

SCOTTISH BORDERS COUNCIL AUDIT COMMITTEE

MINUTES of Meeting of the AUDIT
COMMITTEE held in via Microsoft Teams on
Wednesday, 10 May 2023 at 10.00 am

Present:- Councillors E. Thornton-Nicol (Chair), N. Richards (Vice-Chair), J. Anderson, P. Brown, J. Cox, M. Douglas, E. Robson, S. Scott, F. Sinclair, Mr S. Whalley and Mr P. Whitfield

Apologies:- Councillor J. PatonDay

In Attendance:- Director Social Work and Practice, Acting Chief Financial Officer, Chief Officer Audit and Risk, Principal Internal Auditor, General Manager Mental Health and Learning Disability Services (Mr S. Burt), Mr J. Boyd, Ms S. Harold and Ms J. Law (Audit Scotland) and Democratic Services Officer (W. Mohieddeen).

1. **MINUTE**

There had been circulated copies of the Minute of the Meeting held on 13 March 2023. Mr Whalley requested that the Minute record the Chief Executive's response to Mr Whalley's question regarding risk appetite with tolerance and measures. This was agreed to by the Chair.

DECISION

AGREED to approve the Minute for signature by the Chair subject to the addition of the following: "the Chief Executive explained that risk appetite varied across 137 high-level services, and that risk appetite may not necessarily be an appropriate tool to be used consistently across the services of a local authority."

2. **AUDIT COMMITTEE ACTION TRACKER**

2.1 There had been circulated copies of the Audit Committee Action Tracker which was presented by the Chief Officer Audit and Risk.

2.2 With reference to paragraph 7 of the Minute of the Meeting of Audit and Scrutiny Committee held on 22 November 2021, a further extension of the due date for the two remaining Internal Audit actions had been agreed to allow engagement with services.

2.3 With reference to paragraph 3 of the Minute of the Meeting held on 13 March 2023, the Chief Officer Audit and Risk advised that recommendations related to the establishment of a Programme Management Office (PMO) were being followed-up on. In response to a question from Members, the Chief Officer Audit and Risk advised that the PMO was in place however it was still in the early stages of being established so there wouldn't have been much impact in relation to risk scoring. Internal Audit was liaising with the PMO in that regard. The Chief Officer Estates role had been advertised.

2.4 With reference to paragraph 4 of the Minute of the Meeting held on 13 March 2023, the Chief Officer Audit and Risk advised that an email had been circulated that Terms of Reference related to the Future Strategy Group had been circulated to Members of the committee.

- 2.5 With reference to paragraph 7 and 8 of the Minute of the Meeting held on 13 March 2023, the Chief Officer Audit and Risk advised that meetings had taken place with Ms Harold, Audit Scotland, to assess where duplication in audit work could be avoided.
- 2.6 With reference to paragraph 7 of the Minute of the Meeting held on 13 March 2023, Ms Harold advised Members of the context of the external audit fee. An email from Audit Scotland covering the context of the external audit fee had been sent to the Chair for dissemination amongst Members. 'Contributions to performance audit and Best Value work' related to the apportioned elements of wider performance audit work which included the 10 to 12 performance audit reports which were produced and published on the Audit Scotland website each year which included reports such as the 'Local Government in Scotland Overview Annual Reports' and 'Scotland's councils' approach to addressing climate change'. 'Audit support costs/contribution to Audit Scotland costs' addressed the cost of providing technical guidance and support, and managing the audit appointments. The technical guidance supported the work of the audit and was also made available to public sector bodies, which included SBC, via the Audit Scotland website. This included quarterly technical bulletins which gave updates on new and emerging auditing issues and technical guidance. 'Sectoral cap adjustment' related to an adjustment to apply equal fee movements to all bodies within each sector of the public sector, such as local government, and avoid the most significant fee changes. Ms Harold advised that the component parts of the fee, which made up the costs of delivering audit work, had been reported to improve transparency. The Chief Officer Audit and Risk advised Members that in order to receive the greatest benefit from the external audit, consideration should be given to the relevant national reports which would be helpful for benchmarking. Members noted that there had been an external audit fee increase of 12%.

DECISION

NOTED the update.

3. DIRECTOR RISK MANAGEMENT PRESENTATION

- 3.1 Mr Whalley advised the Committee that he was on the board for the Garvald care home in West Linton. The Chair introduced the Director Social Work and Practice to give a presentation on corporate risks in the Social Work and Practice service. A slide pack had been circulated from the Director Social Work and Practice which included a breakdown of risks across the service. There were two main component parts of the Director Social Work and Practice strategic role which included Children and Families Social Work, and Adult Social Work. Further responsibilities were summarised by the Director Social Work and Practice which included delivery of The Promise, regarding Scotland's care arrangements for children. The Director Social Work and Practice provided a summary of selected corporate risks related to the Social Work and Practice service. It was explained that the impact of risk to individuals in the community was always likely to be high. A care inspectorate inspection of adult care was undertaken which returned an 'exemplary' rating. The Children at Risk of Harm inspection was in the process of concluding with a report due at 23 May 2023. The Social Work Pathfinder developed a stronger linkage with social work activity recording system to performance dashboards that will provide performance information across the service landscape and details of demand. Social Care and Social Work Services were facing challenges of recruitment which was experienced by local authorities across the United Kingdom. The Chief Officer Audit and Risk advised Members that Internal Audit supported the Director Social Work and Practice and risk owners within his service. Risks marked 'red' were reviewed every 3 months, risks marked 'amber' were reviewed 6-monthly and green risks were reviewed yearly.
- 3.2 The Director Social Work and Practice answered Members questions. Work took place alongside the Borders General Hospital (BGH) to address delays in hospital discharge however it would be dependent on individual circumstances. Four discharge teams were operating however progress was being made to amalgamate them into one team. Mr Easingwood advised he could circulate the numbers of people admitted to hospital unnecessarily that were awaiting discharge for more than 3 months. On balance, the

Director Social Work and Practice was satisfied with impact being made on amber risks. The Chair thanked the Director Social Work and Practice for his presentation and thanked staff in the Social Work and Practice service for their work.

DECISION

(a) AGREED to circulate statistic pertaining to those waiting to be discharged from hospital unnecessarily admitted to hospital that had been waiting for discharge for over 3 months.

(b) NOTED the update.

4. PROGRESS UPDATE ON LDS FINANCIAL MANAGEMENT RECOMMENDATION

4.1 With reference to paragraph 3 of the Minute of the Meeting of the Audit and Scrutiny Committee, there had been circulated copies of a report by General Manager Mental Health and Learning Disability Services that provided Members with an update on progress on LDS Financial Management Internal Audit recommendations and included the draft Learning Disability Care Package (Supported Living) Review Project report by Julie Haywood as an appendix. Mr Burt summarised the main elements of the report. A range of operational measures that had been enhanced or implemented over the previous 2 financial years were summarised:

- Finance provided a monthly breakdown of all client expenditure for scrutiny and verification by the Group Manager which provided client-by-client expenditure trends and allowed for data verification and to keep track of the spending trends;
- Formal monthly Budget Efficiency meetings were in place attended by the senior leadership team and Finance Business Partner. These meetings included as standard analysis and feedback regarding the monthly client expenditure, the monitoring of overall spend and updates from each of the efficiency initiatives in place;
- The Resource Panel had been further developed to take a quality improvement approach to ensure that all resource requests, whether involving internal or externally provided provisions, applied the principles of re-ablement, skills development and financial best value to all proposed packages of care. Decision making was recorded and information shared between service and the finance business partner. This included new resource requests and reviews of existing resource allocations;
- Future demand was analysed with the Finance Business Partner to ensure improved financial assumptions and planning was in place. The multi-agency Transitions Tracking meetings were fundamental to good financial planning to ensure that the service was clear on the number and complexity of transitions cases coming through from children's services.

4.2 Mr Burt advised that the service was on an ongoing journey of improvements and would be able to continue to manage the financial risk, provide an enabling approach, and improve outcomes. While the net downward trends seen in the report were positive, it was anticipated that financial pressures would be reported in 2023-24. It was anticipated that would be a reducing pressure on the basis that the reduction in volumes would be maintained. The financial risk associated to the LD service is now overseen by the Integrated Joint Board (IJB) and, due to ongoing high levels of spend, there would be further scrutiny by the IJB Audit Committee on an ongoing basis for both the SBC and NHS funded Learning Disability allocations moving forward.

4.3 Mr Burt responded to Members questions on the report. Mr Burt anticipated that the RAG assessment across recommendations would have progressed with evidence to amber and green on all measures. This would be delivered through a robust and consistent assessment in implementing paid support to understand when and how people would become more independent. With regards to duplication of work in assessments for transitioning from children to adult services, Mr Burt advised that while there were some statutory requirements for assessments, the service had improved the service by children

and adult services frequently meeting to assess what the support of an individual would look like when they transition to adult services. Mr Burt explained that the forward financial risk had reduced and the service was managing its allocated budget. Plans were being set in place to understand the cost of supporting people with complex needs. It was assessed that there was a demand for about 3 people per year however costs for supporting those individuals would be apparent when their needs were assessed. The Acting Chief Financial Adviser explained to members it was likely the Learning Disability Service would come within budget for the 2022-23 year, however that would be against the revised budget which had significant additional resources applied to it. The final revised budget for the LDS was £21.1 million for 2022-23.

- 4.4 Mr Burt explained that benchmarking had taken place which assessed Angus Council and Stirling Council. For information held by the Scottish Government, Mr Burt advised that this may include support for adults over 65. The collaborative benchmarking that had taken place with three other Scottish Local Authorities which showed that SBC were slightly better than two of the Council but more expensive than Angus Council. The Scottish Government had SBC as being one of the higher services' spend per person, but local benchmarking found the expenditure to have been far lower. The cost for an hour of care was also found to be less expensive than found by the Scottish Government. The service didn't have the resource to review all supported people every year however the rate was around 67%. There were approximately 420 funded service users in the Learning and Disability Service. Mr Burt explained to Members that the service was able to meet demands while making savings of £113,000 in local co-ordination service.

DECISION

(a) NOTED:

- (i) the progress to date of the Learning Disability Service on Financial Management Recommendations;**
- (ii) the revised end-of-year budget meant that the service was overspent against the original budget by £1.7 million;**

(b) AGREED:

- (i) To pursue a joint IJB/SBC audit committee review of the LDS progress on the financial management recommendations by May 2024; and,**
- (ii) To recommend to the Integration Joint Board Audit Committee to look at Best Value of the service to ensure it is operating accordingly.**

5. SLACIAG ANNUAL REPORT 2022

There had been circulated copies of a report by the Chief Officer Audit and Risk that provided the Audit Committee with the Annual Report 2022 of the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) to highlight the value of this forum for the Internal Audit functions of SBC and other local authorities. SBC's Chief Officer Audit and Risk, who was Chair of SLACIAG (2022-2024), presented the SLACIAG Annual Report 2022 at the SLACIAG AGM on 17 March 2023. The content covered:

- the purpose and vision of the Group from the Constitution;
- the activity during 2022 for the Management Committee, the Chief Auditors Group (SLACIAG), and its sub-groups Computer Audit Sub-Group (CASG), and Fraud Investigators Group (SLAIG); and,
- the conclusions on a challenging but successful year evidenced by the attendance at the virtual meetings and the range of topics discussed. The Chair of SLACIAG had published the SLACIAG Annual Report 2022 on SLACIAG Knowledge Hub to enable access by all members in a secure way, and requested all Chief Auditors to distribute the report to key stakeholders within their organisation, in particular the Audit Committee or equivalent, to highlight the value of the forum.

**DECISION
NOTED:**

- (a) **the content of the appended SLACIAG Annual Report 2022; and,**
- (b) **the value of the SLACIAG Forum for the Internal Audit functions in SBC and other local authorities.**

MEMBER

Cllr Anderson left the Meeting at 12.15 pm.

6. INTERNAL AUDIT WORK TO MARCH 2023

6.1 There had been circulated copies of a report by Chief Officer Audit and Risk that provided members of the Audit 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 1 January to 31 March 2023 associated with the delivery of the approved Internal Audit Annual Plan 2022-23 was detailed in the report. A total of 10 final Internal Audit reports had been issued. There were 4 recommendations made associated with 2 of the reports (4 Medium-rated; 0 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.

6.2 The Chief Officer Audit and Risk summarised the report and answered Members' questions. With regards to the scale of the risk of Mental Health Services (Adults and Children) reflected in the narrative compared to its high/medium/low rating, the comment that the Chief Social Work Officer did not receive adequate management and performance information to ensure that the Council's statutory duties were being met was raised as meriting a higher risk rating. The Chair advised that she would raise this with the Chief Social Work Officer to address. Members noted that there was commentary that where actions were identified by management Internal Audit did not include these actions as part of the audit work. The Chair suggested that the whistleblowing report should be added to the SBC intranet.

DECISION

(a) NOTED:

- (i) **the Executive Summaries of the final Internal Audit assurance reports issued in the period from 1 January to 31 March 2023 associated with the delivery of the approved Internal Audit Annual Plan 2022-23;**
- (ii) **the Internal Audit Consultancy and Other Work carried out in accordance with the approved Internal Audit Charter;**
- (iii) **the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work; and,**

- (b) **AGREED that the Chair would raise with the Chief Social Work Officer the comment on receiving adequate management and performance information relating to Mental Health Services (Adults and Children).**

7. INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2022-23

- 7.1 There had been circulated copies of a report by the Chief Officer Audit and Risk that presented the Internal Audit Annual Assurance Report for the year to 31 March 2023, which included the Chief Officer Audit and Risk's independent assurance opinion on the adequacy of the Council's overall control environment. The Public Sector Internal Audit Standards (PSIAS) required that the Chief Audit Executive (CAE), the Council's Chief Officer Audit and Risk, provided an annual internal audit opinion and report on the adequacy and effectiveness of the Council's governance, risk management and internal controls to support the preparation of the Annual Governance Statement. This was in support of the overall governance arrangements of the Council, as set out in the Local Code of Corporate Governance. The Remit of the Audit Committee indicated that it should:
- Assess the adequacy and effectiveness of the Council's systems of internal financial control and framework of internal control, risk management and corporate governance arrangements, and consider annual assurance reports;
 - Monitor and review the performance of Internal Audit, conformance to the Public Sector Internal Audit Standards and code of ethics.
- 7.2 To meet the requirements of the PSIAS, the Internal Audit Annual Assurance Report 2022-23, at Appendix 1 of the report, included the annual Internal Audit opinion, provided details of the Internal Audit activity and performance during the year to fulfil its role, and summarised the outcomes of assessments of the Internal Audit service against the PSIAS.

DECISION

NOTED the Internal Audit Annual Assurance Report 2022-23 contained in Appendix 1 of the report and assurances contained therein.

8. RISK MANAGEMENT ANNUAL REPORT 2022-23

There had been circulated copies of a report by the Chief Officer Audit and Risk that provided Members with an overview of Scottish Borders Council's responsibilities in respect of risk management and an update on the risk management activity during 2022-23 for assurance purposes. Effective Risk Management was one of the foundations of effective Corporate Governance as recognised 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 Committee's role was to have oversight of the adequacy and effectiveness of the Council's Risk Management systems and associated internal control environment. In 2021, a revised Risk Management Policy statement and a 3-year Risk Management Strategy were endorsed by the Committee and approved by the Council to enable the Council to refine its approach to managing risks and embed these key aspects into the management practices of the Council. Risk Management activity during the year, in line with the Policy and Strategy, was outlined in this annual report. The Chief Officer Audit and Risk summarised the report and answered Members' questions.

DECISION

- (a) **AGREED that the Committee was satisfied with the arrangements for managing risks at the Council in support of the Council's Risk Management Policy and Strategy; and,**
- (b) **NOTED the content of the Corporate Risk Register as reviewed at Quarter Four 2022-23.**

9. **COUNTER FRAUD ANNUAL REPORT 2022-23**

There had been circulated copies of a report by the Chief Officer Audit and Risk that provided Members with details of the Council's counter fraud responsibilities and an update on the fraud prevention, detection and investigation activity during the year to 31 March 2023. 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, which safeguarded the Council's resources for delivery of services, as part of protecting the public purse. 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. Part of the Audit 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 Chief Officer Audit and Risk summarised the report and answered Members' questions. With regards to whether a counter fraud officer could perform counter fraud self-assessment, Members were advised that the Integrity Group felt that in-built systems in applications were sufficient to give counter fraud assurance. A Counter Fraud maturity assessment would offer an opportunity to have a structured-based evidenced assessment of counter fraud measures. Members agreed that the Chief Officer Audit and Risk would return to the Committee after the maturity assessment to present its conclusions.

DECISION

- (a) **AGREED that the Chief Officer Audit and Risk would present to the Committee after the counter fraud maturity assessment a report on counter fraud effectiveness;**
- (b) **NOTED:**
 - (i) **the specific counter fraud activity undertaken in 2022-23 in support of the Council's counter fraud policy and strategy; and,**
 - (ii) **the counter fraud next steps planned for 2023-24.**

10. **AUDIT COMMITTEE ANNUAL REPORT 2022-23 AND SELF-EVALUATION OUTCOMES**

There had been circulated copies of a report by the Chair of the Audit Committee that provided Members with the Audit Committee Annual Report 2022-23 which presented the Committee's performance in relation to its Terms of Reference and the effectiveness of the Committee in meeting its purpose. It was important that the Council's Audit Committee fully complied with best practice guidance on Audit Committees to ensure it could demonstrate its effectiveness as a scrutiny body as a foundation for sound corporate governance for the Council. The CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition (the CIPFA Audit Committees Guidance) included the production of an annual report on the performance of the Audit Committee against its remit for submission to the Council. The Audit Committee Annual Report 2022-23, contained in Appendix 1 of the report, was presented to the committee for consideration. Scottish Borders Council continued to be a lead authority in adopting this best practice. The Audit 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 Development Sessions held on 1 and 6 March

2023, facilitated by the Chief Officer Audit and 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 was a high degree of performance against the good practice principles and a medium degree of effectiveness. The Chief Officer Audit and Risk advised that the CIPFA guidance had been applied to the development of the annual report and that the audit had a broader scope than the accounts. With regards to low level of engagement at Committee, the Chair advised that an essential questions guide for Audit Committee members had been circulated. Self-assessment returns had been low due to the number of new members on the Committee. Members agreed to include within the report that one of the implications of a number new members within the committee is the subsequent low level of engagement.

**DECISION
AGREED:**

- (a) **To approve the Audit Committee Annual Report 2022-23, contained within Appendix 1 of the report, which incorporates its self-assessments, contained within Appendices 2 and 3 of the report, using the CIPFA Audit Committees Guidance; and,**
- (b) **That the Audit Committee Annual Report 2022-23 should be presented to the Council by the Chair; and,**
- (c) **To include in the report comments that a consequence of the number of new members in the committee is a lower level of engagement.**

11. **PROPOSED SCHEDULE FOR AUDIT COMMITTEE DEVELOPMENT SESSIONS 2023-24**

There had been circulated copies of a report by the Chief Officer Audit and Risk that provided Members of the Audit Committee with the proposed schedule for Audit Committee Development Sessions 2023-24. These were designed to enhance the members' skills and knowledge, to enable the Committee to fulfil its remit effectively. It was important that the Audit Committee, as a foundation for sound corporate governance, was able to demonstrate its effectiveness as a scrutiny body to the Council. Members were encouraged to email the Chair or the Chief Officer Audit and Risk if they had any ideas for items to cover in the schedule of development sessions.

DECISION

- (a) **AGREED to approve the schedule for Development Sessions 2023-24 for Members, that was set out in paragraph 4.1 of the report; and,**
- (b) **NOTED that feedback on the development sessions would be obtained to re-assess the Members' skills and knowledge and to evaluate the effectiveness of the Audit Committee annually.**

URGENT BUSINESS

Under Section 50B(4)(b) of the Local Government (Scotland) Act 1973, the Chair was of the opinion that the item dealt with in the following paragraph should be considered at the meeting as a matter of urgency, in view of the need to keep Members informed.

12. **RECRUITMENT OF CHIEF FINANCIAL OFFICER**

In response to a question regarding progress on the appointment of a permanent Chief Financial Officer, the Chair advised that the post would be advertised soon after the role had been re-structured which had previously included governance responsibility.

DECISION

NOTED the update.

The meeting concluded at 1.40 pm.