

**SCOTTISH BORDERS COUNCIL  
AUDIT AND SCRUTINY COMMITTEE**

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

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

Apologies: Councillor J. Greenwell.

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

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**1. CHAIRMAN'S REMARKS**

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

**2. MINUTE**

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

**DECISION**

**AGREED to approve the Minute for signature by the Chairman.**

**3. AUDIT BUSINESS ACTION TRACKER**

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

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

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

#### **DECISION**

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

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

**(b) NOTED the update.**

#### **4. TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2022-23**

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

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

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

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

## **DECISION**

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

## **5. BEST VALUE ACTION PLAN UPDATE**

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

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

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

### VOTE

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

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

*Motion - 5 votes*

*Amendment – 3 votes*

*The Motion was accordingly carried.*

### **DECISION**

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

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

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

### **6. COUNTER FRAUD CONTROLS ASSESSMENT 2021-22**

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

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

## **DECISION**

### **AGREED to:**

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

## **7. INTERNAL AUDIT WORK TO JANUARY 2022**

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

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

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

## **DECISION**

### **AGREED to:**

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

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

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

## **DECISION**

### **NOTED:**

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

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

**DECISION**  
**NOTED the Briefing.**

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

**DECISION**  
**NOTED the update.**

*Meeting concluded at 1.00pm*