

RISK AND AUDIT SCRUTINY COMMITTEE

Minutes of meeting held via Microsoft Teams on 17 November 2021

Chair:

Councillor Eric Holford

Councillors Present:

Councillor Walter Brogan, Councillor Mary Donnelly, Councillor Grant Ferguson, Councillor Julia Marrs, Councillor Carol Nugent, Councillor Jared Wark

Councillors' Apologies:

Councillor Martin Lennon, Councillor Davie McLachlan

Councillor Also Present:

Councillor John Ross (for items 3 and 4)

Attending:

Chief Executive's Service

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

Finance and Corporate Resources

P Manning, Executive Director; Y Douglas, Audit and Compliance Manager; T Little, Head of Communications and Strategy; E-A McGonigle, Administration Officer; J Taylor, Head of Finance (Strategy)

Also Attending:

Audit Scotland

A Kerr, F Mitchell-Knight and G McNally, External Auditors

1 Declaration of Interests

No interests were declared.

2 Minutes of Previous Meeting

The minutes of the meeting of the Risk and Audit Scrutiny Committee held on 15 September 2021 were submitted for approval as a correct record.

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

3 External Auditors' Annual Report to South Lanarkshire Council 2020/2021

The following documents were submitted by Audit Scotland, the Council's external auditors:-

- ◆ letter and appendices relating to the 2020/2021 Annual Audit report on South Lanarkshire Council and registered charities administered by South Lanarkshire Council
- ◆ 2020/2021 South Lanarkshire Council proposed Annual Audit report to members of the Council and the Controller of Audit

The Audit Director, Audit Scotland, introduced the report and the Senior Auditor, Audit Scotland, spoke on the Annual Audit report and highlighted the following:-

- ◆ the audit of the 2020/2021 Annual Accounts
- ◆ financial management
- ◆ financial sustainability
- ◆ governance and transparency
- ◆ best value
- ◆ key messages
- ◆ 2020/2021 action plan on recommendations for improvement
- ◆ significant audit risks identified during planning of the audit
- ◆ summary of national performance reports 2020/2021

The Senior Auditor also referred to significant findings from the audit of financial statements in relation to:-

- ◆ loans fund reprofiling
- ◆ accounting for non-current assets
- ◆ assets held for sale
- ◆ accounting treatment of COVID-19 funding
- ◆ COVID-19 funding guidance change
- ◆ provision for dilapidations

The external auditors' opinion on the Council's Annual Accounts 2020/2021 and those of the 3 charities administered by the Council was unqualified.

The Committee decided: that the report be noted.

4 Audited Annual Accounts 2020/2021

A report dated 3 November 2021 by the Executive Director (Finance and Corporate Resources) was submitted on the:-

- ◆ Council's Certified Annual Accounts and Charitable Trusts' Accounts for 2020/2021, which had received a clean audit certificate from the Council's external auditors, Audit Scotland
- ◆ requirement to approve the Annual Accounts 2020/2021 for signature in terms of both the Council's accounts and related charitable trusts

The accounts covered the Council as well as 3 Charitable Trusts managed by the Council, namely South Lanarkshire Council Educational Trust, South Lanarkshire Council Charitable Trust and the East Kilbride Information Technology Trust. A clean audit certificate had been received for each with no qualifications on the Council's accounts. An agreed action plan had been included in the external auditor's report and officers would work to ensure those were implemented in 2021/2022.

The Annual Accounts would be advertised as being available for public inspection on the Council's website and on request from Finance Services.

The Committee decided:

- (1) that the South Lanarkshire Council Annual Accounts 2020/2021 and the Charitable Trusts' Accounts, which had each received a clean audit certificate from the Council's external auditors, Audit Scotland, be approved for signature; and

- (2) that it be noted that the external auditors' report would be referred to a future meeting of South Lanarkshire Council for noting.

5 2021/2022 Internal Audit Plan – 6 Months to 31 March 2021

A report dated 2 November 2021 by the Executive Director (Finance and Corporate Resources) was submitted on the proposed first phase of the Internal Audit Plan 2021/2022 for the 6 months to 31 March 2021.

A total of 619 audit days, inclusive of days which had been allocated to external clients, had been provided for in the second phase of the Plan. The proposed Internal Audit Plan, which included a brief outline scope for each proposed assignment, was attached as Appendix 2 to the report. Progress on the first phase of the Plan, for the period to 30 September 2021, was set out in Appendix 1.

The content of the Audit Plan each year was determined by the requirement to deliver a programme of work that would inform the annual audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control arrangements. To reflect the evolving risks and challenges that the Council continued to face, the Internal Audit Plan 2021/2022 had been presented to the Committee as 2 separate 6 month Plans to ensure they were current, relevant and deliverable. The Plans included core elements of audit work, completion of key financial year end tasks and reflected the ongoing support that was being provided to Council services to disburse COVID-19 grants.

A summary of how each assignment linked to key assurance areas for both Plans was included at Appendix 3 to the report.

The 2021/2022 Audit Plan would be delivered within the context of the revised Internal Audit Charter and in accordance with the Public Sector Internal Auditing Standards (PSIAS). A formal review of the internal audit function's compliance with PSIAS would be conducted in 2021/2022 in preparation for an external assessment that would be required in 2022/2023.

Work had commenced on the preparation of the 2022/2023 Internal Audit Plan and members of the Committee were invited to suggest potential areas for inclusion in the Plan. For the 2022/2023 Plan, consideration would be given as to whether the more agile approach of presenting the Plan at 6 monthly intervals would continue to be the most effective model. A review would be conducted that would consider practice across other local authorities as well as best practice guidance published by relevant professional bodies. The outcome of the review would be reported to the Committee in conjunction with the presentation of the proposed Internal Audit Plan for 2022/2023.

The Committee decided: that the proposed second phase of the 2021/2022 Internal Audit Plan for the 6 months to 31 March 2022 be approved.

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

6 Internal Audit Activity as at 29 October 2021

A report dated 2 November 2021 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 28 August to 29 October 2021.

Findings from internal audit assignments were reported to this Committee throughout the year and the last progress report was considered by this Committee on 15 September 2021. Key performance indicators, which reflected quality, on time and within budget for the period to 30 September 2021, were summarised at Appendix 1 to the report. 100% of draft reports were issued on time and 100% within budget against targets of 80% respectively. Quality continued to be monitored through internal quality control procedures.

As at 29 October 2021, 95% of planned assignments from Phase 1 of the 2021/2022 Audit Plan had started and 23% completed to the draft report stage. A further 30% of assignments related to work that was continued throughout the year and was carried forward to the second 6 month Plan. Work to complete the remaining 47% of phase 1 of the 2021/2022 Plan continued, alongside the assignments that formed the second phase of the Plan through to 31 March 2022.

Client contributions to the delivery of the audit plan took the form of responding to draft reports, agreeing to close meetings and signing reports timeously once agreed. 100% of audit assignments were concluded to a signed action plan within 4 weeks of the issue of a draft report against a target of 80%.

The findings from assignments completed in the period 28 August to 29 October 2021 were detailed in Appendix 2 to the report.

In December 2020, the Committee was advised that the format for presenting findings with the Internal Audit update reports would be reviewed to support member scrutiny. The review had been completed and the new format, which contained an expanded key messages summary, was attached as Appendix 3 to the report. To further assist members with their scrutiny role, each of the key messages summaries would be concluded with suggested areas where assurance should be sought that all risks had been identified and that controls were in place to mitigate risks.

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

The Committee decided: that the report be noted.

[Reference: Minutes of 15 September 2021 (Paragraph 3)]

7 Audit Scotland Report – Local Government in Scotland Overview 2021

A report dated 20 September 2021 by the Executive Director (Finance and Corporate Resources) was submitted on the Audit Scotland Report entitled 'Local Government in Scotland: Overview 2021' which had been published in May 2021.

The latest Local Government Overview was the first in a series of reports that would reflect on the evolving and long-term impact of COVID-19. The 2021 report considered the initial response of councils and future reports would provide detailed analysis of the impact and lessons learned from the pandemic.

The report considered the impact of the pandemic across 3 themes:-

- ◆ communities and people
- ◆ service delivery and partnership working
- ◆ service case study focussing on planning

Information was given on a number of key messages and lessons learned arising from the Audit Scotland report.

The Audit Scotland report detailed the unprecedented set of issues and challenges that the COVID-19 pandemic had presented for councils, their partners and for communities. The shape of the recovery and renewal curve was not yet clear, nor was the longer-term impacts on the economy, communities, and public services.

The Committee decided: that the report be noted.

[Reference: Minutes of 9 December 2020 (Paragraph 7)]

8 Forward Programme for Future Meetings

A report dated 7 October 2021 by the Executive Director (Finance and Corporate Resources) was submitted on the outline forward programme for the meeting of the Risk and Audit Scrutiny Committee scheduled for 26 January 2022.

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 meeting of the Risk and Audit Scrutiny Committee scheduled for 26 January 2022 be noted.

9 Urgent Business

There were no items of urgent business.