

RISK AND AUDIT SCRUTINY COMMITTEE

Minutes of meeting held via Microsoft Teams and in the Banqueting Hall on 22 June 2022

Chair:

Councillor Elaine McDougall

Councillors Present:

Councillor Cal Dempsey, Councillor Mary Donnelly (Depute), Councillor Alistair Fulton, Councillor Gavin Keatt (*substitute for Councillor Mathew Buchanan*), Councillor Ross Gowland, Councillor Susan Kerr, Councillor Richard Lockhart

Councillors' Apologies:

Councillor Mathew Buchanan, Councillor Celine Handibode

Councillor Also Present:

Councillor Joe Fagan (for items 3 and 4)

Attending:

Chief Executive's Service

C Sneddon, Chief Executive (for items 3 and 4)

Finance and Corporate Resources

P Manning, Executive Director; Y Douglas, Audit and Compliance Manager; G McCann, Head of Administration and Legal Services; E-A McGonigle, Administration Officer; F Morrison, Revenues and Benefits Manager; A Norris, Administration Assistant; J Taylor, Head of Finance (Strategy)

Also Attending:

Audit Scotland

A Kerr and G McNally, External Auditors

1 Declaration of Interests

No interests were declared.

2 Internal Audit Annual Assurance Report 2021/2022

A report dated 7 June 2022 by the Audit and Compliance Manager (Finance and Corporate Resources) was submitted providing:-

- ◆ a summary of progress and performance of Internal Audit for the financial year 2021/2022
- ◆ an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control systems based on audit work undertaken in 2021/2022

Details were given on:-

- ◆ Internal Audit performance
- ◆ Council-wide performance in relation to the delivery of audit actions
- ◆ workload analysis
- ◆ links to the Council's objectives and top risks
- ◆ management of fraud risks
- ◆ areas of assurance
- ◆ areas of external reliance

Many of the pressures which had impacted on the Council's systems and controls due to COVID-19 had continued into 2021/2022. The UK Public Sector Internal Audit Standards Advisory Board had issued guidance around conformance with the Public Sector Standards which had shaped the Council's internal audit approach in 2021/2022 which aimed to:-

- ◆ help protect the organisation's operations by assisting management to find new ways of working
- ◆ provide real-time advice and insight in the development of new systems and controls
- ◆ ensure that core internal audit work remained risk-based and relevant and continued to inform longer term planning around risks
- ◆ allow the regular reporting of activity to this Committee

The overall opinion expressed on the Council's control environment was that a reasonable level of assurance could be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ended 31 March 2022. The Internal Audit findings would inform the Council's 2021/2022 Annual Governance Statement.

The Committee decided:

- (1) that the performance of Internal Audit during 2021/2022 be noted;
- (2) that the level of assurance on the Council's control environment be noted; and
- (3) that it be noted that the overall findings from Internal Audit work would inform the Council's 2021/2022 Annual Governance Statement.

[Reference: Minutes of 22 June 2021 (Paragraph 3)]

3 Annual Governance Statement for 2021/2022 and Significant Governance Areas Quarter 4 Progress Report

A report dated 8 June 2022 by the Executive Director (Finance and Corporate Resources) was submitted on the Annual Governance Statement for 2021/2022 and progress against significant governance areas identified within the 2020/2021 Annual Governance Statement at Quarter 4.

Each year, the Council undertook a review of the governance arrangements required to support its financial and operational controls. This review provided the basis for the Annual Governance Statement which was included in the Council's Annual Report and Statement of Accounts.

The Council's governance assurance framework was detailed in Appendix 1 to the report. The resulting Annual Governance Statement for 2021/2022, attached as Appendix 2 to the report, provided information on the Council's compliance during 2021/2022. The annual review of governance arrangements across the Council demonstrated sufficient evidence that the principles of delivering good governance in local government, contained in the Local Code of Corporate Governance, operated effectively and that the Council complied with its Code.

Progress on the significant governance areas highlighted within the Annual Governance Statement 2020/2021 was attached as Appendix 3 to the report.

The Committee decided:

- (1) that the Annual Governance Statement, attached as Appendix 2 to the report, which would be included in the 2021/2022 Annual Report and Statement of Accounts, be approved; and

- (2) that the progress on the Good Governance Statement Action Plan at Quarter 4 2020/2021, detailed in Appendix 3 to the report, be noted.

[Reference: Minutes of 22 June 2021 (Paragraph 4)]

4 Unaudited Annual Accounts 2021/2022

A report dated 7 June 2022 by the Executive Director (Finance and Corporate Resources) was submitted on the requirement for members to consider the Unaudited Annual Accounts of the Council and related Charitable Trusts, attached as appendices 1 and 3 to the report, by 30 June 2022.

The Council's Unaudited Annual Accounts detailed key information on the Council's expenditure and income for the financial year ended 31 March 2022. The accounts also covered 3 Charitable Trusts managed by the Council, namely South Lanarkshire Council Educational Trust, South Lanarkshire Council Charitable Trust and the East Kilbride Information Technology Trust.

Due to the ongoing impact of COVID-19, the Scottish Government had extended the normal audit deadline from 30 September to 30 November 2022. The Council's External Auditors would be working to a deadline of 31 October 2022. The full Unaudited Annual Accounts would be circulated to members following their submission to the auditor on 30 June 2022 and would be advertised as being available for public inspection on the Council's website from that date.

The information contained in the Unaudited Accounts took into account the final outturn position, as detailed in Appendix 2 to the report, which would be submitted to the Executive Committee on 29 June 2022 for approval. Appendix 2 also provided an Expenditure and Funding Analysis as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Accounting Practice.

The Chair and Depute, on behalf of the Committee members, expressed appreciation of the work undertaken to prepare the Unaudited Accounts.

The Committee decided: that the Unaudited Annual Accounts of the Council and related Charitable Trusts, to be submitted to Audit Scotland by the deadline of 30 June 2022, be noted.

5 Internal Audit Activity as at 3 June 2022

A report dated 7 June 2022 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 8 January to 3 June 2022.

Findings from internal audit assignments were reported to this Committee throughout the year and the last progress report was considered by this Committee on 26 January 2022. Key performance indicators, which reflected quality, on time and within budget for the period to 31 March 2022, were summarised in Appendix 1 to the report. 100% of draft reports were issued on time and 87% within budget against targets of 80% respectively. Quality continued to be monitored through internal quality control procedures. As at 30 April 2022, 92% of the 2021/2022 Audit Plan was complete.

Client contributions to the delivery of the audit plan took the form of responding to draft reports, agreeing to close meetings and signing reports timeously once agreed. 95% of audit assignments were concluded to a signed action plan within 4 weeks of the issue of a draft report against a target of 80%.

An update on progress with the delivery of the Audit Plan for 2022/2023 was provided in Appendix 2 to the report. Further information around the allocation of the remaining Audit Plan time would be presented to the Committee for approval on 27 September 2022. In the interim, Internal Audit would focus on the delivery of corporate tasks and the continuation and finalisation of audit assignments from the 2021/2022 Plan.

The findings from assignments completed in the period 8 January to 3 June 2022 were detailed in Appendix 3 to the report.

The Council formed part of the Glasgow City Region City Deal which funded a range of capital projects within South Lanarkshire. Similar to the Council's own governance arrangements, there was an Internal Audit Plan of work within the Glasgow City Region City Deal programme which was delivered by Glasgow City Council. Audit recommendations were followed up by Glasgow City Council as part of the annual audit plan and, where relevant, those actions would be added to South Lanarkshire Council's audit action database to ensure those were implemented in full and on time. Delivery on those actions would be reported within the Key Performance Indicators included in the routine activity reports to the Committee.

An update report would be submitted to a future meeting of this Committee as appropriate.

Information on the Chief Internal Auditor's Group activities during 2021 was attached as Appendix 5 to the report.

The Committee decided: that the report be noted.

[Reference: Minutes of 26 January 2022 (Paragraph 5)]

6 Audit Scotland – Financial Overview 2020/2021

A report dated 25 May 2022 by the Executive Director (Finance and Corporate Resources) was submitted on the Audit Scotland report entitled 'Financial Overview 2020/2021' which had been published in March 2022.

The report had been structured as follows:-

- ◆ Part 1 - Councils' Income in 2020/2021
- ◆ Part 2 - Financial Position
- ◆ Part 3 - Financial Outlook

The key messages from the Audit Scotland report were detailed, together with an assessment of the position in South Lanarkshire Council.

The Committee decided:

- (1) that the key messages and recommendations contained in the Audit Scotland report entitled 'Financial Overview 2020/2021', as detailed in sections 4 to 6 of the report, be noted; and
- (2) that the Council's position on those key messages and recommendations, as detailed in section 7 of the report, be noted.

[Reference: Minutes of 15 September 2021 (Paragraph 9)]

7 Financial Resources Scrutiny Forum Activity

A report dated 24 May 2022 by the Executive Director (Finance and Corporate Resources) was submitted on reports considered by the Financial Resources Scrutiny Forum in the period from July 2021 to March 2022.

A report on the business considered by the Financial Resources Scrutiny Forum would continue to be submitted to the Risk and Audit Scrutiny Committee on an annual basis.

The Committee decided: that the report be noted.

[Reference: Minutes of 22 June 2021 (Paragraph 8)]

8 Annual Audit Plan 2021/2022

The Committee considered the South Lanarkshire Council Audit Plan for 2020/2021 submitted by Audit Scotland, the Council's External Auditor.

The Plan set out the audit work necessary to allow Audit Scotland to provide an independent auditor's report and meet the wider scope requirements of public sector audit which included assessing arrangements for:-

- ◆ financial sustainability
- ◆ financial management
- ◆ governance and transparency
- ◆ value for money
- ◆ best value

The Plan was structured around the following areas:-

- ◆ annual accounts audit planning
- ◆ audit dimensions and best value
- ◆ reporting arrangements, timetable and audit fee
- ◆ other matters

Details were given on key aspects of those areas.

The Auditor General for Scotland, the Accounts Commission and Audit Scotland continued to assess the risks to public services and finances from COVID-19 across the full range of their audit work, including annual audits and the programme of performance audits.

A Kerr, Senior Audit Manager, informed the Committee that following the audit appointment exercise, Audit Scotland would remain as the appointed External Auditor for the Council for the next 5 years, however, there would likely be changes to the audit team. The current team would remain in place until the 2021/2022 annual accounts had been signed off.

The Committee decided: that the report be noted.

[Reference: Minutes of 3 March 2021 (Paragraph 5)]

9 Audit Scotland Report: The impact of COVID-19 on Scottish Councils' Benefit Services – A Thematic Study

A report dated 17 May 2022 by the Executive Director (Finance and Corporate Resources) was submitted providing a summary of the Audit Scotland Report 'The impact of COVID-19 on Scottish Councils' benefit services – A Thematic Study' released in October 2021.

In March 2020, in response to the COVID-19 pandemic and in line with UK and Scottish Government advice, Council buildings were closed to the public and, where possible, staff were required to work from home. As a key Council service, this presented a significant challenge for benefit services. Additionally, the Scottish Government's response to the pandemic led to the creation of local and national hardship schemes and many councils' benefit services had responsibility for administering and processing applications for support grants offered by those schemes.

Audit Scotland had issued a questionnaire to all 32 Scottish councils to measure the impact of the pandemic on benefit services in terms of:-

- ◆ Housing Benefit (HB) resources
- ◆ Information Technology
- ◆ Claims processing
- ◆ Accuracy

The data and analysis in the Audit Scotland report was based on the questionnaire responses and had not been independently validated, with the exception of claims processing performance, which was validated against Department for Work and Pensions (DWP) published data.

Information was provided on Audit Scotland's recommendations, together with an assessment of the position in South Lanarkshire Council.

The Chair and Depute, on behalf of the Committee members, welcomed the report and expressed appreciation of the work undertaken by staff throughout the COVID-19 pandemic to keep services operational.

The Committee decided: that the key messages and recommendations in the Audit Scotland report 'The impact of COVID-19 on Scottish Councils' benefit services – A Thematic Study' be noted.

10 Forward Programme for Future Meetings

A report dated 6 June 2022 by the Executive Director (Finance and Corporate Resources) was submitted on the outline forward programme for the meeting of the Risk and Audit Scrutiny Committee to 6 December 2022.

As part of future arrangements, members were invited to suggest topics for inclusion in the Committee's forward programme.

In response to a member's question in relation to the Scottish Government's recent announcement on a National Care Service, the Executive Director (Finance and Corporate Resources) advised that the implications of this proposal would be considered by the Council in terms of its review of top risks and their impact on service delivery. An update report of top risks would be presented to a future meeting of this Committee.

The Committee decided:

- (1) that the outline forward programme for the meetings of the Risk and Audit Scrutiny Committee to 6 December 2022 be noted; and
- (2) that an update report of top risks be presented to the 25 October 2022 meeting of this Committee.

11 Urgent Business

There were no items of urgent business.