

**SCOTTISH BORDERS COUNCIL
AUDIT AND SCRUTINY COMMITTEE**

MINUTES of Meeting of the AUDIT AND
SCRUTINY COMMITTEE held via MS Teams
on Monday, 20 September 2021 at 10.15 am

Present:- Councillors S. Bell (Chairman), H. Anderson, J. A. Fullarton, J. Greenwell
(from paragraph 8), N. Richards E. Robson, H. Scott, S. Scott, and
E. Thornton-Nicol; Ms H. Barnett.

Apologies:- Mr M. Middlemiss.

In Attendance:- Executive Director Finance & Regulatory (David Robertson), Director
Infrastructure & Environment (John Curry), Chief Officer Audit & Risk (Jill
Stacey), Clerk to the Council, Democratic Services Officer (W. Mohieddeen).

1. **ORDER OF BUSINESS**

The Chair notified the Committee he was minded to change the order of business. Due to the nature of the content and likely discussion of item 7 on the agenda, Progress Update on LDS Financial Management Update, this could lead to the identification of recipients of particular services provided by the Learning Disability Service.

DECISION

AGREED to take item 7 on the agenda as private business, within the terms of paragraphs 3 and 10 of Part 1 of Schedule 7 of the Local Government (Scotland) Act 1973,

2. **MINUTE**

There had been circulated copies of the Minute of the meeting of the Audit and Scrutiny held on 19 August 2021. With reference to the decisions at paragraph 2.4, Responsible Dog Ownership, the Clerk to the Council advised that an update on when the Committee would receive the information requested would be brought to the next meeting of the Committee. With reference to paragraph 3, a potential Scottish Borders Autism Survey review, the Clerk advised that the Strategy had been agreed during the shadow year of the H&SC Integrated Joint Board, and further information was being sought on the likely review process. This would be provided to the next meeting of the Committee.

DECISION

AGREED the Minute for signature by the Chairman.

3. **ACTION TRACKER**

There had been circulated copies of the Action Tracker. The Chief Officer Audit and Risk presented the Action Tracker and confirmed that it did not include actions relating to Scrutiny business. The Executive Director Finance & Regulatory provided a verbal ICT Cybersecurity update in relation to action 3 from the meeting held on 10 May 2021. Officers had been

working with CGI in the last few months on updating the PSN accreditation with the Cabinet Office. Penetration testing had been carried out and there were minor remediation points to address before a submission would be made at the end of September 2021. A piece of work had been requested from CGI on wider Cybersecurity, with further details requested on the specific work and pricing elements for this. A further quote for this work was anticipated shortly.

DECISION

(a) NOTED the Action Tracker.

(b) AGREED to remove action 3 from the meeting of 10 May 2021 from the Action Tracker.

4. RISK MANAGEMENT IN SERVICES

4.1 A verbal presentation of Risk Management in the Assets & Infrastructure Service was delivered by the Director Infrastructure & Environment, Mr John Curry. The Director presented the structure of risks managed across the teams noting the recent change of directorates which included Assets and Infrastructure now being called Infrastructure and Environment, and that included Planning and Building Standards which would be included in the next update. Corporate risks managed by the Director included property, capital projects and climate change. In response to questions from Members, Mr Curry explained that some work was being outsourced at the moment for local specialists. That would continue but there needed to be consistency of support and marketing to make the best of the Council's assets. While it was noted that house prices were at a premium in some areas, a balance was needed in terms of selling of Council property to get the best return, and linking that to place making and getting the best for communities. Discussion then centred on the full use of older buildings and properties that were difficult to convert, and issues with being factors on tenanted land (Common Good farms). Mr Curry explained that this related to the corporate landlord model with a piece of work to do to recognise land ownership and management. Councillor Anderson suggested that the ward-by-ward discussions take place with Councillors on property, given the successful discussions around playparks which had been held with Members, and Mr Curry advised he would pick up on this suggestion. With regards to the relationship with Live Borders, Mr Curry confirmed that both organisations held large estates with specialisms e.g. schools and swimming pools and all were visible, public buildings. These suffered to a certain extent with maintenance and age-related issues. There was only so much resource available and that needed to be balanced against priorities. There were possibly opportunities around the capital investment programme to address some age-related issues with the estate and the Council would work with Live Borders to deliver a more sustainable estate in future. In response to a question about community centres and their potential loss of business as previous tenants had found alternative venues due to Covid closures, this would be picked up with the Live Borders Management Team as well as their Property Officer.

4.2 The Director continued the presentation covering capital projects. The capital programme was significant, setting out need and addressing the best ways to address these needs. It was noted that due to the pandemic there was a materials shortage in construction including inflated prices which was having an impact on the Scottish Borders Council programme. In terms of climate change, it was hoped to reduce the reliance on fossil fuels, but bio mass heating may not be the way forward in terms of heating buildings. A bit of work was needed on the fabric of buildings to ensure they were as high performing as possible and not so reliant on additional heating. Buildings also needed to be the right size to get the most value and should existing buildings be repurposed, then that needed to be taken into account at the beginning of a project. Capital projects would continue to be monitored in light of climate change mitigations, including whether any planning policies needed to be amended. The Executive Director, Finance & Regulatory, further advised that the new High School building

projects had very tight environmental targets which were extremely onerous, so the design of the buildings, their size and the way they would be used was fundamental. The design team was aware of the Council's ambitions in this regard.

- 4.3 Details were also given of the Service risks associated with facilities, passenger transport, property, roads & infrastructure and waste. In terms of facilities management, work was being undertaken on digitising the mailing system to handle confidential mail and remove where possible human error risks from the equation. With regards to passenger transport, there was a high risk from the impact of the pandemic on operators with some routes being regarded as less viable and work had been ongoing with operators to assess the actual impact. Work had also been undertaken along with support from Human Resources to ensure operators had adequately trained escorts in place for vulnerable children and adults. Mr Curry advised that the Waste Transfer Station was having a fire suppressant system; health and safety inspections were being carried out across waste sites following a couple of incidents involving members of the public; and the trade waste database was being reviewed with CGI. In terms of Utility Companies digging up roads and pavements and then providing shabby replacement materials, Mr Curry advised work was underway with the companies to set out expectations, communications to the public, etc. The Council would need to be very clear at the start what standard was expected before they could have any recourse with the Company. The Executive Director, Finance & Regulatory, added that it may be possible for officers to provide a briefing note on the legal position regarding road repairs and the Chief Legal Officer could be asked to provide a note of the powers of the Council. Mr Curry confirmed that, given changes to the skills required of a future workforce, e.g. changes to heating systems, work was already with the South of Scotland Agency and Borders College on training. In terms of bus passes for youths, this was funded but there was a cap in place and work was underway with commercial services on that. The Waste Manager was also in conversation with Zero Waste Scotland on the changing rules on recycling and the types of materials, with an update due to be provided to Elected Members in due course.

DECISION

NOTED the update.

5. ANNUAL TREASURY MANAGEMENT REPORT 2020-21

There had been circulated copies of the Annual Treasury Management Report 2020-21 by the Executive Director, Finance & Regulatory Services. The CIPFA Code of Practice on Treasury Management in the Public Services required an annual report on treasury management to be submitted to Council following the end of each financial year and the report highlighted the Council's treasury activity undertaken in the year ending 31 March 2021 and the performance of the Treasury function. Appendix 1 to the report contained the annual report of treasury management activities for 2020/21 and an analysis of performance against targets set in relation to Prudential and Treasury Management Indicators. The performance comparisons reported were based on the revised indicators agreed as part of the mid-year report approved on 23 November 2020. This showed the Council's borrowing requirement to fund the capital investment undertaken during 2020/21, how much the Council actually borrowed against the sums budgeted, and the level of external debt within approved limits. During the year, the Council had again, where possible, deferred borrowing using surplus cash rather than undertake new borrowing. However, the Council did undertake temporary borrowing for cash flow purposes amounting to £15m during the year. Treasury management activity for the year had been undertaken in compliance with approved policy and the Code. The Council remained under-borrowed against its Capital Financing Requirement at 31 March 2021. In response to Members' questions, the Director, Mr Robertson, advised that, with regard to the capital expenditure being down by 20% and the timing and execution of the capital programme, this relied heavily on the forecasting of project managers, and should they be over-optimistic then this in turn impacted on the treasury management forecast. The programme was also impacted by inflation and the

shortage of construction materials which in turn could impact on the ability to spend capital funds by March 2022. The Pension & Investments Manager, Ms Kirsty Robb, confirmed that Link Assets would be in attendance at a future briefing to speak to Members about the capital programme and PFIs in relation to treasury management. Mr Robertson further advised that the capital financing requirement was the amount that still had to be put in place to ensure the capital programme was fully funded and the gross borrowing was the amount already done. It was a complicated position to manage the cash position of the Council with outflows and inflows, to ensure enough liquidity. In terms of funding resources, Ms Robb confirmed that some temporary borrowing had been carried out with other local authorities, and SBC could also lend to other local authorities, although traditionally the Council had not carried out the latter. Each project within the capital programme had different nuances as to why it was not in line with forecast and any variances were reported in the quarterly capital monitoring reports to the Executive Committee. Mr Robertson added that the size and complexity of the current capital programme dwarfed previous ones, and slippage was complicated. Work was currently underway to bring forward a 10 year plan for both capital and revenue which would include some assumptions such as the impact of longer term inflation.

DECISION

NOTED that treasury management activity in the year to 31 March 2021 was carried out in compliance with the approved Treasury Management Strategy and Policy as detailed in the report and in Appendix 1 of the report.

6. INTERNAL AUDIT WORK TO AUGUST 2021

- 6.1 There had been circulated copies of a report by the Chief Officer, Audit & Risk, on Internal Audit Work to August 2021. The report provided Members 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 12 June to 27 August 2021 associated with the delivery of the approved Internal Audit Annual Plan 2021/22 was detailed. A total of 2 final Internal Audit reports had been issued – Scottish Government Support Grants and Performance Management Local Government Benchmarking Framework - and there were 3 recommendations (medium rated) made associated with the Scottish Government Support Grants report. An Executive Summary of the final Internal Audit reports issued, including audit objective, findings, good practice, recommendations (where appropriate) and the Chief Officer Audit & 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 the report to communicate the results of the reviews.
- 6.2 It was highlighted that in 2020-21 additional Internal Audit work had been done early on coronavirus business support funds, and in response to the ongoing risk, a 2021/22 planned audit was included on Scottish Government support grants. Legislation surrounding these grants was complex and introduced different grants that had to be incorporated into processes and procedures quickly to allow payments to be made in a timely manner. It was noted that in terms of forms, processes and due diligence checks regarding genuine suppliers, fraudulent attempts had been reported through appropriate bodies and shared with other Councils to try to ensure no payment was made in the first place. In the Chief Officer's opinion, enough checks were made on the genuineness of applications. The recommendations could be applied to other aspects of Council business. The Cabinet Office and Audit Scotland added business grants to the National Fraud Initiative 2020-2021 and initial data sets were requested from public sector organisations to enable data matching to detect fraud or error.

**DECISION
NOTED:**

- (a) the final assurance reports issued in the period from 12 June to 27 August 2021 associated with the delivery of the approved Internal Audit Annual Plan 2021/22;**
- (b) 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) the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.**

MEMBER

Councillor Greenwell joined the meeting.

7. AUDIT SCOTLAND FRAUD AND IRREGULARITY UPDATE 2020-21

There had been circulated copies of the recently published Audit Scotland Fraud and Irregularity Update 2020-21 along with a covering report by the Chief Officer, Audit & Risk, which aimed to make members aware of the Audit Scotland Update and the Management Actions required in response for improvement and assurance purposes. Having robust fraud prevention and investigation arrangements in place contributed 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 counter fraud culture across the Council, taking account of reducing resources, was associated with the Council's Counter Fraud Policy, which stated the roles and responsibilities in tackling fraud; with the primary responsibility for the prevention, detection and investigation of fraud resting with Management. During discussion, the role of the Integrity Group was covered highlighting that this was an officers' forum which had representatives from across the Council's Services to support Management to fulfil their responsibilities in tackling fraud. Its purpose was to improve the Council's resilience to fraud, theft, corruption, and crime; overseeing the counter fraud policy framework; agreeing and monitoring the implementation of counter fraud improvement actions; raising awareness as a method of prevention; and performing self-assessment checks against best practice. Mrs Stacey confirmed that information could be sent out to staff on a regular basis and the link to the Audit Scotland update included. While there had been an increase in scams and phishing, regular staff updates had been issued to remind all staff, including those working from home, of the dangers. With regard to Cybersecurity, the CGI Cyber Security Officer attended a number of different groups and the IT Client Manager also had internal responsibility, with appropriate system based controls in place.

DECISION

- (a) NOTED the Audit Scotland Fraud and Irregularity Update 2020/21, published in July 2021.**
- (b) AGREED:**
 - (i) to request that the Integrity Group considers the report as part of their counter fraud role and responsibilities and determines any Management Actions required in response for improvement and assurance purposes;**
 - (ii) to request that the Integrity Group, at the same time, revisits the assessment of counter fraud controls associated with the covid-19-emerging-fraud-risks carried out during 2020/21, and assesses progress on**

any agreed actions;

- (iii) to request that the Integrity Group reports back to the Committee on findings and necessary actions; and,
- (iv) that the Chief Officer Audit & Risk arranged to disseminate the Audit Scotland Update to Council staff as necessary.

8. **ANY OTHER AUDIT ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT**

The Chair advised that an additional meeting of the Audit & Scrutiny Committee was due to be held on 5 October to consider a petition which had been received. The meeting due to be held on 21 October would consider both audit and scrutiny business, with the audit business being heard first.

**DECISION
NOTED.**

9. **PRIVATE BUSINESS**

DECISION

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

SUMMARY OF PRIVATE BUSINESS

10. **PROGRESS UPDATE ON LDS FINANCIAL MANAGEMENT RECOMMENDATION**

The Committee considered a verbal update from the Joint Manager of the Learning Disability Service on progress with the LDS Financial Management Recommendation.

The meeting concluded at 12:55pm.