

SCOTTISH BORDERS COUNCIL AUDIT AND SCRUTINY COMMITTEE

MINUTES of Meeting of the AUDIT AND
SCRUTINY COMMITTEE held Via Microsoft
Teams on Monday, 22 November 2021 at
10.15 am

Present:- Councillors S. Bell (Chairman), H. Anderson, J. A. Fullarton, N. Richards, E
Robson, H. Scott, and E. Thornton-Nicol.
Apologies: Councillor J. Greenwell, Ms H Barnett and Mr M. Middlemiss
In Attendance:- Chief Executive, Director Finance & Corporate Governance, Pensions &
Investment Manager, Chief Officer Audit and Risk, Clerk to the Council,
Democratic Services Officer (D. Hall).

AUDIT BUSINESS

1 **MINUTE.**

There had been circulated copies of the Minutes of 5 October 2021 and 21 October 2021.

DECISION

APPROVED both for signature by the Chairman.

2 **AUDIT ACTION TRACKER**

There had been circulated copies of the Audit Action tracker. The Chief Officer Audit and Risk advised that there were a number of completed actions which would now be removed from the Tracker, and indicated that Best Value audit actions would be brought to the next meeting that would consider Audit Business.

DECISION

AGREED to add the Best Value audit update for the February 2022 meeting to the Audit Action Tracker.

3 **ANNUAL ASSURANCE STATEMENT 2020/21 TO THE SCOTTISH HOUSING REGULATOR - UPDATE**

3.1 With reference to paragraph 8 of the Minute of 10 May 2021, there had been circulated copies of a report by the Director, Resilient Communities, outlining progress in the areas set out in appendix 1 of Scottish Borders Council Annual Assurance Statement 2020/2021 to the Scottish Housing Regulator of the annual governance Statement 2020/21 and Annual Assurance Statement 2020/21 to the Scottish Housing Regulator which was considered by Audit and Scrutiny Committee at its meeting on 10 May 2021. At its meeting on 10 May 2021, the Audit and Scrutiny Committee approved the Annual Assurance Statement 2020/21 in respect of landlord services provided by the Council to be submitted to the Scottish Housing Regulator, and requested that an update report be presented to Audit and Scrutiny Committee, outlining progress in the areas set out in the annual Assurance Statement to the Scottish Housing Regulator. The report outlined progress in the areas set out in the annual Assurance Statement to the Scottish Housing Regulator as detailed in the updates Summary Statement of Self-Assessment of Compliance against Regulatory Framework as set out in Appendix 2 to the report.

3.2 Homelessness Services Manager, David Kemp, joined the meeting to present the report. Mr Kemp provided some context to the report, and highlighted the unprecedented level of pressure that had been placed upon temporary accommodation stock levels. With regard to the timescale of work at Tweedside Caravan Park, Mr Kemp clarified that he expected work to be carried out throughout the winter, to be completed by spring of next year. Regarding regulatory action, Mr Kemp advised that he was uncertain what options were

available to the Housing Regulator, and explained that if agreement with the Park could not be reached then work would not be able to proceed and an alternative would need to be found. In response to a question, Mr Kemp gave an overview of the number of properties owned by SBC, explaining that the properties were well spread across major population centres, with good access to services. Mr Kemp also drew attention to the Council not having used Bed and Breakfast accommodation for over 2 years as a positive sign in relation to the management of temporary accommodation stock.

DECISION

NOTED the progress in the areas set out in the Annual Assurance Statement to the Scottish Housing Regulator as detailed in the updated Summary Statement of Self-Assessment of Compliance against Regulatory Framework.

4 BRIDGE HOMES LLP FINAL ACCOUNTS.

With reference to paragraph 5.2 of the Minute of 21 October 2021, there had been circulated copies of the Annual Report and Financial Statements of Bridge Homes LLP for the year to 31 March 2021. The Director, Finance & Corporate Governance, explained that the Committee had previously seen the unaudited accounts. These accounts included an unmodified audit opinion, giving a true and fair account of activities. In response to a question, the Director explained that the 40% increase in management fees reflected the level of service they had undertaken, and having to pay the market rates for the services received. The Director also undertook to pass on concerns raised regarding the high number of pigeons present on roofs at Henderson Court in Kelso.

DECISION

NOTED the Bridge Homes LLP Final Accounts.

5 MID-YEAR TREASURY MANAGEMENT REPORT 2021/22

5.1 There had been circulated copies of a report by the Director Finance & Corporate Governance presenting the mid-year report of treasury management activities for 2021/22, in line with the requirements of the CIPFA Code of Practice, including Prudential and Treasury Management Indicators and seeking comments from Audit and Scrutiny Committee prior to consideration of the report by Council. This provided a mid-year report on the Council's treasury activity during the six month period to 30 September 2021 and demonstrated that Treasury activity in the first six months of 2021/22 had been undertaken in full compliance with the approved Treasury Strategy and Policy for the year. Appendix 1 to the report contained an analysis of the performance against the targets set in relation to Prudential and Treasury Management Indicators, and proposed revised estimates of these indicators in light of the 2021/21 out-run and experience in 2021/22 to date for Council approval. The Pensions & investments Manager, Kirsty Robb, highlighted the main points of the Council's Capital Expenditure and Financing summarised in the Appendix to the report. She explained that there was a small amount of slippage from 2020/21 to 2021/22.

5.2 The Director, Finance & Corporate Governance, Mr Robertson, and Ms Robb answered Members' questions and provided further detailed information where requested. Regarding the delivery of the capital programme, Ms Robb welcomed further scrutiny as having the potential to have a positive impact on slippage and re-phasing within the program. In relation to lending capital to other Local Authorities, Ms Robb acknowledged that whilst other Local Authorities were involved in lending, Scottish Borders Council did not anticipate lending at this time. Concerning the UK infrastructure Bank, Ms Robb explained that there had not been a need to borrow yet, but that options would be investigated to ascertain whether lower costs could be achieved using the Bank. The Chairman asked a question about the levels of slippage within the programme and what action was being taken to ameliorate the issues faced. Mr Robertson explained that it was important to examine the circumstances behind the slippage. Councillor Anderson asked that the next project briefing included an assessment of deliverability. The Director highlighted that the capital programme was particularly large, including amongst other

projects, the flood works at Hawick and two major high school projects, and faced a unique set of challenges, such as the ongoing scarcity of labour and rising cost of materials.

DECISION

AGREED:-

- (a) to note that treasury management activity in the six months to 30 September 2021 was carried out in compliance with the approved Treasury Management Strategy and Policy;**
- (b) that the Treasury Management Mid-Year Report 2021/22, as contained in Appendix I to the report, be presented to Council for approval of the revised indicators; and**
- (c) to request the Director Finance & Corporate Governance include factors affecting deliverability within the next budget briefing.**

6 INTERNAL AUDIT MID-TERM PERFORMANCE REPORT 2021/22

With reference to paragraph 11 of the Minute of 8 March 2021, there had been circulated copies of a report by the Chief Officer Audit & Risk to inform of the progress Internal Audit had made, in the first 6 months of the year to 30 September 2021, towards completing the Internal Audit Annual Plan 2021/22. It also summarised the statutory obligations for Internal Audit and requirements of the Public Sector Internal Audit Standards (PSIAS). The Internal Audit Annual Plan 2021/22 that was approved by the Audit and Scrutiny Committee on 8 March 2021, set out the audit coverage for the year utilising available Internal Audit staff resources to enable the Chief Officer Audit and Risk (the Council's Chief Audit Executive (CAE)), to provide the statutory annual Internal Audit opinion regarding the adequacy and effectiveness of internal control within the Council. Internal Audit assurance services and annual opinions were also provided to the Scottish Borders Pension Fund Board and Committee, and the Scottish Borders Health and Social Care Integration Joint Board to meet their obligations. Appendix 1 to the report provided details of the half-yearly progress by Internal Audit with the delivery of its programme of work. Internal Audit had made good progress in the first half of the year towards completing the approved Internal Audit Annual Plan 2021/22, despite lower than planned Internal Audit staff capacity. The programme of work for the six months from October 2021 to March 2022, based on maintaining current staffing levels within this period, indicated that the Internal Audit Annual Plan 2021/22 could be delivered in full. The report also summarised the statutory obligations for Internal Audit and the requirements of the PSIAS, to which the SBC Internal Audit Function conformed.

DECISION

AGREED to note the progress Internal Audit had made towards completing the Internal Audit Annual Plan 2021/22 and to confirm that the Committee was satisfied with the Performance of the Internal Audit service.

7 INTERNAL AUDIT WORK TO OCTOBER 2021

With reference to paragraph 6 of the Minute of 20 September 2021, there had been circulated copies of a report by the Chief Officer Audit & Risk providing 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 28 August to 5 November 2021 associated with the delivery of the approved Internal Audit Annual Plan 2021/22 was detailed in the report. During this period a total of 5 final Internal Audit reports had been issued. There were 4 recommendations made associated with 1 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. In response to a question regarding the timescale for the proposed disaster recovery test by CGI, the Director, Finance & Corporate Governance explained that a detailed plan was being formulated, with a series of checks on the system being carried out in advance of the test. Given the importance of IT systems to the operation of the Council, it was necessary to carry out the checks in a controlled, managed manner to avoid any potential disruption. In a discussion of the report, Members expressed concern regarding the business continuity plans that Senior Management had in place. Councillor Anderson, seconded by Councillor Thornton-Nicol, proposed a further recommendation requesting that the Corporate Management Team (CMT) review business continuity arrangements across the Council and report back to the Committee. This was unanimously accepted.

**DECISION
AGREED to:**

- (a) note the final assurance reports issued in the period from 28 August to 5 November 2021 associated with the delivery of the approved Internal Audit Annual Plan 2021/22;**
- (b) note the Internal Audit Assurance work in progress and Internal Audit Consultancy and other work carried out in accordance with the approved Internal Audit Charter;**
- (c) acknowledge the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work; and**
- d) 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.**

8 PROGRESS ON IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

With reference to paragraph 3 of the Minute of 29 June 2021, there had been circulated copies of a report by the Chief Officer Audit & Risk providing an update to members of the Audit and Scrutiny Committee on the status of the implementation by Management of audit recommendations made and agreed in Internal Audit reports during 2020/21 and previous years. A table within the report highlighted the current status of Internal Audit recommendations from current and previous years and further details on those recommendations not yet fully implemented were shown in Appendix 1 to the report. There were no outstanding overdue recommendations, with a relatively small number of recommendations still to be implemented. Regarding progress on the implementation of Total Mobile, the Director Finance & Corporate Governance explained that planning was well developed, with the project expected to go live later in the week. The Chairman expressed his gratitude for the work undertaken by CMT to make progress on internal audit recommendations.

**DECISION
AGREED:-**

- (a) to acknowledge the progress made by Management in implementing Internal Audit recommendations to improve internal controls and governance, and mitigate risks;**
- (b) that the Committee was satisfied with the progress made by Management; and**

- (c) **to note that Internal Audit would continue to monitor for completion of the outstanding recommendations and would provide update reports to the Audit & Scrutiny Committee.**

9 **RISK MANAGEMENT POLICY AND STRATEGY 2021-2024**

With reference to paragraph 7 of the Minute of 10 May 2021, there had been circulated copies of a report by the Chief Officer Audit & Risk presenting the Committee with a revised Risk Management Policy Statement and Risk Management Strategy. The report explained that effective Risk Management was one of the foundations of effective Corporate Governance and was recognised as such in the Council's Local Code of Corporate Governance. Compliance with the principles of sound Corporate Governance required the Council to adopt a coherent approach to the management of risks that it faced every day. Better and more assured risk management would bring many benefits to the Council and the people it served. Management had the primary responsibility to systematically identify, analyse, evaluate, control and monitor risks to the achievement of the Council's objectives. Internal Audit was required to give independent assurance on the effectiveness of all internal controls and other arrangements put in place by Management to manage risk. Part of the Audit and Scrutiny Committee's role (Audit function) was to scrutinise the framework of internal financial control, risk management and governance throughout the Council to ensure its adequacy. A revised Risk Management Policy statement, included as Appendix 1 to the report, and 3-year Risk Management strategy, included as Appendix 2 to the report were included for consideration and endorsement by the Committee in advance of their presentation to Council.

DECISION

AGREED to:

- (a) **endorse the revised Risk Management Policy Statement and Risk Management strategy for full Council approval;**
- (b) **acknowledge the role and responsibilities of the Audit and Scrutiny Committee in the Risk management Policy; and**
- (c) **note the reporting for assurance purposes on efficacy of Risk Management arrangements in the Risk Management Policy.**

10 **COUNTER FRAUD POLICY AND STRATEGY 2021-2024**

With reference to paragraph 6 of the Minute of 10 May 2021, there had been circulated copies of a report by the Chief officer Audit & Risk presenting a revised Counter Fraud Policy statement and Counter Fraud Strategy. The report explained that the Council was committed to minimising the risk of loss due to fraud, theft or corruption and to taking appropriate action against those who attempted to defraud the Council, whether from within the authority or from outside. The primary responsibility for the prevention, detection and investigation of fraud rested with Management, supported by the Integrity Group. 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. A revised Counter Fraud Policy Statement had been included in Appendix 1 to the report and a revised 3-year Counter Fraud Strategy Management Strategy had been included in Appendix 2 to the report which were presented for consideration and endorsement by the Committee in advance of their presentation to Council. The Chief Officer Audit & Risk answered Members' questions and provided further detailed information where requested. In relation to the Integrity Group, the Chief Officer explained that the group was a forum that aimed to support Management in their responsibilities tackling fraud. Membership of the group included two members of CMT and senior officers from procurement, financial services, IT management and a representative from Roads. Regarding the support

available to Council Employees, Ms Stacey highlighted the employee helpline, occupational health and various HR policies designed to support staff manage the risks posed by, and impact of, fraud.

**DECISION
AGREED to:**

- (a) endorse the revised Counter Fraud Policy Statement and Counter Fraud Strategy for full Council approval;**
- (b) acknowledge the role and responsibilities of the Audit and Scrutiny Committee in the Counter Fraud Policy Statement; and**
- (c) note the reporting for assurance purposes on efficacy of counter fraud arrangements in the Counter Fraud Policy Statement.**

SCRUTINY BUSINESS

11 SCRUTINY ACTION TRACKER AND WORK PROGRAMME

With reference to paragraph 6 of the Minute of 21 October 2021, there had been circulated copies of an Action Tracker for Scrutiny business. The Clerk to the Council, Ms Wilkinson, advised that the Tracker included outstanding actions which had not yet been reported back to Committee as complete. With regard to the action (a) on Responsible Dog Ownership Strategy Review about options for the collection and processing of dog waste, it was confirmed that this was simply a request for the Department to provide any information on a more sustainable disposal route for dog waste. With regard to the action on the Autism Strategy, Ms Wilkinson advised that after conversations with Chris Myers, the newly appointed Chief Officer for the Health & Social Care Partnership, it was thought the best route for a review of the Strategy was through the Integrated Joint Board (IJB) as part of its future work plan. Councillor Greenwell, who was a member of the IJB would likely be involved in this review. Further updates on outstanding actions would be provided to the meeting of Audit & Scrutiny being held on 9 December 2021.

DECISION

NOTED the Scrutiny Action Tracker.

The meeting concluded at 12.30 pm