

SCOTTISH BORDERS COUNCIL AUDIT COMMITTEE

MINUTES of Meeting of the AUDIT
COMMITTEE held in via Microsoft Teams on
Tuesday, 27 June 2023 at 10.00 am

- Present:- Councillors E. Thornton-Nicol (Chair), N. Richards (Vice-Chair), J. Anderson, M. Douglas, J. PatonDay, E. Robson
- Apologies:- Councillors P. Brown, J. Cox, S. Scott and F. Sinclair
- In Attendance:- Chief Executive, Director Strategic Commissioning & Partnerships, Acting Chief Financial Officer, Chief Officer Audit and Risk, Principal Internal Auditor, General Manager Mental Health and Learning Disability Services (Mr S. Burt), Mr S. Whalley, E. Mihulka, Mr J. Boyd, and Ms J. Law (Audit Scotland) and Democratic Services Officer (L. Cuerden).

MEMBER

Mr Whalley advised the Committee that he was Vice-Chair of the Police Pension Board.

1. MINUTE

There had been circulated copies of the Minute of the Meeting held on 10 May 2023.

DECISION

AGREED to approve the Minute for signature by the Chair

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, work had progressed well and it was anticipated that there was a further two months of work to be done.
- 2.3 The action of 12 September 2022 was to be removed from the tracker as it had been superseded by action from the meeting of 10 May 2023.
- 2.4 The action of 13 February 2023 was to be removed from the tracker.
- 2.5 With reference to paragraph 3.1 of the Minute of the meeting of 13 March 2023, there was a review underway of the Capital Management Processes and there was to be work undertaken with Director Infrastructure and Environment John Curry to produce a combined report for the Audit Committee on the establishment of the Project Programme Management Office.
- 2.6 The actions of 13 March 2023 that related to the External Audit Plan 2022/23 were complete and to be removed from the tracker.
- 2.7 With reference to the actions of the meeting of 10 May 2023, Chief Officer Audit and Risk requested that timelines were associated with those actions going forward and undertook to liaise with relevant officers.

- 2.8 With reference to paragraph 9 of the Minute of the meeting on 10 May 2023, a report by the Officer Integrity Group on outcomes from the Counter Fraud Maturity Assessment was anticipated in the latter part of 2023. Chief Officer Audit and Risk was to have a meeting with the HR manager to review and refresh the whistle blowing policy which was to contribute to the Counter Fraud Maturity Assessment.
- 2.9 With reference to paragraph 6.2 of the Minute of 10 May 2023, it was confirmed that the appropriate risk rating had been applied to the scale of the risk of Mental Health Services (Adults and Children) as it was a matter of correct governance rather than fulfilment of statutory duties. The Director of Social Work & Practice was aware of how his statutory duties were being fulfilled; it was important to ensure that SBC had representation on the Board and included the Council Mental Health Services as well as NHS Borders Services.

DECISION

NOTED the update.

3. DIRECTOR RISK MANAGEMENT PRESENTATION

- 3.1 Director Strategic Commissioning and Partnerships Jen Holland presented Strategic Commissioning and Partnerships Risk Management overview. The service structure detailed officers' roles and responsibilities and covered IT and adult social care (six care homes, delivery of approximately 60% of home care services, five learning disability day services, the community equipment service and the alarm service). A new Performance Directorate had been set up primarily to look at Social Care and the providers of other external services across the Scottish Borders and in addition there was currently underway a large IT Transformation programme. SBC also had programme and project management responsibility for a number of projects supporting SC&P in Adult Social Care and the Care Villages programme.
- 3.2 A breakdown of Corporate Risk across the Directorate was provided. The likelihood and impact risk was generally medium with the exception of Corporate Risk 016 – Insufficient Resources for the delivery of the Commissioning Framework which presented a high impact risk. This was due to a number of factors in Social Care: challenges in recruitment and retention of staff; a number of care at home providers had failed during the pandemic and consequently had been brought under the auspices of Scottish Borders Council; and ongoing negotiations related to the National Care at Home contract rate, though all external providers to Scottish Borders Council have agreed to the 6% uplift proposed nationally. There was a need to provide the appropriate care at the right time and place, and to that end the first round of social prescribing, 'Healthier, Happier, Stronger', had taken place. A report on this programme was due to be brought before Council in September 2023 with a view to launching a second round with permanent funding thereafter. A mapping and monitoring exercise had taken place to review what services were commissioned and to what extent they delivered value for money; the completion date was 31 May 2023.
- 3.3 An overview of Service Risk for the Directorate was provided. Across Adult Social Care an amber RAG status was reported, with the exception of Recruitment and Retention which was coded red. Work had continued to address this with now only eight staff vacancies across SBC care homes, down from +60 FTE previously. Challenges remained in recruiting to care at home services. Training and development work through an appraisal programme and partnerships with schools and colleges continued. In relation to Commissioning & Performance, the development of a full risk register was underway to reflect and support the achievement of objectives and priorities. In relation to the ICT Contract, there were plans to recruit specialist staff to the IT client function to mitigate unplanned absence or staff departure.
- 3.4 The Director Strategic Commissioning & Partnerships answered Members' questions. It was confirmed that PSN accreditation was the responsibility of SBC, with CGI fulfilling it on their behalf. Ms Holland agreed to ascertain whether there were any penalties for CGI

for failure to meet those obligations. In terms of achieving the top rating for PSN, there were two outstanding actions under consideration that related to the work plan for the coming year and SBC now had an overview of the patching and upgrades required. In relation to mandatory training, managers and service directors were now in receipt of updates on staff compliance, which had increased across the Council. Dedicated training days had been earmarked and work continued to address the needs of remote workers and those who worked across multiple sites.

DECISION

NOTED the update

4. AUDIT SCOTLAND NATIONAL REPORT LOCAL GOVERNMENT IN SCOTLAND OVERVIEW

John Boyd, Audit Scotland, provided a brief summary for the Committee of the Local Government Review. The report brought together the findings from the External Audit work from the previous year. The key messages were the identification of the financial challenges faced by Local Authorities and pressures on service deliveries against a backdrop of post pandemic recovery, the current cost of living crisis and inflationary pressures. The report had been considered by the Council Management Team which had determined that SBC was well placed in terms of the existing governance framework to address the recommendations therein.

DECISION

NOTED the update

5. ANNUAL ASSURANCE STATEMENT 2022-23 TO SCOTTISH HOUSING REGULATOR

There had been circulated copies of a report from Director Social Work & Practice, the purpose of which was to propose that the Audit Committee considered and approved the Annual Assurance Statement 2022/23 in respect of landlord services provided by the Council. In 2019 a new requirement was placed on all social landlords to submit an Annual Assurance Statement to the Regulator by the end of October each year. Appendix 1 contained the Annual Assurance Statement while Appendix 2 detailed further self-assessment information. Some clarity was provided on the housing properties considered in the report; SBC did own Maxwell Park, Kelso. The Chief Executive undertook to provide Members with a note of the properties referred to in the report. There was a suggestion that the language of the report be strengthened in parts, specifically in reference to the service 'appearing to be operating satisfactorily' and being 'materially compliant'. Furthermore it was commented that in regards to the evidence of engagement with tenants, the provision of some case studies or examples of current practice might be included. The comments were to be relayed to Mr Easingwood, Director Social Work & Practice for his consideration.

DECISION

- (a) NOTED the details of the Annual Assurance Statement 2022/23 to the Scottish Housing Regulator in respect of landlord services provided by the Council (Appendix 1), and the further self-assessment information (Appendix 2), and acknowledges the actions by Management to improve arrangements; and,**
- (b) AGREED to approve the Annual Assurance Statement 2022/23 to the Scottish Housing Regulator in respect of landlord services provided by the Council (Appendix 1) to be submitted to the Scottish Housing Regulator along with the Summary Statement of Self-Assessment of Compliance against Regulatory Framework (Appendix 2).**
- (c) AGREED to circulate a list of housing properties referred to in the report to Members.**

6. **DRAFT ANNUAL GOVERNANCE STATEMENT 2022-23**

There had been circulated copies of a report by the Chief Executive, the purpose of which was to propose that the Audit Committee considered and approved the draft Annual Governance Statement 2022/23 for inclusion in the Council's unaudited Statement of Accounts 2022/23 in preparation for the statutory audit process. Scottish Borders Council was responsible for ensuring that its business was conducted in accordance with the law and proper standards and that public money was safeguarded, properly accounted for and used economically, efficiently and effectively. The remit of the Audit Committee included an assessment of the adequacy and effectiveness of corporate governance arrangements and to consider the annual assurance reports that related to the Council's service delivery models. The Governance Self-Assessment Working Group chaired by Chief Officer Audit and Risk had evaluated progress with the implementation of actions associated with the ten improvement areas of governance within the previous year's annual governance statement and identified where further improvements in governance arrangements were to be made.

DECISION

AGREED to the recommendations that the Audit Committee:

(a) to consider the details of the draft Annual Governance Statement 2022/23 (Appendix 1) to ensure it reflected the risk environment and governance in place to achieve objectives, and acknowledged the actions identified by Management to improve internal controls and governance arrangements; and

(b) to approve that the draft Annual Governance Statement 2022/23 (Appendix 1) to be published in the Council's unaudited Statement of Accounts 2022/23 in preparation for the statutory audit process.

7. **DRAFT ANNUAL REPORT AND ACCOUNTS**

7.1 There had been circulated copies of a report by Director Finance and Procurement Suzy Douglas, the purpose of which was to provide the Audit Committee with the opportunity to scrutinise the draft Scottish Borders Council and Group Annual Report and Accounts for the year ended 31 March 2023 prior to its submission to the External Auditors. It was estimated that the final report and Accounts were to be submitted to Council in September 2023.

7.2 The Director Finance and Procurement gave a presentation on the Draft Annual Accounts 2022/23. The slide deck gave an overview of service highlights during 2022/23. Financial highlights of 2022/23 were detailed and included the Revenue Outturn Underspend of £1.532m and a £12.027m Financial Plan Savings achieved, of which 74% was on a permanent basis. Statutory and governance arrangements were detailed which illustrated sign off protocols for the accounts and the timetable for publication of both unaudited and audited accounts. A breakdown of the total capital expenditure for 2022/23 of £63.5m illustrated the funding sources and the amount of capital expenditure spend per Directorate, most significantly in Infrastructure and Environment due to the extensive flood prevention programme undertaken. In regards to the Pension Fund, some key highlights and numbers were provided; following the 2020 triennial valuation, the Pension Fund was 110% funded with the results of the Actuarial Valuation due to be published in next year's Annual Report and Accounts.

7.3 Members discussed the report and presentation. In terms of Joint Ventures, it was to be noted that the Integration Joint Board figures were not yet received by SBC and so were not reflected. SBC and NHS Borders were working in partnership to support the IJB in this matter and it was hoped that this would be completed in time for the accounts to be submitted to Audit Scotland by 30 June. In regards to the investment in one unit trust as opposed to multiple trusts to spread risk, it was confirmed that the Aegon Monthly Unit

Trust into which the Common Good Funds and Trust Funds were invested was a diversified growth fund chosen for the purposes of scale, to minimise the fees charged and simplify the administration of the investment. The dividends paid were used by the Funds to administer grants to their communities. The Director Finance and Procurement undertook to provide a briefing note on the Aegon Monthly Income Unit Trust to explain the practice of holding all investments in one place as opposed to spreading the risk. In relation to the inclusion of performance information on museums and galleries in the annual accounts, it was confirmed that SBC retained the responsibility to deliver and report on the outturn position in partnership with Live Borders. In relation to the remuneration report and in particular senior teaching staff posts, a new Devolved School Management (DSM) scheme was approved by the Council and launched in all schools in August 2022. This had resulted in changes to teaching posts at the Principal Teacher level which in turn had impacted on the remuneration report. The remuneration report contained the numbers of SBC employees paid above £50k per annum, as per regulations. This salary figure had remained unchanged since 2010/11 and inflation had resulted in many Principal Teachers falling into that pay bracket. It was agreed that a note be added to the draft annual report to reflect this change in DSM. Any updated sets of accounts were to be circulated to Members. Appendices 1-5 contained draft Annual Accounts for 2022-23, for submission to Audit Scotland by 30 June 2023, for the following:

- **Scottish Borders Council** Annual Accounts for year ending 31 March 2023 (Appendix 1)
- **SBC Welfare Trust** (Charity SC044765) Annual Accounts for the year to 31 March 2023 (Appendix 2(i))
- **SBC Education Trust** (Charity SC044762) Annual Accounts for the year to 31 March 2023 (Appendix 2 (ii))
- **SBC Community Enhancement Trust** (Charity SC044764) Annual Accounts for the year to 31 March 2023 (Appendix 2 (iii))
- **Ormiston Trust for Institute Fund** (Charity SC019162) Annual Accounts for the year to 31 March 2023 (Appendix 2 (iv))
- **Scottish Borders Council Charitable Trusts** (Charity SC043896) Annual Accounts for the year to 31 March 2023 (Appendix 2 (v))
- **Bridge Homes LLP** Annual Accounts for the year to 31 March 2023 (Appendix 3)
- **Lowood Tweedbank Ltd** Annual Accounts for the year to 31 March 2023 (Appendix 4)
- **SB Inspires Ltd** Annual Accounts for the year to 31 March 2023 (Appendix 5)

DECISION

(a) NOTED the Draft Annual Report and Accounts 2022/23 for Scottish Borders Council and associated Group Accounts; and

(b) AGREED to support its submission for review by the External Auditors, Audit Scotland for Scottish Borders Council, Common Good and Trust Fund accounts.

(c) AGREED to Chief Finance and Procurement Officer to provide a briefing note on the Aegon Monthly Income Unit Trust to explain the practice of holding all investments in one place as opposed to spreading the risk.

8. **SBC PENSION FUND UNAUDITED ANNUAL ACCOUNTS AND REPORT FOR THE YEAR TO 31 MARCH 2023**

There had been circulated copies of the Scottish Borders Council Pension Fund Unaudited Annual Report and Accounts for the year to 31 March 2023. The Accounts had been submitted to the Pension Fund Committee and Pension Board the previous week, and were due to be submitted to Audit Scotland on 30 June 2023.

DECISION

NOTED the report

9. **PRINCIPAL INTERNAL AUDITOR**

The Chief Officer Audit and Risk highlighted that this was to be the last Audit Committee meeting for Susan Holmes, Principal Internal Auditor, who was to retire at the end of August 2023. Ms Holmes was thanked for her contribution to and support of the work of the Audit Committee since 2009 and the Chair wished her well for the future.

The meeting concluded at 11.50 am.