
- 3.4 Internal Audit is required to give independent assurance on the effectiveness of processes put in place by Management to manage the risk of fraud.
- 3.5 Part of the Audit Committee's role is to oversee the framework of internal financial control including the assessment of fraud vulnerabilities and to monitor counter fraud strategy, actions and resources.
- 3.6 Tackling fraud is not a one-off exercise; it is a continuous process across all parts of the Council because the service delivery processes it underpins are continuous. Tackling fraud is an integral part of good governance within the Council and demonstrates effective financial stewardship and strong public financial management.

4 AUDIT SCOTLAND FRAUD AND IRREGULARITY REPORT 2022/23

- 4.1 One way to improve the Council's resilience to fraud, corruption, theft and crime is through engaging with national forums to share intelligence, lessons learned and best practice, carrying out a self-assessment of the Council's arrangements and agreeing any appropriate actions to continuously improve the arrangements in place.
- 4.2 The following report has been published by Audit Scotland in recent months relating to fraud risks and outcomes:
 - [Fraud and irregularity: Annual report 2022/23 \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/publications/fraud-and-irregularity-annual-report-2022-23) (published 13 July 2023) A summary of the cases of fraud and other irregularities at public bodies reported by external auditors for the financial year 2022/23.

4.3 Key messages in the Fraud and Irregularity 2022/23 report were as follows:

1. During 2022/23, 12 cases of fraud and irregularity valued over £139,000 were identified. Weaknesses in internal controls contributed to each case identified.
2. Auditors have found that public bodies have effective systems, procedures and controls in place to help prevent and detect the majority of fraud and irregularity.

In comparison, 7 cases of fraud and irregularity valued at £354,000 were identified in public bodies during 2021/22.

4.4 The Fraud and irregularity identified during 2022/23 totalled over £139,000 and fell into the following categories: Grant Payments (5 cases); Invalid Supplier (1 case); Procurement Card (1 case); School Funds (1 case); Payroll and Pensions (3 cases); Theft (1 case).

4.5 This provides an opportunity for the Integrity Group to consider the recently published counter fraud report by Audit Scotland and determine any Management Actions required in response for improvement and assurance purposes.

4.6 The Recommendations arising from the Fraud and Irregularity 2022/23 report are set out in the following table, along with the proposed Action by the Integrity Group:

Public bodies should ensure effective counter-fraud arrangements are in place. These include:	Integrity Group - Action
<ul style="list-style-type: none"> • undertaking a fraud risk assessment to identify areas at risk 	The Integrity Group meets quarterly and considers national reports on emerging risks.
<ul style="list-style-type: none"> • having effective counter-fraud governance arrangements 	<p>A revised Counter Fraud Policy and Strategy 2021-2024 were approved by Council in December 2021.</p> <p>The Council's Counter Fraud Policy states the roles and responsibilities in tackling fraud, including Management, Integrity Group and Audit Committee.</p>
<ul style="list-style-type: none"> • having a counter-fraud strategy and regularly reviewing counter-fraud plans 	<p>The Council's Counter Fraud Strategy and planned activity are monitored by the Integrity Group during quarterly meetings.</p> <p>Counter Fraud planned activity and outcomes are reported annually to Audit Committee.</p>
<ul style="list-style-type: none"> • regular assessment and review of internal controls 	A Counter Fraud Controls Assessment is carried out at least annually, and outcomes and improvements reported to the Audit Committee.
<ul style="list-style-type: none"> • considering the control weaknesses identified in this report 	This specific assessment is underway in response to the publication of the Fraud and Irregularity Report 2022/23.

- 4.7 The Integrity Group has considered this cover report and the full national 'Fraud and Irregularity Annual Report 2022/23' at its meeting on 4 September 2023. In response, it requested a counter fraud controls assessment to be carried out relating to the reported fraud cases by other public sector organisations. Work is underway by relevant Managers to indicate the Scottish Borders Council fraud prevention and detection controls relating to each public sector fraud case >£5k in 2022/23. Once collated, these will be considered by the Integrity Group and an assurance report will be prepared for Council Management Team in advance of its presentation to the Audit Committee meeting on 13 November 2023.
- 4.8 The Audit Committee is recommended to endorse the above tasks being undertaken by the Integrity Group, associated with the recently published counter fraud reports by Audit Scotland, and to formally request an assurance report thereon.

5 IMPLICATIONS

5.1 Financial

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

5.2 Risk and Mitigations

The process of identifying fraud risks by Management is based on the principles of the Council's Counter Fraud Policy and Strategy. Evaluation and monitoring of fraud risks and mitigations are facilitated through the Integrity Group.

5.3 Integrated Impact Assessment

There is no relevance to the Equality Duty or the Fairer Scotland Duty for this report. This refers to a routine national report published by Audit Scotland for improvement and assurance purposes.

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. However, the application of practices associated with the Council's Counter Fraud Policy and Strategy is fundamental to ensuring an effective response to fraud, theft, corruption, or crime. This will make a difference to the UN Sustainable Development Goal 16 "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels".

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 report content.

- 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 Integrity Group (the Council’s corporate fraud steering group of officers), as part of fulfilling its role in enhancing the Council’s resilience to fraud, received the Audit Scotland ‘Fraud and Irregularity Annual Report 2022/23’ on 19 July 2023. The Integrity Group considered the key messages and recommendations therein at its meeting on 4 September 2023. In response, it requested a counter fraud controls assessment to be carried out relating to the reported fraud cases by other public sector organisations. The Integrity Group has been consulted on this report.
- 6.2 The Council Management Team, who play a key leadership role in establishing counter fraud behaviours within the organisation, its partners, suppliers and customers, has been consulted on this report at its meeting on 13 September 2023 and any comments received have been taken into account.
- 6.3 The Director of Finance & Procurement, Director of Corporate Governance (and Monitoring Officer), Director of 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 & Risk **Signature**

Author(s)

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

Background Papers: Scottish Borders Council’s Counter Fraud Policy Statement and Counter Fraud Strategy; Audit Scotland publications on website

Previous Minute Reference: Audit Committee 12 September 2022

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Contact us at fraud@scotborders.gov.uk

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