



Council Offices, Almada Street  
Hamilton, ML3 0AA

Wednesday, 10 June 2020

Dear Councillor

## **Risk and Audit Scrutiny Committee**

The Members listed below are requested to attend a meeting of the Committee to be held as follows:-

**Date:** Thursday, 18 June 2020  
**Time:** 14:00  
**Venue:** By Microsoft Teams,

The business to be considered at the meeting is listed overleaf.

Yours sincerely

**Cleland Sneddon**  
**Chief Executive**

### **Members**

Graeme Campbell (Chair), Walter Brogan, Mary Donnelly, Grant Ferguson, Martin Lennon, Julia Marrs, Davie McLachlan, Carol Nugent, Jim Wardhaugh, Jared Wark

### **Substitutes**

Janine Calikes, Margaret Cowie, Ian Harrow, Eric Holford, Bert Thomson

## BUSINESS

### 1 Declaration of Interests

- 2 Minutes of Previous Meeting** 5 - 8  
Minutes of the meeting of the Risk and Audit Scrutiny Committee held on 19 February 2020 submitted for approval as a correct record. (Copy attached)

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#### Item(s) for Decision

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- 3 Internal Audit Annual Assurance Report 2019/2020** 9 - 22  
Report dated 3 June 2020 by the Audit and Compliance Manager (Finance and Corporate Resources). (Copy attached)
- 4 Annual Governance Statement for 2019/2020 and Significant Governance Areas Quarter 4 Progress Report** 23 - 58  
Report dated 1 June 2020 by the Executive Director (Finance and Corporate Resources). (Copy attached)

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#### Item(s) for Noting

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- 5 Unaudited Annual Accounts 2019/2020** 59 - 106  
Report dated 3 June 2020 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 6 Internal Audit Activity as at 29 May 2020** 107 - 116  
Report dated 3 June 2020 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 7 Interim Management Letter 2019/2020** 117 - 120  
Report dated 27 May 2020 by Audit Scotland. (Copy attached)
- 8 Risk Management Strategy** 121 - 148  
Report dated 15 April 2020 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 9 Audit Scotland Financial Overview 2018/2019** 149 - 160  
Report dated 3 April 2020 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 10 Financial Resources Scrutiny Forum Activity** 161 - 164  
Report dated 1 June 2020 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 11 Forward Programme for Future Meetings** 165 - 168  
Report dated 2 June 2020 by the Executive Director (Finance and Corporate Resources). (Copy attached)

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#### Urgent Business

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- 12 Urgent Business**  
Any other items of business which the Chair decides are urgent.

Clerk Name: Pauline MacRae  
Clerk Telephone: 01698 454108  
Clerk Email: pauline.macrae@southlanarkshire.gov.uk



## RISK AND AUDIT SCRUTINY COMMITTEE

Minutes of meeting held in Committee Room 2, Council Offices, Almada Street, Hamilton on 19 February 2020

**Chair:**

Councillor Graeme Campbell

**Councillors Present:**

Councillor Walter Brogan, Councillor Mary Donnelly, Councillor Grant Ferguson, Councillor Julia Marrs, Councillor Davie McLachlan, Councillor Carol Nugent, Councillor Jim Wardhaugh, Councillor Jared Wark

**Councillor Also Present:**

Councillor John Ross (for item 3)

**Councillor's Apology:**

Councillor Martin Lennon

**Attending:**

**Chief Executive's Service**

C Sneddon, Chief Executive (for item 3)

**Finance and Corporate Resources**

P Manning, Executive Director; Y Douglas, Audit and Compliance Manager; T Little, Head of Corporate Communications and Strategy; P MacRae, Administration Officer

**Also Attending:**

**Audit Scotland**

A Kerr and D Richardson, External Auditors

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### 1 Declaration of Interests

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No interests were declared.

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### 2 Minutes of Previous Meeting

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The minutes of the meeting of the Risk and Audit Scrutiny Committee held on 27 November 2019 were submitted for approval as a correct record.

**The Committee decided:** that the minutes be approved as a correct record.

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### 3 Good Governance Update

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A report dated 29 January 2020 by the Executive Director (Finance and Corporate Resources) was submitted providing an update on the Council's governance arrangements.

As part of the annual review of the Council's governance arrangements, compliance with the Local Code of Corporate Governance had been assessed. Appendix 1 to the report provided details of the Council's compliance with the Code. An annual review of the Code had also been undertaken and the amendments to the Code following the review were detailed in the report. The revised Code was attached as Appendix 2 to the report. Progress on significant governance areas, which had an impact on the Council's governance arrangements, as at

Quarter 2, were highlighted in the Annual Governance Statement 2018/2019, attached as Appendix 3 to the report.

Officers responded to members' questions on:-

- ♦ online information in relation to the Petitions Committee
- ♦ potential for a review of General Data Protection Regulation issues affecting elected members, particularly in relation to the content of the mandate form
- ♦ alternative methods, such as webinars, of providing training or disseminating information to elected members

**The Committee decided:**

- (1) that the findings from the annual compliance check against the Local Code of Corporate Governance be noted;
- (2) that the updated Local Code of Corporate Governance be approved; and
- (3) that progress against the significant governance areas identified within the Annual Governance Statement 2018/2019 be noted.

*[Reference: Minutes of 19 June 2019 (Paragraph 4)]*

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#### **4 Internal Audit Activity as at 24 January 2020**

A report dated 28 January 2020 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 1 November 2019 to 24 January 2020.

Details were given on the progress of audit assignments and the performance of Internal Audit which highlighted that:-

- ♦ 77% of assignments had been delivered within budget against a target of 80%
- ♦ 100% of draft reports had been delivered on time against a target of 80%
- ♦ 98% of the 2019/2020 Internal Audit Plan had commenced
- ♦ 100% of audit assignments had been concluded to a signed action plan within 4 weeks of the issue of a draft report against a target of 80%

The findings from assignments completed in the period 1 November 2019 to 24 January 2020 were detailed in Appendix 2 to the report.

**The Committee decided:** that the report be noted.

*[Reference: Minutes of 27 November 2019 (Paragraph 3)]*

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#### **5 Corporate Governance – Review of the Adequacy of Internal Audit**

A letter dated 9 December 2019 by Audit Scotland, the Council's External Auditor, was submitted on the External Auditor's assessment of the adequacy of the Council's Internal Audit function for 2019/2020.

The objectives of the assessment were to:-

- ◆ establish the effectiveness of Internal Audit arrangements as part of the Council's wider governance arrangements
- ◆ identify areas of Internal Audit work on which Audit Scotland could place formal reliance

Details were given on the areas of Internal Audit's work on which Audit Scotland planned to place formal reliance as follows:-

- ◆ procurement
- ◆ BACs reconciliation
- ◆ national fraud initiative

Audit Scotland had concluded that the Council's Internal Audit Service operated in accordance with Public Sector Internal Audit Standards (PSIAS) and had sound documentation standards and reporting procedures in place. However, one finding in relation to the inclusion of Internal Audit within the remit of the Executive Director (Finance and Corporate Resources) and its associated risks had been recorded. Assurances had been given in relation to the issue and Audit Scotland would continue to monitor the position.

**The Committee decided:** that the information be noted.

*[Reference: Minutes of 6 February 2019 (Paragraph 7)]*

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## **6 Annual Audit Plan 2019/2020**

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The Committee considered the South Lanarkshire Council Audit Plan for 2019/2020 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

The Plan was structured around the following areas:-

- ◆ risks on planned work
- ◆ audit scope and timing

Details were given on key aspects of those areas.

**The Committee decided:** that the report be noted.

*[Reference: Minutes of 24 April 2019 (Paragraph 7)]*

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## **7 Fraud Statistics Six Monthly Update**

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A report dated 28 January 2020 by the Executive Director (Finance and Corporate Resources) was submitted on fraud statistics for the 6 month period to September 2019.

Details were given on the number, types, outcomes and costs of fraud investigations, together with performance measures for the 6 month period to September 2019. A comparison with the statistics for the same period in 2018 was also provided. The fraud statistics for the 6 month period to September 2019, highlighted that:-

- ◆ 157 investigations, with a total value of £160,000, had either been reported in the period or carried forward from 2018/2019, representing a decrease in number and value from the same period in 2018
- ◆ of the 157 cases, 32, valued at £36,000, had been closed within the period, representing a decrease when compared to the closed investigations for the same period in 2018
- ◆ 72% of cases investigated were founded
- ◆ 100% of the founded cases related to benefit fraud or fraud committed by a third party

Follow up of all high priority actions resulting from fraud investigations would be included in future Audit Plans. At the suggestion of a member of the Committee, details of fraud recoveries as a percentage figure would be provided in future reports.

Officers responded to members' questions on various aspects of the report.

**The Committee decided:** that the report be noted.

*[Reference: Minutes of 24 April 2019 (Paragraph 6)]*

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## **8 Performance and Review Scrutiny Forum Annual Update**

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A report dated 23 December 2019 by the Executive Director (Finance and Corporate Resources) was submitted on reports considered by the Performance and Review Scrutiny Forum in the period from January to December 2019.

A report on the business considered by the Performance and Review 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 6 February 2019 (Paragraph 8)]*

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## **9 Forward Programme for Future Meetings**

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A report dated 16 January 2020 by the Executive Director (Finance and Corporate Resources) was submitted on the outline forward programme for the meetings of the Risk and Audit Scrutiny Committee to December 2020.

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

**The Committee decided:** that the outline forward programme for the meetings of the Risk and Audit Scrutiny Committee to December 2020 be noted.

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## **10 Urgent Business**

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There were no items of urgent business.



# Report

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>18 June 2020</b>
Report by:	<b>Audit and Compliance Manager (Finance and Corporate Resources)</b>

Subject:	<b>Internal Audit Annual Assurance Report 2019/2020</b>
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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 2020

## 2. Recommendation(s)

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

- (1) note Internal Audit's performance
- (2) that the overall findings from internal audit work be noted and that they inform the Council's 2019/2020 governance statement
- (3) note the level of assurance

## 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 audit 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 the 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 2019/2020 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 2019/2020.

- 3.5 In March 2020, SLC systems and controls were impacted by the COVID-19 pandemic and the resulting requirement to amend governance arrangements and normal business operations in response to unprecedented circumstances. This event has tested SLC's risk management framework and has resulted in new ways of working to allow the Council to continue to deliver normal services in conjunction with a responsibility to be facilitators and administrators of new sources of central government funding and wider support mechanisms to the community at this time. Embedded within existing systems are controls that have been subject to change. The audit opinion expressed in this report relates to the period before these changed service delivery arrangements took effect.

#### 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 'achieving 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 and to wider strategic risks to ensure that work is focused in areas of greatest risk and, where potentially, an independent review would add greatest value (see Appendix One). These links were set out in the Plan presented to RASC in April 2019.

#### 5. Internal Audit Workload and Performance – 2019/2020

##### Workload – 2019/2020

- 5.1 The actual number of audit days delivered in 2019/2020 was 1,025 days which was 6.4% above Plan. 90.4% of the Audit Plan was delivered by 31 March 2020. The five outstanding audit assignments at this date related, in the main, to special investigations<sup>1</sup>.

Table One - Internal Audit workload analysis for 2019/2020

	Total No. Jobs
Planned	56
Deferred or dropped from 2019/2020 Plan	(4) <sup>2</sup>
<b>Adjusted workload</b>	<b>52</b>
<b>Reports completed to draft</b>	<b>47</b>

- 5.2 Each of the audits undertaken in the year were conducted in conformance with PSIAS.
- 5.3 As resources reduce, an increasing proportion of total time is being spent on external client work as well as responding to adhoc requests and participating in Council-wide scrutiny and review groups. The presence on such groups provides an independent challenge to the work of the Group and ensures that emerging risks are known and addressed if required. Whilst not directly providing an audit opinion, knowledge of

<sup>1</sup> I342078 Review of NFI Appcheck, I410069 Formal Follow Up Educational Establishment, I672163 Theft of Cash, I672165 Social Work Resources Unit – Review of Procedures and I674174 Housing and Technical Resources Unit – Theft of Cash

<sup>2</sup> See Appendix Two

Council systems and processes are reviewed as part of the delivery of this role and does assist in the development of a more value-added role for the Service.

- 5.4 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 sought informally during the year and through annual meetings with Executive Directors.

### **Performance – 2019/2020**

- 5.5 In terms of an overview of performance, four from five of the key indicators were met in 2019/2020. The Audit Plan was not delivered in full in year with five assignments outstanding at 31 March 2020. These relate, in the main, to 'special investigations' that were delivered out of contingency time and were not part of the core routine Audit Plan.
- 5.6 The Committee is asked to note Internal Audit's workload and performance in the year to 31 March 2020.

## **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 **2019/2020 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 work of **External Audit, external regulators and inspectors** during 2019/2020.

### **Area of Assurance – Internal Audit Plan 2019/2020 Routine**

- 6.3 Detailed below are the significant areas which were the subject of routine audit work in 2019/2020 along with a summary of the key findings from each:

<b>Number</b>	<b>Assignment Name</b>	<b>Assurance</b>
I210093	BACs Reconciliation	This assignment was to test key BACS controls. No issues were identified with the reconciliation. Moving forward, the intention is to run the reconciliation automatically (every few months) to give ongoing assurance that BACS payments are being credited to the bank accounts stated on Oracle Payables.
I211094	Purchasing Cards	Purchase card controls were found to be sufficient to mitigate the key risks identified. Some improvements were recommended in relation to; monthly card limits; review and amendment of categories; provision of refresher training on input VAT recovery to cardholders; refreshing and re-briefing of policies and reiteration of the role of card holders and supervisors in verifying purchases and reviewing receipts.

I212092	Self Service Controls - Overtime	Internal Audit reviewed this process during an initial pilot involving the roll-out of the system to a limited number of Services. As a result, testing was impacted by the extent to which it had been implemented by Services at the time of the audit and by the ongoing amendments to the process for the duration of the pilot exercise. As such, further follow up work will be undertaken in 2020/2021 to establish that the good levels of controls within the current manual process (segregation of duties and independent authorisation) is replicated in the new self-service process within Resources as well as Central Finance. This new process is considered to have the functionality to deliver a more robust and transparent authorisation process and will allow employees to have greater visibility in regard to the current status of claims.
I250088	Procurement Audit	Contract documentation was presented to Internal Audit in some cases (albeit to varying levels) together with confirmation from contract managers that no contracts were / had been in place for some spend incurred in 2018/2019 (the period chosen for testing). Spend in this period mostly reflected contracts awarded from around 2016 and therefore did not fully capture improved procurement practices that have been implemented in recent years. The audit highlighted that there is still some further work to be undertaken to ensure contracts are in place for all spend above £2,500 and that there is improved use and retention of approved contract award documentation. The contract register should be updated timeously and monitoring arrangements further developed to effectively monitor supplier spend against correct contract and the respective contracted values. Some of the issues highlighted in this audit will be reviewed during the rolling programme of procurement spot checks that have now been incorporated within the annual Audit Plan.
I250090	Waste Contract (Residual)	A level of controls were found to be in place within the main residual waste contract; however, reliance is placed on the accuracy and completeness of information provided by the contractor, with only high level verification or additional monitoring. Given the material value of this contract, more verification and monitoring is considered to be required in some areas. There was limited monitoring or management information in relation to the organic waste contract for which there are no specific requirements detailed within the contract. It is recommended that a level of formal verification and organic waste contractor engagement should be put in place.
I342076	Secure Screening	Procedures were found, in the main, to contain all relevant key points of Government Regulations and all justification for placing a young person in secure care was clearly recorded. The views of all interested parties including the young person (where appropriate)

		were obtained prior to the decision to place in a secure unit and minutes are taken of secure care meetings. Other options to placing the young person in secure care was evidenced. Improvement areas were considered to be required around record keeping; retaining an audit trail; written communications; updating of procedures to incorporate other areas of best practice and efforts to be made to adhere to review timescales, where capacity within Social Work allows.
I410066	Follow Up Procurement	Prepared a template that facilitates an electronic reconciliation of invoice data. Completed test reconciliation and compared to the client's manual version to confirm correct. Discussed other improvements identified as being required (particularly around contract monitoring and exception reports). Data will now be used to inform audit testing in 2020/2021.
I410068	Formal Follow Up Oracle Accounts Payable	All recommendations advised to be have been fully implemented which was confirmed by subsequent audit testing.
I420067	Additional Support Needs Transport	Participation in a working group to develop new contract arrangements for the provision of ASN transport. These new arrangements reflect key points from previous audit work and further follow up work will be undertaken in 2020/2021 to assess the practical operation of these new contractual arrangements.

- 6.4 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 has been used extensively by External Audit.

### Special Investigation

- 6.5 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 RASC and a full report will be presented to RASC detailing 2019/2020 statistics in due course.
- 6.6 The total value of fraud concerns reported and then investigated by Internal Audit in 2019/2020 was immaterial. Three of these investigations have not been fully concluded as at 31 March 2020. 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.

- 6.7 In addition to the above investigative work, Internal Audit investigated matches in 2019/2020 of data supplied to Audit Scotland in October 2018 and January 2019 as part of 2018/2019 NFI exercise. A separate report on the outcomes of this exercise will be presented to RASC in September 2020 but, for the purposes of informing the annual opinion, the investigation of the target group of matches is almost complete and outcomes to date have been immaterial. All outcomes have been identified as relating to error and not fraud. Where appropriate, arrangements will be put in place to recover overpayments arising in line with the Council's debt recovery procedures.
- 6.8 A corporate fraud programme of work was also included in the 2019/2020 Audit Plan. Detailed below are the significant areas which were the subject of audit work in 2019/2020 along with a summary of the key findings from both:

Number	Assignment Name	Assurance
I343072	Use of SLC Vehicles	Requirement to refine and re-brief policy, retain full audit trails of decisions, undertake subsequent reviews of allocations and formalise monitoring arrangements. There was evidence that vehicles are being allocated based on a number of reasonable, common justifications; service provision where van and/or equipment cannot be met using pool vehicles; scheduled call out services and services with sustained/daily business trips. Resources should however be reviewing where vehicles are not consistently required and where call-out is not scheduled on a regular basis.
I678169	Debtors Control Account	Internal Audit found that the debtor's control account reconciliation was robust but did note that the year-end process needed improvement. These risks have now been addressed by revised year-end processes and procedures, developed (jointly) by Internal Audit and the Service and will be fully implemented during the 2019/2020 year-end process.

- 6.9 Internal Audit also monitors fraud alerts through internal and external sources and disseminates information as appropriate. In 2019/2020, the majority of the information shared with Council Resources related to fraudulent attempts to change bank details.
- 6.10 Investigative work was of relatively low value and volume during 2019/2020 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**

- 6.11 South Lanarkshire Council's best value report was published in March 2019 and during 2019/2020 work has been underway to implement recommendations and report on progress to Executive Committee.
- 6.12 An update was provided to the Performance and Review Scrutiny Forum in February 2020 in terms of progress with implementing these actions. This presented that there is good evidence that the majority of actions have been completed or have significantly

progressed. There remain a few which, although outstanding, are nearing completion, which has been impacted by the re-prioritisation of service delivery during the COVID 19 pandemic. This is specifically the case for actions due to be delivered in relation to Community Planning and engagement. A significant amount of work has been undertaken in these areas, but formal conclusion of this work has been delayed as a result of a focus on the coordination of shielding and wellbeing activities.

### **Area of Assurance – External regulators and inspectors**

- 6.13 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. During this process, Social Work Resources has highlighted poor outcomes of two recent inspections of Care at Home Services. In response to the key concerns highlighted, a number of actions are being undertaken. Internal Audit will contribute to the delivery of these actions if appropriate. Outwith this, 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, contributes to the preparation and development of the Governance Statement.
- 6.14 In July 2019, a revised approach to scrutiny coordination and shared risk assessment, at a strategic level, was set out by the Accounts Commission. The purpose of this was to improve scrutiny planning and coordination at a national level. The intention is that local external auditors will engage routinely with local authorities to discuss planned scrutiny activity and local risks. The National Scrutiny Plan was published in September 2019 and will be now be updated on a six monthly basis. For South Lanarkshire Council in 2019/2020, scrutiny activity was identified as being a joint inspection of services for children and young people in need of care and protection. A report on the outcome of this inspection is anticipated to be published in Spring 2020.
- 6.15 External Audit undertook the 2018/2019 financial audit during 2019/2020 and provided an unqualified opinion in relation to the Council's financial statements. Interim audit work in relation to the year ended 31 March 2020 is in progress and no significant issues have been raised to date. Internal Audit has liaised with External Audit periodically throughout the year and have provided specific assistance around the provision of financial year-end data to Audit Scotland.
- 6.16 Audit Scotland also publish reports throughout the year in relation to a variety of areas. Where Resources consider it appropriate, these are reported to Committees covering the key messages and their application to SLC. The Improvement Unit continues to track these reports and, in conjunction with Resources, establish the relevance to SLC and the appropriate route for reporting. From a review of this database, all of the reports have been considered in the year and key messages disseminated through briefing notes and/or reports to Committees and/or Forums. 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 2019/2020**

- 7.1 PSAIS places a responsibility for monitoring progress with the delivery of audit actions with the Chief Internal Auditor to ensure that recommendations are effectively implemented. Resources performance against agreed targets is monitored quarterly through IMPROVe. Council-wide, 96% of internal audit actions were delivered on time (and 98% in total when including those delivered late). Two actions remain



outstanding as at 31 March 2020 and will now be specifically followed up with Social Work Resources.

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.

7.3 Of the one hundred and fifteen audit actions that were due to be implemented in 2019/2020, 37% related to strengthening financial controls and a further 26% to either developing processes and procedures or ensuring that these are consistently applied. The application of robust of operational controls was the third most significant group of actions and represented 12% of total actions due in the year. 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.

## **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. This is of particular importance in the midst of the current COVID-19 pandemic and the resulting changes to business processes that have been required in response. 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 2019/2020, 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 2020 (see 3.5).**

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 Three based on the view of the Council's own internal audit function.

## **9. Employee implications**

9.1 The Internal Audit service in 2019/2020 was delivered by a team of ten. Of the team of ten, all 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 2019/2020 spent £495,391 against a budget of £478,460 (to period 14). The overspend was in relation to under-recovery of audit fee income and additional employee costs.

## **11. Future years**

- 11.1 The Council will continue to be subject to a range of nationally driven scrutiny activity during 2020/2021 alongside specific scrutiny activity as detailed above. Contingency time will be used to support preparation for such scrutiny if required during the year.
- 11.2 At the time of writing this report, the Council is undergoing a period of significant disruption to 'business as usual' impacting on both current service delivery and existing governance arrangements. From this has come a need for the development of emergency powers and revised decision-making arrangements. The Council has proven itself as able to respond to unprecedented circumstances and the pressures arising therefrom. Where required, Internal Audit has reviewed internal controls within new processes to ensure that these are proportionate and pragmatic within the context of time pressures to make a new service accessible to South Lanarkshire residents and businesses. In the recovery period that follows, there will be a need for Internal Audit to assess how its own service adapts and adopts the more effective working practices developed in response to the pandemic.
- 11.3 In conjunction with this, will be the continuation of the delivery of routine assurance work and the participation in corporate activity. Recent pressures have highlighted the need to invest time to fully develop data analytical tools to allow testing to be restricted and directed to key risk areas on a more 'real time' basis and, in doing so, allow further efficiencies to be realised.

## **12 Climate Change, Sustainability and Environmental Implications**

- 12.1 There are no specific climate change, sustainability or environmental implications arising from the information contained within this report

## **13. Other implications**

- 13.1 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.
- 13.2 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.

#### **14. Equality impact assessments and consultation arrangements**

- 14.1 There is no requirement to carry out an impact assessment in terms of the information contained within this report.
- 14.2 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 2020

#### **Link(s) to Council Values/Ambitions/Objectives**

- Achieve results through leadership, good governance and organisational effectiveness

#### **Previous References**

- 2019/2020 Internal Audit Plan (RASC 24 April 2019)

#### **List of Background Papers**

- 2019/2020 progress reports to the Risk and Audit Scrutiny Committee
- Figtree statistical and assurance and time recording extracts
- Public Sector Internal Audit Standards (revised)
- Fraud statistics and NFI updates

#### **Contact for Further Information**

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

Yvonne Douglas, Audit and Compliance Manager

Ext: 2618 (Tel: 01698 452618)

E-mail: [yvonne.douglas@southlanarkshire.gov.uk](mailto:yvonne.douglas@southlanarkshire.gov.uk)

At the time of presenting the Plan, two of the Council's identified top risks 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

These risks (or related risks) had been the subject of audits in recent years and covered by follow-up work in the appropriate year.

A further group of risks were not covered by the Plan on the basis that assurance could be placed on the work and output of other independent groups and/or workstreams:

<b>Risk</b>	<b>Area of Assurance</b>
Reduction in Council funding resulting in difficulties maintaining front line services	Structured programme of efficiency/savings reviews with formal output
Potential liability arising from claims of historic abuse	Attendance at internal Working Group tasked with managing and responding to Review enquiries
The Council is significantly affected by the impact of the UK leaving the European Union	Risk Management lead within South Lanarkshire Council with formal output
Information Governance not subject to adequate control	Information Governance Group tasked with managing with formal output
The Council fails to evidence delivery of actions necessary to achieve the objectives set out in the Integrated Joint Strategic Commissioning Plan	Annual statement of assurance separately provided to the Integrated Joint Board

One final top risk not covered by the Plan was in relation to:

- ◆ Increasing levels of adverse weather

The in-year review of the Council's top risks has not resulted in any significant changes other than the reintroduction of the 'death or significant harm to vulnerable clients' to the top risk register. This risk description has now been expanded to encompass child protection, adult protection and radicalisation of members of the community (protect and deter) and has been renamed 'public protection'.

**Workload in 2019/2020****Appendix Two**

The following assignments were deferred in year following presentation and approval by the Risk and Audit Scrutiny Committee:

<b>Assignment Number</b>	<b>Assignment Title</b>	<b>Reason</b>
I214089	Job Costing	Job costing work being concluded within other Council Service. The outcome of this work will inform the approach to similar planned audits in future years.
I342073	Nursery Admissions	System in early stages of development. Will be included in a future year's audit plan.
I533022	Financial System - Council Tax	Time has been used to review the sundry debtor reconciliation process and address an External Audit action in this area.
I541021	Digital Maturity Assessment	Level of progress has been made but deferring work to 2020/2021 would allow audit output to add more value.

## **Appendix Three**

### **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 2020.

### **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.

In March 2020, SLC systems and controls were impacted by the COVID-19 pandemic and the resulting requirement to amend governance arrangements and normal business operations in response to unprecedented circumstances. This event has tested SLC's risk management framework and has resulted in new ways of working to allow the Council to continue to deliver normal services in conjunction with a responsibility to be facilitators and administrators of new sources of central government funding and wider support mechanisms to the community at this time. Embedded within existing systems are controls that have been subject to change. The audit opinion expressed in this report relates to the period before these changed service delivery arrangements took effect.

### **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 2019/2020. 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 next external review is scheduled for 2022/2023.

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 2019/2020 (in the period before changed service delivery arrangements took effect as a result of the COVID 19 pandemic) .

### **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 2020.

***Signature:-***

**Yvonne Douglas BA CA**

**19 May 2020**

# Report

4

Report to: **Risk and Audit Scrutiny Committee**  
 Date of Meeting: **18 June 2020**  
 Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **Annual Governance Statement for 2019-2020 and  
Significant Governance Areas Quarter 4 Progress  
Report**

## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Provide the proposed Annual Governance Statement for 2019-2020, for inclusion in the Council's 2019-2020 Annual Accounts.

## 2. Recommendation(s)

2.1. The Risk and Audit Scrutiny Committee is asked to approve the following recommendations:-

- (1) that the Annual Governance Statement attached at Appendix 2, due to be included in the council's 2019-2020 Annual Report and Statement of Accounts, is approved;
- (2) that the CIPFA Better Governance Forum Audit Committee update on 'Developing an Effective Annual Governance Statement' attached as Appendix 3 is noted; and
- (3) that progress against the significant governance areas identified within the Annual Governance Statement 2018-19 attached at Appendix 4 is noted.

## 3. Background

- 3.1. Each year, the Council undertakes a comprehensive review of the governance arrangements that are required to support the Council's financial and operational controls. The annual review of governance arrangements informs the Governance Statement which is included within the Council's Annual Accounts.
- 3.2. Good Governance is underpinned by the principles contained in the Delivering Good Governance in Local Government and the guidance for Scottish Local Authorities which were published in December 2016. The framework was established by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). The Council's governance assurance framework is detailed at Appendix 1.
- 3.3. To achieve good governance, the Council should be able to demonstrate that its governance structures comply with the principles contained in the CIPFA/SOLACE framework (referred to as 'the framework' from here on) and should, therefore, develop and maintain a Local Code of Governance and governance arrangements reflecting these principles. The Council's Local Code of Corporate Governance is reviewed and re-published annually. Compliance with the Code is reviewed as part of the Annual Review of Governance arrangements and informs the Annual Governance Statement.

- 3.4. The Good Governance Group undertakes an annual review of the Council's governance arrangements through a programme of peer reviews and evaluations to share learning, best practice and ensure consistency in approach (where relevant) across Resources. At the end of the review period, an evaluation of the governance process is completed and arrangements revised, where relevant, in preparation for the next review.
- 3.5. Based on good practice highlighted by CIPFA in relation to the publication of Annual Governance Statements, a [Good Governance](#) page which provides links to relevant reports and documents is available on the Council's website.
- 4. Annual Governance Statement 2019-2020**
- 4.1. The Annual Governance Statement for 2019-2020 is attached at Appendix 2. Information on the COVID-19 pandemic governance arrangements has been added to Section 5 of the statement. This details the impact on the Council's governance arrangements and gives examples of the new ways of working which have been required to continue to provide service delivery and respond to the pandemic.
- 4.2. The CIPFA Better Governance Forum Audit Committee update on 'Developing an Effective Governance Statement' is attached as Appendix 3. This guidance, which was first developed in March 2018, is aimed at providing advice and support to Audit Committees in relation to their role in considering how effective the governance arrangements have been in the year and reviewing the Annual Governance Statement prior to approval and publication. The document includes a briefing on what an effective Annual Governance Statement looks like and the role the Audit Committee can play in supporting the annual review and production of the statement. The Committee is asked to note the contents of this document.
- 4.3. The following internal assurance opinions, which are also set out in Section 6 of the Governance Statement, were formed in the period before revised service delivery arrangements took effect as a result of the COVID-19 pandemic:-
- It is the opinion of the Council's Audit and Compliance Manager 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 2020.
  - It is the opinion of the Council's Risk Management Service that a good level of assurance can be placed on the council's strategic risk control environment and a good level of assurance can be placed on the council's operational risk control environment.
- 4.4. Section 7 of the AGS highlights "Significant Governance Areas" which were identified through the Horizon Scanning process and the Director's Statements of Assurance and the key actions that are being taken to address these during 2020-21. The Committee is asked to consider the areas detailed in the summary below. Comments have been added to show where this is new or has been carried forward from the previous statement:-



<b>Significant Governance Areas identified in 2019-20</b>	<b>Comments</b>
<b>COVID-19 pandemic</b> The council will continue to respond to matters arising from the COVID-19 pandemic	New area
<b>Brexit</b> Impact of the UK leaving the European Union on the council	Carried forward from 2019-20
<b>IT infrastructure</b> Migration of computer systems to an external provider	New area
<b>Cyber resilience</b> Compliance with legislative and regulatory policy	New area
<b>Participatory Budgeting</b> 1% of the council's budget will be subject to Participatory Budgeting	Carried forward from 2019-20
<b>Financial Challenges</b> Reduction in council funding, resulting in difficulties maintaining front line services	Carried forward from 2019-20
<b>GDPR</b> Compliance with the new General Data Protection Regulations (GDPR)	Carried forward from 2019-20
<b>Integrated Joint Board – Health and Social Care</b> The need for the council to deliver the objectives set out in the Integrated Joint Board (IJB) Strategic Commissioning Plan 2019-22	Carried forward from 2019-20
<b>Integrated Joint Board – Health and Social Care</b> The need for the council to deliver improvements within Care at Home to meet regulatory requirements	New area
<b>National expansion in early years education and childcare provision</b> The council is likely to face challenges in acquiring the necessary physical assets and staffing levels to meet the commitments by 2020	Carried forward from 2019-20
<b>Welfare Reform</b> Impact of Welfare Reform on council services	Carried forward from 2019-20
<b>Review of Community Planning</b> Provide support to the review of Community Planning arrangements	New area

- 4.5. The Committee is asked to note that the content of the Annual Governance Statement is subject to scrutiny by the External Auditor and, therefore, may change after approval. Also, as a result of the impact of the COVID-19 pandemic on the Council's governance arrangements further amendments may be required to record any other significant issues that are identified before the sign off of the Annual Accounts. However, the final Governance Statement will be re-submitted for approval with the final Annual Accounts.

## **5. Significant Governance Areas**

- 5.1. Progress on the significant governance areas highlighted within the Annual Governance Statement 2018-2019 is attached at Appendix 4.

## **6. Next Steps**

- 6.1. The Governance Team will review and update the Council's Local Code of Corporate Governance with the changes highlighted from the annual review of governance arrangements and report this to the Risk and Audit Scrutiny Committee.

6.2. The Good Governance Group will evaluate the governance review process and refine this in preparation for the 2020-2021 annual review of governance arrangements.

## **7. Employee Implications**

7.1. Officers will continue to attend the Good Governance Group and will commit time to review and monitor governance and assurance arrangements.

7.2. Officers will be assigned to lead on areas identified as improvement areas.

## **8. Financial Implications**

8.1. There are no financial implications directly associated with this report.

## **9. Climate Change, Sustainability and Environmental Implications**

9.1. There are no significant implications for climate change or sustainability in terms of the information contained in this report.

## **10. Other Implications**

10.1. The AGS will be subject to review by Audit Scotland as part of their consideration of the Council's Annual Report.

10.2. There are no significant issues in terms of risk associated with this report.

## **11. Equality Impact Assessment and Consultation Arrangements**

11.1. All Resources, through senior officers, are involved in the progress, monitoring and review of governance arrangements and the preparation of the Annual Governance Statement.

11.2. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.

**Paul Manning**

**Executive Director (Finance and Corporate Resources)**

1 June 2020

### **Link(s) to Council Objectives/Values**

♦ All Council Objectives and Values

### **Previous References**

♦ Good Governance 2019-20 Quarter 2 Progress report – 19 February 2020

### **List of Background Papers**

♦ None

### **Contact for Further Information**

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

Geraldine McCann, Head of Administration and Legal Services

Ext: 4516 (Tel: 01698 454516)

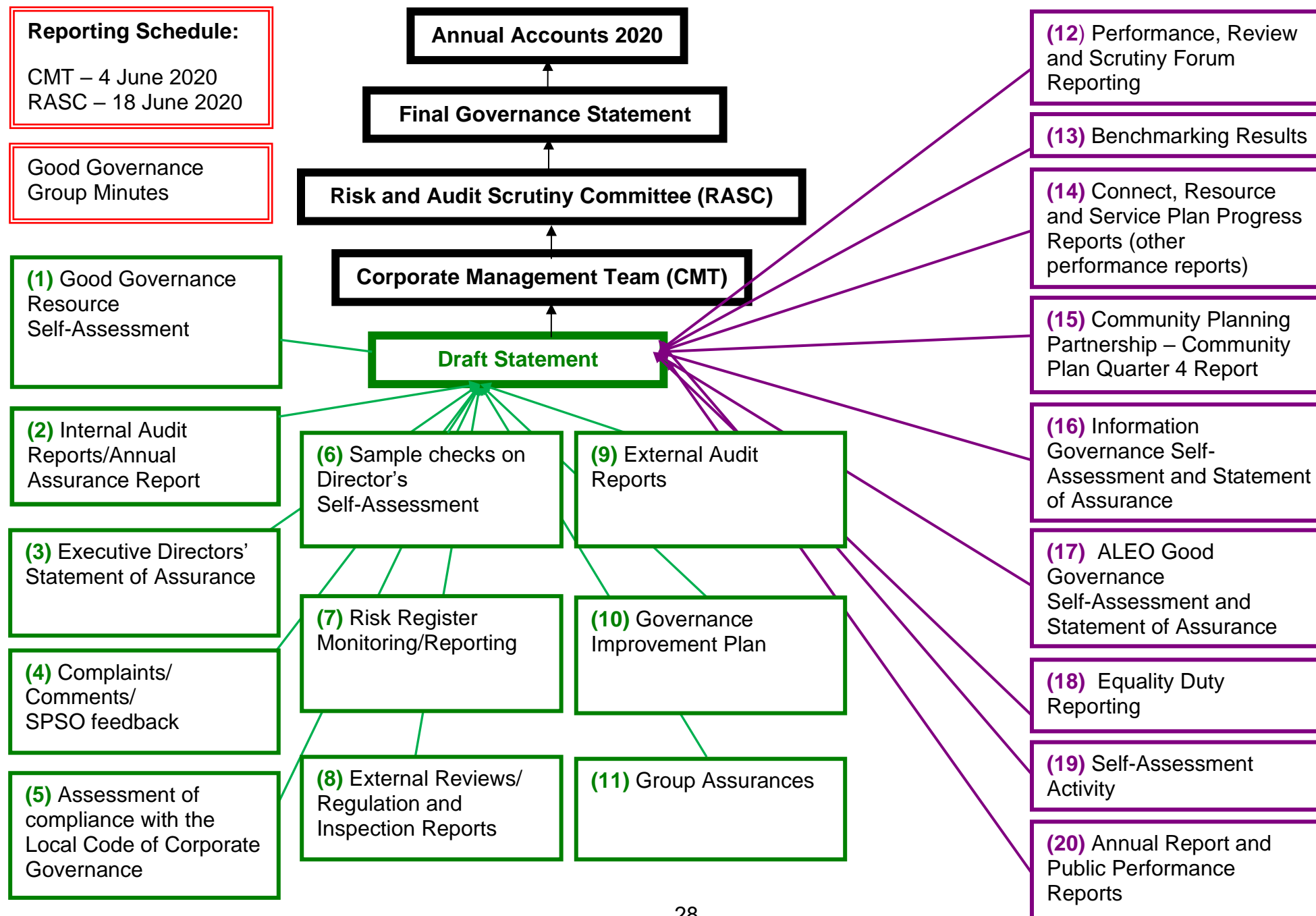
Email: [geraldine.mccann@southlanarkshire.gov.uk](mailto:geraldine.mccann@southlanarkshire.gov.uk)

or

Aileen Murray, Community Planning and Governance Adviser

Ext: 5884 (Tel: 01698 455884)

Email: [aileen.murray@southlanarkshire.gov.uk](mailto:aileen.murray@southlanarkshire.gov.uk)



## South Lanarkshire Council

## Annual Governance Statement 2019-20

## 4

**1. Scope of responsibility**

The residents of South Lanarkshire expect the council to conduct its business in a lawful and transparent way. In particular, the council has a duty to safeguard public money and account for it; and to continuously review and improve how its functions are discharged, focussing on the priorities of economy, efficiency and effectiveness.

The council is responsible for putting in place proper arrangements for the governance of its activities, facilitating the effective exercise of its functions including clear arrangements for the management of risk.

A [Local Code of Corporate Governance](#) (referred to as the “Code” from here on) has been approved and adopted. The Code is reviewed and updated annually and is consistent with the seven core principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) framework entitled ‘Delivering Good Governance in Local Government’.

This statement explains how the council has complied with the Code during 2019-20 and meets legislative requirements to include the Annual Governance Statement within the Annual Accounts.

**2. The purpose of the council**

The [Council Plan, Connect 2017-22](#) sets out the council’s vision, values and objectives and what difference this will make to the residents and communities of South Lanarkshire.

The council is also a statutory Community Planning Partner and the [Community Plan 2017-27](#) provides a common vision for the South Lanarkshire Community Planning Partnership and sets out how the partners aim to achieve that vision.

The council has set the framework for strong corporate governance by having a clear vision and values which are outlined in the diagram below:-



### 3. The purpose of the council's governance framework

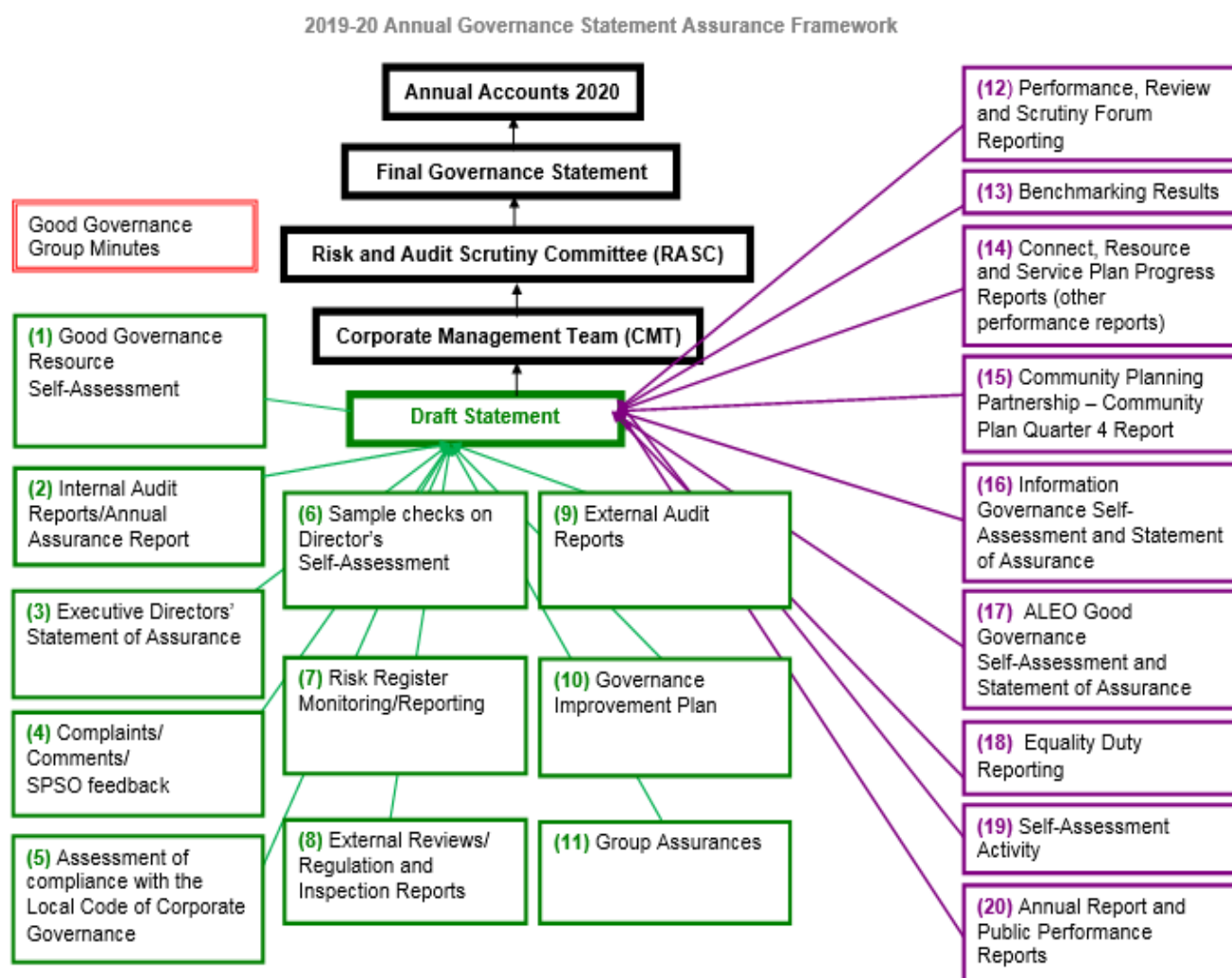
The governance framework comprises the culture, values, systems and processes by which the council is directed and controlled. It describes the way the council is accountable to communities. It enables the council to monitor the achievement of its strategic objectives and consider whether these objectives have led to the delivery of appropriate and cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's aims and objectives by evaluating the likelihood and potential impact of those risks being realised. This enables the council to manage risk efficiently, effectively and economically.

The governance framework has been in place at South Lanarkshire Council for the year ended 31 March 2020 and up to the date of approval of the Annual Report and Accounts.

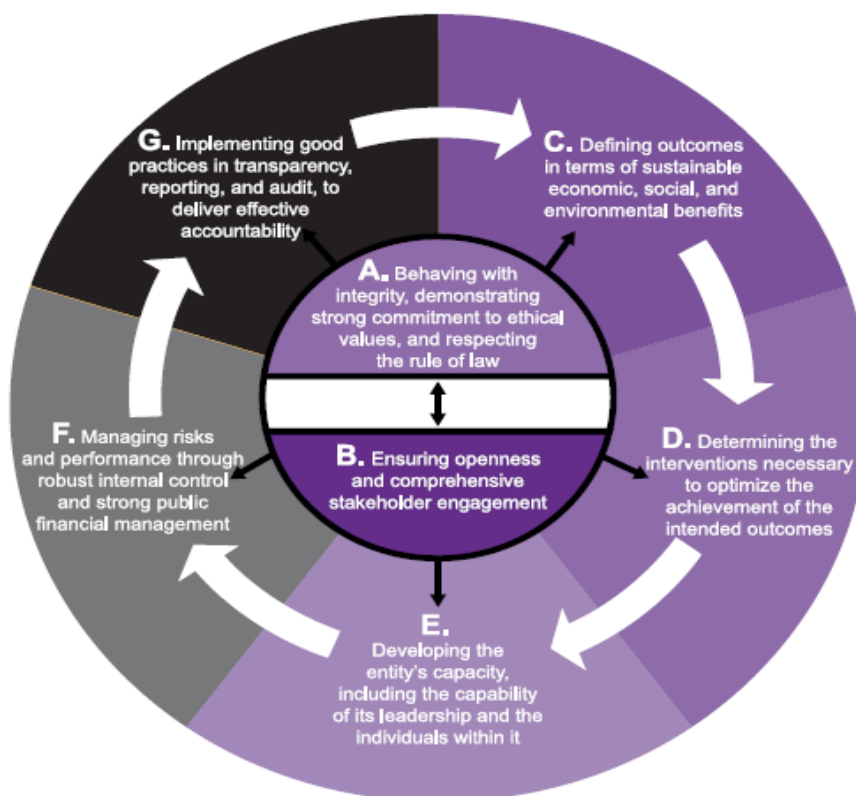
### 4. How the council monitors and evaluates the effectiveness of its governance arrangements?

The council annually reviews the effectiveness of its governance arrangements. The key sources of assurance that inform this review and underpin the statements made within this document are shown in the diagram below. This diagram is reviewed annually for completeness and during 2019-20 this was revised to formally include Information Governance.



## 5. Key elements of the council's governance assurance framework

The council aims to achieve good standards of governance by adhering to the seven national principles below, which form the basis of the council's Code. These principles are used each year to evaluate governance arrangements and identify areas for improvement.



The following table demonstrates how the council has complied with these principles and provides assurance as to how they are met. Significant elements of the systems and processes that comprise the council's governance arrangements and important changes/developments are described. Links to the key council documents referred to below can be found in Section 2 of the Code. The impact of the COVID-19 pandemic can be found at the end of this section.

<b>Principle A:</b> Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
<b>Links to council's values:</b>
<ul style="list-style-type: none"> <li>Accountable, effective, efficient and transparent; Working with and respecting others</li> </ul>
<b>How we do this:</b>
<ul style="list-style-type: none"> <li>The council's values and objectives provide clear direction to councillors and employees and are embedded in all policies and processes.</li> <li>Standards of conduct and integrity were promoted through the national Code of Conduct for Councillors and by the Standards and Procedures Advisory Forum.</li> <li>A revised Code of Conduct for Councillors was published and further awareness training was completed during May 2019. This is supplemented by role profiles which have a core accountability to maintain the highest standards of conduct.</li> <li>The employee Code of Conduct outlines standards of conduct and integrity and all breaches were investigated through the employee disciplinary process and the recommended actions taken.</li> <li>To support integrity in decision making, the council has a number of committee procedural documents including decision making protocols known as the Scheme of Delegation,</li> </ul>



terms of reference documents, standing orders on procedures and contracts and financial regulations.

- To ensure openness and transparency in decision making processes, all declarations of interest made by councillors at meetings were recorded and made available for public inspection.
- There are a range of policies such as the Counter Fraud, Bribery and Corruption Policy Statement and Strategy, Fraud Response Plan, Whistleblowing for Third Parties and Confidential Reporting procedures that are used to support a culture of ethical behaviour amongst employees and councillors. These policies were reviewed and updated during 2019 to ensure that they reflected best practice.
- The council responded to all reported cases concerning employees of suspected unethical behaviour and non-compliance with the law/policy.

#### **Principle B: Ensuring openness and comprehensive stakeholder engagement**

##### **Links to council's values:**

Accountable, effective, efficient and transparent; Fair, open and sustainable; Focused on people and their needs; Working with and respecting others

##### **How we do this:**

- To ensure transparency and openness in decision making processes, all committee and forum meetings (except the Standards and Procedures Advisory Forum) were open to the public and agendas, reports and minutes were published on the council's website and printed copies were available for public inspection.
- The [Committee Management Information System](#) allows members of the public to register and be notified when committee and forum papers are published. The system also facilitates the creation of [online petitions](#) to increase the potential reach of signatories.
- All committee/forum meetings are held in accessible venues and in the council's rural area, area committees are now held in different community venues across the area.
- The first public meetings of the Petitions Committee took place during 2019.
- The work of the council and key information from our partners is communicated regularly using a range of communication channels. The [South Lanarkshire View](#) pages on the council website provide a dedicated source of local information and news for communities. A variety of social media channels are used to communicate updates and share information.
- The council's Community Engagement Team continues their work to increase stakeholder engagement and involvement in decision making processes through the development of a further four new Community Planning Partnership Neighbourhood Plans which are aimed at improving outcomes and reducing inequalities.
- The Community Engagement Co-ordination Group maintained an overview of partnership community engagement activity. The work of this group is underpinned by the Community Engagement Framework.
- The council carried out 350 surveys and engagement activities with residents, employees and partners, and through the council's Citizens Panel to inform policy and service delivery. Further information on our surveys is published on the [council's website](#).
- To ensure inclusivity and help shape service delivery, the council co-ordinates regular engagement with targeted groups of people such as young people, older people, people with disabilities, black and ethnic minorities, etc. Groups considered items such as the budget consultation, rent setting and performance reporting.
- The [Participation Requests](#) and [Community Asset Transfer](#) processes support communities to engage with the council to improve local outcomes.
- The council's performance [Spotlights](#) which now link to additional performance information have simplified how the council reports annually to the public on what has been achieved and the [18 public performance reports](#) provide a comprehensive overview of service performance. These demonstrate the council's commitment to continuous improvement and achieving Best Value; summarise the progress that the council has made in meeting its objectives and how it is performing locally and nationally.



<ul style="list-style-type: none"> <li>• The council's Digital Inclusion Strategy 2020-23 sets out the actions that the council will take to assist those people who are unable to get online to access services digitally.</li> <li>• A comprehensive range of information on how the council operates is available on the website. The <a href="#">Freedom of Information Publication Scheme</a> ensures that key information about how the council works is accessible to the public.</li> </ul>
<b>Principle C:</b> Defining outcomes in terms of sustainable, economic, social and environmental benefits
<b>Links to council's values:</b> Accountable, effective, efficient and transparent; Fair, open and sustainable; Focused on people and their needs
<b>How we do this:</b>
<ul style="list-style-type: none"> <li>• The council has a Capital Strategy that has a long-term outlook on future capital investment (up to 2027-28). This document is underpinned by a suite of Asset Management Plans which are aligned with the council's objectives and focus on creating an efficient, fit-for-purpose and sustainable core estate that delivers best value in terms of investment, running costs and environmental impact.</li> <li>• The Council Plan 2017-22 and Community Plan 2017-27 have clearly defined economic, social and environmental outcomes to be delivered during the period.</li> <li>• Annual Resource Plans which deliver the objectives of the Council Plan were reviewed and updated. These plans outline the outcomes and actions to be achieved within the year and reference linkages with other key strategic plans of the council and partnership plans.</li> <li>• The Sustainable Development and Climate Change Strategy 2017-22 which sets out the council's strategic outcomes in terms of the council, environment and communities for sustainable development and climate change during the period was developed using the principles of the United Nation's Sustainable Development Goals.</li> <li>• A new Climate Change and Sustainability Committee was introduced to oversee the delivery of the Climate Change and Sustainable Development Strategy and the council's transition to net-zero greenhouse gas emissions.</li> <li>• Sustainability principles are embedded in procurement processes and in recognition of the importance of our suppliers in achieving the council's aim to become more sustainable.</li> <li>• Strategic Environmental Assessments (SEAs) were completed for all relevant council led policies, plans and strategies developed during 2019-20 and the council was recognised for good practice in a national SEA research publication.</li> <li>• The proposed <a href="#">South Lanarkshire Local Development Plan 2</a> is currently undergoing examination by a Reporter appointed by Scottish Ministers. The spatial strategy of the plan is to encourage sustainable economic growth and regeneration, a move towards a low carbon economy, protect the natural and historic environment and mitigate against the impacts of climate change.</li> <li>• A summary of the findings resulting from <a href="#">Equality Impact Assessments</a> of the council's key decisions on service users, communities and businesses have been published on the council's website.</li> <li>• Strategic decisions of the council have been subject to a Fairer Scotland Impact Assessment which considers how inequalities of outcome can be reduced.</li> </ul>
<b>Principle D:</b> Determining the interventions necessary to optimise the achievement of the intended outcomes
<b>Links to council's values:</b> Accountable, effective, efficient and transparent; Ambitious, self-aware and improving; Focused on people and their needs; Working with and respecting others
<b>How we do this:</b>
<ul style="list-style-type: none"> <li>• There is a standard approach to identifying savings across the council. The council's efficiency programme is overseen by the Senior Management Team. Frameworks are in</li> </ul>

place for holding discussions with key stakeholders. Savings achievements are monitored monthly and reported to the Senior Management Team quarterly.

- The Financial Strategy which is aligned with the council's objectives was updated during the year to reflect the latest internal and external influences. This plan sets out the assumptions in terms of commitments, grant funding and efficiency requirement and demonstrates sound financial management and the ability to address projected funding gaps.
- The annual budget setting consultations took place with members of the public, councillors, trade unions and employees to inform savings proposals. Work took place during 2019 to widen the reach of the consultation with members of the public. The budget is open to scrutiny and amendment by councillors until the approval of the final budget.
- The council's Performance Management Framework has ensured that progress against intended outcomes has been regularly reported to Management Teams; Committees; and the Performance and Review Scrutiny Forum. Decisions and actions to address performance issues have been taken and monitored to ensure that they have been effective.
- The review of performance reporting during 2019 has resulted in a simplified process with the number of measures reported in Resource Plans being reduced by 21% and the number reported against the Council Plan, Connect by 36%.
- The Public Bodies (Joint Working Act) sets out those Adult Care Services that are delegated to the Integration Joint Board (IJB). These services continue to be operationally delivered by the council in line with the strategic direction set out in the Strategic Commissioning Plan and annual IJB Directions.
- The council considers the specification and achievement of community benefits, which focus on the health, economic, social and environmental wellbeing of the South Lanarkshire area, when awarding contracts.

**Principle E:** Developing the entity's capacity, including the capability of its leadership and the individuals within it

**Links to council's values:**

Accountable, effective, efficient and transparent; Ambitious, self-aware and improving; Excellent employer; Focused on people and their needs; Working with and respecting others

**How we do this:**

- Senior Managers have overseen the annual scrutiny of the council's assets through the review of a suite of Asset Management Plans. Service Asset Management Plans have been developed in line with CIPFA guidance and these feed into the Corporate Asset Management Plan which outlines priorities and provides an overview of how the council has performed in this area.
- The council's Scheme of Delegation and Terms of Reference ensured that committees, officers and statutory officers were clear on the decisions that could be made within their area of authority. This is supplemented by councillor's role profiles which outline the key purpose, specific and core accountabilities for each role. These documents were updated and approved by Committee during 2019-20.
- Training requirements were identified and learning and development programmes were developed and offered to all councillors.
- The council continues to work with a range of public sector, business and academic partners to improve outcomes for those living and working in South Lanarkshire. Strategic Partnerships include the Community Planning Partnership and the Glasgow City Region City Deal.
- Each Resource reviews Workforce plans and related action plans to better understand workforce capacity issues, further challenges and opportunities to ensure that resources are in the right place, at the right time and people have the right skills. The council-wide Workforce plan 2020-23 was reviewed during 2019.
- The council recognises that skilled and motivated employees are a key asset. All employees have an annual performance appraisal which links to the council values and a

Personal Development Plan. The council offers a range of training interventions to support employee development.

- A survey of all council employees was undertaken during 2019 and the feedback will be used to develop improvement plans. 77% of those who responded said that they were generally satisfied with their job.
- In terms of the 2018-19 Local Government Benchmarking Framework results, the council is performing better than the Scottish average levels for almost half of the indicators. Comparisons against other councils showed a similar result. The results were analysed and an action plan was developed and will be monitored by the Senior Management Team.
- The council completed its annual self-assessment programme and progress of improvement activity was reported to the Senior Management Team and the Performance and Review Scrutiny Forum.
- The council has a robust complaints process which is underpinned by national complaints handling standards. Complaints performance was regularly reported to Senior Management and committee and [learning from complaints](#) which is integral to this process is also published on the council's website.
- A range of policies and activities are in place to support the Health and Wellbeing of employees including physical and mental health.

**Principle F:** Managing risks and performance through robust internal control and strong public financial management

**Links to council's values:**

Accountable, effective, efficient and transparent; Ambitious, self-aware and improving

**How we do this:**

- The council has put in place comprehensive arrangements for identifying, evaluating and controlling significant risks which threaten the council's ability to meet its objectives to deliver services to the public. There is also a robust process in place for compliance monitoring of the council's Risk Management Strategy, Resource Risk Registers and Control Plans.
- A full review of the Risk Management Strategy which clearly defines roles and responsibilities for councillors and employees was completed during 2019-20. A number of changes were made to reflect national best practice.
- The council's Internal Audit Service which complies with Public Sector Internal Audit Standards completed its annual programme of risk based audits with an objective of providing an opinion on the adequacy and effectiveness of the council's risk management, governance and internal control arrangements. Where improvements were required, action plans were developed and monitored and where necessary follow-up audit work completed.
- The Information Governance Board ensured regular scrutiny and the promotion of effective arrangements for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.
- The annual review of compliance with the council's Information Management Framework did not highlight any significant areas of concern.
- The system of internal financial control is based upon the Financial Regulations which set out the rules to ensure robust internal control over the council's finances. Control is maintained through regular management information, management supervision and a structure of delegation and accountability. External Audit of the council's accounts is robust and a "clean audit certificate" was issued for 2018-19.
- Through a well-established Performance Management Framework, the council has clearly defined processes in place for the identification, monitoring and reporting of its objectives to ensure continued effectiveness and the achievement of Best Value. Progress is monitored and reported regularly to both managers and councillors. This includes areas of under-performance and the related improvement actions.

- The new South Lanarkshire Charitable and Educational Trusts were approved by OSCR during December 2019 and arrangements are being made to transfer the assets. The new constitutions will ensure that these Trusts operate in a manner designed to benefit communities.
- The Executive Director of Finance and Corporate Resources is a member of the council's Senior Management Team and as such, is integral in all major decisions taken by the council, and in material matters which are submitted to councillors for decision. This involvement fulfils the expectation of CIPFA in terms of the role of the Chief Financial Officer.

**Principle G:** Fair, Open and Sustainable; Implementing good practices in transparency, reporting, and audit to deliver effective accountability

**Links to council's values:**

Accountable, effective, efficient and transparent; Ambitious, self-aware and improving; Working with and respecting others

**How we do this:**

- The Good Governance Group has completed the annual review of governance arrangements at resource level and in line with the CIPFA/SOLACE Delivering Good Governance Framework. Governance improvement actions have also been identified and are included in Resource/Service Action Plans. Progress against actions including those highlighted as significant governance areas for action will be reported to the Senior Management Team and committee.
- In the 2019 annual audit report, the external auditor concluded that the council in its annual governance statement discloses the extent to which the organisation complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016 published by CIPFA and SOLACE and highlighted this approach as good practice.
- All Directors completed their annual Statement of Assurance and one Director identified compliance issues.
- The council prepares and publishes an Annual Governance Statement which reflects on the adequacy and effectiveness of the council's governance arrangements. This is independently considered by External Audit and published with the Annual Accounts and separately on a dedicated [governance web page](#).
- The annual review of governance arrangements for the council's at Arm's Length External Organisation (ALEO) and key external service providers has not highlighted any areas for improvement.
- The annual review of the Local Code of Corporate Governance was completed and the revised Code was approved by committee and re-published on the council's website.
- Committee meetings were held in public and all agendas, reports and decisions were published (except those exempt under the Local Government (Scotland) Act 1973) on the council's website.
- The Risk and Audit Scrutiny Committee considered the adequacy and effectiveness of the council's governance arrangements and internal control environment and approved the Annual Governance Statement and Accounts.
- Outcomes from internal audit activity were reported to the Senior Management Team and to the Risk and Audit Scrutiny Committee.
- Outcomes from external audit and inspection activity is reported to the appropriate committee.
- The council's latest Best Value Assurance Review concluded that the "council performs very well, benefits from strong leadership, clear direction and displays many of the characteristics of best value". Significant progress has been made against the improvement action plan and progress has been reported to the Senior Management Team and the Performance and Review Scrutiny Forum.
- During 2019-20, the council were the subject of a joint inspection of services for children and young people in need of care and protection and are awaiting the outcome of this which has been delayed due to COVID-19.

## **COVID-19 Governance Arrangements**

During March 2020, the council's governance arrangements were impacted by the COVID-19 pandemic and the resulting requirement to amend governance arrangements and normal business operations in response to unprecedented circumstances.

This event has tested the council's Risk Management Framework and has expedited new ways of working to allow the council to continue to deliver normal services in conjunction with a responsibility to be facilitators and administrators of new sources of central government funding and wider emergency support mechanisms to the community at this time. Robust resilience arrangements and controls have been put in place to manage the impacts of the pandemic. However, it is recognised that the nature, scale and prolonged period of the issues arising from COVID-19 and its potential impacts present unprecedented challenges to the council.

There has been significant disruption to 'business as usual' impacting on both established service delivery and pre-existing governance arrangements.

The council has proven itself as able to respond to unprecedented circumstances and the pressures arising therefrom, not least as a Category One Emergency Responder. Where required, Internal Audit has reviewed internal controls within new processes to ensure that these are proportionate and pragmatic within the context of time pressures to make a new service accessible to South Lanarkshire residents and businesses.

As the council is unable to hold committee meetings in public, a temporary decision-making arrangement (as outlined in the council's Scheme of Delegation) was put into place to ensure that the business of the council continued. This arrangement means that council business is being considered by the Chief Executive in consultation with all political group leaders. To ensure transparency, committee reports have continued to be published ahead of the date of the scheduled committee, and a note on decisions taken is also published on the council's website on the day that the meeting was due to take place.

In terms of the council's capacity and capability to respond to the pandemic, a number of measures have been put in place at both a strategic and operational level. Key examples include: regular councillor/senior management meetings and briefings; new communication platforms and additional arrangements to support employees working from home; the redeployment of employees to support the operation of hubs for the children of key workers and a Community Wellbeing Helpline in parallel with the Shielding initiative to support those who are self-isolating or otherwise made vulnerable by the impacts of the pandemic; the delivery of community meals; and facilitating business and employability supports.

The council recognises the invaluable support received from partners, third sector providers and local people within our communities in responding to the pandemic which has further expanded the council's capacity to respond.

In the longer term, plans for returning to 'business as usual' and 'pandemic recovery' are currently in development and the latter will be a significant area of work for the council and has therefore been highlighted as such in Section 7 of this statement. The financial impacts on the council and the resulting loss of income during this period has been closely monitored. As the impacts of COVID-19 have continued into the current financial year 2020-21, these will be considered in more detail when preparing the Annual Governance Statement for 2020-21.



## 6. Review of Effectiveness

The review of governance arrangements for 2019-20 has also considered the following assurance outcomes:-

### Group Assurances

In respect of the Joint Boards, Charities and Companies that fall within the council's group boundary, the review of their internal financial control systems is informed by:-

- Annual Governance Statements included in the respective financial statements of the Joint Boards;
- Assurances from company directors and/or other senior company officials; and
- The work of the relevant bodies respective external auditors (and where relevant internal auditors) and other interim reports.

The Executive Director of Finance and Corporate Resources, the council's Chief Financial Officer, has considered the effectiveness of the group's internal financial control system for the year ended 31 March 2020. It is the Executive Director of Finance and Corporate Resources' opinion that reasonable assurance can be placed on its effectiveness.

### Internal Assurance

It should be noted that the following opinions were formed in the period before revised service delivery arrangements took effect as a result of the COVID-19 pandemic.

It is the opinion of the council's Risk Management Service that a good level of assurance can be placed on the council's strategic risk control environment and a good level of assurance can be placed on the council's operational risk control environment.

It is the opinion of the council's Audit and Compliance Manager 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 2020.

## 7. Significant Governance Areas

The **2018-19 Annual Governance Statement** identified 10 significant governance areas that the council were working to address. Progress updates can be found on the council's website; see the [\[add link to June RASC report\]](#). Of these areas, three have progressed and are now embedded in our processes, the other seven remain as significant areas of action for the council moving forward into 2020-21 and will continue to be monitored as such.

Through the 2019-20 annual governance review, the following areas which outline the actions being taken to address them have been identified as significant areas of work for the council during 2020-21. Seven of these actions have been carried forward from the 2018-19 statement:-

No.	Areas identified in 2019-20	Actions	Lead Officer
1	<b>COVID-19 pandemic</b> The council will continue to respond to matters arising from the COVID-19 pandemic	The council will continue to monitor national guidance; maintain ongoing resilience arrangements; and implement further measures as and when required in response to the pandemic.	Chief Executive

No.	Areas identified in 2019-20	Actions	Lead Officer
		<p>A recovery working group has been established with the remit to develop a council recovery plan for implementation.</p> <p>The plan will focus on the following four themes:-</p> <ul style="list-style-type: none"> <li>• Council Services;</li> <li>• Business Support;</li> <li>• Health and Social Care Partnership; and</li> <li>• Community Groups</li> </ul> <p>Corporate and Resource risk registers will continue to be monitored and updated to reflect national and local developments.</p>	
2	<p><b>Brexit</b></p> <p>Impact of the UK leaving the European Union on the council</p>	<p>The potential implications for the council in relation to:-</p> <ul style="list-style-type: none"> <li>• Funding and finance;</li> <li>• Workforce and employment;</li> <li>• Procurement and trade;</li> <li>• Legislation; and</li> <li>• Support to local businesses</li> </ul> <p>have been considered and the council will continue to closely monitor the situation with contingency arrangements being implemented where required.</p>	<p>Director of Finance and Corporate Resources</p>
3	<p><b>I.T Infrastructure</b></p> <p>Migration of computer systems to an external provider.</p>	<ul style="list-style-type: none"> <li>• Conduct procurement to identify and award contract for external hosting services.</li> <li>• Complete planning for migration of all computer systems from Caird Data Centre.</li> <li>• Complete preparatory work to set up new network hubs.</li> <li>• Commence move of IT systems to new provider.</li> </ul>	<p>Director of Finance and Corporate Resources</p>
4	<p><b>Cyber Resilience</b></p> <p>Compliance with legislative and regulatory policy</p>	<ul style="list-style-type: none"> <li>• Maintaining Public Sector Network (PSN) accreditation and instilling an ethos of ongoing compliance.</li> <li>• Continued compliance and accreditation to Cyber Essentials Plus.</li> <li>• Moving forward working towards the guidelines outlined within the Scottish Public Sector Cyber Resilience Framework.</li> <li>• Continued awareness training for all SLC staff around the area of Cyber Resilience.</li> </ul>	<p>Director of Finance and Corporate Resources</p>

No.	Areas identified in 2019-20	Actions	Lead Officer
5	<b>Participatory Budgeting</b>  1% of the council's budget to be subject to Participatory Budgeting	<p>By 2021 all Scottish councils are required to commit 1% of their budget to Participatory Budgeting (with the "council budget" being defined as the council's Total Estimated Expenditure (TEE) less Assumed Council Tax Income both taken from the Government's Finance Settlement).</p> <p>Councillor's awareness sessions have been conducted and a webinar made available for councillors.</p> <p>Further update reports will be submitted to committee.</p>	Director of Finance and Corporate Resources
6	<b>Financial Challenges</b>  Reduction in council funding, resulting in difficulties maintaining front line services	<p>The council faces a challenging situation in the medium to long-term because of reduced funding in real terms, rising costs and an increase in demand.</p> <p>The council has developed a long-term strategy which identifies budget pressures, future risks and uncertainties, and projects budget gaps to 2028-29.</p> <p>The Budget Strategy for 2021-22 will be updated and presented to councillors during autumn 2020.</p>	Director of Finance and Corporate Resources
7	<b>GDPR</b>  Compliance with the new General Data Protection Regulations (GDPR)	<p>GDPR came into effect on 25 May 2018. The council is progressing its GDPR action plan and has appointed a Data Protection Officer; approved an Information Security Policy; completed an information audit; and delivered internal and external training.</p> <p>The council is currently in the process of developing and implementing a new file plan system to provide a greater level of control over the management of all data held by the council. Stage One was completed December 2018 and Stage Two is ongoing and work is taking place to implement a case management system to be used by Councillors.</p> <p>Work is ongoing to improve performance relating to requests for information. An action plan has been developed and is being implemented. This is being monitored by the Senior Management Team.</p>	Director of Finance and Corporate Resources



No.	Areas identified in 2019-20	Actions	Lead Officer
8	<p><b>Integrated Joint Board – Health and Social Care</b></p> <p>The need for the council to deliver the objectives set out in the Integrated Joint Board (IJB) Strategic Commissioning Plan 2019-22</p>	<p>The current strategic direction set out and approved by the IJB is detailed within the Strategic Commissioning Plan. The council and NHS Board are required to deploy their resources in line with this strategic direction.</p> <p>The IJB issues Directions that set out the key actions to be delivered by the council during the year 2020-21 and these Directions were agreed by the IJB at its special budget meeting in March 2020.</p> <p>The council will provide progress updates against Directions for which it is the lead organisation.</p>	<p>Director, Health and Social Care, South Lanarkshire Health and Social Care Partnership</p>
9	<p><b>Integrated Joint Board – Health and Social Care</b></p> <p>The need for the council to deliver improvements within Care at Home to meet regulatory requirements</p>	<p>Following inspection activity in the latter half of 2019, the Care Inspectorate identified concerns in the delivery of Care at Home services in both the Hamilton and Rutherglen/Cambuslang services.</p> <p>Improvement plans have been devised and are being progressed by the services with progress overseen by a Programme Board. Regular updates on progress are provided to the Health and Social Care Partnership Senior Management Team; the council's Senior Management Team; the Social Work Committee; and the Integrated Joint Board.</p>	<p>Director, Health and Social Care, South Lanarkshire Health and Social Care Partnership</p>
10	<p><b>National expansion in early years education and childcare provision</b></p> <p>The council is likely to face challenges in acquiring the necessary physical assets and staffing levels to meet the commitments by 2020</p>	<p>The impact of the COVID-19 pandemic and the announcement by the Scottish Government to close all schools and educational settings from 20 March 2020 for an indefinite period will result in a delay in meeting the target dates for the full delivery of 1140 hours early learning and childcare by August 2020.</p> <p>COSLA have intimated to councils the extension given in legislation to the timeframe for the delivery of 1140 hours. This will be subject to review by the council in partnership with the Scottish Government.</p> <p>Strategic and operational plans are in place with key milestones identified in terms of infra-structure, financial, personnel, quality standards, training and</p>	<p>Director of Education Resources</p>

No.	Areas identified in 2019-20	Actions	Lead Officer
		recruitment and on consultation with partners and parents.  Regular reporting mechanisms are also in place with updates provided to committee including engagement with partner providers to increase private and third sector partnership.	
11	<b>Welfare Reform</b>  Impact of Welfare Reform on council services	Regular update reports on Welfare Reform are provided to the Senior Management Team (SMT), committee and the Community Planning Partnership (CPP) Board to ensure effective partnership working. During the year, a Welfare Reform Workshop was held with Partners and Third Sector Organisations. As a result, the Welfare Reform information provided to the SMT and the CPP Board and the membership of the Welfare Reform Group is being reviewed.  During 2020-21, the council will be looking at the structures and services used to support those affected by Welfare Reform.	Director of Finance and Corporate Resources
12	<b>Review of Community Planning</b>  Provide support to the review of Community Planning arrangements	During 2019, the Community Planning Partnership Board undertook a self-assessment of the current Community Planning arrangements. Improvement actions were later supplemented by the recommendations from the council's Best Value Assurance Review and a group has been set up to take these forward.  The review group will consider several key areas including structures, governance and accountability arrangements and the council will provide resources to support the group and the implementation of the agreed actions.	Director of Finance and Corporate Resources

## 8. Summary

The annual review of governance arrangements across the council and overall compliance with the council's Code demonstrate sufficient evidence that the Code's principles of Delivering Good Governance in Local Government operated effectively and that the council complies with its Code.

During 2020-21, steps will be taken to address the significant governance areas highlighted in this statement to further strengthen the council's governance arrangements and evidence our commitment to continuous improvement.

**John Ross**  
**Leader of the Council**

**Signature:**

**Date:**

**Cleland Sneddon**  
**Chief Executive**

**Signature:**

**Date:**

**Paul Manning**  
**Executive Director (Finance and Corporate Resources)**

**Signature:**

**Date:**



CIPFA Better Governance Forum

## Audit Committee Update

– helping audit committees to be effective

Developing an Effective Annual Governance Statement

March 2020

Dear Audit Committee Member,

In January 2010 we published the first issue of Audit Committee Update. The main topic was the audit committee's role in reviewing the internal audit plan, together with a summary of resources and guidance relevant to the committee. Since then we have published a total of 30 issues. Some topics have appeared more than once. For example, we came back to the topic of the internal audit plan in 2014 following the introduction of the *Public Sector Internal Audit Standards*.

It is interesting to look back at the topics and the themes included in the 'recent developments' sections. There is the impact of legislation and guidance on the audit committee, principally the Local Audit and Accountability Act 2014; new standards, such as the *Public Sector Internal Audit Standards* (2017) and *Delivering Good Governance in Local Government: Framework* (2016); CIPFA's research and guidance on audit committees and the results of our surveys, and updated position statements in 2013 and 2018.

Throughout we have tried to take a practical approach. Audit committee members are busy and therefore a short briefing is needed. We've tried to include key questions or action points for topics to help put knowledge into practice, and we've also added some practice development topics around self-evaluation and the role of the chair.

For this compendium I have selected a few of the articles that represent the last 10 years. Even those first published a few years ago are still relevant today.

CIPFA believes that audit committees have a valuable role to play in supporting good governance, strong public financial management and effective internal and external audit. These briefings are one of the ways in which we provide direct support to audit committee members.

All our resources for audit committees are signposted on the [CIPFA website](#), including the *Position Statement on Audit Committees in Local Authorities and Police 2018*.

Best wishes

Diana Melville  
Governance Advisor  
CIPFA

## Articles in this Compendium

Article	Date first published
Developing an Effective Annual Governance Statement	Issue 25, 2018

## Developing an Effective Annual Governance Statement

CIPFA and Solace introduced a new governance framework, *Developing Good Governance in Local Government: Framework* (the Framework), in April 2016, with seven new governance principles. By adopting the new Framework local authorities should be ensuring that their governance arrangements in practice are in accordance with the principles. The annual governance statement (AGS) is a mandatory requirement for local government bodies set out in statutory regulations (In England, the [Accounts and Audit Regulations 2015](#)). In essence, it is an accountability statement from each local government body to stakeholders on how well it has delivered on governance over the course of the previous year. The benchmarks that are used to make that statement are the principles in the Framework.

### What does the guidance say?

The guidance for the AGS is included along with the Framework and it builds on the previous requirements. In addition to the organisation acknowledging its responsibility for ensuring governance is effective, the AGS should:

- focus on outcomes and value for money
- evaluate against the local code and principles
- be in an open and readable style
- include an opinion on whether arrangements are fit for purpose
- include identification of significant governance issues and an action plan to address them
- explain action taken in the year to address the significant governance issues identified in the previous year's statement
- be signed by the chief executive and leading member in a council. The police and crime commissioner (PCC) and chief constable should sign theirs.

CIPFA has not established any 'set text' for authorities to use in acknowledging their responsibility for the governance framework. Many authorities have tended to use the original text from the 2007 guidance, but CIPFA has not included this in the latest guidance in order to encourage more flexibility.

### Who is the audience?

The AGS is prepared to account to your stakeholders and they are wide and varied. They include:

- local citizens
- local businesses
- partners
- Ministry of Housing, Communities and Local Government (MHCLG)
- external auditors, inspectorates and regulators.

In addition, it should also be a statement that is of value internally – to other members of the governing body and to staff.

### What makes a meaningful statement?

The most important way to make the statement meaningful is to ensure that it is an open and honest reflection of your governance and your current challenges. It has been known for the AGS to contain 'window dressing statements' to gloss over areas of poor performance or to fudge the effectiveness of interventions. Where that is the case, the AGS adds little value and doesn't build confidence in the leadership of the organisation. One of the key aspects of the AGS is the identification of areas for improvement and the associated action plan. Where these are done well the AGS becomes a meaningful tool for improving governance.

The AGS should also provide a clear evaluation against the principles of good governance and an opinion of whether the arrangements are fit for purpose or not. If the opinion is vague or not included then again the AGS does not send a clear message about accountability.

## **What can be done to make the statement more effective?**

Effectiveness of an AGS will be improved if it more successfully communicates the key messages. There are a number of approaches that some authorities have taken to make their AGS more effective:

- keeping it short and focused – where an organisation has an up-to-date local code that sets out their arrangements, then the AGS can make reference to that rather than repeat the detail
- using diagrams to explain key elements
- using colour or pictures to engage the reader.

Regardless of how well the AGS is written, it will not be effective if it is not regarded as important by those charged with governance and the leadership team.

## **What shouldn't we do?**

There are a number of pitfalls in preparing an AGS. These are some of the common ones:

- not ensuring that a range of perspectives support the AGS
- making it too long and wordy
- including too much description rather than evaluation
- omitting the opinion on whether the arrangements are fit for purpose or not
- not being explicit about the actions that will be taken to address the governance issues identified
- not accounting for action taken to address previous weaknesses.

## **How can the audit committee help?**

The audit committee can play a very valuable role in the development of the AGS and in the finished look of the statement. The committee should understand the process that has been undertaken to review governance and so should be able to see how the conclusions in the AGS have been arrived at. There should be no real surprises for the committee.

The committee can provide a valuable reality check for the draft document as well. Is it well written and clearly presented? Is the action plan adequate and realistic?

The committee can send an important message about the value and importance of the AGS, which will support those providing assurance to support its conclusions. Once the AGS has been approved, the committee can review progress in implementing the actions, so helping to ensure that the AGS is meaningful and is an effective tool for improvement in governance.



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Diana Melville  
CIPFA  
77 Mansell Street  
London  
E1 8AN  
[diana.melville@cipfa.org](mailto:diana.melville@cipfa.org)  
[www.cipfa.org](http://www.cipfa.org)

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## Significant Governance Areas Update as at Quarter 4 2019-20

4

No.	Areas identified in 2018-19/Lead Officer	Actions	Update
1	<p><b>Brexit</b></p> <p>Impact of the UK leaving the European Union (EU) on the council</p> <p><b>Lead Officer</b></p> <p>Director of Finance and Corporate Resources</p>	<p>The potential implications for the council in relation to:-</p> <ul style="list-style-type: none"> <li>• Funding and finance;</li> <li>• Workforce and employment;</li> <li>• Procurement and trade;</li> <li>• Legislation; and</li> <li>• Support to local businesses.</li> </ul> <p>have been considered and the council will continue to closely monitor the situation with contingency arrangements being implemented where required.</p>	<p>The council continues to monitor events closely and prepare for the UK's departure from the EU. Activity continues to take place in key areas such as procurement, people, regulation and resilience planning.</p> <p>In addition, the council is also widening the scope of its activity to include consideration of the support that would be provided to vulnerable communities in the event of a no-deal departure and signposting arrangements for the EU Settlement Scheme.</p>
2	<p><b>Best Value Assurance Review</b></p> <p>Changes to the council's governance and service delivery arrangements to deliver the improvement plan</p> <p><b>Lead Officer</b></p> <p>Director of Finance and Corporate Resources</p>	<p>During 2018-19, the council were subject to a Best Value Assurance Review (BVAR). The Assurance Report makes recommendations for improvement and the council has developed a plan to deliver these. During 2019-20, the council will begin the process of implementing the improvement plan including working with Partners to deliver the actions that fall within the remit of the Community Planning Partnership.</p>	<p>The BVAR improvement actions were agreed by the council on 26 June 2019 and were subject to regular monitoring and progress reported to the Performance and Review Scrutiny Forum.</p> <p>As at the end of March 2020, the majority of actions were complete or pending completion (14 out of 16), with the remainder having longer-term aspects continuing beyond this date.</p> <p>The council's response to COVID-19 has delayed the final stages of some areas of work, however the impact is mostly in relation to the formal reporting of progress to</p>

No.	Areas identified in 2018-19/Lead Officer	Actions	Update
			Elected Members.
3	<p><b>Mid-term review of committee procedural documents</b></p> <p>Changes to the council's governance arrangements in relation to committee decision making processes and procedures</p> <p><b>Lead Officer</b></p> <p>Director of Finance and Corporate Resources</p>	<p>A comprehensive review of the committee procedural documents has commenced. All councillors have been consulted and the process is being overseen by the Standards and Procedures Advisory Forum. The review will be concluded by December 2019.</p>	<p>The mid-term review of committee procedural documents is complete. A report was submitted to a special meeting of the council held on 13 February 2020.</p> <p>Revisions to the following were approved:-</p> <ul style="list-style-type: none"> <li>• Financial Regulations;</li> <li>• Scheme of Delegation;</li> <li>• Standing Orders on Contracts;</li> <li>• Terms of Reference for Area Committees, Executive Committee and South Lanarkshire Council; and</li> <li>• Some amendments to Standing Orders on Procedures.</li> </ul> <p>Consideration of some of the proposals in relation to the budget process were deferred to allow further discussion with the political/independent groups.</p> <p>The procedural documentation has been updated and published to the council's website.</p>
4	<p><b>Participatory Budgeting</b></p> <p>1% of the council's budget to be subject to Participatory Budgeting</p> <p><b>Lead Officer</b></p> <p>Director of Finance and Corporate</p>	<p>By 2020-21 all Scottish councils are required to commit 1% of their budget to Participatory Budgeting (with the "council budget" being defined as the council's Total Estimated Expenditure (TEE) less Assumed Council Tax Income both taken from the Government's Finance</p>	<p>A councillor's awareness session took place in February 2020 and a webinar for councillors is available in relation to this topic.</p> <p>A report seeking approval for the services that PB will be applied to will be presented to members of the Executive Committee when the council's committees return to</p>

No.	Areas identified in 2018-19/Lead Officer	Actions	Update
	Resources	<p>Settlement).</p> <p>Councillor's awareness sessions have been conducted and a report on Participatory Budgeting was presented to Executive Committee in May 2019.</p> <p>Further update reports will be submitted to committee.</p>	being fully operational.
5	<p><b>Financial Challenges</b></p> <p>Reduction in council funding, resulting in difficulties maintaining front line services</p> <p><b>Lead Officer</b></p> <p>Director of Finance and Corporate Resources</p>	<p>The council faces a challenging situation in the medium to long-term because of reduced funding in real terms, rising costs and an increase in demand.</p> <p>The council has developed a long-term strategy which identifies budget pressures, future risks and uncertainties, and projects budget gaps to 2028-29.</p> <p>The Budget Strategy for 2020-21 will be updated and presented to councillors during autumn 2019.</p>	<p>The Budget was approved by Council on 26 February 2020.</p> <p>Following the COVID-19 pandemic, the financial position going forward remains uncertain. The council will continue to monitor and report on the council's financial position as the impacts of this situation progress.</p>
6	<p><b>GDPR</b></p> <p>Compliance with the new General Data Protection Regulations (GDPR)</p> <p><b>Lead Officer</b></p> <p>Director of Finance and Corporate Resources</p>	<p>GDPR came into effect on 25 May 2018. The council is progressing its GDPR action plan and has appointed a Data Protection Officer; approved an Information Security Policy; completed an information audit; and delivered internal and external training.</p> <p>The council is currently in the process of developing and implementing a new file plan system to provide a greater level of control over</p>	<p>The planned stage two rollout of the councils new file plan system has been delayed due to the impact of COVID-19. However, this has been fully implemented in one resource and all other resources have implementation plans in place.</p> <p>The council is also implementing a new Councillors Case Management System allowing Councillors a greater</p>

No.	Areas identified in 2018-19/Lead Officer	Actions	Update
		<p>the management of all data held by the council. Stage One was completed December 2018 and Stage Two will be completed during 2019-20.</p> <p>During 2019-20 further actions to ensure compliance with GDPR will be undertaken:-</p> <ul style="list-style-type: none"> <li>• Employee training on “How Data Protection Works”; and</li> <li>• Replacement of the current Privacy Policy with a Data Protection Policy</li> </ul>	<p>level of control over the management of all cases. This has also been delayed as a result of COVID-19.</p> <p>Employee training on “How Data Protection Works” has been delivered and the new Data Protection Policy has been approved and communicated to all employees.</p> <p>In addition, a briefing note giving examples of breaches that have occurred in other organisations and the sanctions imposed on the organisation/employee concerned was issued.</p> <p>During 2019-20, each Resource undertook a review of its handling of requests for information and an action plan for each Resource was provided to the CMT on 2 April 2020.</p> <p>A council plan on handling requests for information has been prepared with standard letters for use by employees.</p> <p>In relation to COVID-19, this includes a recovery plan for post lockdown taking account of the emergency changes to legislation.</p> <p>This information has been communicated to employees through the employee intranet and the Resource FOI Contact Officers. The plan will be revised to take account of any further</p>

No.	Areas identified in 2018-19/Lead Officer	Actions	Update
			legislative changes.
7	<p><b>Integrated Joint Board – Health and Social Care</b></p> <p>The council will need to consider the implications from recent national reports and policy changes</p> <p><b>Lead Officer</b></p> <p>Director, Health and Social Care, South Lanarkshire Health and Social Care Partnership</p>	<p>The Integrated Joint Board members and other relevant stakeholders will participate in workshops to consider the current position in relation to the recommendations/policy changes, identify gaps and agree areas for improvement.</p> <p>A new Strategic Commissioning Plan 2019-22 has been approved by the IJB.</p> <p>Directions that set out the key actions to be delivered by the council during the year 2019-20 were issued on 31 March 2019.</p>	<p>A series of workshops have taken place with Board members and other relevant stakeholders.</p> <p>The latest session held in February 2020 covered a comprehensive update on the recent home care inspections for Hamilton and Rutherglen and the related improvement activity being progressed to improve the overall service delivery in both areas.</p> <p>The session also covered the detail of an Advice Note by the Standards Commission which highlighted the key areas of focus that IJB members should be aware of with regards to their decision-making role on the IJB. Both inputs were followed up by detailed discussions and further clarity of points raised.</p> <p>A comprehensive update on COVID-19 planning and progress was provided at the IJB meeting on 5 May 2020.</p>
8	<p><b>National expansion in early years education and childcare provision</b></p> <p>The council is likely to face challenges in acquiring the necessary physical assets and staffing levels to meet the commitments by</p>	<p>Strategic and operational plans are in place with key milestones identified in terms of infra-structure, financial, personnel, quality standards, training and recruitment and on consultation with partners and parents identified to deliver 1140 hours of early learning and childcare by</p>	<p>The plans to deliver 1140 hours of early learning and childcare places continues to be taken forward however this has been highlighted as an amber measure in the Education Resources risk register.</p> <p>The impact of COVID-19 and the announcement by the Scottish Government to close all schools and educational</p>

No.	Areas identified in 2018-19/Lead Officer	Actions	Update
	<p>2020</p> <p><b>Lead Officer</b></p> <p>Director of Education Resources</p>	<p>August 2020.</p> <p>Regular reporting mechanisms are also in place with updates provided to committee including engagement with partner providers to increase private and third sector partnership.</p>	<p>settings from Monday 23 March 2020 for an indefinite period has resulted in a delay in meeting the target dates for the full delivery of 1140 hours by August 2020. However the Scottish Government has granted an extension to this statutory requirement.</p> <p>Elected members and private partner service providers have been provided with briefings on the impact of COVID-19 on the 1140 hours programme.</p>
9	<p><b>Welfare Reform</b></p> <p>Impact of Welfare Reform on council services</p> <p><b>Lead Officer</b></p> <p>Director of Finance and Corporate Resources</p>	<p>Regular update reports on Welfare Reform are provided to the Senior Management Team (SMT), committee and the Community Planning Partnership (CPP) Board to ensure effective partnership working. During the year, a Welfare Reform Workshop was held with Partners and Third Sector Organisations. As a result, the Welfare Reform information provided to the SMT and the CPP Board and the membership of the Welfare Reform Group is being reviewed.</p> <p>During 2019-20, the council will be looking at the structures and services used to support those affected by Welfare Reform.</p>	<p>An update on the progress being made by Social Security Scotland was provided to committee during March 2020. This outlined the range of benefits being introduced, the associated timescales and the delivery of local services by the new benefits agency.</p> <p>A further report on the impact of Welfare Reform will be presented to the Community Planning Partnership Board when meetings return to being fully operational.</p>
10	<p><b>Child Poverty</b></p> <p>The council's contribution to meeting the national child poverty</p>	<p>A Child Poverty Lead Officer Group was established to draft the first Child Poverty Action Report (LCPAR). The council, NHS</p>	<p>Six months after the LCPAR was in place a progress report was produced.</p> <p>Areas for further development were identified from this</p>



No.	Areas identified in 2018-19/Lead Officer	Actions	Update
	<p>reduction targets as set out in the Child Poverty (Scotland) Act 2018 and the requirement to undertake new activity and a new approach to tackling child poverty.</p> <p><b>Lead Officer</b></p> <p>Director of Finance and Corporate Resources</p>	<p>Lanarkshire and South Lanarkshire Community Planning Partners have developed the first report for publication by 30 June 2019.</p> <p>Work is underway to deliver the Partnership's Child Poverty Action Plan for 2019-20.</p> <p>Feedback on the Local Action Reports will be provided by the new Poverty and Inequality Commission during 2019-20.</p>	<p>report; the feedback from staff and those with lived experience of poverty.</p> <p>A meeting between the Lead Officer group and the national co-ordinator for Child Poverty from the Improvement Service and positive feedback was received.</p> <p>Preparations have started for the production of the year two report, however, due to COVID-19 partners have transferred their operations to focus on the delivery of essential services therefore the final report for 2019-20 and the actions for 2020-21 have been delayed.</p> <p>Work is planned to start again at the end of June 2020. It is anticipated that the final report will be ready by September 2020.</p>



# Report

**5**

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>18 June 2020</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Unaudited Annual Accounts 2019/2020</b>
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## **1. Purpose of Report**

1.1. The purpose of the report is to:-

- ◆ advise members of the requirement to consider the unaudited Annual Accounts of the Council and related Charitable Trusts.

## **2. Recommendation(s)**

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

- (1) that the unaudited Annual Accounts of the Council and related Charitable Trusts to be submitted to Audit Scotland by the deadline of 30 June, be noted; and
- (2) that the financial risk due to COVID-19 (Section 6), be noted.

## **3. Background**

- 3.1. The Local Authority Accounts (Scotland) Regulations 2014 require the unaudited Accounts to be submitted to the External Auditor no later than 30 June. The Regulations also require elected members to consider the unaudited Accounts.
- 3.2. The Council's Terms of Reference deem that the Risk and Audit Scrutiny Committee will formally consider the unaudited Accounts prior to submitting them to the External Auditor and making them available for public inspection.
- 3.3. Due to the current COVID-19 lockdown, the Scottish Government has introduced an extension to the normal deadlines for submission of the unaudited Accounts. The Council, however, has chosen to complete the unaudited Accounts for submission by the original deadline of 30 June 2020.
- 3.4. As a result of current workload related to the coronavirus pandemic, only the main statements from the unaudited Accounts will be presented to the Risk and Audit Scrutiny Committee and a copy of the full unaudited Accounts will be e-mailed to all Elected Members following their submission to the auditor on 30 June 2020. This allows the Council to utilise the extra time available following this meeting, to complete the full set of Accounts for submission on 30 June, whilst still fulfilling the obligations of the Local Authority Accounts (Scotland) Regulations 2014. This approach has been agreed with the auditor as acceptable.
- 3.5. This report provides details of the Accounts enclosed for Members' consideration, being the Council's main statements (Section 4), as well as the related Charitable Accounts (Section 5). Section 6 highlights the financial implications of COVID-19.

#### **4. Unaudited Accounts - South Lanarkshire Council**

- 4.1. The Council's unaudited Accounts for 2019/2020 is a statutory document which details key information on the Council's expenditure and income for the financial year ended 31 March each year. The Annual Accounts show a number of statements including a Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves, Cash Flow and supplementary notes.
- 4.2. The Accounts include a reconciliation between the management information in the format reported to the Council's committees throughout the year (the Expenditure and Funding Analysis), and apply accounting entries in line with the CIPFA Code of Practice, to produce the statements detailed in 4.1.
- 4.3. As detailed in section 3.4 above, the main statements from the Annual Accounts are included in this report for consideration. These comprise the Expenditure and Funding Analysis, Comprehensive Income and Expenditure Account, Balance Sheet, Movement in Reserves Statement and Remuneration Report.
- 4.4. A report on the final outturn position on the Council's Revenue Budget is being presented to the Executive Committee on 24 June 2020 which seeks approval to transfer funds to reserves to meet future budget pressures and commitments.
- 4.5. The information contained in the unaudited Accounts (e-mailed to all Elected Members following submission to External Audit and available on the Council's website on 1 July 2020 for public inspection) takes into account the position reported in the Revenue Outturn report, and is, therefore, subject to the approval of the Executive Committee.
- 4.6. Following the audit of the Accounts across the summer months, the audited Annual Accounts will be brought back to this Committee in Autumn 2020, along with the External Auditor Members' report for formal approval and signature. Due to the impact of COVID-19, the Scottish Government has extended the normal audit deadline from 30 September to 30 November 2020. As a result, the date of the Committee to approve the audited Accounts has not yet been set and is dependent on External Audit timescales as they work to complete their other audit work over the summer months.
- 4.7. A copy of the unaudited Accounts will be circulated to all Elected Members following submission of the Accounts to the External Auditor on 30 June 2020.

#### **5. Unaudited Accounts – Charitable Trusts**

- 5.1. In addition to the unaudited Accounts for the Council, this Committee is also required to consider the accounts of the 3 related Charitable Trusts: South Lanarkshire Educational Trust, South Lanarkshire Council Charitable Trust and the East Kilbride Information Technology Trust. These accounts are attached for consideration and will be e-mailed to all Elected Members following submission to External Audit on 30 June 2020. They will also be available on the Council's website on 1 July 2020 for public inspection.
- 5.2. These audited Accounts will also be brought back for approval and signature in Autumn 2020 along with the External Audit Members' report.

#### **6. COVID-19**

- 6.1. The Accounts presented cover the period to the end of March 2020. This is just over a week after the lockdown was announced as a result of the global Coronavirus pandemic. While the costs incurred in 2019/2020 are not substantial, the full costs of

the lockdown exercise, the additional costs for services implemented by the Council during the lockdown, and the costs of the recovery process are likely to place a significant financial burden on the Council.

- 6.2. Current projections show that the Government funding received so far is insufficient to cover the estimated costs to the end of this financial year. As there is a lack of confirmation of any further support funding from the Government, the impact of COVID-19 presents a substantial financial risk to the Council. Reports will be presented to Committee on the budget impact going forwards.

## **7. Employee Implications**

- 7.1. There are no direct employee implications from this report.

## **8. Financial Implications**

- 8.1. There are no direct financial implications arising from this report, however, Section 6 details the financial risk to the Council, as a result of COVID-19.

## **9. Climate Change, Sustainability and Environmental Implications**

- 9.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

## **10. Other Implications**

- 10.1. The main risk associated with the Council and Charitable Annual Accounts is a qualified audit report. The risk has been assessed as low due to the detailed preparation in relation to the year-end process, technical training undertaken by key finance staff and the roll out of this to Resource finance staff as appropriate. Finance and Resources work together to achieve key deadlines and actions set from timetables.

- 10.2. There are no implications for sustainability in terms of the information contained in this report.

## **11. Equality Impact Assessment and Consultation Arrangements**

- 11.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore no impact assessment is required.
- 11.2. There is also no requirement to undertake any consultation in terms of the information contained in this report.

**Paul Manning**

**Executive Director (Finance and Corporate Resources)**

3 June 2020

## **Link(s) to Council Values/Ambitions/Objectives**

- ◆ Accountable, Effective, Efficient and Transparent

## **Previous References**

- ◆ None

**List of Background Papers**

- ◆ South Lanarkshire Council Annual Accounts 2019/2020 - Main Statements
- ◆ Charitable Trusts' Annual Accounts 2019/2020
- ◆ Financial Ledger 2019/2020 and associated working papers

**Contact for Further Information**

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

Lorraine O'Hagan, Finance Manager (Strategy)

Ext: 2601 (Tel: 01698 452601)

E-mail: [lorraine.o'hagan@southlanarkshire.gov.uk](mailto:lorraine.o'hagan@southlanarkshire.gov.uk)

### Expenditure Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the council (i.e. government grants, rents, fees and charges, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this

Expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. The segmental analysis in the Expenditure and Funding Analysis reflects the council's management structure, as reported to the relevant Committees during the financial year.

2018/2019				2019/2020		
Net Expenditure Chargeable to the General Fund and HRA Balance £000	Adjustments between the Funding and Accounting Basis Gross Income £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund and HRA Balance £000	Adjustments between the Funding and Accounting Basis Gross Income £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
115,771	22,279	138,050	Community and Enterprise Resources	110,864	30,667	141,531
308,444	4,069	312,513	Education Resources	338,546	(24,555)	313,991
34,127	5,317	39,444	Finance and Corporate Resources	34,616	6,843	41,459
			Housing and Technical Resources			
2,613	(9,039)	(6,426)	- Housing Revenue Account (HRA)	(240)	(5,507)	(5,747)
19,646	4,419	24,065	- Housing Other	16,950	7,488	24,438
153,990	11,913	165,903	Social Work Resources	166,858	16,523	183,381
2,363	-	2,363	Joint Boards	2,150	-	2,150
(340)	35,120	34,780	Corporate Items	1,460	770	2,230
-	130	130	Corporate and Democratic Core (HRA)	-	114	114
-	327	327	Non Distributed Costs - Non Operational Assets (HRA)	-	-	-
<b>636,614</b>	<b>74,535</b>	<b>711,149</b>	<b>Net Cost of Services</b>	<b>671,204</b>	<b>32,343</b>	<b>703,547</b>
(637,756)	(20,119)	(657,875)	Other Income and Expenditure	(654,481)	(37,418)	(691,899)
<b>(1,142)</b>	<b>54,416</b>	<b>53,274</b>	<b>(Surplus) or Deficit</b>	<b>16,723</b>	<b>(5,075)</b>	<b>11,648</b>

<b>General Fund £000</b>	<b>HRA £000</b>	<b>Total General Fund and HRA £000</b>		<b>General Fund £000</b>	<b>HRA £000</b>	<b>Total General Fund and HRA £000</b>
<b>(71,040)</b>	<b>(11,624)</b>	<b>(82,664)</b>	<b>Opening General Fund and HRA Balance</b>	<b>(82,785)</b>	<b>(9,011)</b>	<b>(91,796)</b>
(3,755)	2,613	(1,142)	Less/plus Surplus or Deficit on General Fund	16,963	(240)	16,723
(7,990)	-	(7,990)	Transfers to/from Other Reserves	(9,536)	(462)	(9,998)
<b>(82,785)</b>	<b>(9,011)</b>	<b>(91,796)</b>	<b>Closing General Fund and HRA Balance</b>	<b>(75,358)</b>	<b>(9,713)</b>	<b>(85,071)</b>



### Comprehensive Income and Expenditure Statement

This Comprehensive Income and Expenditure Statement shows the accounting cost in year of providing services in accordance with the generally accepted accounting practices, rather than the amount to be funded from taxation.

The Council raises taxation to cover expenditure in accordance with regulations. This may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2018/2019				2019/2020		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
167,516	29,466	138,050	Community and Enterprise Resources	181,640	40,109	141,531
332,843	20,330	312,513	Education Resources	347,417	33,426	313,991
126,043	86,599	39,444	Finance and Corporate Resources	119,511	78,052	41,459
			Housing and Technical Resources			
80,806	87,232	(6,426)	- Housing Revenue Account (HRA)	85,256	91,003	(5,747)
38,542	14,477	24,065	- Housing Other	71,115	46,677	24,438
364,069	198,166	165,903	Social Work Resources	394,363	210,982	183,381
2,363	-	2,363	Joint Boards	2,150	-	2,150
35,343	563	34,780	Corporate Items	2,781	551	2,230
130	-	130	Corporate and Democratic Core (HRA)	114	-	114
327	-	327	Non Distributed Costs - Non Operational Assets (HRA)	-	-	-
<b>1,147,982</b>	<b>436,833</b>	<b>711,149</b>	<b>Net Cost of Services</b>	<b>1,204,347</b>	<b>500,800</b>	<b>703,547</b>
-	6,106	(6,106)	Other Operating Expenditure	-	1,262	(1,262)
72,550	1,345	71,205	Financing and Investment Income and Expenditure	76,488	2,772	73,716
-	722,974	(722,974)	Taxation and Non-Specific Grant Income	-	764,353	(764,353)
<b>1,220,532</b>	<b>1,167,258</b>	<b>53,274</b>	<b>Deficit on Provision of Services</b>	<b>1,280,835</b>	<b>1,269,187</b>	<b>11,648</b>
		(66,172)	Surplus on Revaluation of Fixed Assets			(103,643)
		133,141	Re-measurement of the Net Defined Benefit Liability / (Asset)			(242,092)
		<b>66,969</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(345,735)</b>
		<b>120,243</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(334,087)</b>

## Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories:

- The first category of reserves are usable reserves, that is those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve can only be used to fund capital expenditure or repay debt)
- The second category of reserves is those that the council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example, the Revaluation Reserve), where amounts would only become available to provide services if assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2019 £000		31 March 2020 £000
3,032,209	Property, Plant and Equipment	3,204,001
3,826	Heritage Assets	3,826
179	Intangible Assets	129
2,018	Long Term Debtors	1,920
<b>3,038,232</b>	<b>Long Term Assets</b>	<b>3,209,876</b>
134,377	Short Term Investments	62,658
3,429	Inventories	3,580
57,762	Short Term Debtors	71,644
782	Current Intangible - Carbon Reduction Allowance	-
417	Assets Held for Sale	819
74,585	Cash and Cash Equivalents	89,348
<b>271,352</b>	<b>Current Assets</b>	<b>228,049</b>
(40,282)	Short Term Borrowing	(39,393)
(149,116)	Short Term Creditors	(162,191)
(239)	Contract Liability - IFRS15	(156)
(628)	Carbon Reduction Commitment Liability	-
(7,478)	Other Short Term Liabilities (PPP/Finance Lease)	(7,704)
(657)	Provisions	(521)
(1,891)	Receipts in Advance	(2,033)
<b>(200,291)</b>	<b>Current Liabilities</b>	<b>(211,998)</b>
(745)	Long Term Provisions	(704)
(1,035,433)	Long Term Borrowing	(1,005,540)
(201,447)	Other Long Term Liabilities (PPP / Finance Lease)	(193,743)
(546,720)	Other Long Term Liabilities (Pension)	(366,905)
<b>(1,784,345)</b>	<b>Long Term Liabilities</b>	<b>(1,566,892)</b>
<b>1,324,948</b>	<b>Net Assets</b>	<b>1,659,035</b>
117,908	Usable Reserves	103,369
1,207,040	Unusable Reserves	1,555,666
<b>1,324,948</b>	<b>Total Reserves</b>	<b>1,659,035</b>

### Movement in Reserves Statement

The statement shows the movement in the year on the different reserves held by the Council, analysed into 'useable' (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus (or deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory

amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfer to Earmarked Reserves line shows the Statutory General Fund Balance and the Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance	Housing Revenue Account	Repairs and Renewals	Insurance Fund	Capital Statutory Funds	Capital Receipts Reserve	<b>Total Useable Reserves</b>	Unusable Reserves	<b>Total Council Reserves</b>
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2019</b>	<b>82,785</b>	<b>9,011</b>	<b>6,929</b>	<b>3,278</b>	<b>10,496</b>	<b>5,409</b>	<b>117,908</b>	<b>1,207,040</b>	<b>1,324,948</b>
<u>Movement in Reserves during 2019/20</u>									
Surplus (or Deficit) on Provision of Services	(21,101)	9,453	-	-	-	-	(11,648)	-	(11,648)
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	345,735	345,735
<b>Total Comprehensive Expenditure and Income</b>	<b>(21,101)</b>	<b>9,453</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,648)</b>	<b>345,735</b>	<b>334,087</b>
Adjustments between accounting basis and funding basis under regulations	4,138	(9,213)	-	-	-	2,184	(2,891)	2,891	-
<b>Net Increase / (Decrease) before Transfer to Reserves</b>	<b>(16,963)</b>	<b>240</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,184</b>	<b>(14,539)</b>	<b>348,626</b>	<b>334,087</b>
Transfer To / (From) Reserves	9,536	462	(1,011)	(1,225)	(2,262)	(5,500)	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>(7,427)</b>	<b>702</b>	<b>(1,011)</b>	<b>(1,225)</b>	<b>(2,262)</b>	<b>(3,316)</b>	<b>(14,539)</b>	<b>348,626</b>	<b>334,087</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>75,358</b>	<b>9,713</b>	<b>5,918</b>	<b>2,053</b>	<b>8,234</b>	<b>2,093</b>	<b>103,369</b>	<b>1,555,666</b>	<b>1,659,035</b>

# Remuneration Report

## Remuneration Policy

### Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Officers of Scottish local authorities. Circular CO/150 sets the amount of salary for Chief Officers and the Chief Executive of South Lanarkshire Council for 2018/2019 to 2020/2021.

### Senior Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183) as amended most recently by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2019 (SSI 2019/23). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head (or Provost), Senior Councillors or Councillors. The Leader of the Council and the Civic head (or Provost) cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2019/2020 the salary for the Leader of the Council is £40,765. The Regulations permit the Council to remunerate one Civic Head or Provost. The regulations set out the maximum salary that may be paid to that Civic Head. The Council follows the regulations and pays a salary of £30,575 to the Provost.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors shall not exceed £456,416 (excluding the Leader and Provost). The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors up to a maximum of 19 and their salary within these maximum limits.

In 2019/2020, the Council had 18 Senior Councillors and the salary paid to these councillors totalled £433,394. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

In addition to the Senior Councillors of the Council the Regulations also set out the remuneration payable to councillors with the responsibility of a Convenor or a Vice-Convenor of a Joint Board. The Regulations require the remuneration to be paid by the Council of which the Convenor or Vice-convenor is a member. The Council is also required to pay any pension contributions arising from the Convenor or Vice-Convenor being a member of the Local Government Pension Scheme. The Council is reimbursed by the Joint Board for any additional remuneration paid to the member from being a Convenor or Vice-Convenor of a Joint Board.

## Audit Arrangements

All information disclosed in the tables numbered 1 to 6 in this Remuneration Report will be audited by the Council's auditors, Audit Scotland. The other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

Note 12 to the Accounts contains total payments made to all Councillors, and will be audited as part of the audit of the Financial Statements and supplementary Notes to the Accounts.

**Table 1 – General Pay Band Disclosure for Senior Employees**

<b>Annual Remuneration</b>	<b>2019/20 Number of Employees</b>	<b>2018/19 Number of Employees</b>
<b>50,000 – 54,999</b>	<b>331</b>	<b>168</b>
<b>55,000 – 59,999</b>	<b>172</b>	<b>84</b>
<b>60,000 – 64,999</b>	<b>138</b>	<b>52</b>
<b>65,000 – 69,999</b>	<b>42</b>	<b>22</b>
<b>70,000 – 74,999</b>	<b>16</b>	<b>1</b>
<b>75,000 – 79,999</b>	<b>4</b>	<b>1</b>
<b>80,000 – 84,999</b>	<b>1</b>	<b>10</b>
<b>85,000 – 89,999</b>	<b>6</b>	<b>9</b>
<b>90,000 – 94,999</b>	<b>8</b>	<b>8</b>
<b>95,000 – 99,999</b>	<b>14</b>	<b>2</b>
<b>100,000 – 104,999</b>	<b>3</b>	<b>-</b>
<b>110,000 – 124,999 (Note 1)</b>	<b>-</b>	<b>-</b>
<b>125,000 – 129,999</b>	<b>-</b>	<b>1</b>
<b>130,000 – 134,999</b>	<b>-</b>	<b>3</b>
<b>135,000 – 139,999</b>	<b>4</b>	<b>1</b>
<b>140,000 – 149,999 (Note 1)</b>	<b>-</b>	<b>-</b>
<b>150,000 – 154,999</b>	<b>1</b>	<b>-</b>
<b>155,000 – 159,999</b>	<b>-</b>	<b>-</b>
<b>160,000 – 164,999</b>	<b>-</b>	<b>1</b>

Note 1: These are merged pay bands covering more than £5,000 due to the fact that no employees fell into these bands in either financial year.

## Disclosure of Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Table 2 – Exit Packages

Exit package cost band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band					
							Cash Value	Notional CAY Value	Total	Cash Value	Notional CAY Value	Total
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2019/20	2019/20	2018/19	2018/19	2018/19
£0 - 20,000	-	-	-	-	-	-	-	-	-	-	-	-
£20,001 - £40,000	-	-	-	-	-	-	-	-	-	-	-	-
£40,001 - £60,000	-	-	-	-	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-	-	-	-	-
£100,001 - £150,000	-	-	1	-	1	-	24,109	125,053	149,162	-	-	-
>£150,000	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>1</b>	-	<b>1</b>	-	<b>24,109</b>	<b>125,053</b>	<b>149,162</b>	-	-	-
<b>Provision</b>	-	-	-	1	-	1	-	-	-	<b>24,109</b>	-	<b>24,109</b>
	-	-	-	<b>1</b>	-	<b>1</b>	-	-	-	<b>24,109</b>	-	<b>24,109</b>

The total cost of exit packages shown for 2019/2020 totals £0.149 million. In terms of the cash payments made, the £0.024 million was not included in the 2019/2020 Comprehensive Income and Expenditure Statement as the £0.024 million was provided for in the 2018/2019 Income and Expenditure Statement for the known leaver. Accounting guidelines also require the inclusion of an amount to represent the capitalised value of compensatory added years pension payments which will be made over future years. For non-teaching staff this totals £0.125 million, however, this has not been paid out by the Council in 2019/2020.

The table does not include any provisions as there are no known exit packages that relate to employees who will leave the Council in the coming year.

The annual salary costs of the employee detailed in the table who left during 2019/2020 totalled £0.087m. This saving will be used to contribute towards the Council's efficiency targets.

## Disclosure of Remuneration

The tables below provides details of the remuneration paid to the Council's Senior Employees and Senior Councillors and to the Chief Executive of Routes to Work South which is a subsidiary of South Lanarkshire Council. Comparative figures for 2018/2019 have been shown if they were in post at that time. We have also disclosed the remuneration of Councillors who hold Convenor and Vice-Convenor roles with Joint Boards. The Council pays the Councillor on behalf of the Joint Board for their role, and recovers these charges from the Joint Board. The annual return of Councillors' remuneration for 2019/2020 is available on the Council's website ([www.southlanarkshire.gov.uk](http://www.southlanarkshire.gov.uk)).

**Table 3 - Senior Officers**

Post	Salary / fees £	Taxable Expenses £	Compensation for loss of office £	Any other remuneration £	2019/20 Total £	2018/19 Total £
C Sneddon Chief Executive (From 6 January 2020)	37,281 (Full Year Equivalent 157,541)	-	-	-	37,281 (Full Year Equivalent 157,541)	n/a
L Freeland Chief Executive (To 23 September 2019)	88,988 (Full Year Equivalent 174,944)	-	-	-	88,988 (Full Year Equivalent 174,944)	162,383
P Manning Executive Director of Finance & Corporate Resources	154,286	-	-	-	154,286	137,058
V De Souza Executive Director of Health and Social Care (Note 1)	136,706	-	-	-	136,706	131,635
D Lowe Executive Director of Housing & Technical Resources	136,706	-	-	-	136,706	131,635
T McDaid Executive Director of Education Resources	136,706	-	-	-	136,706	129,833
M McGlynn Executive Director of Community and Enterprise Resources	137,540	-	-	-	137,540	131,635
L Purdie Chief Social Work Officer	103,372	-	-	-	103,372	94,417
2018/19 senior officers where post holders are no longer in post	-	-	-	-	-	-
<b>Total</b>	<b>931,585</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>931,585</b>	<b>918,596</b>

The senior employees included in the table include any local authority employee:

- Who has responsibility for management of the local authority to the extent that the person has power to direct or control the major activities of the authority (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other persons;
- Who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989; or
- Whose annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.

Note 1 While the Executive Director of Health and Social Care is contractually employed by the Council, a proportion of their total remuneration is funded by the South Lanarkshire Health and Social Care Partnership in respect of their role as Chief Officer of the Partnership.

**Table 4 - Senior Employees of the Council's Subsidiary Bodies**

Post	Salary / fees £	Taxable Expenses £	Compensation for loss of office £	Any other remuneration £	2019/20 Total £	2018/19 Total £
S Barr Chief Executive of Routes to Work South	67,848	-	-	-	67,848	63,409

**Table 5 - Remuneration of Senior Councillors and Convenors and Vice-Convenors of Joint Boards**

The table below shows the full year remuneration for all senior councillors in 2019/2020. This includes senior councillors who started or ended their role during the year.

Name and Post	Salary £	Taxable Expenses £	Compensation for loss of office £	Any other remuneration £	Total Remuneration 2019/20 £	Total Remuneration 2018/19 £
A Allison Opposition Leader - Conservative	23,122	-	-	-	23,122	22,493
J Anderson Community and Enterprise Resources Committee Chair	26,515	-	-	-	26,515	25,793
J Bradley Social Work Resources Committee Chair	26,515	-	-	-	26,515	25,793



W Brogan Opposition Leader - Labour (To 9 May 2018)	-	-	-	-	-	2,756  (Full Year Equivalent 25,793)
Depute Opposition Leader - Labour (From 10 May 2018 to 29 May 2019)	3,738  (Full Year Equivalent 23,122)	-	-	-	3,738  (Full Year Equivalent 23,122)	20,090  (Full Year Equivalent 22,493)
A Buchanan East Kilbride Area Committee Chair (From 21 November 2018)	20,861	-	-	-	20,861	7,283  (Full Year Equivalent 20,293)
M Chalmers Depute Leader of the Council	26,515	-	-	-	26,515	25,793
G Convery Depute Opposition Leader - Labour (From 30 May 2019)	19,448  (Full Year Equivalent 23,122)	-	-	-	19,448  (Full Year Equivalent 23,122)	n/a
P Craig Business Manager Majority Party	26,515	-	-	-	26,515	25,793

M Devlin Business Manager - Opposition (To 9 May 2018)	-	-	-	-	-	2,168  (Full Year Equivalent 20,293)
Business Manager - Opposition (From 19 September 2019)	11,145  (Full Year Equivalent 20,861)	-	-	-	11,145  (Full Year Equivalent 20,861)	n/a
M Donnelly Hamilton Area Committee Chair	20,861	-	-	-	20,861	20,293
I Dorman Planning Committee Chair (From 29 May 2019)	22,374  (Full Year Equivalent 26,515)	-	-	-	22,374  (Full Year Equivalent 26,515)	n/a
F Dryburgh Business Manager - Opposition (From 10 May 2018 to 10 August 2019)	7,544  (Full Year Equivalent 20,861)	-	-	-	7,544  (Full Year Equivalent 20,861)	18,125  (Full Year Equivalent 20,293)
J Fagan Opposition Leader – Labour (From 10 May 2018)	26,515	-	-	-	26,515	23,037  (Full Year Equivalent 25,793)

A Fulton Planning Committee Chair (To 28 May 2019)	4,213 (Full Year Equivalent 26,515)	-	-	-	4,213 (Full Year Equivalent 26,515)	25,793
R Lockhart Clydesdale Area Committee Chair	20,861	-	-	-	20,861	20,293
K Loudon Education Resources Committee Chair	26,515	-	-	-	26,515	25,793
I McAllan Provost	30,575	-	-	-	30,575	29,742
G Miller Finance and Corporate Resources Committee Chair	26,515	-	-	-	26,515	25,793
C Nugent Cambuslang and Rutherglen Area Committee Chair	20,861	-	-	-	20,861	20,293
J Ross Leader of the Council	40,765	-	-	-	40,765	39,655
D Shearer Licensing Committee Chair	20,861	-	-	-	20,861	20,293
C Stevenson Depute Provost	25,385	-	-	-	25,385	24,693
J Wilson Housing and Technical Resources Committee Chair	26,515	-	-	-	26,515	25,793
2018/2019 senior councillors where post holders are no longer in post	-	-	-	-	-	13,010
<b>Total</b>	<b>504,734</b>				<b>504,734</b>	<b>490,568</b>

<b>Councillors with Joint Board Responsibilities</b>						
L Hamilton Depute Convenor Lanarkshire Valuation Joint Board	20,748	-	-	-	20,748	20,183
2018/2019 councillors with joint board responsibilities where post holders are no longer in post	-	-	-	-	-	-
<b>Total</b>	<b>20,748</b>				<b>20,748</b>	<b>20,183</b>

The Council is reimbursed by Lanarkshire Valuation Joint Board for the additional remuneration that the Council paid to the member for being a Depute Convenor (equivalent to Vice Convenor) of the Joint Board.

The following recharges were made to Joint Boards for South Lanarkshire Council Councillors holding Convenor/Depute Convenor roles:

- Recharge to Lanarkshire Valuation Joint Board in 2019/2020 - £3,267 (2018/2019 - £3,190)

## Pension Rights

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

Councillors' pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

Local government employees had a final salary pension scheme prior to 1 April 2015. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. As of 1 April 2015, local government employees are now part of a defined benefit pension scheme worked out on a career average basis. Benefits built up are calculated using pensionable pay each scheme year, rather than final salary. All benefits built up prior to this date are protected.

From 1 April 2009, a five-tier contribution system was introduced with contributions from scheme members based on how much pay falls into each tier. This is designed to give more equality between the costs and benefits of scheme membership. Under The Local Government Pension Scheme (Scotland) Regulations 2014, the earnings ranges used to determine annual contribution rates are to be increased each year by any increase applied to pensions under the Pensions (Increase) Act 1971. In accordance with this the salary bands for 2018/19 were uprated by the Consumer Prices Index (CPI) increase for 2019/20.

The member contribution rates and tiers for 2019/2020 are shown below along with those that applied in 2018/2019:

Pensionable Pay	Contribution rate 2019/20	Pensionable Pay	Contribution rate 2018/19
On earnings up to and including £21,800	5.5%	On earnings up to and including £21,300	5.5%
On earnings above £21,800 and up to £26,700	7.25%	On earnings above £21,300 and up to £26,100	7.25%
On earnings above £26,700 and up to £36,600	8.5%	On earnings above £26,100 and up to £35,700	8.5%
On earnings above £36,600 and up to £48,800	9.5%	On earnings above £35,700 and up to £47,600	9.5%
On earnings above £48,800	12%	On earnings above £47,600	12%

From April 2015, if a person works part-time their contribution is based on their part-time pay. Prior to this, if a person worked part-time, their contribution rate was worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

From 1 April 2015, benefits are calculated on the basis of a revalued annual pension built up of 1/49<sup>th</sup> of pensionable pay each year, plus inflation to keep up with the cost of living. Prior to this date, the accrual rate guaranteed a pension based on 1/60<sup>th</sup> of final pensionable salary and years of pensionable service and prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> of final pensionable salary and years of pensionable service.

The value of the benefits has been calculated without exercising any option to commute pension entitlement into a lump sum and without any adjustment for the effects of future inflation

In those cases where members have transferred pension entitlements from previous employments, the pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, and not just their current appointment. It also reflects both employer and employee contributions.

**Table 6 – Pension Benefits: Senior Employees**

The Pension entitlement of Senior Employees for the year to 31 March 2020 are shown in the table below, together with the contribution made by the Council to each senior employees' pension during the year. The accrued pension benefit reflects both the employer and the employee contributions.

Name and Post Title	Accrued Pension Benefits to March 2020 £000		Movement in accrued pension benefits since 31 March 2019 £000	Pension Contribution made by council 2019/20 £	Pension Contribution made by council 2018/19 £
C Sneddon Chief Executive (From 6 January 2020)	Pension	66	n/a	6,267	n/a
	Lump Sum	112	n/a		
L Freeland Chief Executive (To 23 September 2019)	Pension	95	2	16,080	30,784
	Lump Sum	185	-		
T McDaid Executive Director	Pension	41	3	26,157	25,058
	Lump Sum	71	-		
M McGlynn Executive Director	Pension	61	5	26,165	25,405
	Lump Sum	103	3		
V De Souza Executive Director	Pension	47	4	26,165	25,405
	Lump Sum	64	2		
P Manning Executive Director	Pension	58	5	27,593	26,452
	Lump Sum	89	4		
D Lowe Executive Director	Pension	55	4	26,165	25,405
	Lump Sum	86	2		
L Purdie Chief Social Work Officer	Pension	43	4	19,608	18,223
	Lump Sum	72	5		
<b>Total</b>				<b>174,200</b>	<b>176,732</b>

All senior employees shown in the table above are members of the Local Government Pension Scheme (LGPS). Where employees have joined the Council but not transferred previous employment pension benefits into the Strathclyde Pension Fund the pension figures shown relate only to their current appointment, otherwise the figures shown relate to the benefits that the pension has accrued as a consequence of their total local government service including payments for election duties.

**Table 7 – Pension Benefits: Senior Employees of the Council’s Subsidiary Bodies**

Routes to Work South operates a defined contributions scheme for its employees. Accordingly, the only information to be provided in respect of its senior employees is the amount of any pension contributions made to that scheme by the subsidiary body.

Name and Post Title	Pension Contribution 2019/20 £	Pension Contribution 2018/19 £
S Barr Chief Executive of Routes to Work South	5,428	5,072

**Table 8 – Pension Benefits: Senior Councillors**

The Pension entitlement of Senior Councillors for the year to 31 March 2020 are shown in the table below, together with the contribution made by the Council to each senior councillors’ pension during the year. The accrued pension benefit reflects both the employer and the employee contributions.

Name and Post Title	Accrued Pension Benefits to March 2020 £000		Movement in accrued pension benefits since 31 March 2019 £000	Pension Contribution made by Council 2019/20 £	Pension Contribution made by Council 2018/19 £
A Allison Opposition Leader Conservative	Pension Lump Sum	1 -	- -	4,463	4,341
J Anderson Community and Enterprise Resources Committee Chair	Pension Lump Sum	5 2	- -	5,117	4,978
J Bradley Cambuslang and Rutherglen Area Committee Chair	Pension Lump Sum	1 -	- -	5,117	4,978
W Brogan Opposition Leader - Labour (To 9 May 2018)	Pension Lump Sum	5 1	1 -	721	4,409
Depute Opposition Leader - Labour (From 10 May 2018 to 29 May 2019)					

A Buchanan East Kilbride Area Committee Chair (From 21 November 2018)	Pension Lump Sum	4 1	- -	4,026	1,406
M Chalmers Depute Leader of the Council	Pension Lump Sum	2 -	1 -	5,117	4,978
P Craig Business Manager Majority Party	Pension Lump Sum	5 1	1 -	5,117	4,978
M Devlin Business Manager - Opposition (To 9 May 2018)  Business Manager - Opposition (From 19 September 2019)	Pension Lump Sum	3 -	1 -	2,151	418
I Dorman Planning Committee Chair (From 29 May 2019)	Pension Lump Sum	3 -	1 -	4,318	n/a
F Dryburgh Business Manager - Opposition (From 10 May 2018 to 10 August 2019)	Pension Lump Sum	1 -	- -	1,456	3,498
J Fagan Opposition Leader - Labour (From 10 May 2018)	Pension Lump Sum	1 -	- -	5,117	4,446
A Fulton Planning Committee Chair (To 28 May 2019)	<i>Pension Lump Sum</i>	1 -	- -	813	4,978
K Loudon Education Resources Committee Chair	Pension Lump Sum	2 -	- -	5,117	4,978



I McAllan Provost	Pension Lump Sum	2 -	- -	5,901	5,740
G Miller Finance and Corporate Resources Committee Chair	Pension Lump Sum	3 -	- -	5,117	4,978
J Ross Leader of the Council	Pension Lump Sum	3 -	1 -	7,868	7,653
D Shearer Licensing Committee Chair	Pension Lump Sum	7 7	1 -	4,026	3,917
C Stevenson Depute Provost	Pension Lump Sum	1 -	- -	4,899	4,766
2018/19 senior councillors where post holders are no longer in post or are no longer a member of a pension fund					2,511
<b>Total</b>				<b>76,461</b>	<b>77,951</b>

<b>Councillors with Joint Board Responsibilities</b>					
L Hamilton Depute Convenor Lanarkshire Valuation Joint Board	Pension Lump Sum	3 -	1 -	4,004	3,884
<b>Total</b>				<b>4,004</b>	<b>3,884</b>

All senior Councillors shown in the table above are members of the Local Government Pension Scheme (LGPS). The pension figures shown relate to the benefits that the pension has accrued as a consequence of their total local government service and not just their current appointment.

The Council is reimbursed by the Joint Board for the additional pension contributions paid by the Council for the Depute Convenor (equivalent of Vice-Convenor) of such a Joint Board.

The following recharges were made to Joint Boards for South Lanarkshire Council Councillors holding Depute Convenor roles:

Recharge to Lanarkshire Valuation Joint Board in 2019/2020 - £630 (2018/2019- £616)

## Trade Union Facility Time

In addition to the regulation governing Senior Employees and Councillors, the Trade Union (Facility Time Publication Requirements) Regulations 2017, which apply from 1 April 2017, require public sector employers to collect and publish a range of information on trade union facility time in respect of their employees who are Trade Union Representatives. The figures below cover the period 1 April 2019 to 31 March 2020 and include employees of South Lanarkshire Council, South Lanarkshire Leisure and Culture, SEEMIS and Lanarkshire Valuation Joint Board.

### Relevant Trade Union Officials

Number of employees who were relevant union officials during the relevant period	216
FTE Employee Number	204.30

### Percentage of Time Spent on Facility Time

% Time	Number of Representatives
0%	85
1% - 50%	124
51% - 99%	2
100%	5

### Percentage of Pay Bill Spent on Facility Time

Total cost of facility time	£503,735
Total pay bill	£543,723,414
Percentage of the total pay bill spent on facility time	0.09%

### Paid Trade Union Activities

Time spent on paid Trade Union activities as a percentage of total paid facility time hours	9.09%
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The Trustees present their annual report together with the financial statements and Independent Auditors' report for the year ended 31 March 2020.

## Reference and Administration Information

<b>Charity Name:</b>	South Lanarkshire Council Educational Trusts
<b>Charity Number:</b>	SC028135
<b>Principal Office:</b>	Finance Services Council Offices Almada Street Hamilton ML3 0AA
<b>Current Trustees:</b>	Finance and Corporate Resources Committee, South Lanarkshire Council
<b>Independent Auditors:</b>	Audit Scotland

## Structure, Governance and Management

### Governing Document

South Lanarkshire Council Educational Trusts comprises 18 Charitable Trust Funds / Bequests established under previous local authorities. Each Trust Fund / Bequest is restricted for the purpose which it was set up.

### Appointment of Trustees

The trustees of the charities are elected members (Councillors) of South Lanarkshire Council. Trustees are appointed through their election to the Finance and Corporate Resources Committee of South Lanarkshire Council.

### Organisational Structure

The trustees delegate the day to day administration of the charities to officers of the Council through the Scheme of Delegation as approved by South Lanarkshire Council on 18 May 2017.

The trustees (as elected members of the Council) meet to consider and approve the Annual Accounts for South Lanarkshire Council which includes the financial statements for all South Lanarkshire Council Trust Funds. An annual report on Governance of Trust Funds is presented to the Finance and Corporate Resources Committee. This report details expenditure for the preceding financial year.

### Related Parties

Trustees hold this position because they are elected members of South Lanarkshire Council. South Lanarkshire Council provides administration services to the Trust.

### **Risk Management**

It is recognised that there is a risk that the funds of the Trusts are not used for the purpose that they were intended. To mitigate this risk, the governance arrangements in place ensure that the Finance and Corporate Resources Committee are advised of the balance and distribution of funds. In addition OSCR also receive an annual report on the Trusts and their purpose.

### **Management of Funds and Investment Policy**

The trustees rely upon the expertise of South Lanarkshire Council to manage the investments to ensure the maximum return at least risk to the charity is achieved.

The funds of the charity are held with South Lanarkshire Council. The interest received from South Lanarkshire Council and HM Treasury is shown in the Statement of Receipts and Payments.

### **Trustee Indemnity Insurance**

No such insurance has been taken out.

### **Reorganisation of South Lanarkshire Council Trust Funds**

To ensure that funds can be used to benefit residents of South Lanarkshire, a scheme of amalgamation and rationalisation has been approved by trustees (members) and is currently in the process of being formally adopted by the Office of the Scottish Charity Regulator (OSCR).

This amalgamation and rationalisation will simplify trusts and make funds more readily accessible to current and future potential beneficiaries.

### **Objectives and Activities**

The objectives of the funds are mainly to provide prizes for school prize givings. Many of the bequests relate to certain areas within South Lanarkshire Council and the schools within those catchment areas. A few of the bequests may be used to support educational projects during the school year, if meeting the specific requirements of the bequests.

### **Achievements and Performance**

During the year to 31 March 2020, the charity paid out grants totalling £3,910 (2018/2019: £4,000).

## **Financial Review**

### **Overview**

Income during 2019/2020 came from interest calculated on the Trust Funds' revenue balances of £908 (2018/2019: £692).

The trust held cash and bank balances of £131,853 (2018/2019: £135,475) as at 31 March 2020.

### **Reserves Policy**

The trusts are managed in order to allow the full potential benefit of the trusts to be realised. By ensuring distributed funds are of sufficient value to make a beneficial impact to recipients, there may be some erosion of capital. The Reserves of the Trust will be used in line with the specific requirements of the Trust.

### **Donated Services**

South Lanarkshire Council provides its services for no charge.

### **External Audit**

The auditor with responsibility for the audit of the accounts of South Lanarkshire Council Educational Trusts for the year ended 31 March 2020 is:

Audit Scotland  
4<sup>th</sup> Floor  
102 West Port  
Edinburgh  
EH3 9DN



South Lanarkshire Council Educational Trusts  
Trustees' Annual Report – for the year ended 31 March 2020

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**Donated Services**

South Lanarkshire Council provides its services for no charge.

**Declaration**

The trustees declare that they have approved the trustees' report above.

Signed on behalf of the charity's trustees

**Signature(s):**

**Full Name(s): COUNCILLOR GLADYS MILLER**

**Position: CHAIR OF FINANCE AND CORPORATE RESOURCES  
COMMITTEE**

**Date: 18 JUNE 2020**

South Lanarkshire Council Educational Trusts  
Statement of Receipts and Payments for the year ended 31 March 2020

	Note	Unrestricted Funds	Restricted Funds	Expendable Endowment Funds	Permanent Endowment Funds	Total Funds (current year)	Total funds (last year)
		£	£	£	£	£	£
<b>Receipts</b>							
Grants and Donations	4	-	-	-	-	-	-
Income from investments other than land and buildings	5	-	908	-	-	908	692
<b>Sub Total</b>		-	<b>908</b>	-	-	<b>908</b>	<b>692</b>
<b>Receipts from Assets and Investments sales</b>							
Proceeds from sale of investments	5	-	0	-	-	0	0
<b>Sub Total</b>		-	<b>0</b>	-	-	<b>0</b>	<b>0</b>
<b>Total Receipts</b>		-	<b>908</b>	-	-	<b>908</b>	<b>692</b>
<b>Payments</b>							
External Audit Fee	7	-	620			620	573
Grants and Donations	4	-	3,910	-	-	3,910	4,000
<b>Total Payments</b>		-	<b>4,530</b>	-	-	<b>4,530</b>	<b>4,573</b>
<b>Net (Payments) / Receipts</b>		-	<b>(3,622)</b>	-	-	<b>(3,622)</b>	<b>(3,881)</b>
<b>Surplus / (Deficit) for the year</b>		-	<b>(3,622)</b>	-	-	<b>(3,622)</b>	<b>(3,881)</b>



South Lanarkshire Council Educational Trusts  
Statement of Balances as at 31 March 2020

	Note	Unrestricted Funds	Restricted Funds	Expendable Endowment Funds	Permanent Endowment Funds	Total Funds (current year)	Total funds (last year)
		£	£	£	£	£	£
<b>Cash and Bank Balances</b>							
Opening Balance		-	135,475	-	-	135,475	139,401
Deficit shown on receipts and payments account		-	(3,622)	-	-	(3,622)	(3,926)
<b>Closing Balance</b>		-	<b>131,853</b>	-	-	<b>131,853</b>	<b>135,475</b>
<b>Investments</b>							
Market Value of Investments in South Lanarkshire Council		-	-	-	-	-	-
Market Value of Government Bonds		-	-	-	-	-	-
<b>Total Investments</b>		-	-	-	-	-	-

Signed on behalf of the charity's trustees

**Signature(s):**

**Full Name(s):** COUNCILLOR GLADYS MILLER

**Position:** CHAIR OF FINANCE AND CORPORATE RESOURCES  
COMMITTEE

**Date:** 18 JUNE 2020



**1. Basis of Accounting**

These financial statements have been prepared on the Receipts and Payments basis in accordance with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

**2. Fund Accounting**

Restricted funds are those funds that can only be applied for particular purposes.

**3. Taxation**

The charity is not liable to income or capital gains tax on its charitable activities.

**4. Grants and Donations**

In the year to 31 March 2020, no donations were received. In the year to 31 March 2020, grants amounting to £3,910 (2018/2019: £4,000) were made to 13 different establishments (2018/19: 1 establishment).

**5. Trustee Remuneration, Expenses and Related Party Transactions**

- No remuneration or expenses were paid to charity trustees or persons connected to a trustee during the year.
- The trust received interest of £908 (2018/2019: £692) from South Lanarkshire Council.
- There were no transactions between the charity and any trustee or any connected person during the year.

**6. Cash and Bank Balances**

During the year the Trust's balances were held by South Lanarkshire Council, which manages the administration of the funds on behalf of the Trustees. No costs were incurred by the Trust for this administration. South Lanarkshire Council also acts as the banker for the charity and, as detailed above, all transactions incoming and outgoing are made via the Council's accounts. The balances are repayable on demand and interest is payable on balances.

**7. External Audit Fee**

The external audit fee for 2019/2020 £620 (2018/2019: £618) is paid to Audit Scotland.



The Trustees present their annual report together with the financial statements and Independent Auditors' report for the year ended 31 March 2020.

## Reference and Administration Information

<b>Charity Name:</b>	South Lanarkshire Council Charitable Trusts
<b>Charity Number:</b>	SC025089
<b>Principal Office:</b>	Finance Services Council Offices Almada Street Hamilton ML3 0AA
<b>Current Trustees:</b>	Finance and Corporate Resources Committee, South Lanarkshire Council
<b>Independent Auditors:</b>	Audit Scotland

## Structure, Governance and Management

### Governing Document

South Lanarkshire Council Charitable Trusts comprises 50 Charitable Trust Funds / Bequests established under previous local authorities. Each Trust Fund / Bequest is restricted for the purpose which it was set up.

### Appointment of Trustees

The trustees of the charities are elected members (Councillors) of South Lanarkshire Council. Trustees are appointed through their election to the Finance and Corporate Resources Committee of South Lanarkshire Council.

### Organisational Structure

The trustees delegate the day to day administration of the charities to officers of the Council through the Scheme of Delegation as approved by South Lanarkshire Council on 18 May 2017.

The trustees (as elected members of the Council) meet to consider and approve the Annual Accounts for South Lanarkshire Council which includes the financial statements for all South Lanarkshire Council Trust Funds. An annual report on Governance of Trust Funds is presented to the Finance and Corporate Resources Committee. This report details expenditure for the preceding financial year.

### Related Parties

Trustees hold this position because they are elected members of South Lanarkshire Council. South Lanarkshire Council provides administration services to the Trust.

### **Risk Management**

It is recognised that there is a risk that the funds of the Trusts are not used for the purpose that they were intended. To mitigate this risk, the governance arrangements in place ensure that the Finance and Corporate Resources Committee are advised of the balance and distribution of funds. In addition OSCR also receive an annual report on the Trusts and their purpose.

### **Management of Funds and Investment Policy**

The trustees rely upon the expertise of South Lanarkshire Council to manage the investments to ensure the maximum return at least risk to the charity is achieved.

The majority of the funds of the charity are managed on behalf of the Council by Barclays Wealth. The investment objective is to provide a sustainable level of income, along with the prospect of growth in both capital and income through investment in a diversified portfolio of investments. The market value of these funds as at 31 March 2020 was £812,590 (2018/2019: £943,351).

The remaining funds of the charity are managed by South Lanarkshire Council and externally with Clydeport Operations Limited. There are 2 external loans totalling £10,379 (2018/2019: £10,379). For the external loans the charity receives interest ranging from 3.000% to 4.000%. The interest received is shown in the Statement of Receipts and Payments.

During 2019/2020 income of £39,021 (2018/2019: £40,516) was received and is shown in the Statement of Receipts and Payments.

### **Trustee Indemnity Insurance**

No such insurance has been taken out.

### **Reorganisation of South Lanarkshire Council Trust Funds**

To ensure that funds can be used to benefit residents of South Lanarkshire, a scheme of amalgamation and rationalisation has been approved by trustees (members) and is currently in the process of being formally adopted by the Office of the Scottish Charity Regulator (OSCR).

This amalgamation and rationalisation will simplify trusts and make funds more readily accessible to current and future potential beneficiaries.

### **Objectives and Activities**

The most significant fund is the Loudon Bequest Trust Fund which is used to help finance holidays for elderly people within 12 Local Authority areas in the West of Scotland.

Other Trust Funds are those held by the previous District Councils and provide financial assistance to organisations and individuals who meet the terms set by the specific funds.

Within the Clydesdale area, grants are made to the elderly, and those experiencing financial hardship. Specific grants are also made for optical and dental treatment.

Within the Rutherglen area, grants are used to cater for a free annual lunch for the elderly to foster spirit within the community. Cash gifts are also presented.

Within the East Kilbride area, the grants are made to local churches for use in their charitable work to benefit those experiencing financial hardship.

Within the Hamilton Area, individual grants are given to those experiencing financial hardship, the elderly, specified schools and youth groups.

### **Achievements and Performance**

During the year to 31 March 2020, the charity paid out grants totalling £28,126 (2018/2019: £29,135) to assist the elderly, and those experiencing financial hardship within the boundaries of the specified Trust Funds.

### **Financial Review**

#### **Overview**

Income during 2019/2020 came from income on external investments of £32,467 (2018/2019: £34,100); interest calculated on the Trust Funds' revenue balances of £1,366 (2018/2019: £956).

Proceeds from the sale of investments of £5,188 (2018/2019: £5,460) were received.

The trust held cash and bank balances of £184,125 (2018/2019: £183,101) as at 31 March 2020 and investments with a book value of £828,157 (2018/2019: £841,123).

#### **Reserves Policy**

The trusts are managed in order to allow the full potential benefit of the trusts to be realised. By ensuring distributed funds are of sufficient value to make a beneficial impact to recipients, there may be some erosion of capital. The Reserves of the Trust will be used in line with the specific requirements of the Trust.

#### **Donated Services**

South Lanarkshire Council provides its services for no charge.

#### **External Audit**

The auditor with responsibility for the audit of the accounts of South Lanarkshire Council Charitable Trusts for the year ended 31 March 2020 is:

Audit Scotland  
4<sup>th</sup> Floor  
102 West Port  
Edinburgh  
EH3 9DN



South Lanarkshire Council Charitable Trusts  
Trustees' Annual Report – for the year ended 31 March 2020

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**Declaration**

The trustees declare that they have approved the trustees' report above.

Signed on behalf of the charity's trustees

**Signature(s):**

**Full Name(s): COUNCILLOR GLADYS MILLER**

**Position: CHAIR OF FINANCE AND CORPORATE RESOURCES  
COMMITTEE**

**Date: 18 JUNE 2020**

South Lanarkshire Council Charitable Trusts  
Statement of Receipts and Payments for the year ended 31 March 2020

	Note	Unrestricted Funds	Restricted Funds	Expendable Endowment Funds	Permanent Endowment Funds	Total Funds (current year)	Total Funds (last year) Restated
		£	£	£	£	£	£
<b>Receipts</b>							
Donations		-	-	-	-	-	-
Income from investments other than land and buildings	4	-	33,833	-	-	33,833	35,056
<b>Sub Total</b>		-	<b>33,833</b>	-	-	<b>33,833</b>	<b>35,056</b>
<b>Receipts from Assets and Investments sales</b>							
Proceeds from sale of investments	4	-	5,188	-	-	5,188	5,460
<b>Sub Total</b>		-	<b>5,188</b>	-	-	<b>5,188</b>	<b>5,460</b>
<b>Total Receipts</b>		-	<b>39,021</b>	-	-	<b>39,021</b>	<b>40,516</b>
<b>Payments</b>							
External Audit Fee	8	-	4,683	-	-	4,683	4,684
Investment Management Costs	7		2,923			2,923	2,757
Grants and Donations	5	-	28,126	-	-	28,126	29,135
Purchase of Investments	4		2,265			2,265	2,703
<b>Total Payments</b>		-	<b>37,997</b>	-	-	<b>37,997</b>	<b>39,279</b>
<b>Net Receipts</b>		-	<b>1,024</b>	-	-	<b>1,024</b>	<b>1,237</b>
<b>Surplus / (Deficit) for the year</b>		-	<b>1,024</b>	-	-	<b>1,024</b>	<b>1,237</b>



South Lanarkshire Council Charitable Trusts  
Statement of Balances as at 31 March 2020

	Note	Unrestricted Funds	Restricted Funds	Expendable Endowment Funds	Permanent Endowment Funds	Total Funds (current year)	Total Funds (last year) Restated
		£	£	£	£	£	£
<b>Cash and Bank Balances</b>							
Opening Balance		-	183,101	-	-	183,101	181,864
Surplus shown on receipts and payments account		-	1,024	-	-	1,024	1,237
<b>Closing Balance</b>		-	<b>184,125</b>	-	-	<b>184,125</b>	<b>183,101</b>
<b>Investments</b>							
Market Value of Investments (Clydeport)	7	-	10,379	-	-	10,379	10,379
Market Value of Investments (Managed by Barclays Wealth)	7	-	812,590	-	-	812,590	943,351
<b>Total Investments</b>		-	<b>822,969</b>	-	-	<b>822,969</b>	<b>953,730</b>

Signed on behalf of the charity's trustees

**Signature(s):**

**Full Name(s): COUNCILLOR GLADYS MILLER**

**Position: CHAIR OF FINANCE AND CORPORATE RESOURCES COMMITTEE**

**Date: 18 JUNE 2020**



**8. Basis of Accounting**

These financial statements have been prepared on the Receipts and Payments basis in accordance with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

**9. Fund Accounting**

Restricted funds are those funds that can only be applied for particular purposes.

**10. Taxation**

The charity is not liable to income or capital gains tax on its charitable activities.

**11. Trustee Remuneration, Expenses and Related Party Transactions**

- No remuneration or expenses were paid to charity trustees or persons connected to a trustee during the year.
- The trust received income from external investments of £32,467 (2018/2019: £34,100) and £1,366 (2018/2019: £956) from South Lanarkshire Council. All transactions incoming and outgoing are made via South Lanarkshire Council's accounts.
- Proceeds from the sale of the Loudon Bequest investment of £5,188 (2018/2019: £5,460) were received.
- Purchase costs of the Loudon Bequest investment of £2,265 (2018/2019: £2,703) were incurred.
- There were no transactions between the charity and any trustee or any connected person during the year.

**12. Grants**

In the year to 31 March 2020, grants for those experiencing financial hardship amounting to £1,924 (2018/2019: £1,863 to 118 individuals) were made to 115 individuals and £795 (2018/2019: £530 to 14 institutions) to 15 institutions. Grants for holidays for elderly people amounting to £25,407 (2018/2019: £26,742) were made to 10 institutions.

**13. Cash and Bank Balances**

During the year the Trust's balances were held by South Lanarkshire Council, which manages the administration of the funds on behalf of the Trustees. No costs were incurred by the Trust for this administration. South Lanarkshire Council also acts as the banker for the charity and, as detailed above, all transactions incoming and outgoing are made via the Council's accounts. The balances are repayable on demand and interest is payable on balances.

**14. Investments**

The charity has 2 investments in Clydeport Operations Limited £10,379 (2018/2019: £10,379). Barclays Wealth manages £812,590 (2018/2019: £943,351) on behalf of the Council with an objective of achieving a balance between income and capital growth subject to a medium level of risk. Barclays Wealth charged a portfolio management fee of £2,923 (2018/2019; £2,757).

**15. External Audit Fee**

The external audit fee for 2019/2020 £4,683 (2018/2019: £4,684) is paid to Audit Scotland.



The Trustees present their annual report together with the financial statements and Independent Auditors' report for the year ended 31 March 2020.

## Reference and Administration Information

<b>Charity Name:</b>	East Kilbride Information Technology Centre Trust
<b>Charity Number:</b>	SC015221
<b>Principal Office:</b>	Finance Services Council Offices Almada Street Hamilton ML3 0AA
<b>Current Trustees:</b>	Councillor Margaret Cowie, Councillor Graeme Horne, Councillor Grant Hose and Councillor Gladys Miller
<b>Independent Auditors:</b>	Audit Scotland

## Structure, Governance and Management

### Governing Document

East Kilbride Information Technology Trust is recognised as a Scottish charity. The Deed of Trust states that the charity should provide for young unemployed people living in East Kilbride, training and education appropriate to their needs in basic information technology and the opportunity to develop these skills.

### Appointment of Trustees

The trustees of the Trust are elected members (Councillors) of South Lanarkshire Council.

### Organisational Structure

The trustees delegate the day to day administration of the Trust to officers of the Council through the Scheme of Delegation as approved by South Lanarkshire Council on 18 May 2017.

The trustees (as elected members of the Council) meet to consider and approve the Annual Accounts for South Lanarkshire Council which includes the financial statements for all South Lanarkshire Council Trust Funds. An annual report on Governance of Trust Funds is presented to the Finance and Corporate Resources Committee. This report details expenditure for the preceding financial year.

### Related Parties

Trustees hold this position because they are elected members of South Lanarkshire Council. South Lanarkshire Council provides administration services to the Trust.

### Risk Management

It is recognised that there is a risk that the funds of the Trust is not used for the purpose that they were intended. To mitigate this risk, the governance arrangements in place ensure

that the Finance and Corporate Resources Committee are advised of the balance and distribution of funds. In addition OSCR also receive an annual report on the Trusts and their purpose.

### **Management of Funds and Investment Policy**

The trustees rely upon the expertise of South Lanarkshire Council to manage the investments to ensure the maximum return at least risk to the charity is achieved.

The funds of the charity are internally deposited with South Lanarkshire Council. The interest received from South Lanarkshire Council is shown in the Statement of Receipts and Payments.

### **Trustee Indemnity Insurance**

No such insurance has been taken out.

### **Reorganisation of South Lanarkshire Council Trust Funds**

To ensure that funds can be used to benefit residents of South Lanarkshire, a scheme of amalgamation and rationalisation has been approved by trustees (members) and is currently in the process of being formally adopted by the Office of the Scottish Charity Regulator (OSCR).

This amalgamation and rationalisation will simplify trusts and make funds more readily accessible to current and future potential beneficiaries.

### **Objectives and Activities**

To establish and operate the Centre in East Kilbride so as to provide for young unemployed people living in the East Kilbride District. To provide training and education appropriate to their needs in basic electronic assembly computing, electronic office and other work involving the use of new technology. To develop their skills in those fields, and make these skills available as a community resource. Also, to take any action in furtherance of or ancillary to the foregoing, to enable the Trustees to fulfil the purposes of the Trust.

### **Achievements and Performance**

There was no activity during the financial year. Interest of £185 (2018/2019: £135) was received on the invested balance.

### **Financial Review**

#### **Overview**

Income during 2019/20 came from interest on deposits with South Lanarkshire Council of £185 (2018/2019: £135). The trust held cash and bank of £26,943 (2018/2019: £26,881).

#### **Reserves Policy**

The balance on reserves is invested in the Council's Loans Fund in return for interest. The interest has been distributed for the purpose of the Trust.

The Council adopts the CIPFA Treasury Code of Practice.

**Donated Services**

South Lanarkshire Council provides its services for no charge.

### **External Audit**

The auditor with responsibility for the audit of the accounts of East Kilbride Information Technology Centre Trust for the year ended 31 March 2020 is:

Audit Scotland  
4<sup>th</sup> Floor  
102 West Port  
Edinburgh  
EH3 9DN

### **Declaration**

The trustees declare that they have approved the trustees' report above.

Signed on behalf of the charity's trustees

**Signature(s):**

**Full Name(s): COUNCILLOR GLADYS MILLER**

**Position: CHAIR OF FINANCE AND CORPORATE RESOURCES  
COMMITTEE**

**Date: 18 JUNE 2020**

East Kilbride Information Technology Centre Trust  
Statement of Receipts and Payments for the year ended 31 March 2020

	Note	Unrestricted Funds	Restricted Funds	Expendable Endowment Funds	Permanent Endowment Funds	Total Funds (current year)	Total funds (last year)
		£	£	£	£	£	£
<b>Receipts</b>							
Income from investments other than land and buildings	4	-	185			185	135
<b>Sub Total</b>		-	<b>185</b>			<b>185</b>	<b>135</b>
<b>Payments</b>							
External Audit Fee	7	-	123			123	123
Grants and Donations	5	-	0			0	0
<b>Total Payments</b>		-	<b>123</b>			<b>123</b>	<b>123</b>
<b>Net Receipts</b>		-	<b>62</b>			<b>62</b>	<b>12</b>
<b>Surplus / (Deficit) for the year</b>		-	<b>62</b>			<b>62</b>	<b>12</b>





East Kilbride Information Technology Centre Trust  
Statement of Balances as at 31 March 2020

	Note	Unrestricted Funds	Restricted Funds	Expendable Endowment Funds	Permanent Endowment Funds	Total Funds (current period)	Total funds last period
		£	£	£	£	£	£
<b>Cash and Bank Balances</b>	6						
Opening Balance		-	26,881	-	-	26,881	26,869
Surplus shown on receipts and payments account		-	62	-	-	62	12
<b>Closing Balance</b>		-	<b>26,943</b>	-	-	<b>26,943</b>	<b>26,881</b>
<b>Investments</b>							
Market Value of Investments		-	-	-	-	-	-
<b>Total Investments</b>		-	-	-	-	-	-

Signed on behalf of the charity's trustees

**Signature(s):**

**Full Name(s):** COUNCILLOR GLADYS MILLER

**Position:** CHAIR OF FINANCE AND CORPORATE RESOURCES  
COMMITTEE

**Date:** 18 JUNE 2020

**16. Basis of Accounting**

These financial statements have been prepared on the Receipts and Payments basis in accordance with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

**17. Fund Accounting**

Restricted funds are those funds that can only be applied for particular purposes.

**18. Taxation**

The charity is not liable to income or capital gains tax on its charitable activities.

**19. Trustee Remuneration, Expenses and Related Party Transactions**

- No remuneration or expenses were paid to charity trustees or persons connected to a trustee during the year.
- The trust received interest of £185 (2018/2019: £135) from South Lanarkshire Council.
- There were no transactions between the charity and any trustee or any connected person during the year.

**20. Grants and Donations**

There was no activity during the financial year to 31 March 2020.

**21. Cash and Bank Balances**

During the year the Trust's balances were held by South Lanarkshire Council, which manages the administration of the funds on behalf of the Trustees. No costs were incurred by the Trust for this administration. The balances are repayable on demand and interest is payable on balances.

**22. External Audit Fee**

The external audit fee for 2019/2020 £123 (2018/2019: £123) is paid to Audit Scotland.

# Report

**6**

Report to: **Risk and Audit Scrutiny Committee**  
 Date of Meeting: **18 June 2020**  
 Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **Internal Audit Activity as at 29 May 2020**

## **1. Purpose of Report**

1.1. The purpose of the report is to:-

- ◆ Update the Risk and Audit Scrutiny Committee (RASC) on progress by, and performance of, the Internal Audit service in the period to 29 May 2020

## **2. Recommendation(s)**

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

- (1) that progress and performance is noted

## **3. Background**

3.1. Findings from internal audit assignments are reported to the Committee throughout the year. The last progress report to the Committee was in February 2020. This reported on work completed in the period 1 November 2019 to 24 January 2020. This report covers all work completed in the period 25 January to 29 May 2020. Performance information is also included.

3.2. The meeting of the RASC scheduled for April 2020 did not proceed as a result of the COVID 19 pandemic. At the end of March 2020, the Council's internal audit function moved to remote working and this continues at the date of writing this report. To facilitate this move, a work programme was developed. This allowed the function time to complete 2019/2020 assignments, time to undertake routine financial year-end tasks and time to then prepare for proposed audit assignments to be undertaken later in 2020/2021. This work plan was discussed with the Chair of the RASC in April 2020 and a copy of this work programme is attached at Appendix One. In practice, during the period since March 2020, the function has also been re-deployed, to an extent, to help to deliver key finance tasks.

3.3 Recovery plans are now being drafted for all Council Services and this includes Internal Audit. It is the intention to bring a 2020/2021 Audit Plan to the RASC for approval in September 2020 and, also at this time, to provide a full update on the interim programme of work that has been completed from 1 April 2020 to date.

## **4. Performance**

4.1. 90% of the 2019/2020 Audit Plan was completed by 31 March 2020 and has been used to inform the annual assurance report that forms a separate item on the same agenda as this report. Key performance indicators for the year to 31 March 2020 are summarised in Appendix Two together with further explanations. 100% of draft reports have been issued on time and 82% within budget against targets of 80%

respectively. Quality continues to be monitored through internal quality control procedures.

4.2. Client contributions to the delivery of the audit plan take the form of responding to draft reports, agreeing to closing meetings and signing reports quickly once agreed. 97% of audit assignments were concluded to a signed action plan within four weeks of the issue of a draft report against a target set of 80%.

4.3. Members are asked to note performance.

## **5. Findings**

5.1. Appendix Three lists all assignments completed in the period 25 January to 29 May 2020.

5.2. Members are asked to note findings.

## **6. Progress against Strategy**

6.1. The Public Sector Internal Audit Standards (PSIAS) require progress against the audit strategy to be monitored and reported to the Committee as part of regular monitoring reports that are presented at each meeting.

6.2. Delivery of the strategy was evidenced by completion of the 2019/2020 Plan and has been monitored through the performance indicators regularly reported to the Committee throughout the year.

## **7. Employee Implications**

7.1. There are no employee issues.

## **8. Financial Implications**

8.1. Audit and Compliance Services, during 2019/2020 spent £495,391 against a budget of £478,460 (to period 14). The overspend was in relation to under-recovery of audit fee income and additional employee costs

## **9. Climate Change, Sustainability and Environmental Implications**

9.1 There are no specific climate change, sustainability or environmental implications arising from the information contained within this report

## **10 Other Implications**

10.1 The main risks to the delivery of the Audit Plan are vacancies and team up-skilling requirements, unforeseen service demands and delays with client sign-off. These are mainly mitigated by coaching and training, regular meetings and escalation processes as well as inclusion of contingency time within the annual plan.

## **11 Equality Impact Assessment and Consultation Arrangements**

11.1 There is no requirement to equality assess the contents of this report.

11.2 Heads of Service are consulted on each and every audit assignment.

**Paul Manning**

**Executive Director Finance and Corporate Resources**

3 June 2020

**Link(s) to Council Objectives/Improvement Themes/Values**

- Achieve results through leadership, good governance and organisational effectiveness

**Previous References**

- ◆ Internal Audit Plan 2019/2020 – Risk and Audit Scrutiny Committee, 24 April 2019
- ◆ Internal Audit Activity as at 3 April 2019 - Risk and Audit Scrutiny Committee, 24 April 2019
- ◆ Internal Audit Activity as at 31 May 2019 - Risk and Audit Scrutiny Committee, 19 June 2019
- ◆ Internal Audit Activity as at 30 August 2019 – Risk and Audit Scrutiny Committee, 18 September 2019
- ◆ Internal Audit Activity as at 31 October 2019 – Risk and Audit Scrutiny Committee, 27 November 2019
- ◆ Internal Audit Activity as at 24 January 2020 – Risk and Audit Scrutiny Committee, 19 February 2020

**List of Background Papers**

- ◆ Figtree extracts of Action Plans

**Contact for Further Information**

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

Yvonne Douglas, Audit and Compliance Manager

Ext: 2618

(Tel: 01698 452618)

E-mail: [yvonne.douglas@southlanarkshire.gov.uk](mailto:yvonne.douglas@southlanarkshire.gov.uk)

Lead Resource	Audit assignment	Outline Scope
Finance and Corporate	General Ledger Data	Provide 2019/2020 general ledger entry data to External Audit for the audit of the financial accounts for the year ended 31 March 2020.
All	Audit Plan Reporting	Prepare activity reports.
All	Informal Follow Up	Prompt Resources on a quarterly and monthly basis of actions due within that period. Collate responses for reporting.
All	National Fraud Initiative (NFI)	Conclude and report on 2018/2019 exercise.
All	Fraud Alerts	React to fraud alerts through internal and external sources and disseminate information as appropriate.
All	Continuous Control Monitoring (CCM)	Continue to download data in current CCM areas. Use data for analysis and to inform internal and external audit testing. Prepare formal reports to allow exceptions and unusual trends in financial controls to be reported to Resources for further investigation.
Finance and Corporate Community and Enterprise	City Deal – Governance Statement	Provision of Governance Statement to Glasgow City Council for 2019/2020.
Finance and Corporate	BACs Reconciliation	Assistance to undertake routine reconciliations.
Finance and Corporate	Debtors reconciliation	Assistance with year-end reconciliation.
Social Work	Self Directed Support	Provision of position statement and assessment of progress with delivering Self Directed Support.
Community and Enterprise	Procurement	Collate management information for purposes of follow up work planned in 2020/2021.

## Key audit performance indicators as at 31 March 2020

## Appendix Two

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	47/57	82%	80%	
Draft reports delivered within 6 weeks of file review	53/53	100%	80%	
2019/2020 Audit Plan completed to draft by 31 March 2020	47/52	90%	100%	The Audit Plan was not delivered in full in year with five assignments outstanding at 31 March 2020. These relate, in the main, to 'special investigations' that were delivered out of contingency time and were not part of the core routine Audit Plan.
Internal Audit recommendations delivered on time	92/96	96%	90%	
Client to agree findings and actions within 4 weeks of draft issue	37/38	97%	80%	

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
---------	-----------------	-------------	-------------	----------------

Prior Year Assignments				
I671152	Review of cash procedures	22/01/2020	10/03/2020	<p>Audit work obtained adequate assurance that key controls to physically safeguard the petty cash are in place, including physical access restrictions / key holding arrangements. With regards to the disbursement of petty cash monies, a level of checks is undertaken by petty cash administrators to ensure that cash disbursed is permitted, has been approved and is subsequently receipted.</p> <p>However, there are gaps in monitoring that could mean that any potential instances of fraud are not identified. Additional checks were recommended to mitigate this risk. Some of these recommendations are now superseded with the introduction of 'PayPoint' to disburse payments to service users but the remaining recommendations to strengthen the routine petty cash administration controls still apply and have been agreed.</p>

Current Year – Other Output				
I350075	City Deal Governance Statement 2018/2019	13/05/2019	13/05/2019	Provision of annual statement of assurance.
I821025	SLC Year End Reporting 2018/2019	26/04/2019	03/06/2019	Provision of annual statement of



				assurance.
I420067	Additional Support Needs Working Group	25/10/2019	25/10/2019	Attendance at and participation in internal working group. Undertake analysis and present to working group.
I232095	Benefits 2019/2020	31/03/2020	31/03/2020	Provision of advice and guidance as required throughout 2019/2020.
I342077	Review of National Anti-Fraud Network (NAFN) Usage	31/03/2020	31/03/2020	Review of NAFN usage. Information gathered to be included in formal review of National Fraud Initiative Appcheck option.
I411064	Informal Follow-up 2019/2020	31/03/2020	31/03/2020	Provided quarterly advance prompts of actions falling due. Collated responses monthly for reporting.
I612160	Continuous Control Monitoring 2019/2020	31/03/2020	31/03/2020	Completion of programme of data downloads from main financial systems during 2019/2020 to inform audit sampling and provide management reports
I615167	Fraud Alerts in 2019/2020	31/03/2020	31/03/2020	Dissemination of fraud alert information to Council Resources.
I670170	CRM and Whistle Blowing 2019/2020	31/03/2020	31/03/2020	Collation of whistle-blowing notifications and management of investigations.
I730044	Home Care Working Group 2019/2020	31/03/2020	31/03/2020	Input to internal working group.
I730049	Serious Organised Crime Group 2019/2020	31/03/2020	31/03/2020	Attendance at and participation in internal working group.
I730050	Historical Abuse Group 2019/2020	31/03/2020	31/03/2020	Attendance at and participation in internal working group.
I730051	Contract Scrutiny Group - ASN 2019/2020	31/03/2020	31/03/2020	Participation in Council-wide contract scrutiny groups throughout the year and provision of assurance surrounding the robustness of the process at each stage.
I730052	Contract Scrutiny Group – Education	31/03/2020	31/03/2020	Participation in Council-wide contract

	PSA			scrutiny groups throughout the year and provision of assurance surrounding the robustness of the process at each stage.
I731047	Information Governance Board 2019/2020	31/03/2020	31/03/2020	Attendance at and participation in internal working group.
I732045	Attend SLACIAG SLAIG and CASG 2019/2020	31/03/2020	31/03/2020	Attended meetings throughout the year and responded to queries from other member Authorities.
I735048	Good Governance Group 2019/2020	31/03/2020	31/03/2020	Attendance at and participation in internal working group.

Current Year – Assurance Reports				
I678169	Debtors review	27/11/2019	07/02/2020	Debtor's control account reconciliation was robust but year-end process needed improvement. These risks have now been addressed by revised year-end processes and procedures, developed (jointly) by Internal Audit and the Service and will be fully implemented during the 2019/2020 year-end process.
I211094	Purchasing Cards Social Work	21/01/2020	14/02/2020	Purchase card controls were found to be sufficient to mitigate the key risks identified. Some improvements were recommended in relation to; monthly card limits; review and amendment of categories; provision of refresher training on input VAT recovery to cardholders; refreshing and re-briefing of policies and reiteration of the role of card holders and supervisors in verifying purchases and reviewing receipts.
I342079	Procurement Spot	31/03/2020	31/03/2020	Development of a

	Checks			programme. Test checked in 2019/2020 and to be used for a rolling programme of checks from 2020/2021.
I410065	Formal Follow Up Best Value 2019/2020	31/03/2020	31/03/2020	An update was provided to the Performance and Review Scrutiny Forum in February 2020 in terms of progress with implementing these actions. This presented that there is good evidence that the majority of actions have been completed or have significantly progressed. There remain a few which, although outstanding, are nearing completion, which has been impacted by the re-prioritisation of service delivery during the COVID 19 pandemic. This is specifically the case for actions due to be delivered in relation to Community Planning and engagement. A significant amount of work has been undertaken in these areas, but formal conclusion of this work has been delayed as a result of a focus on the coordination of shielding and wellbeing activities.
I611175	Fraud Risk review 2019/2020	31/03/2020	31/03/2020	Update of Resource fraud risk registers to be used for planning and testing in 2020/2021.
I613168	Best Practice Analysis	31/03/2020	31/03/2020	Comparison of anti-fraud controls against best practice. No significant issues identified.
I616171	FRED 2019/2020	31/03/2020	31/03/2020	Comparison of anti-

	Audit			fraud controls against best practice. No significant issues identified.
I640166	National Fraud Initiative in 2019/2020	31/03/2020	31/03/2020	Facilitate and administer NFI exercise.

External Clients				
I941128	Audit Management	31/03/2020	31/03/2020	Reported to IJB
I942130	Value for Money	12/03/2020	20/05/2020	Reported to IJB

Paul Manning  
Executive Director of Finance and Corporate Resources  
South Lanarkshire Council  
Council HQ  
Almada Street  
Hamilton  
ML3 0AA

27 May 2020

Dear Paul

### **South Lanarkshire Council - Review of internal controls in financial systems 2019/20**

1. Audit Scotland's Code of Audit Practice requires us to assess the systems of internal control put in place by management. In carrying out this work, we seek to gain assurance that the council:

- has systems for recording and processing transactions which provide a sound basis for the preparation of financial statements and the effective management of its assets and interests
- has systems of internal control which provide an adequate means of preventing or detecting material misstatement, error, fraud or corruption
- complies with established policies, procedures, laws and regulation.

2. Our interim work is used to inform our approach to the audit of the annual accounts. Interim audit work includes controls testing, income and expenditure verification and wider dimension audit work. We set out our programme of work in the annual audit plan submitted to the Risk and Audit Scrutiny Committee of 19 February. Our interim audit work was interrupted by the outbreak of COVID-19 and the consequent suppression measures put in place by the UK and Scottish governments. This has meant that we have been unable to complete our audit testing or wider dimension work at the interim stage. We will, where possible, complete programmed work alongside our annual accounts audit work or adjust our audit approach as necessary. We will include comment, as appropriate, in our annual audit report.

3. Our annual audit plan indicated that we would submit a management report for the consideration of management and members at the June meeting of the Risk and Audit Scrutiny Committee. As the council have been operating under modified governance arrangements and as the scope of our work has been reduced, we have elected to provide the shorter version of our interim reporting options, a management letter, concluding on work completed to date.

4. Weaknesses identified represent those that have come to our attention during the audit work completed to date and are therefore not necessarily all of the weaknesses which may exist. It is the responsibility of management to decide on the nature and extent of the internal control system appropriate to the council.

### **Conclusions**

5. We are reporting solely on those elements of interim work completed to date. On the basis of this audit work, we concluded that system controls are operating as specified and that there are no issues which would impact on our audit approach. However, we have identified IT systems access as an area where controls could be strengthened.

## System coverage

6. The key systems that were, or were to be, tested at the interim audit stage were as follows:

- |                      |                       |
|----------------------|-----------------------|
| • General ledger     | • Accounts receivable |
| • Payroll            | • Accounts payable    |
| • Council tax        | • Housing rents       |
| • Non-domestic rates | • Cash and banking    |

## Key findings

### System user access

7. System access is a fundamental IT control to ensure system security and data integrity. Users of the Oracle system are assigned user profiles which are intended to enforce segregation of duties to ensure officers have appropriate permissions to carry out specified tasks. A yearly audit review is usually carried out to ensure users' access levels are appropriate. This has not been completed for 2019/20.

### Management response

The delay in the completion of the annual user audit was due to staff bereavement. The audit is now complete.

8. The Bankline system is a secure online banking system which allows the council to manage cashflow and make payments to suppliers. There is no formal review of users' access to the Bankline system. We also noted that there is no formal communication process in place to remove former employees timeously from the system.

9. The absence of periodic reviews of users' systems access rights and failure to timeously remove staff no longer needing access, entails a higher risk of fraud or error.

### Management response

While a formal quarterly review process has been implemented, it should be noted that there were already a number of other controls in place which mitigate any financial risk to the Council. These include the fact that there are only a few named individuals able to make external payments and that all payments (and transfers) require two users to process – one to set up the payment and one to authorise. No user can set up and authorise the same payment or transfer. For payments and transfers greater than £15m three users are required – one to set up the payment and two to authorise. Other users have either read only, or can only transfer monies between internal accounts, and therefore there is no financial risk.

### Approval of journal entries

10. The council's financial ledger is the system for recording all transactions and preparing the financial statements. Journal entries are how the council's financial ledger is manually updated. To minimise the risk of error and fraud we would expect each journal entry to be prepared and authorised by different members of staff. This control is not in operation.

11. The ability of officers to approve their own journals increases the risk that invalid, erroneous or fraudulent journals could be posted to the financial ledger. We have previously reported this as an area of risk and management have asserted that any risk is mitigated by other controls in place.

## Management response

As reported in previous years' audit reports, management are aware of this risk but would highlight that this is mitigated by the other controls in operation which include:

- The provision of 4 weekly reports listing journals with a value of over £100,000 to relevant managers for review,
- Internal budget monitoring arrangements which should identify and correct any significant mis-postings,
- Restrictions on which staff are able to complete journals and the ledger codes that they can post to,
- Electronic audit trail within the system of who has raised and approved all journals, and
- No risk of cash loss to the council as journals only move money around the ledger.

## National fraud initiative

**12.** The National Fraud Initiative (NFI) in Scotland brings together data from local government, health boards and other public sector bodies. Matching data obtained from the systems of participating bodies allows the identification of potentially fraudulent claims on the public purse including housing benefit fraud, occupational pension fraud and payroll fraud. If fraud or overpayments are not identified in a body, and the NFI exercise has been undertaken properly, assurances may be taken about internal arrangements for preventing and detecting fraud.

**13.** Participating bodies received matches for investigation in January 2019. All recommended matches plus any further matches based on findings and the risk of error or fraud should have been investigated by 30 September 2019 and the results recorded on the NFI system.

**14.** We can confirm that the council has investigated all high risk matches and updated the NFI system as required.

## Best Value

**15.** Best Value is assessed over the five-year audit appointment as part of the annual audit work. A Best Value Assurance Report (BVAR) for South Lanarkshire Council was published in March 2019. In response to the report an action plan that was approved by the council in June 2019.

**16.** An action plan update was reported to the Performance and Review Scrutiny Forum in February 2020. We have held initial discussions with management on the reported progress and we will provide an update on the BVAR recommendations in our annual audit report.

## Acknowledgement

**17.** The contents of this letter have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

Yours sincerely



Fiona Mitchell-Knight

Audit Director





# Report

Report to: **Risk and Audit Scrutiny Committee**  
 Date of Meeting: **18 June 2020**  
 Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **Risk Management Strategy**

## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ provide details of the outcome of the review of the Council's Risk Management Strategy

## 2. Recommendation(s)

2.1. The Risk and Audit Scrutiny Committee is asked to approve the following recommendation(s):-

- (1) that the updated Risk Management Strategy is noted

## 3. Background

3.1. The Council's Risk Management Strategy describes the Council's approach to risk management and identifies actions which Resources are required to meet to ensure that the management of risk is embedded throughout the Council, in our partnerships and projects, and in our dealings with contractors and our communities.

3.2. Best practice guidance encourages regular reviews of risk management strategies. The Council has had a Risk Management Strategy in place since 1996. This was last subject to a full review in 2016.

## 4. Review of Risk Management Strategy and Methodology

4.1. To comply with best practice, one of the actions included within the Council's Risk Management Work Plan for 2019/20 was to review the Risk Management Strategy, to ensure it is brought up to date and fit for purpose. The review was undertaken early in 2020 by the Risk Management team, with input from the Council's Risk Sponsors.

4.2. The main changes to the strategy include:

- Content reviewed and updated to reflect best practice, per Association of Local Authority Risk Managers (ALARM) guidance
- Updated policy statement, including Chief Executive comment
- Revision to risk management application, noting importance of risk management as part of procurement exercises and during service reviews
- Updated roles and responsibilities
- Updated risk tolerance levels
- Updated risk methodology, including a move from 3x3 risk matrix to a 5x5 risk matrix, providing a wider overall scoring mechanism and better means of prioritisation

- Updated monitoring arrangements, including addition of Red; Amber; Green (RAG) reporting for risk control actions
  - General presentation and layout improved
- 4.3. The Risk and Audit Scrutiny Committee is asked to note the updated Risk Management Strategy, attached at Appendix One.
- 4.4. In summary the strategy details:
- A policy statement which sets out the Council's commitment to risk management, as one of the principal elements of good governance
  - Encouragement of reasonable risk taking in order to make service improvements and enable positive outcomes; the implementation of mitigating control measures to avoid or reduce the impact of losses and deterioration in services; the preparation and testing of business continuity plans for responding to emergency events
  - Clear aims, objectives and measures of success
  - How and when to apply risk management
  - Roles and responsibilities for employees at all levels in the Council
  - The Council's risk tolerance level when seeking opportunities, services efficiencies and in agreeing control measures
  - Core requirements for Resources
  - Monitoring and Reporting arrangements
- 5. Employee Implications**
- 5.1. Each Resource has a Risk Sponsor who is responsible for developing, challenging and supporting risk management activity at Resource and corporate levels. Sponsors and other officers as appropriate dedicate time to ensure risk management is embedded within their Resource.
- 6. Financial Implications**
- 6.1. There were no financial implications associated with the update of the Risk Management Strategy.
- 7. Climate Change, Sustainability and Environmental Implications**
- 7.1. There are no specific climate change, sustainability or environmental implications arising from the information contained within this report
- 8. Other Implications**
- 8.1. The Risk Management Strategy will be reviewed by Communications and Strategy and updated in line with Corporate Standards.
- 8.2. Failure to implement risk management requirements in Resources and partnerships will impact on the Council's ability to comply with best practice guidance. The work of the Resource Risk Sponsors and Risk Groups mitigates against this risk.
- 9. Equality Impact Assessment and Consultation Arrangements**
- 9.1. The original Risk Management Strategy was subject to an Equality Impact Assessment. There are no significant changes to the Strategy which require a further assessment to be carried out.
- 9.2. Consultation took place with the Council's Risk Sponsors.

**Paul Manning**  
**Executive Director (Finance and Corporate Resources)**

15 April 2020

**Link(s) to Council Improvement Theme and Objectives**

- ◆ Values: Accountable, effective, efficient and transparent

**Previous References**

Report to Risk and Audit Scrutiny Forum 30 August 2016 – Risk Management Strategy

**List of Background Papers**

None

**Contact for Further Information**

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

Craig Fergusson, Head of Finance (Transactions)

Ext: 4951 (Tel: 01698 454951)

E-mail: [craig.fergusson@southlanarkshire.gov.uk](mailto:craig.fergusson@southlanarkshire.gov.uk)



# Risk Management Strategy

April 2020



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**Appendix one – Risk card**

**Appendix two – Risk management glossary**

# South Lanarkshire Council

## Risk management policy statement

South Lanarkshire Council is committed to undertaking practical risk management to maximise the opportunities available and to minimise losses.

The Council recognises that risk management is one of the principal elements of good governance and a key contributor to ensuring a sound internal control environment.

South Lanarkshire Council aims, through a systematic framework and process, to identify, evaluate, manage and monitor all risks within its control to protect its employees, service users, assets, service delivery, reputation, community and business partners.

South Lanarkshire Council promotes an inclusive approach to managing risk through engaging with Resources to embed, develop, challenge and support risk management activity within the Council. The overall aim of this policy is to raise awareness of risk throughout the Council.

As a Council, we are exposed to a vast array of risks. These risks stem from funding pressures against an increased demand for services; provision of public services, including services to vulnerable clients; handling personal information; fraud, theft and organised crime; complex partnership working arrangements; and new or amended legislation, to name but a few.

I consider risk management as a vital activity, which supports our vision, values and strategic objectives and is an integral part of both strategic and operational planning.

Risk is present in all that we do, it is therefore essential that our workforce is empowered in the identification and management of risks to ensure that risk is considered in all key decisions that we take.

Through effective risk management, we are able to enhance service delivery and operate more effectively and efficiently. Ultimately, we are better placed to succeed!

**Cleland Sneddon**  
Chief Executive

# Introduction

**South Lanarkshire Council's Resources, Services and employees are encouraged to develop new initiatives, improve performance and achieve goals safely, effectively and efficiently through the application of good risk management practice.**

For consistency throughout the Council, Resources are required to ensure that the systematic management of risks and opportunities is embedded in service planning and delivery; in the way they make decisions; in major projects; and in their dealings with partners and contractors.

This strategy describes the specific risk management techniques and standards to be applied and the responsibilities for achieving effective risk management.

The strategy aims to provide a sensible and proportionate approach to risk management that promotes awareness rather than avoidance.

The Council seeks to promote an environment that is risk aware and strives to place risk management at the heart of key decisions. Applying a systematic risk management process will encourage:

- reasonable risk-taking in order to make service improvements and enable positive outcomes;
- the implementation of mitigating control measures to avoid or reduce the impact of losses and deterioration in services;
- the preparation and testing of business continuity plans for responding to emergency events.

Risk management is an integral part of all that we do and is key to the success of the Council.

## Definition of risk

**A risk is something which creates uncertainty and could prevent the Council, or our community and business partners, from achieving our Connect Objectives; or which might detract from the successful delivery of our services.**

A risk is also an opportunity which is taken in order to improve services or efficiency.

A risk can therefore be a positive opportunity or a negative threat.

Risks can affect all Council services, our assets, employees, reputation, and our dealings with our community and business partners.



## Risk management aims and objectives

### We aim to:

- integrate risk management into how we run the Council, ensuring risk management forms part of key decisions;
- support reasonable risk taking in a balanced way, giving consideration to the level of risk, reward, impact and cost of control measures;
- clearly identify all significant risks we face, prioritise these and ensure they are managed within set tolerance levels;
- safeguard Council employees, assets and reputation;
- achieve best value by ensuring more efficient use of resources;
- ensure risk management is a key and effective element of our Corporate Governance arrangements, through more informed, transparent and accountable decision making;
- develop awareness throughout the Council, to allow practical implementation of the risk management methodology;
- ensure the Council operates within the requirements of the law;
- share risk information through all areas of the Council to aid effective risk management and encourage best practice;
- acknowledge that even with good risk management arrangements and best endeavours, things can go wrong;
- learn from previous experiences, both good and bad, putting into practice what has been learned, ensuring that where necessary, steps are taken to reduce the likelihood of adverse events occurring again;
- exploit opportunities.

## Risk management – measures of success

### The measures of success for this strategy will be:

- successful delivery of the Council Plan, Connect;
- successful outcomes from external scrutiny;
- fewer unexpected/unanticipated problems;
- fewer incidents/accidents/complaints;
- fewer claims/less litigation;
- successfully taking advantage of opportunities;
- maintaining a positive reputation for the Council.

## Risk management application

**The process of risk management does not seek to fully eliminate all risks, rather it aims to reduce risk to an appropriate level with which the organisation is comfortable, without preventing development. Good risk management is therefore about being risk aware and not risk averse.**

Management of risk must be carried out in a systematic manner and should be applied at both strategic and operational levels throughout the organisation. It should be practiced at all times but is especially important and must be considered:

- during periods of major change;
- prior to undertaking projects/as part of a project management system;
- when entering into partnerships;
- when setting budgets;
- when amending structures;
- as part of Procurement exercises;
- when undertaking service reviews;
- following political change;
- as part of strategic planning/decision making process.

## Risk management and the strategic planning process

**To successfully manage risk, Council Objectives and Resource plan actions must inform the Council's risk management arrangements and vice versa. For this to occur, it is important that the arrangements for risk management are comprehensive enough to reflect the business of the Council as detailed within the Council Plan, Connect and individual Resource Plans.**

At a strategic level, the Council reviews its top risks each year and this contributes to the content of the annual Internal Audit plan.

At a Resource level, Resource risk registers should be reviewed and updated following preparation of the annual Resource Plan. Risk registers must reflect the work of the Resource. To achieve this, the updated risk register must accurately reflect the content of the Resource Plan including details of risk controls and actions.

Resource risk registers should be reviewed following the review of the Council's top risks to ensure that any top risks that affect the Resource are adequately reflected. Resource risk registers are also considered as part of the Council's top risk review process. This ensures the process is both top down and bottom up.

# Roles and responsibilities

Risk management roles and responsibilities are as follows:-

Roles and responsibilities	
<b>The Chief Executive and the Corporate Management Team (CMT) will:</b>	<ul style="list-style-type: none"> <li>● Ensure that risk management is embedded at all levels throughout the Council;</li> <li>● Prioritise and manage strategic risks and monitor those risks that are relevant to Council Plans and Policies.</li> </ul>
<b>Executive Directors will:</b>	<ul style="list-style-type: none"> <li>● Appoint a Resource Risk Sponsor and establish a Resource Risk Management Group (or alternative where risk management is a standing agenda item);</li> <li>● Evidence assurance of sound risk management within their Annual Governance Statement.</li> </ul>
<b>The Executive Director – Finance and Corporate Resources will:</b>	<ul style="list-style-type: none"> <li>● Champion risk management activity in the Council;</li> <li>● Organise reports on relevant risk management arrangements to the Risk and Audit Scrutiny Committee, the Finance and Corporate Resources Committee and the Executive Committee.</li> </ul>
<b>The Head of Finance (Transactions), Finance Services, Finance and Corporate Resources will:</b>	<ul style="list-style-type: none"> <li>● Co-ordinate the Council's strategic risk management arrangements;</li> <li>● Provide periodic reports to the CMT and elected members on risk management arrangements.</li> </ul>
<b>The Insurance and Risk Management Adviser, Finance Services, Finance and Corporate Resources will:</b>	<ul style="list-style-type: none"> <li>● Liaise with Resources in the implementation and embedding of their risk management arrangements;</li> <li>● Advise the Head of Finance Services (Transactions) on bids for risk initiative funding from the Insurance Fund;</li> <li>● Offer advice and support to service managers and other groups in the management of operational and strategic risks;</li> <li>● Maintain a Risk Register for the Council;</li> <li>● Prepare reports on risk management and insured risks;</li> <li>● Monitor progress of the Risk Management Work Plan, drive forward risk management training, and support risk management initiatives;</li> <li>● Be aware of developments within insurance and risk management and share knowledge;</li> <li>● Prepare specific risk management guidance material;</li> <li>● Monitor the performance of Resources in meeting the requirements of the Risk Management Strategy.</li> </ul>
<b>The Audit and Compliance Manager, Finance and Corporate Resources will:</b>	<ul style="list-style-type: none"> <li>● Create an Audit Plan that is aligned to the Council's top risks;</li> <li>● Review/challenge the effectiveness of the Council's risk management arrangements;</li> <li>● Test and validate existing control measures.</li> </ul>

Roles and responsibilities	
<b>The Corporate Risk Sponsors Group will:</b>	<ul style="list-style-type: none"> <li>● Develop, challenge and support risk management activity at Resource and Corporate levels;</li> <li>● Advise and provide support to the CMT and lead officers on the management of risks and risk management processes;</li> <li>● Identify, analyse and discuss emerging risks resulting in provision of advice on opportunities and mitigation;</li> <li>● Lead new risk management initiatives;</li> <li>● Communicate the need to manage risk and share good practice;</li> <li>● Review risk management training materials and develop opportunities for dissemination of best risk management practice in Resources;</li> <li>● Review and prioritise the Council's top risk register, co-ordinating the results for risk reporting and monitoring;</li> <li>● Prepare and deliver the annual risk management work plan.</li> </ul>
<b>Resource Risk Sponsors will:</b>	<ul style="list-style-type: none"> <li>● Lead their Resource Risk Management Group;</li> <li>● Facilitate the update of their Resource risk register and risk control plan;</li> <li>● Progress delivery of Resource risk control actions and control actions for top risks led by their Resource;</li> <li>● Prepare an annual progress report for their Resource Senior Management Team and their Resource Committee;</li> <li>● Participate in self evaluation of the risk management process and progress within their Resource;</li> <li>● Liaise with Service Planners to ensure that risks associated with Council and Resource plans are identified and that appropriate plans are in place to manage these risks.</li> </ul>
<b>Resource Risk Groups will:</b>	<ul style="list-style-type: none"> <li>● Consider and evaluate new risks to delivery of services;</li> <li>● Inform targeted risk management initiatives for the Resource;</li> <li>● Promote the management of risk at appropriate forums;</li> <li>● Manage Resource insurance hotspots and required mitigating actions.</li> </ul>

<b>Roles and responsibilities</b>	
<b>Heads of Service; Resource Management Teams; and Senior Managers will:</b>	<ul style="list-style-type: none"> <li>● Take actions to deliver the Risk Management Strategy in their area of responsibility particularly promoting risk awareness in decision making;</li> <li>● Ensure risks are appropriately managed and that employees receive appropriate training;</li> <li>● Monitor operational risk management;</li> <li>● Input to the identification and management of top Council risks;</li> <li>● Provide assurance to elected members, by using the Other Implications section within reports, that risks associated with proposed plans have been evaluated and mitigated against.</li> </ul>
<b>Operational Managers will:</b>	<ul style="list-style-type: none"> <li>● Organise training and raise awareness for employees, as relevant, to ensure risks are identified and control measures are put in place and monitored;</li> <li>● Make risk based decisions when delivering services;</li> <li>● Provide assurance to elected members, by using the Other Implications section within reports, that risks associated with proposed plans have been evaluated and mitigated against.</li> </ul>
<b>Lead Officers for specific priorities, projects and/or partnerships highlighted in Council and Community Plans will:</b>	<ul style="list-style-type: none"> <li>● Ensure risks are identified, recorded and managed for the projects and partnerships under their leadership (refer to guidance: Managing Risk in Partnerships).</li> <li>● Ensure that their Risk Sponsor is kept up to date with the level of risk and control.</li> </ul>
<b>The Risk and Audit Scrutiny Committee (RASC) will:</b>	<ul style="list-style-type: none"> <li>● Provide assurance to elected members that the Council's risks are being appropriately managed;</li> <li>● Promote the understanding of risk among elected members and the benefits of risk management as well as monitoring the Council's internal controls;</li> <li>● Seek assurance of sound risk control.</li> </ul>
<b>Elected Members will:</b>	<ul style="list-style-type: none"> <li>● Oversee the effective management of risk by officers of the Council;</li> <li>● Be supported in this role by the RASC.</li> </ul>
<b>All employees will:</b>	<ul style="list-style-type: none"> <li>● Be bound by the "Seven Principles of Public Life" detailed within the Council's Code of Conduct for Employees;</li> <li>● Advise their line manager of any risks that they become aware of when undertaking their duties.</li> </ul>

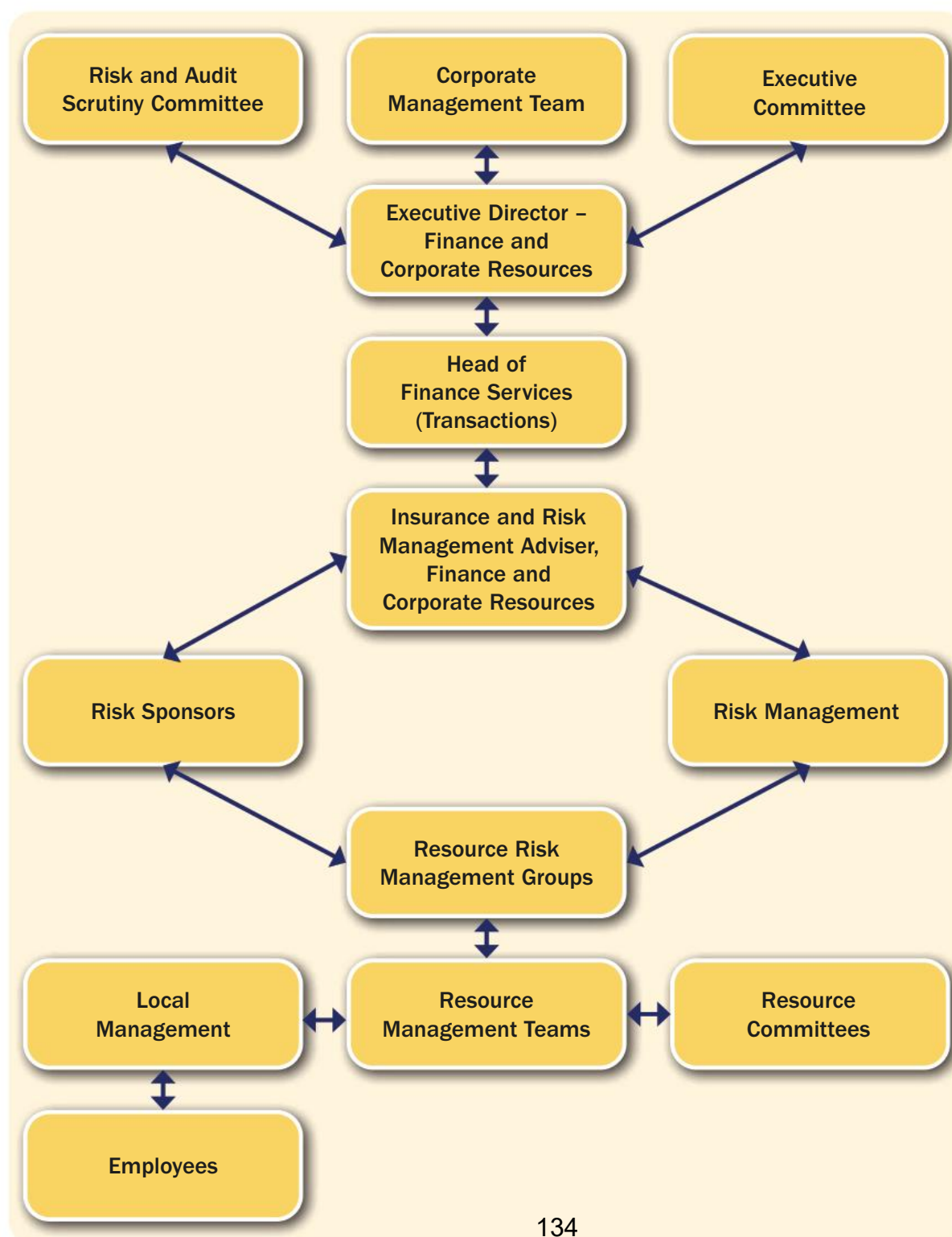
## Risk management structure

The main responsibility for implementing the Risk Management Strategy will lie with the nominated Risk Sponsors in each Resource. The Insurance and Risk Management Adviser has a key role in raising awareness and supporting the Resource Risk Sponsors.

Resource Risk Groups and various other groups will undertake risk related activities at Resource and Service level, within projects, corporately and within Community groups and partnerships.

Resource Risk Sponsors will report progress to Risk Management, the corporate Risk Sponsors Group and to their own Resource Management Team.

The following diagram shows the structure of managing risk management activity in South Lanarkshire Council:





## Methodology

**A methodology for managing risk in South Lanarkshire Council has been established and will be universally applied. Full details of the methodology can be found on page 16.**

Techniques in using and applying the methodology will differ, depending on the project or service area and the impact it is likely to have on delivery of Council objectives. The treatment of risk will depend on ownership, availability of insurance cover, cost of mitigation and level of concern.

Risk registers and risk control plans will be used to share information, reduce duplication of effort in managing risks and to build up an overall risk profile of the Council. The risk profile will be monitored and the level of exposure reported as appropriate.

## Risk tolerance

**South Lanarkshire Council aims to be risk embracing, that is it will accept a tolerable level of risk in seeking opportunities, service efficiencies and in agreeing control measures. The level of risk facing the Council is measured both before (inherent risk) and after (residual risk) consideration of controls.**

The Council should never carry a high residual risk exposure as this would indicate instability but a low residual risk exposure should also be avoided as this indicates lack of innovation.

It is generally understood that in normal circumstances:

- Low risk is acceptable without any further action to prevent or mitigate the risk (risk category 4);
- Medium risk is tolerable – control measures implemented or introduced must be cost effective (risk category 3);
- High risk may be tolerable – providing the Council is assured regarding the adequacy and effectiveness of the control measures in place. Any further control measures implemented or introduced must be cost effective in relation to the high risk (risk category 2);
- Very high risk is deemed to be unacceptable and measures should be taken to terminate, transfer or treat a very high risk to a more tolerable position (risk category 1),

It is recognised that in exceptional circumstances that factors will combine to produce a very high risk for which the Council has limited control over (for example impact of demographic change). Recognising this scenario, and taking into account the inherent level of risk experienced in some Resources, the Council may have the capacity to deal with some very high risk, it does not wish to tolerate any more than 10 per cent of risks at a very high level at any given time.

South Lanarkshire Council's ideal risk exposure should be consistent with an acceptable tolerance of:

- no more than 10 per cent of risks at a very high level;
- no more than 15 per cent of risks at a high level;
- around 50 to 60 per cent of risks at a medium level;
- no more than 30 per cent of risks at a low level.

It is always important to consider how proportionate your response to risk is, ensuring that the risk is continually evaluated to the lowest level that is reasonably practical whilst considering the net benefits, that is to a level where it is believed the cost of action will give the desired benefit without becoming risk averse.

## Funding and risk financing

New risk management initiatives or those with a Council wide application may be partially financed from the Council's Risk Management Fund. As these are limited funds, a bidding process is in place and all requests will be assessed against set criteria by the Insurance and Risk Management Adviser and approved by the Head of Finance (Transactions).

Risk management initiatives will be tracked and a record maintained, which will enhance the Council's reputation within the insurance market for practical risk management.

Insurance, broking and loss adjusters' contracts will be subject to regular competitive tendering to ensure best value.

Legitimate insurable losses will be financed through purchased insurance covers and a self insurance fund. Regular professional advice will be sought on the optimum balance between bought and self insurance.

The Risk Management team will manage the self insurance fund, following recognised insurance principles and standards.

The self insurance fund will be subject to regular actuarial review and approved accounting practices.

The self insurance fund will be financed, in principle, by contributions from Resources. Resource contributions will be subject to review.

## Core requirements and outcomes

**Appropriate and effective risk management will be embraced by all Council Resources as an enabler of success, whether for maximising opportunities, delivering innovation and best value, increasing performance or managing significant challenges.**

All Resources, major partnerships and projects will be required to meet the following minimum requirements:

- that a register of risks must be approved by the Resource Management Team and presented for noting to Resource Committees once per annum;
- that a risk control plan must be approved by the Resource Management Team and assurance of delivery of actions given to Committee once per annum;
- that, where appropriate, the Council's top risks are reflected within Resource risk registers;
- that documented evidence of risk evaluation prior to the commencement of major projects, partnerships and organisational changes is completed;
- that formal risk sharing agreements for major partnerships and contracts are put in place;
- that when major decisions are taken, they are transparent and clearly show the following key elements:
  - full cost over life of proposal;
  - funding source;
  - savings or efficiencies;
  - other benefits;
  - associated risks and how they will be managed.



- that Elected Members are to be kept informed of risks by using the “Other Implications” section of the Committee report template. This section should include:
  - the risks involved with the report’s recommendations;
  - the potential positive and negative consequences;
  - how these risks are currently being managed (existing controls) or how they will be managed going forward (additional actions);
  - link to risks on the Council’s top risk register.
- that assurance is gained from contractors and sub contractors, in line with procurement processes, of their adoption of recommended risk management practices, particularly that adequate insurance cover, safe health and safety practices, and equalities, sustainable development, business continuity and scrutiny procedures are in place;
- that the corporate risk management IT system is used to record and monitor risks and actions;
- that assurance that risks are being managed is provided annually to the Chair of the Resource Committee and the Chief Executive as part of the Council’s governance framework;
- that the Council’s agreed risk profile and risk tolerance level is adopted.

Reports for projects and partnerships risk registers and action plans should be presented to the relevant board.

Delivery of core requirements will ensure that the benefits outlined in the Strategy are recognised by insurers, auditors and members of the Community with the primary outcome being a well governed and high performing Council.

## Monitoring and reporting

**Management information for insured risks, including claims experiences, in terms of numbers and value, is used to inform the CMT of the Council’s losses and to identify hotspot areas where further targeted action is required. Changes in the level of risk are tracked by analysing trends.**

Performance information, relating to Council and Resource performance in delivering risk control actions is reported quarterly through IMPROVe.

The CMT has overall responsibility to monitor Resources progress against the Risk Management Strategy.

Regular reports will be prepared by the Risk Management team. Regular re-evaluation of risks will enable the risk exposure and effectiveness of initiatives to be tracked and reported.

The RASC will oversee the effective management of risk through presentation of regular reports and discussion of issues arising.

Risk management performance will be measured by reviews against standards, use of local and national insurance performance indicators and where possible benchmarking with other authorities.

Reporting requirements and responsibilities are outlined in Table one.

**Table one - Risk management reporting requirements**

Report title	Purpose of report	Report prepared by	Frequency of report	Reported to				
				Executive Committee	Corporate Management Team	Risk and Audit Scrutiny Committee	Resource Senior Management Teams	Resource Committees
Year-end insured risks report	To highlight the number and estimated costs of insured losses as at 31 March	Risk Management	Annual		✓	✓		
	To identify actions and progress for insurance hotspot areas							
	To advise Resources compliance with the Risk Management Strategy							
Risk Management year-end report	To seek approval and to provide an update on progress made in delivering actions in the risk management work plan	Risk Management	Annual		✓	✓		
	To provide an update on progress made on delivering risk control actions							
	To update top risk areas for the Council and seek approval for exposure levels				✓	✓		
Review of the Council's top risks	To update top risk areas for the Council and seek approval for exposure levels	Risk Management	Annual		✓	✓		
Update of the Resource Risk Register and Risk Control Plan	To seek approval for Resource risk registers and risk control plans	Resource Risk Sponsor	Annual				✓	✓
Actuarial review of the Council's self insurance fund	To provide assurance that there is adequate funds within the self insurance fund to meet known liabilities	Risk Management	Bi-annual		✓	✓		
Review of the Risk Management Strategy	To seek approval for updates made to the Strategy	Risk Management	Following each review of the Strategy	✓	✓			

# Risk management methodology

## Introduction

The risk management process is a continuous and developing process involving the identification of risks; analysis and prioritisation of these risks; and the implementation of actions to further mitigate risks.

Within South Lanarkshire Council, risk management is a four stage process:



## Risk identification

Risks can be identified through a number of channels:

- Council, Resource and Service planning processes
- Risk sponsors meetings
- Risk Identification Workshops
- SWOT Analysis
- Regular Resource risk management group meetings
- Project/Partnership meetings
- In the course of normal operational business
- During periods of emergency/crisis management

All identified risks should be aligned to Connect objectives.

When describing a risk always it should be presented in three parts:

- The root cause (weakness)
- The trigger (initiating event or action)
- And the impact (consequence)

It is important to ensure risk descriptions are brief but fully communicate the risk in question. The following wording groups are often used to begin the process of articulating risk:

- Failure to...
- Loss of...
- Inability to...
- Inappropriate...
- Exploitation of...
- Enhancement of...
- Reduction of...
- Disruption to...
- Increase in...
- Lack of...
- Realisation that...
- Empowerment of...

All risks should be categorised for the purpose of analysis. The Council's risk categories are:

- Assets
- Reputation
- Operational continuity and performance
- Financial
- Political
- Environmental
- IT
- Regulatory and legislative
- People

## Evaluation of risks – inherent

Risks should be evaluated, initially without regard to any mitigation or controls that are already in place.

It is a twofold evaluation, which considers both the impact and likelihood of the risk.

Definitions of likelihood and impact are detailed below, but these may vary depending on the project or partnership, where analysis requires to be more specific.

Likelihood is scored on a scale of one to five, with one being the lowest. Descriptions of the scores are as follows:

Score	1	2	3	4	5
Description	Rare	Unlikely	Possible	Likely	Almost certain
Likelihood of occurrence	1 in 10 years	1 in 3 years	1 in 2 years	Annually	Monthly
Probability of occurrence	The event may occur in certain circumstances	The event could occur	The event may occur	The event will probably occur	The event is expected to occur or occurs regularly

Impact is also scored on a scale of one-five, with one being the lowest.

Descriptions of the scores are as follows:

The following descriptions are provided to assist in ensuring greater consistency when scoring the potential impact of specific types of risks:

	Reputation	Financial	Service delivery/ time to recover	Compliance	Safety
<b>1 Negligible</b>	Public concern restricted to local complaints	<£50,000 per annum	No impact to service quality; limited disruption to operations	No external interest	Minor injury – no lost time
<b>2 Minor</b>	Minor adverse local/public/media attention and complaints	£50,000-£250,000 per annum	Minor impact to service quality; minor service standards are not met; short term	Very minor attention from legislative/regulatory body	Minor injury – resulting in lost time
<b>3 Moderate</b>	Adverse national media Public attention	£250,000 to £500,000 per annum	Significant fall in service quality; major partnership relationships strained; serious disruption in service standards	Short-term attention from legislative/regulatory body	Major injury or ill health resulting in lost time
<b>4 Major</b>	Serious negative national or regional criticism	£500,000 to £1million per annum	Major impact to service delivery; multiple service standards are not met; long term disruption to operations; multiple partnerships affected	Medium-term attention from legislative/regulatory body	Fatality; or injuries to several people
<b>5 Catastrophic</b>	Prolonged international, regional and national condemnation	>£1million per annum	Catastrophic fail in service quality and key service standards are not met; long term catastrophic interruption to operations; several major partnerships are affected	National impact with rapid intervention of legislative/regulatory body	Multiple fatalities; or injuries to large number of people

The assessments for impact and likelihood combine to provide an overall inherent risk score on the scale of between 1 and 25, using the Council's recognised risk matrix.

## Risk matrix

Likelihood	5 Almost Certain	5	10	15	20	25
	4 Likely	4	8	12	16	20
	3 Possible	3	6	9	12	15
	2 Unlikely	2	4	6	8	10
	1 Rare	1	2	3	4	5
		1 Negligible	2 Minor	3 Moderate	4 Major	5 Catastrophic
		Impact				

The risk score is calculated as follows: **Likelihood score x Impact score = Risk Score**

These scores should be recorded in the relevant columns of the risk register.

## Risk categories/rating

Risk category	Risk rating	Risk score
1	Very high	15-25
2	High	8-12
3	Medium	4-6
4	Low	1-3

The information gathered at the risk identification stage should be used to compile an initial risk register.

## Risk control

For every risk, controls that reduce the impact and likelihood should be identified and noted in the risk register.

Examples of controls are:

- Policies and procedures
- Information, instruction and training
- Physical security measures
- Scrutiny measures
- Communication processes

It is the responsibility of the risk owner/identifier to assess the effectiveness of the control measures that are already in place.

Three opinions exist – poor, adequate and good. See table below for examples:

<b>Poor (Not effective)</b>	<b>Adequate (Partially effective)</b>	<b>Good (Completely effective)</b>
Insufficient controls; weak procedures; limited attempt made to implement preventative measures; controls not working as intended	Reasonable compliance with statutory requirements; reasonable standards established; some preventative measures in place; controls can be improved	Full compliance with statutory requirements; comprehensive procedures in place; no other controls considered necessary; ongoing monitoring only

If it is considered that the existing controls are adequate or poor, it is likely that further control measures will require to be implemented.

After consideration of the controls that are already in place, a decision on the treatment of the risk needs to be made. There are four options – transfer, reject, accept and mitigate. See below:

<b>Transfer</b>	<b>Reject</b>	<b>Accept</b>	<b>Mitigate</b>
<b>This involves transferring the cost of risk to a third party</b>	<b>This implies that a risk is undesirable, e.g. it offers unattractive awards, it is outside of the risk appetite, or there is no capability to manage the risk</b>	<b>The Council decides to accept the risk as it is and do nothing further to mitigate it</b>	<b>This involves putting in place risk control measures that reduce the likelihood and/or the consequences of the risk to acceptable levels</b>
<ul style="list-style-type: none"> <li>Insurable</li> </ul>	<ul style="list-style-type: none"> <li>Cancel planned project; work; etc.</li> </ul>	<ul style="list-style-type: none"> <li>Cannot control – maintain a watching brief</li> </ul>	<ul style="list-style-type: none"> <li>Some further action required to mitigate the risk</li> </ul>
<ul style="list-style-type: none"> <li>Not the Council's responsibility</li> </ul>	<ul style="list-style-type: none"> <li>Change operation</li> </ul>	<ul style="list-style-type: none"> <li>Already adequately controlled</li> </ul>	<ul style="list-style-type: none"> <li>Existing Controls need tightened/ improved</li> </ul>
<ul style="list-style-type: none"> <li>Pass to contractor</li> </ul>		<ul style="list-style-type: none"> <li>Cost of control outweighs benefit</li> </ul>	

For risks which require mitigation, a risk control plan should be prepared. This should contain the following information:

- Details of the risk
- The action that is to be completed
- Who is responsible for ensuring completion
- Target date for completion of the action

After preparation of the risk control plan and consideration of the controls already in place, the risk is re-scored as if all current controls were in place and working. This results in the residual risk score.

This re-evaluation uses the same method as the inherent evaluation.

A copy of the Council's risk card that should be used to record the details of the risk is attached at Appendix one.



## Monitoring

It is essential for risk management success that periodic review and monitoring of risks, controls and actions is in place.

Risks should be updated if there are changes to the risk, and when further control measures are put in place when actions are completed.

When reporting on the progress of the completion of risk control actions, the following statuses should be used:

Status	Definition
Green	The timescale or target has been met as per expectations
Amber	There has been minor slippage against timescale or minor shortfall against target
Red	There has been major slippage against timescale or major shortfall against target
Report later	The information is not yet available to allow us to say whether the target has been reached or not. These will be reported when available





## Appendix one – Risk card

<b>Key risk:</b>					
<b>Risk description</b>	<b>Root cause</b>				
	<b>Trigger</b>				
	<b>Impact</b>				
<b>Classification:</b>					
<b>Connect Objective:</b>					
<b>Head of Service:</b>			<b>Lead Officer:</b>		
<b>Lead Resource:</b>		<b>Resources affected:</b>			
<b>Inherent impact:</b>		<b>Inherent likelihood:</b>		<b>Inherent risk score:</b>	
<b>Existing control measures:</b>					
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
<b>Assessment of effectiveness of existing control measures:</b>		Poor/Adequate/Good			
<b>Risk treatment:</b>		Transfer/Reject/Accept/Mitigate			
<b>Residual impact:</b>		<b>Residual likelihood:</b>		<b>Residual risk score:</b>	
<b>Action Plan (Additional control measures required to mitigate the risk)</b>					
	<b>Action:</b>	<b>Responsible person:</b>		<b>Target completion date:</b>	
1					
2					
3					
4					
5					

## Appendix two – Risk management glossary

Key definitions	
<b>Control</b>	Any action, procedure or operation undertaken to either contain a risk to an acceptable level, or to increase the probability of a desired outcome.
<b>Down-side risk</b>	A risk with a negative or unfavourable impact.
<b>Impact</b>	Impact or consequence to the Council should the risk materialise.
<b>Inherent risk score</b>	The level of risk existing before any control measures have been put in place.
<b>Likelihood</b>	Used as a qualitative description of probability or frequency of that risk actually materialising.
<b>Mitigation</b>	The limitation of any negative impact of a particular event.
<b>Operational risk</b>	Risks associated with the day-to-day issues that the Council is confronted with as we strive to deliver our actions and outcomes.
<b>Residual risk score</b>	The level of risk remaining after control measures have been taken into consideration.
<b>Risk</b>	The chance of something happening that will have an impact upon objectives. It is measured in terms of impact and likelihood.
<b>Risk Appetite</b>	The amount of risk that the Council is willing to take.
<b>Risk analysis</b>	A systematic use of available information to determine how often specified events may occur and the magnitude of their consequences.
<b>Risk assessment</b>	The overall process of risk analysis and risk evaluation.
<b>Risk communication</b>	The exchange or sharing of information about risk between the decision maker and other shareholders.
<b>Risk control</b>	The part of risk management which involves the provision of policies, standards and procedures, initiatives and actions to eliminate risk or minimise adverse risks.
<b>Risk control plan</b>	A list of all the proposed actions to be undertaken to mitigate risks. The control plan should contain details of the person who is responsible for implementation and a target completion date.
<b>Risk evaluation</b>	The process used to determine risk management priorities by comparing the level of risk against pre-determined standards for impact and likelihood, target risk levels or other criteria.
<b>Risk financing</b>	The provision of funds to meet the cost of implementing risk treatment and related costs.
<b>Risk identification</b>	The process of determining what can happen, why and how.
<b>Risk management</b>	The culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects.
<b>Risk register</b>	A product used to maintain information on all the identified risks pertaining to a particular activity, project or partnership. Also known as the risk log.
<b>Risk tolerance</b>	The range of exposure that is judged to be tolerable for the Council.
<b>Risk treatment</b>	Selection and implementation of appropriate options for dealing with risk.
<b>Stakeholders</b>	Those individuals and organisations who may affect, be affected by, or perceive themselves to be affected by, the decision or activity.
<b>Strategic risk</b>	Risks concerned with where the Council wants to go, and how we plan to get there.
<b>Up-side risk/ Opportunities</b>	A risk with a positive or favourable impact.

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please contact us to discuss how we can best meet your needs.

Phone: 0303 123 1015

Email: [equalities@southlanarkshire.gov.uk](mailto:equalities@southlanarkshire.gov.uk)

**[www.southlanarkshire.gov.uk](http://www.southlanarkshire.gov.uk)**



# Report

9

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>18 June 2020</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Audit Scotland – Financial Overview 2018/2019</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ provide the Risk and Audit Scrutiny Committee with a summary of the information contained within the Audit Scotland Report 'Financial Overview 2018/19' published in December 2019.

## 2. Recommendation(s)

2.1. The Risk and Audit Scrutiny Committee is asked to approve the following recommendation(s):-

- (1) that the key messages and recommendations of the Audit Scotland Overview Report 2018/2019, as detailed in sections 4 to 7, be noted; and
- (2) that the Council's position in relation to these messages/recommendations, as detailed in section 8, be noted.

## 3. Background

3.1. In December 2019, Audit Scotland published the Financial Overview 2018/19 report on behalf of the Accounts Commission. Audit Scotland publish two overview reports each year, this one focuses on financial matters, and the other report, on councils' performance and outcomes, is expected be published in April 2020. A copy of the [Audit Scotland - Financial Overview 2018/19](#) report can be found on the Audit Scotland website.

3.2. The Audit Scotland report is divided into 4 parts:

- Part 1: Councils' Income in 2018/2019
- Part 2: Councils' Financial Position
- Part 3: Councils' Financial Outlook
- Part 4: Integration Joint Boards' Overview 2018/2019

3.3. The key messages from each of the 4 parts are outlined in sections 4 to 7 of this report, with comments on South Lanarkshire Council's position specifically noted in section 8.

3.4. In addition to these key messages, the overview report poses a number of questions for consideration by councillors. These are highlighted in section 9, and detailed in Appendix 1 to this report, alongside the Council's position in relation to these questions.

#### **4. Part 1 – Councils’ Income in 2018/2019**

- 4.1. A number of key messages are presented by Audit Scotland in their report, in relation to councils’ budgets and spending in 2018/2019:-
- Scottish Government revenue funding to councils increased in 2018/2019 by 1.1% in cash terms and decreased by 0.7% in real terms. Council income grew by £0.4 billion in cash terms.
  - Between 2013/2014 and 2018/2019, funding from the Scottish Government to local government decreased by 7.6% in real terms. Funding to other areas decreased by 0.4% over the same period.
  - Council Tax changes raised an additional £97 million in 2018/2019. The increase was due to all councils choosing to increase council tax by the maximum 3% and also increases in the number of properties.
  - In order to be more transparent about how funding reflects the factors that drive demand, the Scottish Government has now provided information to individual councils on the calculations for the non-GAE distributions.
  - A growing proportion of Scottish Government revenue funding to councils is committed to national policy initiatives. This reduces the flexibility councils have for deciding how they plan and prioritise the use of funding to respond to local priorities. COSLA’s view is that Scottish Government policies and fixed commitments represented 58% of local government revenue expenditure budgets in 2018/2019, rising to 60% in 2019/2020.
  - The proportion of income from each main source (General Revenue Grant, Non-Domestic Rates etc.) varies significantly across councils.

#### **5. Part 2 – 2018/2019 Councils’ Financial Position**

- 5.1. A number of key messages are presented by Audit Scotland in their report in relation to the 2018/2019 Financial Performance of councils:-
- In 2018/2019, the national local authority funding gap was 3% of total budget.
  - The 2018/2019 funding gap of 3% of total budget was lower than the previous year (4%). Councils planned to manage this mainly through savings, although a shortfall in savings achieved meant that a higher proportion of the funding gap was met from reserves than was planned.
  - Scottish councils increased their use of revenue reserves, with a net drawdown in 2018/2019 of £45 million.
  - Twenty three councils have reduced their General Fund reserves over the last three years. No council is in a position where this rate of depletion would eliminate the total General Fund within three years.
  - Capital expenditure increased by £62 million (2.3%) in 2018/2019 to £2.75 billion, with more spent on housing and economic development and less spent on education.
  - The value of pension liabilities in councils increased by £0.5 billion to reflect the impact of the McCloud case (relating to transitional protection for some pension scheme members).
  - Councils should continue to improve the transparency of the management commentary included in their Accounts.

#### **6. Part 3 – Councils’ Financial Outlook**

- 6.1. A number of key messages are presented in the report in relation to the Financial Outlook for councils, namely:-
- Scottish Government revenue funding to local government in 2019/2020 increased by 2.9% in cash terms (0.9% in real terms).

- In 2019/2020, the Scottish Government increased the cap on council tax increase. Twelve councils decided to increase council tax by the full amount permitted of 4.79%.
- Many councils are also seeking other ways to increase income, including increasing fees and some have introduced new charges in 2019/2020. Some councils also continue to pursue new local taxes.
- Councils' 2019/2020 financial plans identified a total funding gap of £0.5 billion (3% of income). This continues the increasing pressure on councils to find further cost savings, redesign services, reduce services, increase income or use reserves. Councils planned to manage their funding gaps mainly through identified cost savings.
- All councils have medium-term financial planning covering three years or more. Long-term financial planning has not improved since last year and more progress is required.
- The Scottish Government has made a commitment to set out multi-year budgets, which will assist councils with financial planning.
- Councils have made preparations for EU withdrawal but there are many potential implications that cannot be anticipated in financial planning.

## **7. Part 4 – Integrated Joint Boards' (IJBs) Overview 2018/2019**

7.1. A number of key messages are presented in the report in relation to IJBs, namely:-

- The pace of health and social care integration has been too slow and there is limited evidence to suggest any significant shift in spending from health to social care.
- Overall, IJB budgets increased by 3% in 2018/2019.
- The identified budget gap reduced from £248 million (2.9% of total income) in 2018/2019 to £208 million (2.5% of total income) for 2019/2020.
- The majority of IJBs struggled to achieve break-even in 2018/2019 and nineteen would have recorded a deficit without additional funding from partners at the year end.
- Around a third of the IJBs failed to agree a budget with their partners for the start of the 2019/2020 financial year. For several IJBs, although the budget was set on time, they still had an element of unidentified savings which meant the budget was unbalanced at the start of the year.
- A focus on long-term planning is required by IJBs to assist effective decision making that will support long-term financial sustainability.

## **8. South Lanarkshire Council – Financial Overview 2018/2019**

8.1. The Audit Scotland report contains a number of tables that set out information for all councils. For the majority of indicators, South Lanarkshire Council's results were in the main grouping of councils. However, there were three areas where the Council's results were outwith the main grouping. These are detailed below.

8.2. **Average annual movement in councils' general fund reserves over the last three years:** The Council is the second highest in terms of average annual movement in its General Fund Reserve over the last three years. The Council's General Fund Reserve has increased by an average of approximately 17%. This is mainly due to the agreed transfer to the General Fund Reserve of amounts generated through decisions made on Debt Flexibility (£18.3m). Transfers for Pupil Equity Fund and Early Years, due to timing of funding, and underspends, earmarked to be utilised in future years' strategies, have also contributed to the increase in the General Fund Reserve.

8.3. **Underlying borrowing and gross debt as a proportion of net annual revenue:** The Council is seventh highest in terms of its level of borrowing/debt required to fund

its capital expenditure, as a proportion of its net annual revenue. This is due to the successful delivery of ambitious capital programmes funded, in part, by borrowing. The financial impact of borrowing for capital expenditure has been built into the budget.

- 8.4. **Annual cost of unfunded pension benefits as a percentage of net operating expenditure:** The Council is sixth highest in terms of annual cost of unfunded pension benefits as a percentage of net operating expenditure. All councils have ongoing pension commitments arising from past decisions on early retirements.

**9. Questions for Councillors**

- 9.1. Throughout the Audit Scotland report there are a number questions for the attention of councillors. For each question, Audit Scotland suggests that councillors should consider 'What do I know?' and 'Do I need to ask further questions?'
- 9.2. The questions, which cover a variety of issues, are listed within Appendix 1 along with the Council's position in relation to each of the areas.

**10. Employee Implications**

- 10.1. None.

**11. Financial Implications**

- 11.1. The Audit Scotland Report raises a number of financial areas for consideration by councils, however, there are no direct financial implications as a result of the content of this report.

**12. Climate Change, Sustainability and Environmental Implications**

- 12.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

**13. Other Implications**

- 13.1. There are no risk implications in terms of the information contained in this report.

**14. Equality Impact Assessment and Consultation Arrangements**

- 14.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.
- 14.2. There is also no requirement to undertake any consultation in terms of the information contained in the report.

**Paul Manning**

**Executive Director (Finance and Corporate Resources)**

3 April 2020

**Link(s) to Council Values/Ambitions/Objectives**

- ◆ Accountable, Effective, Efficient and Transparent

**Previous References**

- ◆ None

**List of Background Papers**



- ◆ Local Government in Scotland – Financial Overview 2018/19 - Audit Scotland, December 2019

**Contact for Further Information**

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

Lorraine O'Hagan, Finance Manager (Strategy)

Ext: 2601 (Tel: 01698 452601)

E-mail: [lorraine.o'hagan@southlanarkshire.gov.uk](mailto:lorraine.o'hagan@southlanarkshire.gov.uk)

**Audit Scotland – Questions for Elected Members**

Audit Scotland Questions for Elected Members	South Lanarkshire Council Perspective
<p><b>Income</b></p> <ul style="list-style-type: none"> <li>How dependent is your council on the various sources of income compared to other councils – Scottish Government funding, grants, council tax and receipts from customers/clients?</li> </ul>	<ul style="list-style-type: none"> <li>The Council, like all other councils, is dependent on a combination of the sources of income noted.</li> <li>The main elements, expressed as a percentage of total income are noted below. The Scotland average is noted in brackets: <ul style="list-style-type: none"> <li>Scottish Government funding - 64% (58%)</li> <li>Grants - 12% (17%)</li> <li>Council Tax - 15% (14%)</li> <li>Receipts from customers/clients - 9% (11%)</li> </ul> </li> </ul>
<p><b>Council and IJB budgets</b></p> <ul style="list-style-type: none"> <li>Is a budget agreed before the start of each financial year? If not, why not?</li> <li>How big is the funding gap for your council/IJB relative to the total budget?</li> <li>What are your Council's plans for meeting the current and future funding gaps – savings plans, efficiencies, reduction in services or transformation, increased charges, use of reserves?</li> </ul>	<ul style="list-style-type: none"> <li>The Council budget is set and agreed before the start of each financial year.</li> <li>The 2020/2021 Budget Strategy identified a budget gap, before an increase in Council Tax, of £13.651m (this equates to approximately 1.8% of the Council's expenditure budget for 2020/2021).</li> <li>The Council will plan to meet any funding gaps from a combination of measures including savings, increased charges and the prudent use of reserves, in line with the Council's Budget Strategy.</li> </ul>

Audit Scotland Questions for Elected Members	South Lanarkshire Council Perspective
<p><b>Council and IJB budgets (cont'd)</b></p> <ul style="list-style-type: none"> <li>• Are there significant elements of unidentified savings in the agreed budget or are all planned savings actions clearly identified?</li> <li>• How well are you kept informed about progress against savings plans?</li> <li>• Does your council/IJB have a transformation plan? Does it clearly set out the aims and objectives and how and when these will be achieved?</li> <li>• How effectively are you engaged and informed about the transformation programme and kept informed about progress?</li> </ul>	<ul style="list-style-type: none"> <li>• There are no significant elements of unidentified savings in the Council's budget.</li> <li>• Members' awareness sessions take place each year, prior to approval of the annual budget, to discuss updates on the budget strategy and proposals for savings. Ongoing monitoring of the revenue budget includes the impact of savings and their achievement.</li> <li>• Over a number of years, there has been an approach where, through integrated cross-Resource working, real proposed efficiencies have been identified, rather than having an aspirational transformational target. Through this process, the Council focuses on transformation and looking to maintain or improve performance, and not solely focus on savings.</li> </ul> <p>Any Transformation plans in relation to the IJB are reported to the IJB itself.</p> <ul style="list-style-type: none"> <li>• As noted above, the Council works to achieve real savings, rather than a transformation target. Their achievement is included in the ongoing revenue budget monitoring reported regularly to members. In addition, progress towards meeting Council objectives is the subject of regular monitoring. Reports on progress towards milestones are regularly presented to committees and the public. Where measures are not on course to be achieved, these will be referred to individual Resource Committees for consideration.</li> </ul>

Audit Scotland Questions for Elected Members	South Lanarkshire Council Perspective
<p><b>Reserves</b></p> <ul style="list-style-type: none"> <li>• What is the council's/IJBs reserve policy?</li> <li>• Do committed/earmarked/specific reserves have clear purposes and projected cash-flows or are they part of the general contingency or uncommitted general fund?</li> <li>• Are these commitments reviewed annually to ensure they reflect the best use of the council's/IJBs reserves?</li> <li>• Is the council/IJB using up its reserves and is it likely to deplete these over the medium or long term (within 5 or within 10 years)?</li> </ul>	<ul style="list-style-type: none"> <li>• The Council has a Reserves Strategy which forms part of the Council's overall Budget Strategy. An annual update on the Council's Budget Strategy, as reported to the Executive Committee for approval, details the proposed use of any reserves where appropriate. Updates highlight the unsustainable nature of reserves as a funding source.</li> </ul> <p>The IJB has its own Reserves policy which was approved by the IJB.</p> <ul style="list-style-type: none"> <li>• All reserves are held for specific purposes. Any contribution to reserves are approved by Members after they have been provided with the rationale for their retention and use.</li> <li>• All committed reserves are reviewed at least annually. The position on Reserves is reported to the Council's Executive Committee as part of the year-end process. This includes the results of the review of commitments.</li> </ul> <p>The Chief Finance Officer of the IJB reports its Reserves commitment to the IJB annually as part of the Annual Accounts.</p> <ul style="list-style-type: none"> <li>• All earmarked reserves, with the exception of the Uncommitted General Fund and the HRA, will be utilised for earmarked purposes, over the period of the long term budget strategy.</li> </ul> <p>The IJB Reserves will be utilised over the medium term.</p>

Audit Scotland Questions for Elected Members	South Lanarkshire Council Perspective
<p><b>Capital</b></p> <ul style="list-style-type: none"> <li>• What are your council's medium and long term plans for capital spending?</li> <li>• How well are you kept informed about progress against capital plans and how well do you understand the reasons for any underspend against the annual capital budget?</li> </ul>	<ul style="list-style-type: none"> <li>• The Council's plans for medium and long term capital spending are as approved in the Executive Committee Report on 21 November 2018, covering the period from 2018/2019 up to 2027/2028.</li> <li>• Members are updated by four weekly capital monitoring reports, presented to the Executive Committee, which detail the progress of the capital programme against budget and provide explanations for any variances.</li> </ul>
<p><b>Debt</b></p> <ul style="list-style-type: none"> <li>• What is your council's current debt position relative to its annual revenue?</li> <li>• How much of the council's budget is used to pay interest and debt repayments?</li> <li>• Are you given clear and sufficient information to understand risks and support decisions about future borrowing?</li> </ul>	<ul style="list-style-type: none"> <li>• The Council's current gross debt as a proportion of net annual revenue is 167.2%. This is in comparison to other councils where their proportions range from 58% to 237%. The Council's level of debt reflects the successful delivery of ambitious capital programmes funded, in part, by borrowing.</li> <li>• The Council's loan charges budget is presented to the Executive Committee on a 4 weekly basis, reporting any anticipated variances. For 2019/2020 the budget is £53.916m.</li> <li>• As a matter of course, any new borrowing decisions are accompanied with information on the implications of the borrowing. Updates on the Council's Budget Strategy, reported to the Executive Committee for approval, detail the position in relation to planned capital expenditure and the Treasury Management Strategy. The updates provide information on borrowing and debt projections.</li> </ul>

Audit Scotland Questions for Elected Members	South Lanarkshire Council Perspective
<p><b>Business cases for severance</b></p> <ul style="list-style-type: none"> <li>Does the council prepare business cases for severance proposals and are these reported to councillors?</li> </ul>	<ul style="list-style-type: none"> <li>Factors taken into consideration in any severance proposal includes the payback period for any sum due to be paid. A six monthly report is presented to the Finance and Corporate Resources Committee which includes the cost of any early retirements. A guidance document on Early Retirement and Voluntary Severance for Personnel Sections is included on the Council's Intranet. The Council's Executive Committee (12 September 2012) approved a paper agreeing the Early Retirement/Voluntary Severance process in relation to Chief Officers and Statutory Officers.</li> </ul>
<p><b>Transparency in accounts</b></p> <ul style="list-style-type: none"> <li>Does the management commentary of the council and IJB accounts show the outturn against budget reconciled to movement in the general fund and progress against agreed savings plan?</li> </ul>	<ul style="list-style-type: none"> <li>The management commentary includes details of the annual budget, actual before and after transfer to reserves, and explanations for the transfer to reserves. Progress on achievement of savings is monitored through regular scrutiny of the overall Council budget.</li> </ul>

Audit Scotland Questions for Elected Members	South Lanarkshire Council Perspective
<p><b>Financial planning</b></p> <ul style="list-style-type: none"> <li>• Does your council have medium and long term financial plans, and do they include a range of potential funding and financial scenarios?</li> <li>• Does the medium-term plan provide sufficient information on estimated Scottish Government funding (or host partner funding), projected net expenditure (in total and for each service), projections for service income, projections for cost of borrowing?</li> </ul>	<ul style="list-style-type: none"> <li>• A Budget Strategy for 2019/2020 to 2021/2022 and a longer term outlook to 2028/2029 was presented to the Executive Committee in August 2018. Similar to previous strategies, the paper provided commentary and assumptions, where possible, including assumptions about demographics, economic conditions and inflation.</li> <li>• The Budget Strategy (as referred to above) includes government grant scenarios, borrowing and debt projections and identifies the resultant potential savings requirement, at Council level, over the term of the Strategy.</li> <li>• One of the main budget assumptions is the level of government grant. In recent years, scenarios have focussed on the level of funding reductions. This has formed an integral element of the medium term budget process. The Council's new longer term Strategy (August 2018) expands this scenario further to reflect changes to social care demand, as well as other key areas of budget pressures.</li> <li>• In arriving at the expenditure assumptions within the Budget Strategy, a number of factors are taken into account, including investments in Council Priorities, and the impact of changing demographics. Investments in services, or projected movements in service income are considered in the Budget Strategy. The Strategy also considers the impact of borrowing. National pay negotiations for all employees continue to be a significant element of the budget investments required.</li> </ul>





# Report

10

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>18 June 2020</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Financial Resources Scrutiny Forum Activity</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Provide, for information, a summary of reports considered by the Financial Resources Scrutiny Forum to March 2020.

## 2. Recommendation(s)

2.1. The Risk and Audit Scrutiny Committee is asked to approve the following recommendation(s):-

- (1) that the summary of reports considered by the Financial Resources Scrutiny Forum for the period August 2019 to March 2020, as detailed in Appendix 1 of this report, be noted.

## 3. Background

3.1. In May 2017, the Council agreed details relating to the review of Member Scrutiny Forums. This included consideration of the Terms of Reference and Powers and Responsibilities for the Forums. In respect of the Financial Resources Scrutiny Forum, the focus can be summarised as:

- scrutinise all of the Council's revenue budgets
- review the financial and operational progress of the Council's capital programmes
- review the financial and operational progress of the Council's trading operations

3.2. This report will cover items submitted to the Financial Resources Scrutiny Forum since the last update to the former Risk and Audit Scrutiny Forum in June 2019.

## 4. Agenda Items

4.1. The table attached at Appendix 1 notes the reports submitted to the Financial Resources Scrutiny Forum during the period August 2019 to March 2020, under the main areas of responsibility.

4.2. The Forum on 5 March 2020 was the last meeting before COVID-19 lockdown arrangements were introduced.

4.3. Further reports will be provided to this Committee on an annual basis advising of the business presented to the Financial Resources Scrutiny Forum.

## 5. Employee Implications

5.1. There are no employee implications.

## **6. Financial Implications**

- 6.1. There are no financial implications.

## **7 Climate Change, Sustainability and Environmental Implications**

- 7.1 There are no specific climate change, sustainability or environmental implications arising from the information contained within this report

## **8. Other Implications**

- 8.1. The main risk associated with the Council's Revenue Budget is that there is an overspend. The risk has been assessed as low given the detailed budget management applied across the Resources. The risk is managed through four weekly Budget Monitoring Meetings at which any variance is analysed. In addition, the probable outturn exercise ensures early warning for corrective action to be taken where appropriate.

- 8.2. The main risk associated with the Council's Capital Programme is that there is an overspend. The risk has been assessed as low given the detailed project management plans prepared and monitored for each project. The risk of an overspend is managed through four weekly Investment Management Meetings.

## **9. Equality Impact Assessment and Consultation Arrangements**

- 9.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.
- 9.2. There is also no requirement to undertake any consultation in terms of the information contained in the report.

**Paul Manning**

**Executive Director (Finance and Corporate Resources)**

1 June 2020

### **Link(s) to Council Values/Ambitions/Objectives**

- ◆ Accountable, Effective, Efficient and Transparent

### **Previous References**

- ◆ Risk and Audit Scrutiny Committee, 19 June 2019
- ◆ South Lanarkshire Council, 18 May 2017

### **List of Background Papers**

- ◆ None

### **Contact for Further Information**

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

Lorraine O'Hagan, Finance Manager (Strategy)

Ext: 2601 (Tel: 01698 452601)

E-mail: [lorraine.o'hagan@southlanarkshire.gov.uk](mailto:lorraine.o'hagan@southlanarkshire.gov.uk)

Date	Revenue Monitoring	Capital Monitoring
8 August 2019	<p>Provide an update on:</p> <ul style="list-style-type: none"> <li>• 2018/2019 Revenue Budget Monitoring Final Outturn and Annual Report and Accounts</li> <li>• Revenue Budget Monitoring 2018/2019 Detailed Resource Analysis for the General Services Budget and Housing Revenue Account</li> <li>• 2018/2019 Recurring Variances and 2019/2020 Outlook</li> </ul> <p>Provide an update on the position as at 24 May 2019 (period 2) for the following:</p> <ul style="list-style-type: none"> <li>• 2019/2020 Financial Monitoring</li> <li>• 2019/2020 Detailed Resource Analysis for the General Services Budget and Housing Revenue Account</li> </ul>	<p>Provide an update on:</p> <ul style="list-style-type: none"> <li>• 2018/2019 General Fund Capital Programme</li> <li>• 2018/2019 Housing Capital Programme</li> </ul> <p>Provide an update on the position as at 24 May 2019 (period 2) for the following:</p> <ul style="list-style-type: none"> <li>• Housing Capital Programme - Financial Information and Physical Progress</li> <li>• General Services Capital Programme - Financial Information, Programme exceptions approved by Executive Committee and Physical Progress for Build, Non-Build and Roads Projects</li> </ul>
5 September 2019	<p>Provide an update on the position as at 19 July 2019 (period 4) for the following:</p> <ul style="list-style-type: none"> <li>• 2019/2020 Financial Monitoring</li> <li>• 2019/2020 Detailed Resource Analysis for the General Services Budget and Housing Revenue Account</li> </ul>	<p>Provide an update on the position as at 19 July 2019 (period 4) for the following:</p> <ul style="list-style-type: none"> <li>• Housing Capital Programme - Financial Information and Physical Progress</li> <li>• General Services Capital Programme - Financial Information, Programme exceptions approved by Executive Committee and Physical Progress for Build, Non-Build and Roads Projects</li> </ul>
3 October 2019	<p>Provide an update on the position as at 16 August 2019 (period 5) for the following:</p> <ul style="list-style-type: none"> <li>• 2019/2020 Financial Monitoring</li> <li>• 2019/2020 Detailed Resource Analysis for the General Services Budget and Housing Revenue Account</li> </ul>	<p>Provide an update on the position as at 16 August 2019 (period 5) for the following:</p> <ul style="list-style-type: none"> <li>• Housing Capital Programme - Financial Information and Physical Progress</li> <li>• General Services Capital Programme - Financial Information, Programme exceptions approved by Executive Committee and Physical Progress for Build, Non-Build and Roads Projects</li> </ul>
14 November 2019	<p>Provide an update on the position as at 13 September 2019 (period 6) for the following:</p> <ul style="list-style-type: none"> <li>• 2019/2020 Financial Monitoring</li> <li>• 2019/2020 Detailed Resource Analysis for the General Services Budget and Housing Revenue Account</li> </ul>	<p>Provide an update on the position as at 13 September 2019 (period 6) for the following:</p> <ul style="list-style-type: none"> <li>• Housing Capital Programme - Financial Information and Physical Progress</li> <li>• General Services Capital Programme - Financial Information, Programme exceptions approved by Executive Committee and Physical Progress for Build, Non-Build and Roads Projects</li> </ul>
12 December 2019	<p>Provide an update on the position as at 11 October 2019 (period 7) for the following:</p> <ul style="list-style-type: none"> <li>• 2019/2020 Financial Monitoring</li> <li>• 2019/2020 Detailed Resource Analysis for the General Services Budget and Housing Revenue Account</li> </ul>	<p>Provide an update on the position as at 11 October 2019 (period 7) for the following:</p> <ul style="list-style-type: none"> <li>• Housing Capital Programme - Financial Information and Physical Progress</li> <li>• General Services Capital Programme - Financial Information, Programme exceptions approved by Executive Committee and Physical Progress for Build, Non-Build and Roads Projects</li> </ul>

Date	Revenue Monitoring	Capital Monitoring
6 February 2020	<p>Provide an update on the position as at 6 December 2019 (period 9) for the following:</p> <ul style="list-style-type: none"> <li>• 2019/2020 Financial Monitoring</li> <li>• 2019/2020 Detailed Resource Analysis for the General Services Budget and Housing Revenue Account</li> </ul>	<p>Provide an update on the position as at 6 December 2019 (period 9) for the following:</p> <ul style="list-style-type: none"> <li>• Housing Capital Programme - Financial Information and Physical Progress</li> <li>• General Services Capital Programme - Financial Information, Programme exceptions approved by Executive Committee and Physical Progress for Build, Non-Build and Roads Projects</li> </ul>
5 March 2020	<p>Provide an update on the position as at 3 January 2020 (period 10) for the following:</p> <ul style="list-style-type: none"> <li>• 2019/2020 Financial Monitoring</li> <li>• 2019/2020 Detailed Resource Analysis for the General Services Budget and Housing Revenue Account</li> </ul>	<p>Provide an update on the position as at 3 January 2020 (period 10) for the following:</p> <ul style="list-style-type: none"> <li>• Housing Capital Programme - Financial Information and Physical Progress</li> <li>• General Services Capital Programme - Financial Information, Programme exceptions approved by Executive Committee and Physical Progress for Build, Non-Build and Roads Projects</li> </ul>

# Report

**11**

Report to: **Risk and Audit Scrutiny Committee**  
 Date of Meeting: **18 June 2020**  
 Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **Forward Programme for Future Meetings**

## **1. Purpose of Report**

1.1. The purpose of the report is to:-

- ◆ advise members of the forward programme for the meetings of the Risk and Audit Scrutiny Committee to December 2020
- ◆ invite members to suggest topics for inclusion in the Committee's forward programme

## **2. Recommendation(s)**

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

- (1) that the report and the outline forward programme for the meetings of the Risk and Audit Scrutiny Committee to December 2020, attached as an appendix to the report, be noted.

## **3. Background**

3.1 As part of a range of improvement measures introduced as a result of Audit Scotland's report on the Audit of Best Value and Community Planning (2009), an Action Plan was prepared. One of the actions was to include, as a standard agenda item, a list of items proposed for consideration at subsequent meetings of this Committee to provide an opportunity for members to inform future agendas. The outline forward programme to December 2020 is attached, for members' information, as an appendix to the report.

## **4. Employee Implications**

4.1. There are no employee implications.

## **5. Financial Implications**

5.1. There are no financial implications.

## **6 Climate Change, Sustainability and Environmental Implications**

6.1 There are no Climate Change, Sustainability or Environmental implications in terms of the information contained within this report

## **7 Other Implications**

7.1 There are no risk implications in terms of the information contained within this report.

## **8 Equality Impact Assessment and Consultation Arrangements**

- 8.1 The report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.
- 8.2 There was no requirement to undertake any consultation in terms of the information contained in this report.

**Paul Manning**

**Executive Director (Finance and Corporate Resources)**

2 June 2020

### **Link(s) to Council Values/Objectives/Ambitions**

Value – Accountable, Effective, Efficient and Transparent

### **Previous References**

Executive Committee 8 July 2009

### **List of Background Papers**

Audit Scotland Audit of Best Value and Community Planning

### **Contact for Further Information**

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

Pauline MacRae, Administration Officer

Ext: 4108 (Tel: 01698 454108)

E-mail: pauline.macrae@southlanarkshire.gov.uk

## APPENDIX – RASC OUTLINE FORWARD PROGRAMME TO DECEMBER 2020

Meeting Date	Item	Responsibility
21 September 2020	1. External Auditor's Annual Report 2019/2020	External Auditor
	2. Audited Annual Accounts 2019/2020	Head of Finance (Strategy)
	3. Internal Audit Activity Report	Audit and Compliance Manager
	4. Efficiency Savings 2019/2020	Head of Finance (Strategy)
	5. Annual Fraud Report to 31 March 2020	Audit and Compliance Manager
	6. National Fraud Initiative Exercise	Audit and Compliance Manager
	7. Year End Insured Risks Report	Head of Finance (Transactions)
	8. 2020/2021 Annual Audit Plan	Audit and Compliance Manager
9 December 2020	1. Internal Audit Activity Report	Audit and Compliance Manager
	2. Year End Risk Management Report 2019/2020 Review of Council's Top Risks	Head of Finance (Transactions)

N.B:-. Audit Scotland national studies and reviews will appear as a recurring item but the frequency and subject matter will vary according to their programme.

