

SCOTTISH BORDERS COUNCIL AUDIT AND SCRUTINY COMMITTEE

MINUTES of Meeting of the AUDIT AND
SCRUTINY COMMITTEE held via Microsoft
Teams on Monday, 8 March 2021 at 10.15
am

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

In Attendance:- Executive Director (Finance & Regulatory Services), Chief Officer Audit and Risk, Clerk to the Council, Democratic Services Officer (F. Henderson); Mr A. Haseeb, Mr J. Steen and Ms G. Woolman – Audit Scotland

CHAIRMAN

The Chairman opened the meeting and welcomed Members of the Audit and Scrutiny Committee and members of the public to the Scottish Borders Council's open on-line meeting. The meeting was being held remotely in order to adhere to guidance on public meetings and social distancing currently in place, due to the COVID-19 pandemic.

1.0 **MINUTE.**

There had been circulated copies of the Minute of 15 February 2021.

DECISION

APPROVED for signature by the Chairman.

2.0 **ACTION TRACKER**

There had been circulated copies of the Action Tracker for the Audit and Scrutiny Committee. The Chief Officer, Audit & Risk, advised that there were a number of completed Actions which were due to be removed from the Tracker. There would be a presentation later in the Agenda on the Counter Fraud Controls Assessment and the Digital Strategy had been presented to Council on 25 February 2021. Information on the Digital Office and Digital Maturity had been forwarded to Members the previous week. The Executive Director, Finance & Regulatory Services, confirmed that NHS Borders had been contacted and funding received for this year for the community equipment service. Ms Stacey further advised that following today's meeting the Action Tracker would be updated.

DECISION

NOTED the Action Tracker.

ORDER OF BUSINESS

The Chairman varied the order of business as shown on the agenda and the Minute reflects the order in which the items were considered at the meeting.

3.0 **TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2021/22**

There had been circulated copies of a report by the Executive Director, Finance & Regulatory Services, which enabled the Committee to undertake their scrutiny role in relation to their Treasury Management activities of the Council. It presented the proposed Treasury Management Strategy for 2021/22 for consideration prior to Council 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 2021/22 which required to be submitted to Council on 19 March 2021 was included in the report at Appendix 1 and reflected the impact of the financial planning totals issued by the Council's management team for 2021/22 onwards on the prudential and treasury indicators for the Council. The report detailed the Treasury Management Strategy 2021/22 and the financial implications. The Executive Director, Mr Robertson, presented highlights of the report including the summary of the proposed indicators within the Strategy and the significant changes from the 2020/21 Strategy. The report detailed the projected external borrowing for the next 5 financial years and then at each 5 year interval up to 2050/51. Alongside this, the Operational Boundary and Authorised Limit were also shown. It was noted that from 2031-32, the first year out-with the current 10 year Capital Plan, a 10 year average capital expenditure, and annual borrowing requirement of £10.5m, had been assumed. Further explanations were given on debt write-off ; "lender option borrower option" for amending loan rates; movement in CFR; authorised limit for debt; the long term affordability of the capital plan and revenue consequences, including that for new schools; and the authorised limit for external debt. Members discussed whether the recommendations in the report should be amended to reflect the narrowing gap between capital financial requirements and the authorised limit for external debt. Discussion on this item was suspended to allow time for consideration of any amendments. On returning to the item, Councillor Robson, seconded by Councillor H. Scott, proposed adding a codicil "noted the narrowing of the gap between capital financial requirements and authorised limit for external debt and recommended Council gave full consideration to this." Councillor Richards proposed that no amendment be made to the recommendation, but received no seconder, therefore his motion fell.

DECISION

- * **AGREED to RECOMMEND to COUNCIL that treasury management activity in the year to 31 March 2020 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.**

4. RISK MANAGEMENT IN SERVICES

- 4.1 The Service Director, Young People, Engagement and Inclusion, Mrs Lesley Munro, joined the meeting and gave a presentation to the Committee on the strategic risks facing the various services within Young People, Engagement and Inclusion and also the corporate risks she managed on behalf of the Council's Corporate Management Team. These corporate risks included Mental/Emotional Wellbeing, C&YP/Learners Placements, and the Education System. Details were then given of the Risk registers for each service within Young People, Engagement and Inclusion which were developed and were owned by Service Managers; these were: Community Learning and Development, Early Years, Educational Psychology Services and Schools. Mrs Munro explained the internal controls and governance in place to manage and mitigate those risks. Specific consideration had to be given to the impact of Covid-19 on schools and young people, with several risk having been developed with mitigating actions identified and these were being amended in line with Scottish Government Guidance and the changing National picture in relation to the return of children and young people to schools.
- 4.2 With regard to external placements, this was a long standing risk to the Service but a complex situation, being a low number of young people with the highest level of need. To manage this risk, the focus was on individuals to ensure they received the best support. There would never be a zero target for this risk, as it was likely there would always be the need for some young people to go out-with the region to receive support. The Borders would always be considered first but the specific needs of the child, not just education but whole family and respite care, etc. would be taken into account. Staff training was also addressing some needs. The education system had been tested most over the last year, with the fire at Peebles High School and the impact of Covid. Enhancements to the digital learning platform meant that risk was being managed differently so the loss of buildings

had not had such a great impact. Each school had undertaken an audit of each pupil's household to ascertain if there were any difficulties either with having a suitable device or a suitable broadband connection, putting in place funding as appropriate or "my-fi" units. If there continued to be issues, then these pupils were invited to come in to school to work.

- 4.3 Members then asked a number of questions with regard to risks and their mitigations. Reference was made to emotional wellbeing in terms of not meeting face to face and the levels of reported anxiety amongst pupils and staff being higher than previously reported. Mrs Munro advised that the risk had changed in terms of visibility of young people and the move of response services online through Quarriers, which did give wider access as it was not restricted to the school day. That was part of the ongoing work on the support framework. Staff had identified that some young people needed strong support at a very early stage to minimise the risk of a crisis situation developing with a need for clinical intervention. A lot of young people were having to address what was happening in the world when they did not have the usual support in place physically so this was being addressed virtually. Further work was underway on the type of risks and their impact e.g. previously schools closed due to snow but now with Inspire Learning, this would not have as much impact. With regard to Community Learning and Development, Mrs Munro was due to meet with the Service Director, Customer & Communities, to discuss how best the service could be used to support communities holistically. Locality support hubs had been a useful resource in response to Covid, targeting specific client groups, but they were now being reviewed to widen out their reach.
- 4.4 For Early Years, there had been success in "grow your own". In year 1, there had been 12 Modern Apprentices who had gone on to get jobs. A team was dedicated to quality not just for SBC nurseries but also those in the private sector to ensure all were working to standard. Recruitment into Educational Psychology was an issue nationally. It was hoped to have 10 placements in education through the Kickstart programme. There was discussion around violence in schools and what violence was – Mrs Munro advised that it was difficult to measure violence and the difference between deliberate violence and violence when dealing with pupils learning difficulties and high levels of anxiety. The trend however was on the downward scale. The Chairman thanked Mrs Munro for her very comprehensive presentation and responses to questions.

DECISION

NOTED the presentation on Young People, Engagement and Inclusion risk.

5. COUNTER FRAUD CONTROLS ASSESSMENT

With reference to paragraph 12 of the Minute of 28 September 2020, there had been circulated copies of a report by the Chief Officer Audit & Risk to make the Committee aware of the findings and necessary actions arising from the Integrity Group's assessment of counter fraud controls associated with the covid-19-emerging-fraud-risks. The Council was committed to minimising the risk of loss due to fraud, theft or corruption and to taking appropriate action against those who attempt to defraud the Council, whether from within the authority or from outside. The primary responsibility for the prevention, detection and investigation of fraud rested with Management, supported by the Corporate Fraud and Compliance Officer. Internal Audit provided advice and independent assurance on the effectiveness of processes put in place by Management. 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. The report detailed the background, self-assessment findings and necessary actions and financial implications.

DECISION

AGREED to:

- (a) acknowledge the findings from the Integrity Group's assessment of counter**

fraud controls associated with the covid-19-emerging-fraud-risks; and

- (b) endorse the necessary actions to enhance the Council's resilience to fraud, as set out in the relevant sections in the body of the report and summarised in the Action Plan contained in Appendix 1 to the report.**

6. INTERNAL AUDIT WORK TO JANUARY 2021

With reference to paragraph 2 of the Minute of 23 June 2020, there had been circulated copies of a report by the Chief Officer Audit and Risk which provided 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 during the period 1 January 2021 to 19 February 2021 associated with the delivery of the approved Internal Audit Annual Plan 2020/21 was detailed in the report. A total of 5 final Internal Audit reports had been issued. There were no recommendations though some identified areas of improvement being addressed through Management actions associated with 3 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 the 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 this report to communicate the results of the reviews.

DECISION

- (a) APPROVED the Internal Audit planned activity proposed to be deferred from 2020/21 to 2021/22 for inclusion in Internal Audit Annual Plan 2021/22.**
- (b) NOTED:-**
 - (i) the final assurance reports issued in the period from 1 January to 19 February 2021 associated with the delivery of the approved Internal Audit Annual Plan 2020/21;**
 - (ii) the Internal Audit Assurance Work in Progress and Internal Audit Consultancy and Other Work carried out in accordance with the approved Internal Audit Charter.**
- (c) ACKNOWLEDGED the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.**

7. AUDIT SCOTLAND- COVID 19: WHAT IT MEANS FOR PUBLIC AUDIT IN SCOTLAND

There had been circulated copies of a briefing paper which explained that, during 2020 public bodies came under exceptional pressure as they managed the impact of the COVID -19 pandemic. Late December 2020 and early January 2021 saw significant restrictions being re-imposed across Scotland and at that stage it was unclear how long the restrictions would be in place. The pandemic had impacted significantly on the timelines for producing annual accounts at public bodies and for audit work due to pressures on capacity and productivity in all organisations, which would be exacerbated during 2021. The briefing highlighted Audit Scotland's principles, what had been delivered during the pandemic so far, the financial audit and performance audit.

DECISION

NOTED.

8. EXTERNAL ANNUAL AUDIT PLAN 2020/21 FOR THE COUNCIL (AUDIT SCOTLAND)

There had been circulated copies of the Local Government in Scotland Overview 2020 prepared by Audit Scotland. The Annual Audit Plan contained an overview of the planned

scope and timing of the audit which was carried out in accordance with International Standards on Auditing (ISAs). Mr Steen, Audit Scotland, presented the report which detailed the challenging and complex landscape in which local government and its partners were operating and the need to plan for and implement changes to allow them to meet the needs and improve the outcomes of communities in an increasingly challenging context. The main audit risks were highlighted, along with materiality values and Best Value recommendations.

**DECISION
NOTED.**

9 EXTERNAL ANNUAL AUDIT PLAN 2020/21 FOR THE PENSION FUND

There had been circulated copies of the Scottish Borders Council Pension Fund Annual Audit Plan 2020/21. Mr Habeeb, Audit Scotland, presented the plan, which was similar in nature to the plan for the Council, and highlighted the main audit risks.

**DECISION
NOTED.**

10. INTERNAL AUDIT CHARTER

There had been circulated copies of a report by the Chief Officer Audit and Risk which provided the Committee with the updated Internal Audit Charter for approval. The Charter defined the terms of reference for the Internal Audit function to carry out its role to enable the Chief Officer Audit & Risk to prepare an annual internal audit opinion on the adequacy of the Council's overall control environment. The definition of Internal Auditing within the Public Sector Internal Audit Standards (PSIAS) was "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." 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 Officer Audit & Risk, as the Chief Audit Executive at Scottish Borders Council, must periodically review the Internal Audit Charter and present it to senior management (Corporate Management Team) and the board (Audit and Scrutiny Committee) for approval. The report detailed the background, the internal audit charter and the financial implications.

DECISION

AGREED to approve the updated Internal Audit Charter as contained in Appendix 1 to the report.

11. INTERNAL AUDIT STRATEGY AND INTERNAL AUDIT ANNUAL PLAN 2021/22

- 11.1 There had been circulated copies of a report by the Chief Officer Audit and Risk which sought approval to the proposed Internal Audit Strategy and Internal Audit Annual Plan 2021/22 to enable the Chief Officer Audit & Risk 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 report explained that the SBC Internal Audit function followed the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) effective 1 April 2013 (updated 2017) which required the Chief Audit Executive (CAE), the Council's Chief Officer Audit & Risk, to establish risk-based plans to determine the priorities of the Internal Audit activity, consistent with the organisation's goals. The plans also required to be sufficiently flexible to reflect the changing risks and priorities pertaining to each organisation. A fundamental role of the Council's Internal Audit function was to provide senior management and members with independent and objective assurance which was designed to add value and improve the organisation's operations. In addition, the CAE

was also required to prepare an Internal Audit annual opinion on the adequacy of the organisation's overall control environment.

- 11.2 The report presented the background to the Internal Audit Strategy at Appendix 1 to the report and outlined the strategic direction for how Internal Audit would 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 Council, Pension Fund and IJB. The Chief Officer Audit & Risk and the Principal Internal Auditor had developed the proposed Internal Audit Annual Plan 2021/22 at Appendix 2. It 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. Key components of the audit planning process included a clear understanding of the organisation's functions, associated risks, and assurance framework. In response to a question, Mrs Stacey gave further details on her role as Chief Internal Auditor for the Health & Social Care Integration Joint Board and the reliance placed on the internal audit work carried out both by the Council and NHS Borders. Internal audit principles, the Charter and Strategy were equally applied to all the different clients. Mrs Stacey further confirmed that External Audit would be looking at the accounting treatment of capital expenditure and revenue consequences, which complemented the Internal audit work looking at the capital planning framework which assigned investment priorities in the budget.

DECISION

APPROVED the Internal Audit Strategy (Appendix 1) and Internal Audit Annual Plan 2021/22 (Appendix 2).

The meeting concluded at 1.55 p.m.