

Report

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	19 June 2019
Report by:	Audit and Compliance Manager (Finance and Corporate Resources)

Subject:	Internal Audit Annual Assurance Report 2018/2019
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1. Purpose of Report

1.1 The purpose of the report is to:-

- ◆ report on the progress and performance of Internal Audit and to provide an independent audit opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ended 31 March 2019

2. Recommendation(s)

2.1 The Committee is asked to approve the following recommendation(s):-

- (1) that the overall findings from internal audit work inform the Council's 2018/2019 governance statement
- (2) that the level of assurance be noted
- (3) that Internal Audit's performance be noted

3. Background

3.1 The Internal Audit Service is delivered within South Lanarkshire Council (SLC) within the context of the Public Sector Internal Audit Standards (PSIAS) (revised 1 April 2017), compliance with which is mandatory under Section 95 of the Local Government (Scotland Act) 1973. This sets out a series of standards to ensure a professional, independent and objective internal audit service is delivered that supports good governance within an organisation.

3.2 PSIAS requires that a Quality Assurance and Improvement Programme (QAIP) is developed to provide assurance that internal activity is conducted in accordance with an Internal Audit Charter, that it operates in an efficient and effective manner and that it is perceived to be adding value and improving operations. This assessment confirmed that South Lanarkshire Council's internal audit function continues to generally conform to the Public Sector Internal Audit Standards.

3.3 Internal Audit has reported throughout the year to Risk and Audit Scrutiny Committee (RASC). Reports to the RASC have detailed the findings from each finalised assignment in conjunction with information in relation to Internal Audit activity's purpose, authority, responsibility and performance relative to the 2018/2019 Audit Plan.

- 3.4 The objective of Internal Audit is to evaluate and improve the effectiveness of governance, risk management and control processes. The purpose of this report is to provide an independent audit opinion on the overall adequacy and effectiveness of SLC's framework of governance, risk management and control arrangements based on audit work undertaken in 2018/2019.

4. Link to Council's Objectives and Top Risks

- 4.1 As a function, Internal Audit seeks to link to the Council's Connect Ambition of 'achiev(ing) results through leadership, good governance and organisational effectiveness'.

- 4.2. In addition to Connect, assignments within the Audit Plan each year are linked to the Council's top risks to ensure that work is focused in areas of greatest risk and, where, potentially, an independent review would add greatest value. The 2018/2019 Plan linked to the Council's top risks (as at January 2018), albeit there were a number of top risks that were not directly covered by the Plan:

- ◆ failure to maintain the required pupil/teacher ratio
- ◆ failure to work with key partners to achieve the outcomes of the Local Outcome Improvement Plan
- ◆ implementation of Self Directed Support
- ◆ lack of capacity and skills to meet increased Service demands

- 4.3 These risks (or related risks) were excluded on the basis that these were linked to audits in either 2016/2017 or 2017/2018 or were being covered by follow-up work in 2018/2019.

- 4.4 A further group of risks were not covered by the Plan on the basis that an audit may not necessarily add significant value:

- ◆ increasing levels of adverse weather
- ◆ failure to fulfil emergency response commitments befitting the Council's status as a Category One (emergency) responder
- ◆ death or injury to employees, service users or members of the public affected by Council Operations

5. Internal Audit Workload and Performance – 2018/2019

Workload – 2018/2019

- 5.1 The actual number of audit days delivered in 2018/2019 was 931 days which was 1.2% above Plan. 92.4% of the Council Plan was delivered by 31 March 2019. The five outstanding audit assignments at this date related to special investigations.

Table One - Internal Audit workload analysis for 2018/2019

	Total No. Jobs
Planned	66
Deferred or dropped from 2018/2019 Plan (see 5.2)	6
Adjusted workload	60
Reports completed to draft	55

- 5.2 Three separate routine assignments were deferred in year¹ and are now programed to be completed in 2019/2020 and a further three assignments were 'dropped'² and no work is now planned in these areas in 2019/2020.
- 5.3 Each of the audits undertaken in the year were conducted in conformance with PSIAS.
- 5.4 Of 55 assignments noted in the table above, 55% have been concluded and issued as final. In some instances, findings noted below relate to draft reports but no material changes are anticipated to the audit opinion expressed within the respective reports.
- 5.5 PSIAS requires the Council's internal audit function to demonstrate engagement with clients to ensure the Audit Plan is agreed at the outset of the year and continues to address known and emerging risks. Feedback is gathered through annual questionnaires to Heads of Service within whose areas there has been audit activity in the year and through annual meetings with Executive Directors.

Performance – 2018/2019

- 5.6 In terms of an overview of performance, four from five of the key indicators were met in 2018/2019; delivery of planned audit days (101.2%); completed assignments within budget (80%); draft reports issued on time (80%) and productive time (87%). The Audit Plan was not delivered in full in year with five assignments outstanding at 31 March 2019 (92.4%).
- 5.7 The Committee is asked to note Internal Audit's workload and performance in the year to 31 March 2019.

6. Basis of Audit Opinion

- 6.1 The opinion expressed within this report (see 8.4) has been based primarily on:
- ◆ the output from a programme of audits included within the **2018/2019 Internal Audit Plan**
- 6.2 Together with reliance on the following areas of assurance that were also considered in the expression of an overall audit opinion for the year:
- ◆ the outcome of the Council's **best value audit** in 2018/2019
 - ◆ the work of **External Audit, external regulators and inspectors** during 2018/2019.

Area of Assurance – Internal Audit Plan 2018/2109 Routine

- 6.3 Detailed below are the significant areas which were the subject of audit work in 2018/2019 along with a summary of the key findings:
- 6.4 **I214075 Job Costing** - adequate assurance was obtained. Estimation and valuation processes are in place but require a level of review to provide full assurance around the basis of the rates that are being used.

¹ I250078 Waste Contract, I410056 Follow Up Additional Support Needs Transport and I410058 Follow Up Service Procurement

² I210082 ICON, I342066 Mobile Working (Roads) and I350068 Financial Strategy

- 6.5 Recommended actions, of which there was already a level of client awareness around, focus on ensuring a robust review, reporting and remediation processes are in place.
- 6.6 **I214083 Budgetary Control Audit** – a summary of key findings, risks and actions has been provided which, alongside a risk based review of budget data / trends, will identify potential areas of risk and / or inefficiency.
- 6.7 **I220076 City Deal – Benefits Realisation** – good assurance was obtained. Effective arrangements are in place to track the realisation of benefits from Glasgow City Region City Deal projects. Work, at the time of the audit, was ongoing to ensure all City Deal Business Cases were Green Book compliant. Work completed to date has met the agreed outputs and benefits to satisfy the Gateway Review Process commencing in 2019.
- 6.8 **I220080 Pupil Equity Fund** – some assurance was obtained that controls are in place over the spending and management of Pupil Equity Fund (PEF). Good improvements have been made to the processes for producing and monitoring the attainment improvement plans and PEF budget and planning reports. Teacher training has taken place, support groups are in place, two Strategic Leads have been employed to assist schools and monitor progress, mid-year updates on interventions are now produced, reports have been developed to capture successful interventions and it is intended to share good practice across schools.
- 6.9 Improvements have been made to processes but it is important that there is a robust review of outcomes of spend to establish if this has assisted in supporting an increase in attainment levels and closing the 'poverty gap'. The recommendations made in the Action Plan seek to assist in this process.
- 6.10 **I250079 Procurement Audit** - a detailed data gathering / analysis exercise (using Council wide Oracle Payables, Oracle iProcurement and contract register data) was undertaken in 2018/2019. The intention is now to use this data to undertake comprehensive reviews of procurement practices in 2019/2020.
- 6.11 **I342069 Self Directed Support (SDS)** - adequate assurance was obtained that actions from the 2017/2018 SDS report had been implemented and that further progress had been made with the SDS process to ensure full compliance with the Act by 2020 through employee training, revised processes and system enhancements. Employees are aware of how processes stipulated within SDS should be undertaken but clear evidence of this needs to be evident across all Services. Some remaining system implementations are required to provide an audit trail and training has still to be undertaken for some aspects of the process. Sufficient time needs to be built in to allow employees to embed these new practices.
- 6.12 Management should monitor, on a regular basis, that the annual options review and met needs are being undertaken to ensure that statutory obligations are met. Based on system implementations being completed on time and established processes being consistently applied, full compliance is achievable by the 2020 deadline.
- 6.13 **I342070 Kinship Care** – good assurances that SLC's kinship care arrangements seek to ensure compliance with the legislative requirements with regards to both looked after and non-looked after children in kinship care. SLC policy is clear and SLC is providing kinship care allowances that are consistent with the allowances provided to SLC foster carers and commensurate with the range of rates provided to kinship carers across other local authorities. Kinship carers are only approved after a full assessment, with overall approval required from the Head of Children and Justice

Services. Allowances are awarded following a financial appraisal and Social Work Resources approval. Interim payments are paid whilst assessments are ongoing; these are then generally deducted from any backdated kinship care allowances awarded. SLC is also providing financial support to kinship carers, where deemed applicable.

- 6.14 Target timescales are not always met, but efforts have been made to reassess all existing kinship carers under the new locality model and ensure that, in all cases where carers are eligible, they are being moved onto the agreed kinship care allowances. Cases that have not moved to kinship care allowances should be treated as a priority to progress.
- 6.15 Improvements are required to the audit trail and a focus should now be placed on ensuring annual reviews of carers are carried out to confirm that placements, for looked after children, are still in the best interests of the child and that carers' allowances are still in accordance with updated financial assessments.
- 6.16 **I410059 Follow Up General Data Protection Regulations (GDPR)** – the Information Governance Board (IGB) has advised that the original audit action to present the results of the self-assessment to the IGB along with progress updates was completed by 27 September 2018. It is important that the IGB continues to facilitate completion of all necessary remaining work to satisfy itself that the Council is fully compliant with all the requirements of GDPR.
- 6.17 **I410060 Follow Up IMPROVe** - follow-up work has confirmed that progress has been made in providing additional support to Resources whilst introducing enhanced challenge via peer review. The number of measures monitored via the performance management process has reduced, but, as agreed with Audit Scotland, the Council recognises that these could be further refined and measures are being reviewed as part of the mid-term review of the Council Plan. The Improvement Unit should also continue to challenge any change in status from green to red, or vice versa between reporting periods, and obtain the necessary assurances that all year end 'report later' measures are reported in the next reporting year.
- 6.18 **I410061 Follow Up Snagging in Schools** - some action had been taken since the original audit but further action is considered to be necessary to fully implement the audit actions agreed in December 2017. The audit concluded that there may still be an insufficient audit trail to justify some decisions and evidence that these had been communicated and actioned to complete remedial works for school buildings. Progress with full implementation will continue to be monitored.
- 6.19 **I410062 Missing Medication** – adequate progress with the implementation of audit actions. Outstanding actions relate to updating procedures to reflect recommendations and the review of weekly medication records reconciliations to physical medication. It is important that recommended actions are implemented across all Units and subject to regular review.
- 6.20 **I541020 Information Risk Management** – adequate assurance was obtained. Information security risks are both understood and afforded significant prominence within the organisation's culture through recognition within the Council's top risk register. Responsibilities have been assigned to oversee this risk within the IGB and the IT Security team. Controls to mitigate information security risks are generally in place and the Council is working towards recognised security standards in terms of ISO and PSN as well as 'cyber essentials' accreditation. The Council's approach to protecting its information is set out in a framework of strategies, policies and

procedures and these are communicated at all levels throughout the organisation, from reports to Committee to briefings to employees. All relevant employees are now required to undertake mandatory training in relation to data protection and cyber security.

- 6.21 The only area for improvement is in relation to ensuring the robustness of checks around third party's information security arrangements.
- 6.22 **I613133 Benefit Realisation – Mobile Working** - actions from the previous audit report undertaken on mobile devices have been delivered. IT and Home Care Services consider that the mobile working project has delivered on cost avoidance, savings and service improvements which is being monitored by existing budget monitoring arrangements. It is anticipated that cash savings should be realised by the end of the five year project in 2019/2020 and that, given Home Care Worker hours are now more easily reviewed, this should identify efficiencies and allow, in turn, more service users' care hours to be provided.
- 6.23 The audit sought to establish the extent to which there was auditable evidence that the project was delivering on its original objectives. The ability to do so fully was impacted by the availability of some documentation. Mobile working has been implemented but there could be improved monitoring to verify that benefits are being fully realised.
- 6.24 **I650142 Contract Monitoring** - adequate assurance was obtained. There was evidence of key documentation being retained, however, improvements could be made in the contract award and management process to tighten controls, as well as improvements to management information to ensure this is supported by a robust audit trail.
- 6.25 **I676149 Asset Valuations/Disposals** - adequate assurance was obtained. There is, however, some scope to improve the management information held, to make the disposal process easier to review and to establish a clearer definition as to when an External Valuer needs to be engaged.
- 6.26 Outwith these specific assignments, the **Continuous Control Monitoring project** continued throughout the year and has informed 'intelligent' sampling within both routine audits and specific investigations. CCM work provided detailed data which was subsequently used in special investigations, has been used extensively by External Audit and has enabled routine checks to be undertaken, such as duplicate invoice checks prior to weekly payment runs.

Special Investigation

- 6.27 There are four main routes for reporting fraud with the Council, whistle-blowing, through the CRM system, through local management or from the Police. The majority of concerns reported during the year came through local management. Irrespective of the source of alert, all notifications are risk assessed and, dependent on an initial evaluation of risk, either investigated by Internal Audit or the Personnel fact-finding team (with assistance from Resources if required) or, if relevant, passed to the Police. Fraud statistics are reported bi-annually to the Committee and a full report will be presented detailing 2018/2019 statistics in due course.
- 6.28 The total value of fraud concerns reported to Internal Audit in 2018/2019 totalled less than £1k. Significant reputational risk can, of course, attach to frauds irrespective of the value. Audit recommendations are routinely made to address identified gaps in

controls and standard fraud indicators are included in all audit programmes, the results of which are considered during the annual planning process.

- 6.29 In addition to the above investigative work, Internal Audit provided the data for the 2018/2019 NFI exercise to Audit Scotland by the due dates in October 2018 and January 2019. The resultant matches have been provided to the Council from January 2019. In addition to uploading the data required for the NFI exercises, Internal Audit is responsible for co-ordinating the investigations of the cases resulting from the matches throughout the Council. The investigations will be completed during 2019/2020 and fraud identified will be included within the Fraud Statistics reports to this Committee. Housing Benefit fraud investigations are passed to the Fraud and Error Service for investigation. Where appropriate, arrangements will be put in place to recover overpayments arising from errors or fraud, in line with the Council's debt recovery procedures.
- 6.30 A corporate fraud programme of work was also included in the 2018/2019 Annual Internal Audit Plan. This included completion of the Serious and Organised Crime Action Plan, a review of the Learn on Line fraud awareness course, the development of contract monitoring reports, the review of tracking reports and investigation of a sample of fast cash differences. In respect to the two, more material assignments, findings were as follows:
- 6.31 **I650139 Tracking Reports Review** – a reasonable level of assurance was obtained that journeys were for business purposes. From the small sample of journeys reviewed, these were found to be valid and consistent with business needs. Similarly, no instances of engine idling were identified.
- 6.32 Vehicle usage can be monitored through tracking reports, however, the level and frequency of such checks vary across Resources and Services Managers. Assurance was obtained that, where continuous review of tracking was in place, the risk of prolonged misuse was reduced. The recommendations made in the Action Plan seek to strengthen existing controls around monitoring.
- 6.33 **I650138 Fast Cash Differences** – adequate assurance was obtained that procedures / processes are in place (and are being implemented) to ensure that school meals fast cash banking differences are quickly identified, investigated and satisfactorily resolved. While some minor non-compliance was found, Internal Audit was satisfied that this was being addressed by the Resource.
- 6.34 Internal Audit also monitors fraud alerts through internal and external sources and disseminates information as appropriate. In 2018/2019, the majority of the information shared with Council Resources related to fraudulent attempts to change bank details. A specific review of the sophisticated fraud that was perpetrated in another Local Authority was completed in year and work is programmed in 2019/2020 to address one area within South Lanarkshire Council.
- 6.35 Investigative work was of relatively low value and volume in during 2018/2019 and not such to suggest any fundamental issues within routine internal control arrangements. Where appropriate, actions have been agreed or are being discussed with Resources.

Area of Assurance – Best Value Audit

- 6.36 South Lanarkshire Council's best value report was published in March 2019 and reliance has been placed on the positive assurances within that report in expressing

an audit opinion on the adequacy and effectiveness of the Council's framework of risk management, control and governance arrangements.

- 6.37 The report references a number of areas where there has been recent internal audit work and there is an intention to undertake some follow up work in 2019/2020 in relation to recommendations made within the Best Value report.
- 6.38 Future audit plans may also contain further work to assess progress with areas highlighted within the report.

Area of Assurance – External Regulators and Inspectors

- 6.39 On an annual basis, an assurance mapping process is undertaken in conjunction with the Good Governance Group to inform the Council's annual governance statement. No significant, adverse control, risk management or governance issues have been identified as part of this review that require specific note within this annual report. Internal Audit is represented on the Good Governance Group, and through this, contributed to the preparation and development of the Governance Statement.
- 6.40 This includes the shared risk assessment, the output of a process each year that involves the Council and representatives of all scrutiny bodies who engage with the Council. The Local Scrutiny Plan for 2018/2019 identified no specific risk-based scrutiny risks for SLC although some areas of the Council's activity were to be the subject of ongoing monitoring and oversight by the Local Area Network during the year.
- 6.41 External Audit undertook the 2017/2018 financial audit during 2018/2019 and provided an unqualified opinion in relation to the Council's financial statements. Interim audit work in relation to the year ended 31 March 2019 is in progress and no significant issues have been raised to date. Internal Audit has liaised with External Audit periodically throughout the year and has provided specific assistance around the provision of financial year-end data to Audit Scotland.
- 6.42 Audit Scotland also publishes reports throughout the year in relation to a variety of areas. Where Resources consider it appropriate, these are reported to Committee covering the key messages and their application to SLC. In 2018/2019, relatively few reports were presented to Committees or Forums. For 2019/2020, a new template has been devised to ensure consistent reporting where report contents are both significant and of relevance to SLC.

7. Council Wide Performance – Delivery of Audit Actions 2018/2019

- 7.1 PSIAS places a responsibility for monitoring progress with the delivery of audit actions with the Chief Internal Auditor to ensure that recommendations are effectively implemented. Based on verbal updates received from Resources, Council-wide, 90% of internal audit actions were delivered on time (and 94% in total when including those delivered late). Five actions remain outstanding as at 31 March 2019 and will now be followed up in 2019/2020.
- 7.2 The above performance data suggest that actions are, in the main, being fully and timeously implemented. This is checked independently by a programme of formal follow-up reviews that are undertaken by Internal Audit each year. During 2018/2019, seven formal follow-up audit assignments were completed. Of these assignments, all evidenced a degree of completion but there is a pattern of recommendations either not being implemented or only partially implemented. Where audit actions are

particularly significant, more extensive follow up work is now being programmed within audit plans.

- 7.3 Of the eighty audit actions that were due to be implemented in 2018/2019, 36% of these actions relate to either developing processes and procedures or ensuring that these are consistently applied. The robust application of regulations and financial controls constituted a further 30% of actions and pro-active approaches are continuing to be developed through CCM data analysis of key financial systems to assist in highlighting patterns and trends that merit further investigation. Continuing themes across other actions include retention of documentation, segregation of duties, reviewing and monitoring, all of which remain key controls that require to be strengthened.

8. Summary of Overall Assurance and Audit Opinion

- 8.1 Adequate arrangements exist within SLC to escalate any concerns the Audit and Compliance Manager may have in relation to the level of risk accepted by management or SLC. Throughout the year there was no impairment in the scope of audit work or the ability of Internal Audit to express an independent opinion.
- 8.2 Internal control remains, primarily, a management responsibility to ensure that the Council conducts its business in a manner that has due regard to the principles of good governance. The presence of an internal audit function does not negate the importance of effective internal controls. Internal Audit cannot be expected to give total assurance that control weaknesses or irregularities do not exist. The audit opinion is based upon the audit work undertaken during the year and knowledge of the Council's wider governance, risk management and control arrangements.
- 8.3 Many significant financial controls are imbedded within systems and these have been tested throughout the year by a programme of internal and external audit testing. Operational controls were found to generally exist but, on occasion, lacked consistent implementation. Key controls such as adherence to proper processes and procedures, application of management checks and robust monitoring are generally vested in people and, therefore, remain an area of higher inherent risk. A number of actions were agreed with Resources to address identified gaps in controls and ensure that a full audit trail is available to support all activity and demonstrate effective governance of Council funds.
- 8.4 **In 2018/2019, the Internal Audit opinion is that, overall, reasonable assurance can be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ending 31 March 2019.**
- 8.5 The Committee is asked to note the above findings and approve their inclusion in the Council's annual Governance Statement. A signed Annual Internal Statement of Assurance is included at Appendix One based on the view of the Council's own internal audit function.

9. Employee Implications

- 9.1 The Internal Audit service in 2018/2019 was delivered by a team of eleven. Of the team of eleven, ten are partly or fully qualified through either the Chartered Institute of Internal Auditors or one of the Consultative Committee of Accountancy Bodies.
- 9.2 Feedback received in relation to audit assignments is used to highlight areas for training and development. These are progressed on an individual basis as part of the

performance development review process. Best practice information is shared and learning points discussed throughout the year.

10. Financial Implications

- 10.1 Audit and Compliance Services, during 2018/2019 spent £489,849 against a budget of £462,960 (to period 14). The overspend relates to a reduction in internal audit services to an external client and resultant reduction in fees.

11. Future Years

- 11.1 The Council will continue to be subject to a range of nationally driven scrutiny activity during 2019/2020. Contingency time will be used to support preparation for such scrutiny if required during the year.
- 11.2 For Internal Audit, the focus continues to be on balancing routine assurance work with both the increasing requirement to participate and add value to corporate activity whilst continuing to react timeously to audit requirements for significant evolving agendas. Aside from this, Internal Audit is aiming to continue development of data analytical tools and establish how this can be employed to continuously monitor controls on a more 'real time' basis.

12. Other Implications

- 12.1 Each audit assignment seeks to identify efficiencies and report as part of the audit opinion where appropriate. In practice, this often translates into identifying audit recommendations that suggest a more efficient way in which to deliver services. Opportunities to identify 'cash' savings are becoming less frequent in an environment of growing financial constraints. From Resources' perspective, much of the 'value added' element of an internal audit service is linked to the function's ability to provide advice and guidance. In addition, there has been a growing focus on the content of action plans to ensure that these effect required improvements. This is particularly important in areas where issues are more significant.
- 12.2 Responding to Services' requests for assistance and participation in internal working groups is accommodated within the Plan and through contingency time. This aligns to the PSIAS requirement to deliver an effective internal audit service.
- 12.3 There are no sustainability issues in terms of the information contained in this report.

13. Equality Impact Assessments and Consultation Arrangements

- 13.1 There is no requirement to carry out an impact assessment in terms of the information contained within this report.
- 13.2 Resource Heads of Service are consulted in advance of every planned audit assignment and following completion of fieldwork. Resources and elected members are also consulted during preparation of the annual audit plan.

Yvonne Douglas
Audit and Compliance Manager

3 June 2019

Link(s) to Council Values/Ambitions/Objectives

- Achieve results through leadership, good governance and organisational effectiveness

Previous References

- 2018/2019 Internal Audit Plan (Risk and Audit Scrutiny Committee 21 March 2018)

List of Background Papers

- 2018/2019 progress reports to the Risk and Audit Scrutiny Committee
- Figtree statistical and assurance and time recording extracts
- Public Sector Internal Audit Standards (revised 2017)
- Fraud statistics and NFI updates

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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To the members of South Lanarkshire Council, the Chief Executive and Executive Directors

As Audit and Compliance Manager of South Lanarkshire Council, I am pleased to present my annual statement and report on the adequacy and effectiveness of the governance, risk management and internal control systems of the Council for the year ended 31 March 2019.

Respective responsibilities of management and internal auditors in relation to governance, risk management and internal control

It is the responsibility of the Council's senior management to establish appropriate and sound systems of governance, risk management and internal control and to monitor the continuing effectiveness of these systems.

It is the responsibility of the Audit and Compliance Manager to provide an independent opinion on the adequacy and effectiveness of the governance, risk management and internal control systems of the Council. The Audit and Compliance Manager cannot be expected to give total assurance that control weaknesses or irregularities do not exist but can form an opinion based on work undertaken during the year and knowledge of control systems.

The Council's framework of governance, risk management and internal controls

South Lanarkshire Council has a responsibility to ensure its business is conducted in accordance with legislation and proper standards and adheres to and works within a framework of internal values and external principles and standards.

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and how it accounts to communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and therefore only provides reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks that would prevent the achievement of South Lanarkshire Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The work of Internal Audit

Internal Audit is an independent and objective assurance function established by the Council to review its governance, risk management and internal control arrangements. It objectively examines, evaluates and reports on the adequacy of these arrangements as a contribution to general governance arrangements and more specifically the proper, economic, efficient and effective use of resources.

The Internal Audit Service operated in accordance with the Public Sector Internal Audit Standards (PSAIS) (revised 2017) throughout 2018/2019. An external assessment of the extent of compliance was undertaken in 2017/2018 as part of the Quality Assurance and Improvement Programme. This assessment concluded that the section generally conforms with the requirements set out in PSIAS. Actions have now been implemented to address areas of non-compliance identified by the review.

The section undertakes an annual programme of work approved by the Risk and Audit Scrutiny Committee. All plans are based on a formal risk evaluation process, which reflects agreed and emerging risks and changes within the Council and is subject to periodic review throughout the year.

All internal audit reports identifying risks, areas for improvement and/or non-compliance with expected controls are brought to the attention of management and include appropriate recommendations and agreed action plans. It is management's responsibility to ensure that proper consideration is given to internal audit reports and that appropriate action is taken to implement audit recommendations.

Internal Audit ensure that management has understood agreed actions or assumed the risk of not taking action. A programme of informal and formal follow-up audit assignments provides assurance around the complete and timeous implementation of audit recommendations. Significant matters arising from internal audit work are reported to the Executive Director Finance and Corporate Resources and the Council's Risk and Audit Scrutiny Committee.

Basis of opinion

My evaluation of the control environment relates only to South Lanarkshire Council and is informed by a number of sources but mainly by audit work undertaken during 2018/2019.

Limitation of scope

No individual audit assignments were specifically limited in scope at the outset but scopes were amended to reflect the output from the initial risk and control analysis undertaken at the start of each assignment and the resources available.

Opinion

It is my opinion, based on the above, that overall, reasonable assurance can be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ending 31 March 2019.

Signature:-

Yvonne Douglas BA CA

26 April 2019