

SCOTTISH BORDERS COUNCIL AUDIT AND SCRUTINY COMMITTEE

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

- 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.
- Apologies:- Councillors J. Greenwell and Mr M Middlemiss
- In Attendance:- Chief Executive, Director Finance and Corporate Governance, Director Health and Social Care Partnership, Pensions & Investment Manager, Chief Officer Audit and Risk, Principal Internal Auditor; Director Strategic Commissioning and Partnerships and Programme Manager (G. McMurdo); Ms G. Woolman and Ms J. Law (Audit Scotland), Clerk to the Council, Democratic Services Officer (W. Mohieddeen).
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1. **MINUTE.**

There had been circulated copies of the Minute of the Meeting held on 14 February 2022.

DECISION

AGREED to approve the Minute for signature by the Chairman.

2. **AUDIT BUSINESS ACTION TRACKER**

There had been circulated copies of the Audit Business Action Tracker which was presented by the Chief Officer Audit and Risk. With reference to paragraph 7 of the Minute of the Meeting held on 22 November 2021, the Chief Officer Audit and Risk advised that the Internal Audit Work to October 2021 report on the review of business continuity arrangements across the Council would be brought to the Committee for consideration. In line with the audit strategy, a project was set up to implement an upgraded system address refresh of business continuity plans which was aligned with pandemic actions. This was still in its early stages and it was suggested to keep this action in the action tracker. It was advised that an update may come for the June 2022 meeting primarily for an update on implementation of the system and the early stages of business continuity plans.

DECISION

(a) **AGREED that the action with regard to Internal Audit Work to October 2021 (business continuity arrangements) from the Meeting held on 22 November 2021 would remain on the action tracker.**

(b) **NOTED the update.**

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

- 3.1 With reference to paragraph 4 of the Minute of the Meeting held on 10 May 2021, there had been circulated copies of an update report by Director for Health and Social Care Partnership that set out the actions taken by the Learning Disabilities Service (LDS) in relation to the recommendation within the Final Internal Audit Report – Learning Disabilities Service Financial Management dated 30 April 2021. The report was

presented by the Director for Health and Social Care Partnership, Mr Myers, who explained that LDS had undertaken a range of measures from the Heywood review on the Service's financial situation with expected savings of £240,000 made from the current year. However, in spite of work undertaken, costs were over those budgeted and the LDS had a starting deficit of just over £1 million. While £300,000 had been identified to support these pressures, this still left £745,000, which was clearly significant. Pressures were partly due to changes to demographic growth and the remainder was in relation to increases in packages of care for people with learning disabilities. An enabling approach was being taken, with work underway to ensure dependence was not being created for service users. Mr Myers gave details of progress on actions which had been self-assessed in the report, with a number of actions assessed as 'green' and a few assessed as 'amber'. Julie Heywood had been approached to come back in and assess actions in the report, hopefully by the end of March 2022. With regards to action two of the report, an experienced Social Worker from another local authority was to be brought in by the end of April 2022 to provide a steer. With regards to action three of the report, Mr Myers advised that he was working with the Director Social Work & Practice to ensure there was better professional alignment between adult and child Social Workers to ensure consistency of approach. With regards to action four of the report, there were a number of high cost placements within the area where individual health and social care needs which had been reviewed through the NHS process resulting in high SBC costs. The review of that process had started so there was more input from SBC, which should reduce the financial risk to the organisation. With regard to action five of the report, the financial team was offering support to develop a set of tools to help social work staff in their approach to financial management. With regard to action six of the report, this action would involve the community care review team which was involved with older adults to ensure better consistency for users. With regard to action seven of the report, Mr Myers advised that the general manager was being asked to provide a detailed learning disabilities financial recovery plan for 24 March to deliver savings as quickly as possible. Mr Myers advised that it was expected that a combination of the actions would set a better financial trajectory for the Learning Disabilities Service, that Audit and Scrutiny Committee had a key role in this process and that he proposed that the LDS financial management should be brought back for a further review in line with the outlined actions.

- 3.2 Members discussed the report and it was noted that, with reference to action nine of the report that figures related to the benchmarking unit price and budget expenditure of other Councils would have been useful to include in the report. Mr Myers confirmed that he was happy to provide as much clarity as possible around benchmarking arrangements, but it could be difficult to benchmark in some areas of the Service while it would be easier in others. One good benchmark may not be reflected in other parts of the Service but value for money was continually looked at through commissioning. Mr Myers advised that there was a range of different benchmarking for the various parts of the Service. Day service contract price was broadly in line with averages. The bulk of the expenditure growth had related to an increase in volume which was the amount of care being provided to people. With regards to variability of benchmarking, the impact of serving a large rural area with a relatively small population was noted. With regards to £700,000 of savings required on the LDS, work was underway to take people out of costly placements and into good service with personalised support. For the review of day services, there were a range of actions that did not just look at risk but also gave consideration to driving better value and providing a greater quality of service. For other placements, how much health care a person needed affected the end cost and a more integrated process was being sought between NHS and the Council to ensure health also contributed funding. With regards to action four on the breakdown of budget to east and west team level, this related to ensuring delegated budget responsibility in the Service. The rationale was to ensure both east and west teams had clear budget oversight and were able to escalate identified issues. Regarding the impact of increased fuel costs, Mr Myers noted there was an element of travel for both east and west teams and it was expected that there would be increased travel costs and that providers would expect there would be an uplift in operational costs. Work was ongoing with commissioning teams to get best value. With

regard to action four on management of budgets, Mr Myers noted that there was a need to make sure the right decisions were being made for service users and finance, with the two aligning through an enabling approach which should reduce cost. The action aimed to have delegated financial responsibility with guidance for when to escalate and work was being undertaken on tools to make this clearer. The Director Finance & Corporate Governance advised that the LDS had significantly exceeded its resources in the past, with part of the issue about needing clarity on volumes, client needs, etc. and progress had now been made on capturing this information. If further challenges arose they would be managed corporately with a revised plan as had been the approach over the last few years. Ms Stacey confirmed that this was an open audit item and the due date would be extended in line with timescales on the action plan and an associated follow-up would be undertaken, with a report back to the Committee in due course.

DECISION

(a) AGREED that the Director Health and Social Care would provide an update on LDS Financial Management actions for the meeting of the Audit and Scrutiny Committee in August 2022.

(b) NOTED the update.

4. INTERNAL AUDIT WORK TO FEBRUARY 2022

4.1 There had been circulated copies of a report by the Chief Officer Audit and Risk that provided members of the Audit and Scrutiny 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 carried out in the period from 1 – 28 February 2022, associated with the delivery of the approved Internal Audit Annual Plan 2021-22, was detailed in the report. A total of two final Internal Audit reports had been issued. There were four recommendations made associated with the two reports (one 'High'-rated, one 'Medium'-rated and two 'Low'-rated). 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, was shown in Appendix 1 of 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. Internal Audit assurance work that was underway was detailed in paragraph 4.6 of the report. The Chief Officer Audit and Risk highlighted Internal Audit consultancy and other work which included the Fit for 2024 transformation programme, and a specific training workshop for all Internal Audit team members on the Council's new Contract Management System, as part of the internal rollout of this system across the Council's services to those involved in contract management. The Chief Officer Audit and Risk advised of the 'High'-rated recommendation that had been made in the Internal Audit review of Schools Financial and Business Administration Processes to address completion of e-learning training that should be expected in schools. There were further recommendations for schools inventory to ensure up-to-date inventories, especially for fire or other such incidents.

4.2 In response to a question about the completion rates for mandatory Child Protection training, particularly in teaching staff, the Chief Officer Audit and Risk confirmed that encouraging conversations had taken place with the Director Education and Lifelong Learning and the Chief Officer Education with regard to completion of mandatory e-learning and that reports were produced on completion of training. Commitments had been made for how training would be facilitated for teachers when not in class and where there were opportunities to take up training. A dashboard for when staff completed training needed more management oversight and there were very encouraging signs of that being quickly addressed. The Chief Executive advised that the current numbers of

non-completion were not to hand but had been requested. When this matter first came to light, Ms Meadows had spoken to the Director of Education and Lifelong Learning and all staff had now been given a clear instruction to complete the training. This was also being looked at across the whole organisation to ensure compliance. It would also be picked up by the Review Group which had recently been established to steer the action plan derived from the recommendations in the Independent Inquiry into the Council's handling of concerns raised about a former SBC employee who had subsequently been charged with assaulting children and abusive behaviour at a school. Ms Stacey confirmed that part of the conversation with the Director had been around investigating any barriers for non-completion, such as capacity, opportunity, etc. and consideration would be given to building something into in-service days to address this. The Director Finance and Corporate Governance advised that some mandatory training on SBLearn was time limited and had to be renewed so some staff training may have lapsed. It had not proved possible to have a calendar in SBLearn which would highlight to staff when their training certification had lapsed. There was also a regular turnover of staff within schools and depending on when the snapshot of completion rates was taken the position could vary, this could relate to new staff who had yet to undertake the training. Mr Robertson confirmed that all staff were required to undertake SBLearn training and previous training in another organisation was not recognised. The Principal Internal Auditor advised there was a facility to upload professional qualifications however this was not part of SBLearn. Members requested that the Review Group should follow up on mandatory e-learning as part of its first quarter work.

- 4.3 During the meeting, the Chief Executive received numbers associated with non-completion of the e-learning training within Education. Out of 2,721 people that should have completed e-learning training, 2,203 had done so. This corresponded to a 19% non-completion rate. There were some areas within the Education Service where all were complete but others up to 78% had not. Both Ms Meadows and Ms Stacey confirmed this would be followed up by both the Review Group and Internal Audit. Any issues would be raised at Council by the Review Group and would be brought back to Audit & Scrutiny Committee as part of any Internal Audit procedures.

**DECISION
NOTED:**

- (a) The final assurance reports issued in the period from 1 to 28 February 2022 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;**
- (c) The assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work; and**
- (d) The Review Group would follow-up on mandatory e-learning as part of its first quarter work.**

5. **FOLLOW-UP REVIEW OF COMPLETED AUDIT RECOMMENDATIONS**

There had been circulated copies of a report by the Chief Officer Audit and Risk that provided an update to the Audit and Scrutiny Committee on the results of the Follow-Up Review which included a sample check on the adequacy of new internal controls for Internal Audit Recommendations marked as completed by Management in the period January to December 2021. Internal Audit was an independent appraisal function established for the review of the internal control system as a service to Scottish Borders Council. It objectively examined, evaluated and reported on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources

and the management of risk. The Internal Audit activity added value to the organisation (and its stakeholders) when it considered strategies, objectives, and risks; strived to offer ways to enhance governance, risk management and control processes (by way of making audit recommendations); and objectively provided relevant assurance. The Remit of the Audit and Scrutiny Committee included the Audit function to consider “all matters relating to the implementation of recommendations contained within internal audit reports”, as part of its high level oversight of the framework of internal control, risk management and governance within the Council. The Chief Officer Audit and Risk advised that the sample of six ‘completed’ Internal Audit recommendations selected were spot checks on top of cyclical routine audit follow-up work.

DECISION

(a) AGREED that it was satisfied with the outcomes.

(a) NOTED:

(i) The results of the spot check on Internal Audit recommendations that had been marked as completed by Management in the period January to December 2021 to improve internal controls and governance, and mitigate risks; and

(ii) That Internal Audit would continue to monitor the completion of recommendations and would provide update reports to this Committee.

6. AUDIT AND SCRUTINY COMMITTEE ANNUAL SELF-ASSESSMENTS AND END OF TERM REPORT 2021/22

There had been circulated copies of a report by the Chairman of the Audit and Scrutiny Committee that provided members with the Audit and Scrutiny Committee Annual/End of Term Report 2021-22, presenting the Committee’s performance in relation to its Terms of Reference and the effectiveness of the Committee in meeting its purpose, relating to its Audit functions. It was important that the Council’s Audit and Scrutiny Committee fully complied with best practice guidance on Audit Committees to ensure it could demonstrate its effectiveness as a scrutiny body (Audit functions) as a foundation for sound corporate governance for the Council. The CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition (CIPFA Audit Committees Guidance) included the production of an annual report on the performance of the Audit and Scrutiny Committee against its remit (Audit functions) for submission to the Council. The Audit and Scrutiny Committee Annual/End of Term Report 2021-22 (included as Appendix 1 of the report) was presented for consideration. Scottish Borders Council continued to be a lead authority in adopting this best practice. The Audit and Scrutiny Committee carried out self-assessments of Compliance with the Good Practice Principles Checklist and Evaluation of Effectiveness Toolkit from the CIPFA Audit Committees Guidance during the Informal Session on 14 February 2022 facilitated by the Chief Officer Audit & Risk. The self-assessments were appended to this report as Appendix 2 (Good Practice Principles) and Appendix 3 (Effectiveness) for consideration. The outcome of the self-assessments were a high degree of performance against the good practice principles and a high degree of effectiveness. The Chairman confirmed that it was intended that the report would be presented to Council at its meeting on 31 March 2022. Ms Barnett referred to the recommendation for Council within the End of Term report around the presentation to Directors on risk and mitigations within their Services, and suggested that it would be helpful to include a short paragraph within the “Meetings” section of the report to show how useful the Committee had found these. Members unanimously agreed to this addition. Members further agreed that the recommendation to Council that the appointed Chair should have previously been a member of Audit and Scrutiny Committee be amended to reflect that this should be the case where practicable.

DECISION

AGREED:

- (a) **To approve the Audit and Scrutiny Committee Annual/End of Term Report 2021-22 (Appendix 1 to the report), with slight amendments as detailed above, which incorporated its self-assessments (Appendices 2 and 3 to the report) using the CIPFA Audit Committees Guidance; and**
- (b) **That the Audit and Scrutiny Committee Annual/End of Term Report 2021-22 should be presented to the Council.**

7. **EXTERNAL AUDIT ANNUAL PLAN 2021/22 FOR THE PENSION FUND**

There had been circulated copies of the Scottish Borders Council Pension Fund Annual Audit Plan 2021-22 which summarised the work plan for the 2021-22 external audit of Scottish Borders Council Pension Fund. In presenting the work plan, Ms Woolman, Audit Director with Audit Scotland, noted that there were 11,700 members of the Fund, which had assets reflected in the balance sheet worth £860bn. There was continued reference to the pandemic throughout the work plan and 2021-22 was the sixth and final year of the audit appointment. Audit appointments were usually five years however the appointment had been extended due to the Covid-19 pandemic.

DECISION

NOTED the work plan.

8. **INTERNAL AUDIT CHARTER**

There had been circulated copies of a report by the Chief Officer Audit and Risk that provided the Audit and Scrutiny Committee with the updated Internal Audit Charter for approval that defined the terms of reference for the Internal Audit function to carry out its role to enable the Chief Audit Executive to prepare the annual Internal Audit opinions on the adequacy of each organisation'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 have been formally defined in an Internal Audit Charter, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards. The Chief Audit Executive must have periodically reviewed the Internal Audit Charter and presented it to senior management (Strategic Leadership Team) and the board (Audit and Scrutiny Committee) for approval. The Internal Audit Charter had been updated by the Chief Audit Executive (SBC's Chief Officer Audit & Risk) and the Principal Internal Auditor in conformance with the PSIAS. The Internal Audit Charter was shown in Appendix 1 to the report for approval by the Audit and Scrutiny Committee to ensure that Internal Audit was tasked to carry out its role in accordance with best Corporate Governance practice. The Chief Officer Audit and Risk advised that the document would be a key document in the induction of new members to the Audit and Scrutiny Committee. The report had been presented to the Strategic Leadership Team and minor amendments included the restructure of the Strategic Leadership Team in September 2021 and the change in roles and responsibilities of each Director, and the associated change in the line management arrangements for the Chief Audit Executive.

DECISION

AGREED to:

- (a) **Note the changes to the Internal Audit Charter outlined in section 4 of the report in conformance with PSIAS;**

(b) Approve the updated Internal Audit Charter, as shown in Appendix 1 to the report; and

(c) Note that the Internal Audit Charter would be reviewed annually.

9. INTERNAL AUDIT STRATEGY AND ANNUAL PLAN 2022/23

There had been circulated copies of a report by the Chief Officer Audit and Risk which sought approval of the proposed Internal Audit Strategy and Internal Audit Annual Plan 2022/23 to enable the Chief Audit Executive 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. 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 Chief Audit Executive (CAE) was also required to prepare an Internal Audit annual opinion on the adequacy of the organisation's overall control environment. The Internal Audit Strategy attached as Appendix 1 to the report, outlined the strategic direction for how Internal Audit would achieve its objectives, which were set out in the Internal Audit Charter, in conformance with PSIAS. It guided the Internal Audit function in delivering high quality Internal Audit services to Scottish Borders Council (SBC), Scottish Borders Council Pension Fund (SBCPF), and Scottish Borders Health and Social Care Integration Joint Board (SBIJB). The Internal Audit Annual Plan 2022/23 attached as Appendix 2 to the report, had been developed by the Chief Officer Audit & Risk (CAE) and the Principal Internal Auditor. 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 opinions for SBC, SBCPF, and SBIJB. Separate Internal Audit Annual Plans 2022/23 for the SBCPF and SBIJB would be presented to their respective board/audit committee for approval. Key components of the audit planning process included a clear understanding of each organisation's functions, associated risks, and assurance framework. Ms Stacey gave responses on questions around providing cover for members of staff on long term sickness absence, the value of complaints analysis to improve Council Services, the flexibility of the Audit Plan for 22/23, and the audit of schools.

DECISION

AGREED to:

(a) endorse the Internal Audit staff resources needed to deliver the Internal Audit Strategy and Annual Plans;

(b) approve the Internal Audit Strategy as detailed in Appendix 1 to the report; and

(c) approve the Internal Audit Annual Plan 2022/23 as detailed in Appendix 2 to the report.

CHAIRMAN

This being the last meeting of the Audit & Scrutiny Committee prior to the local government election, The Chairman all members of the Committee for their input over the last few years, and in particular the external members of the Committee for their welcome contributions. On behalf of the Committee, Councillor Robson in turn thanked Councillor Bell for his assiduous chairing of the Committee and management of meetings.

10. MANAGEMENT AND MAINTENANCE OF PUBLIC HALLS

10.1 During discussion of this item, Councillor Thornton-Nicol noted she was Chair of the Newtown Community Wing and Councillor Anderson noted she was the Council Representative on Peebles Drill Hall management committee. Neither Councillor declared an interest in the item and remained in the meeting.

- 10.2 There had been circulated copies of a report by Director Strategic Commissioning and Partnerships that outlined an evaluation of the community contribution to the management and maintenance of public halls, including those managed by Live Borders. Scottish Borders Council had responsibility for 62 halls, and the Federation of Village Halls indicated they had 96 members in the Borders. Scottish Borders Council retained maintenance and repair responsibility for the 62 halls that it was responsible for, including those leased to Live Borders, and individual leases contained information on the level of maintenance and repair obligation, including where Communities/Voluntary Management Committees had no obligation or responsibility. Scottish Borders Council provided annual funding to the Federation of Village Halls of approximately £50,000 per year and Live Borders provided voluntary management committees with funding on an annual basis towards operational costs. The social value of halls/community centres included use of the venues for regular local events and activities, emergency response and Covid-response. Volunteers also regular fund raising for improvements to their building, and as a proxy measure, this could inform the 'community contribution'. Programme Manager, Mr McMurdo, advised that anecdotally a number of community centres had voluntary management committees, although some faced challenges maintaining their management committee and recruiting young members.
- 10.3 Under the Service Provision Agreement Scottish Borders Council had with Live Borders for the delivery of sport and cultural services, 29 halls were under the contractual responsibility of Live Borders. The maintenance and repair responsibility for these halls remained with Scottish Borders Council under the terms of a Property and Estates Service Level Agreement. Members discussed the funding of halls and the support provided to management committee from Live Borders, noting the example of the Victoria Hall in Selkirk which was owned by the Common Good Fund and operated by Live Borders. The Selkirk Common Good Fund was responsible for paying for maintenance while Live Borders retained income from the Hall. While Live Borders provided funding to community centres, part of the process involved a recharge to the management committees, which meant these committees needed to fund raise to pay for items. This process perhaps needed reviewed. It was noted that the funding provided by Scottish Borders Council to the Federation of Village Halls areas implied that the value assigned to each area did not have a consistent funding per village hall formula. It was advised this may have been due to some federations charging administration fees which may affect the respective funding value. Members agreed that a paper should be brought back to the committee by officers outlining further detail of the management and funding of village halls, including the consistency in terms of support, which hall committees were active/dormant, which halls were struggling, and the shape of how hall committees functioned. This would highlight where there were differences in usage, funding, characteristics and management regimes to allow the Committee to judge the fairness of the operation and funding of village halls across the region.

DECISION

- (a) **AGREED that the Director Strategic Commissioning and Partnerships would provide a further report to the Committee including a statement of the operating characteristics and funding regime in regard to management and funding of halls across the Borders to develop an understanding of fairness and functioning of management committees.**
- (b) **NOTED the evaluation of the community contribution to the management and maintenance of public halls, including those managed by Live Borders as detailed within this report.**

MEMBER

Councillor Fullarton left the meeting during consideration of the above item of business.

The meeting concluded at 12.55 pm.