



Council Offices, Almada Street  
Hamilton, ML3 0AA

Tuesday, 11 February 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:** Wednesday, 19 February 2020

**Time:** 10:00

**Venue:** Committee Room 2, Council Offices, Almada Street, Hamilton, ML3 0AA

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** 3 - 8  
Minutes of the meeting of the Risk and Audit Scrutiny Committee held on 27 November 2019 submitted for approval as a correct record. (Copy attached)

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#### Item(s) for Decision

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- 3 Good Governance Update** 9 - 44  
Report dated 29 January 2020 by the Executive Director (Finance and Corporate Resources). (Copy attached)

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#### Item(s) for Noting

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- 4 Internal Audit Activity as at 24 January 2020** 45 - 52  
Report dated 28 January 2020 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 5 Corporate Governance - Review of the Adequacy of Internal Audit** 53 - 54  
Letter dated 9 December 2019 by Audit Scotland, External Auditors. (Copy attached)
- 6 Annual Audit Plan 2019/2020** 55 - 72  
Report dated January 2020 by Audit Scotland, External Auditors. (Copy attached)
- 7 Fraud Statistics Six Monthly Update** 73 - 78  
Report dated 28 January 2020 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 8 Performance and Review Scrutiny Forum Annual Update** 79 - 80  
Report dated 23 December 2019 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 9 Forward Programme for Future Meetings** 81 - 84  
Report dated 16 January 2020 by the Executive Director (Finance and Corporate Resources). (Copy attached)

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#### Urgent Business

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- 10 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 27 November 2019

**Chair:**

Councillor Graeme Campbell

**Councillors Present:**

Councillor Walter Brogan, Councillor Grant Ferguson, Councillor Julia Marrs, Councillor Carol Nugent, Councillor Jim Wardhaugh, Councillor Jared Wark

**Councillors' Apologies:**

Councillor Mary Donnelly, Councillor Martin Lennon, Councillor Davie McLachlan

**Attending:**

**Finance and Corporate Resources**

P Manning, Executive Director; Y Douglas, Audit and Compliance Manager; S Dunsmore, Insurance and Risk Manager; P MacRae, Administration Officer

**Also Attending:**

**Audit Scotland**

A Kerr, External Auditor

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### 1 Declaration of Interests

No interests were declared.

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### 2 Minutes of Previous Meeting

The minutes of the meeting of the Risk and Audit Scrutiny Committee held on 18 September 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 Internal Audit Activity as at 31 October 2019

A report dated 6 November 2019 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 31 August to 31 October 2019.

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

- ◆ 78% 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%
- ◆ 88% 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 31 August to 31 October 2019 were detailed in Appendix 2 to the report.

Following a review of the current year's Audit Plan, it was proposed to defer work on the following 4 audit assignments to a future year's Audit Plan for the reasons detailed in the Executive Director's report:-

- ◆ job costing – Housing and Technical Resources
- ◆ nursery admissions
- ◆ financial system – council tax
- ◆ digital maturity assessment

Work had commenced on the preparation of the 2020/2021 Internal Audit Plan and members of the Committee were invited to suggest potential areas for inclusion in the Plan. Those should focus on specific risk areas where there were known control weaknesses.

**The Committee decided:**

- (1) that the performance of the Internal Audit Service and the progress of assignments in the period 31 August to 31 October 2019 be noted; and
- (2) that the proposed amendments to the Internal Audit Plan 2019/2020 be approved.

*[Reference: Minutes of 18 September 2019 (Paragraph 5)]*

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#### **4 2018/2019 Year End Insured Risks Report**

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A report dated 6 November 2019 by the Executive Director (Finance and Corporate Resources) was submitted on the Council's insurance claims for the year to 31 March 2019 for the following main classes of insurance:-

- ◆ employer's liability
- ◆ public liability
- ◆ motor insurance
- ◆ property insurance and other miscellaneous risks

Appendix 1 provided annual comparisons of the numbers and values of claims by Resource for the years 2014/2015 to 2018/2019. The comparison showed an overall downward trend in claims numbers. Claims costs had initially reduced from 2014/2015 through to 2016/2017 but had begun to rise again over the last 2 years.

Appendix 2 compared claim numbers and costs for 2018/2019, at 31 March 2019, with the equivalent position for 2017/2018. This showed a reduction of 220 claims (18%) compared with the numbers reported in 2017/2018 and an increase in the cost of claims from £1.963 million in 2017/2018 to £2.113 million in 2018/2019.

Details were given on:-

- ◆ measures in place and mitigating actions proposed to manage insurance hotspots
- ◆ claim highlights for the year
- ◆ positive risk management activity aimed at reducing the number and cost of claims

A central fund was held to assist Resources in funding specific risk management initiatives. All bids for the limited funds were considered on their individual merits against set criteria.

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

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

*[Reference: Minutes of 14 November 2018 (Paragraph 5)]*

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## **5 Review of Council's Top Risks/ Year End Risk Management Report**

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A report dated 28 October 2019 by the Executive Director (Finance and Corporate Resources) was submitted providing an update on:-

- ◆ the review of the Council's top risk register
- ◆ progress with risk management activity undertaken in 2018/2019

Details were given on the process for, and results of, the 2019 annual review of the Council's top risks. The Council's revised top 20 risks, with both the inherent and residual risk score, together with an assessment of the adequacy of controls, were detailed in Appendix 1 to the report. In addition, the following areas were largely covered by existing risk descriptions but required to be monitored:-

- ◆ failure to prepare for the analogue to digital switchover telephone network
- ◆ national agenda on empowerment education

Risk Sponsors were required, on an annual basis, to assess and provide evidence of their Resource's compliance with the Risk Management Strategy. The end of year compliance statement, attached as Appendix 2 to the report, showed that Resources continued to demonstrate full compliance with the Strategy.

Performance in completing actions on the Council's top risk control plan was reported through IMPROVe, the Council's performance management system, on a quarterly basis. At 31 March 2019, 100% of actions relating to the Council's top risk register had been completed against a target of 90%.

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

*[Reference: Minutes of 14 November 2018 (Paragraph 7)]*

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## **6 Actuarial Review of the Council's Self Insurance Fund**

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A report dated 28 October 2019 by the Executive Director (Finance and Corporate Resources) was submitted on the financial health of the Council's self insurance fund following an interim actuarial review.

The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) advised that regular actuarial reviews should be undertaken on insurance funds. The last full actuarial review of the Council's insurance fund took place in 2017 and an interim review had been undertaken in the current year.

The review of the self insurance fund had been undertaken to estimate:-

- ◆ future insurance claim settlement costs of known, and yet to be intimated, claims from past insurance policy years against the fund balance at 31 March 2019

- ◆ annual contribution rates required for the overall fund to ensure that the balance of the fund did not fall into deficit

The conclusions of the review focused on pre and post 1996 liabilities. The pre 1996 liabilities arose from predecessor authorities and did not originate from South Lanarkshire Council.

With regard to post 1996 liabilities, the actuary had concluded that:-

- ◆ the level of estimated future claim payments since 2005 had remained broadly stable at each review, with the amount being in the region of £3 million to £4 million
- ◆ the estimated value of future claim payments from the fund was £3.2 million
- ◆ the fund was currently in a neutral position for post 1996 claim costs which meant that the balance of the fund was currently sufficient to meet all estimated post 1996 claim liabilities
- ◆ the current level of annual Resource contributions was in line with the recommended level

In respect of pre 1996 liabilities, it was anticipated that the Council would receive a number of further claims for historic childhood abuse as a result of publicity surrounding the Scottish Child Abuse Inquiry and the introduction, on 4 October 2017, of the Limitation (Childhood Abuse) (Scotland) Act 2017 which removed the 3 year limitation period for intimate abuse claims.

It was envisaged that the fund balance would reduce on average by approximately £1.7 million a year over the next 3 years and that the fund would be in deficit by 2021/2022. This would be considered in preparation of future revenue budgets.

To facilitate a review of the cost of operating the self insurance fund, terms of reference would be prepared to assess its operation. The position regarding pre 1996 liabilities and the overall balance of the fund would be closely monitored and any additional funding required would be managed, as necessary.

**The Committee decided:**

- (1) that the conclusions of the actuarial report be noted;
- (2) that it be noted that further funding requirements would be considered as part of future revenue budgets; and
- (3) that it be noted that the position for pre 1996 liabilities would be monitored and managed, as required.

*[Reference: Minutes of 13 June 2018 (Paragraph 7)]*

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## **7 Forward Programme for Future Meetings**

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A report dated 6 November 2019 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 6 May 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 6 May 2020 be noted.

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## **8 Urgent Business**

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There were no items of urgent business.





# Report

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Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>19 February 2020</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Good Governance Update</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Provide Committee with an update on the council's governance arrangements.

## 2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendations:-

- (1) that the findings from the annual compliance check against the Local Code of Corporate Governance is noted;
- (2) that the updated Local Code of Corporate Governance is approved; and
- (3) that progress against the significant governance areas identified within the Annual Governance Statement 2018-19 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. On 1 April 2016, the Delivering Good Governance in Local Government framework came into effect and the corresponding guidance for Scottish Local Authorities was published in December 2016. This framework was established by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

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. A refreshed Local Code of Corporate Governance (referred to as "the Code" from here on) was developed and approved by the council on 16 May 2018 and compliance with the Code is reviewed as part of the Annual Review of Governance arrangements.

3.4. On 19 June 2019, the Risk and Audit Scrutiny Committee approved a revised reporting process for 2019-20 which is as follows:-

- **Governance Statement - Significant Governance Areas** – These are areas that have a significant impact on the council's governance arrangements. A position statement giving progress against these areas will be provided with the report on the review of the Local Code of Corporate Governance at the end of Quarter 2 and

at Quarter 4 with the Governance Statement to the Risk and Audit Scrutiny Committee.

- **Director's Statement of Assurance - Resource Level Areas for Improvement**  
These are actions approved by each Director in their Statement of Assurance. Progress will be monitored by Resources and reported through the Resource/Service Planning process at Quarter 2 and Quarter 4.

3.5. The purpose of this report is to advise the Risk and Audit Scrutiny Committee of the findings from the annual compliance check against the Local Code of Corporate Governance, the outcome of the review of the Code and the updated document and an update on progress against the significant governance areas highlighted in the Annual Governance Statement.

#### **4. Findings from the Annual Compliance Check Against the Code**

4.1. The council annually reviews the effectiveness of its governance arrangements. There are a few key sources of assurance that inform this review, however, the main purpose of the Annual Governance Statement is to explain how the council has complied with the principles in its Code and provide assurance as to how these are met.

4.2. The principles in the Code underpin the process for the annual review of governance arrangements and there is a strong golden thread running through the key documents in this process; the Resource/Corporate Self-Assessments; the Director's Statements of Assurance; and the Governance Statement.

4.3. The table at Appendix 1 has been extracted from the 2018-19 Annual Governance Statement and shows the significant elements of the systems and processes that comprise the council's governance arrangements and important changes/developments. This section of the statement shows how the council has complied with its Code.

4.4. The External Auditor in their Annual Report to the council highlighted the Annual Governance Statement as good practice stating that it provided a comprehensive account of its governance arrangements, referring to each of the CIPFA/SOLACE principles and how it complies with them.

#### **5. Annual Review of the Code**

5.1. As part of the evaluation of the annual review of governance arrangements, an annual review of the Code is carried out. The Code is updated with any changes to the approach the council uses to review its governance arrangements and it is compared with the corporate annual self-assessment and updated as required.

5.2. The revised Code is attached at Appendix 2 and has been amended as follows:-

- The introduction sets out the purpose and key elements of the Code. Updates have been made to sections 4 and 5 to provide additional information on how the Code fits in with the annual review of governance arrangements;
- Section 1 outlines the actions and behaviours that demonstrate good governance as set out in the National Framework. Changes here relate to the alignment of the principles contained in the Code with the council's values;
- Section 2 provides links to the policies, procedures and other documentary evidence that demonstrate the council's governance arrangements. This section has been updated with changes identified through the 2018-19 corporate governance self-assessment.

## **6. Significant Governance Areas**

- 6.1. Progress on the significant governance areas as at Quarter 2 (April to September 2019) which were highlighted in the Annual Governance Statement 2018-19 is attached at Appendix 3. Where the deadline has not been met or events have impacted upon the areas listed or further information has become available, the Quarter 3 position (as at 31 December 2019) has been added to Appendix 3 to provide the current position. Quarter 3 updates have been included for the Mid-Term Review of Procedural Documents, Budget Setting Challenges, the impact of Brexit upon the GDPR, Health and Social Care, Care at Home, and the Early Years Expansion.

## **7. Communication of the Code**

- 7.1. The Employee Code of Conduct was updated to reflect the new Local Code of Corporate Governance and issued to managers and employees during March 2019. The update also gives examples of what the principles mean to employees in practice.
- 7.2. The Good Governance Learn online course was last updated during 2017. A further review of the course will be undertaken by summer 2020 to ensure that the content is still current.
- 7.3. The revised Code is published annually alongside other key governance documents on the [governance information pages](#) on the council's website.

## **8. Employee Implications**

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

## **9. Financial Implications**

- 9.1. There are no financial implications directly associated with this report.

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

- 10.1. There are no significant implications in terms of climate change, sustainability and environmental issues associated with this report.

## **11. Other Implications**

- 11.1. There are no significant risk issues associated with this report.

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

- 12.1. All Resources, through senior officers, are involved in the progress, monitoring and review of governance good arrangements and the development of the Annual Governance Statement and Improvement Plan.
- 12.2. 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)**

29 January 2020

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

- All Council Objectives and Values

**Previous References**

- Report on the “Good Governance Statement 2018-19 and Q4 Progress” on 19 June 2019

**List of Background Papers**

- None

**Contact for Further Information**

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

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## Local Code of Corporate Governance – 2018-19 Compliance Summary

**Principle A:** Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

**Links to council's values:**

- Accountable, effective, efficient and transparent; Working with and respecting others

**How we do this:**

- The council's values and objectives provide clear direction to councillors and employees and are embedded in all policies and processes.
- Training in the standards of behaviour required in line with the Code of Conduct for Councillors and the revised Local Code of Corporate Governance was delivered to all councillors. This is supplemented by role profiles which have a core accountability to maintain the highest standards of conduct. A revised Code of Conduct for Councillors has been published and will be the subject of further training during 2019.
- Standards of conduct and integrity were promoted through the national Code of Conduct for Councillors and by the Standards and Procedures Advisory Forum.
- The employee Code of Conduct which outlines standards of conduct and integrity was updated during March 2019 to reflect the revised Local Code of Corporate Governance. All breaches were investigated through the employee disciplinary process and the recommended actions taken.
- To support integrity in decision making, the council has several committee procedural documents including decision making protocols, standing orders on procedures and contracts and financial regulations. All declarations of interest made by councillors at meetings were recorded and were 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 revised during 2018 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:**

- 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 copies were available for public inspection.
- A new [Petitions Committee](#) was introduced in June 2018 to consider matters raised through the council's petitions process and to help members of the public ensure that their views are heard.
- A new [Committee Management Information System](#) which allows members of the public to register and be notified when committee and forum papers are published was introduced during September 2018. The system also facilitates the creation of [online petitions](#) to increase the potential reach of signatories.
- To increase public engagement with the council, a new information website was launched during March 2019, and the council services website will be revised to include dedicated web pages for businesses.

- The council has approved a new approach to community participation and empowerment including the establishment of a Community Participation and Empowerment Team to increase stakeholder engagement and involvement in decision making processes.
- The first co-produced Community Planning Partnership Neighbourhood Plans with residents for the three pilot areas aimed at improving outcomes and reducing inequalities were published.
- 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 284 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. A shared Lanarkshire British Sign Language Plan was developed with local Deafblind Communities and published in October 2018.
- The [Participation Requests](#) and [Community Asset Transfer](#) processes support communities to engage with the council to improve local outcomes.
- The new performance [Spotlights](#) have simplified how the council reports annually to the public on what has been achieved and the [20 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.

**Principle C:** Defining outcomes in terms of sustainable, economic, social and environmental benefits

**Links to council's values:**

Accountable, effective, efficient and transparent; Fair, open and sustainable; Focused on people and their needs

**How we do this:**

- 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.
- The Council Plan 2017-22 and Community Plan 2017-27 have clearly defined economic, social and environmental outcomes to be delivered during the period.
- 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.
- 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.
- A new Sustainable Procurement Policy has been developed to ensure that sustainability principles are embedded in procurement processes and in recognition that our suppliers are important partners in the council's aim to become more sustainable.
- Strategic Environmental Assessments (SEAs) were completed for all relevant council led policies, plans and strategies developed during 2018-19 and the council was recognised for good practice in a national SEA research publication.

- A summary of the findings resulting from Equality Impact Assessments of the council's key decisions on service users, communities and businesses have been published on the council's website.
- Strategic decisions of the council have been subject to a Fairer Scotland Impact Assessment which considers how inequalities of outcome can be reduced.

**Principle D:** Determining the interventions necessary to optimise the achievement of the intended outcomes

**Links to council's values:**

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

**How we do this:**

- There is a standard approach to identifying savings across the council. The council's efficiency programme is overseen by the Senior Management Team and approved by councillors.
- The Medium-Term Financial Strategy 2019-22 and Long-Term Outlook 2028-29 which are aligned with the council's objectives were updated during the year to reflect the latest internal and external influences. These plans set out the assumptions in terms of commitments, grant funding and efficiency requirement and demonstrate sound financial management and the ability to address future projected funding gaps.
- The annual budget setting consultations took place with members of the public, councillors, trade unions and employees to inform savings proposals. 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. A review of how performance is reported will take place during 2019.
- 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. The Corporate Asset Management Plan outlines priorities and provides an overview of how the council has performed in this area.
- The council's Scheme of Delegation 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.
- Training requirements were identified and learning, and development programmes were developed and offered to all councillors.
- The council continues to work with third party service providers and a range of partners to increase capacity to deliver its objectives. Strategic Partnerships include the Community Planning Partnership and the Glasgow City Region City Deal. The council's recent Best



Value Assurance Report concluded that the “council works well with a range of public-sector, business and academic partners to improve outcomes for citizens”.

- 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 recognises that skilled and motivated employees are a key asset. All employees have an annual performance appraisal which links to council values and a Personal Development Plan. The council offers a range of training interventions to support employee development.
- A revised approach to management and leadership development which aims to equip managers with the skills and knowledge to be more effective in their roles has been approved and will be relaunched during August 2019.
- In terms of the 2017-18 Local Government Benchmarking Framework results, the council is performing better than the Scottish Average levels for almost half of the indicators. The results were analysed, and an action plan was developed and will be monitored by the Senior Management Team.
- 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 and managing significant risks. There was regular compliance monitoring of the council's Risk Management Strategy, Resource Risk Registers and Control Plans by the Risk Management Team, Council and Resource Risk Sponsors Groups.
- The Risk Management Strategy which clearly defines roles and responsibilities for councillors and employees will be subject to a full review during 2019-20.
- An external review of the council's Insurance Fund concluded that the fund was enough to meet known liabilities and that no further increase to the balance of the fund was required.
- 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 supported by Internal Audit 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 2017-18.



- 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.
- Guidance on Funding External Bodies and Following the Public Pound was developed to ensure a consistent approach across the council.
- The council's Charitable Trust Funds are being modernised with new constitutions to ensure that the Trusts operate in a manner designed to benefit communities.
- The Executive Director of Finance and Corporate Resources is a member of the council's Corporate 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. Whilst there are no new significant issues to highlight in this statement, governance improvement actions have 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.
- The annual review of governance arrangements for the council's at arm's length external organisation (ALEO) and key external service providers has highlighted areas for improvement which are currently being progressed by the council and the respective organisations.
- All Directors completed their annual Statement of Assurance and did not identify any 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 the Local Code of Corporate Governance was completed, and the revised Code was approved by committee and re-published.
- Committee meetings were held in public and all agendas, reports and decisions were published (except those exempted 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 activity were reported to the Risk and Audit Scrutiny Committee.
- During 2018-19, the council were subject to a Best Value Assurance Review. The report concluded that the "council performs very well, benefits from strong leadership, clear direction and displays many of the characteristics of best value". The report also makes

recommendations for improvement and the council has responded by developing an action plan to deliver these.

- The council's Managing Risks in Partnership Guidance has been reviewed and now includes the CIPFA/SOLACE Delivering Good Governance Guidance and a checklist on embedding the principles of good governance in partnerships.

## **Local Code of Corporate Governance**

### **Introduction**

#### **1. What is Corporate Governance?**

South Lanarkshire Council has set the framework for strong Corporate Governance by having a clear vision which states that the council will:-

“Improve the quality of life of everyone in South Lanarkshire”

The function of good governance in the public sector is to ensure that organisations achieve their intended outcomes while acting in the public interest at all times. This means doing the right things, in the right way, for the right people, at the right time, in an inclusive, open, honest and accountable manner.

#### **2. Purpose**

This document sets out South Lanarkshire Council's Local Code of Corporate Governance which has been produced in accordance with the principles and requirements contained within the framework established by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) in the publication, Delivering Good Governance in Local Government Framework (2016 Edition) (referred to as “The Framework” from here on). It comprises of a framework of policies, procedures, behaviours and values by which the council is controlled and governed. It shows how the council will continue to review the governance arrangements that are currently in place and implement improvements where necessary.

The Code is split into two sections:-

- Section 1 outlines the actions and behaviours that demonstrate good governance as set out in the framework; and
- Section 2 provides links to the policies, procedures and other documentary evidence that demonstrate the council's governance arrangements.

These provide the structures and guidance that our councillors and employees need to ensure effective governance across the council.

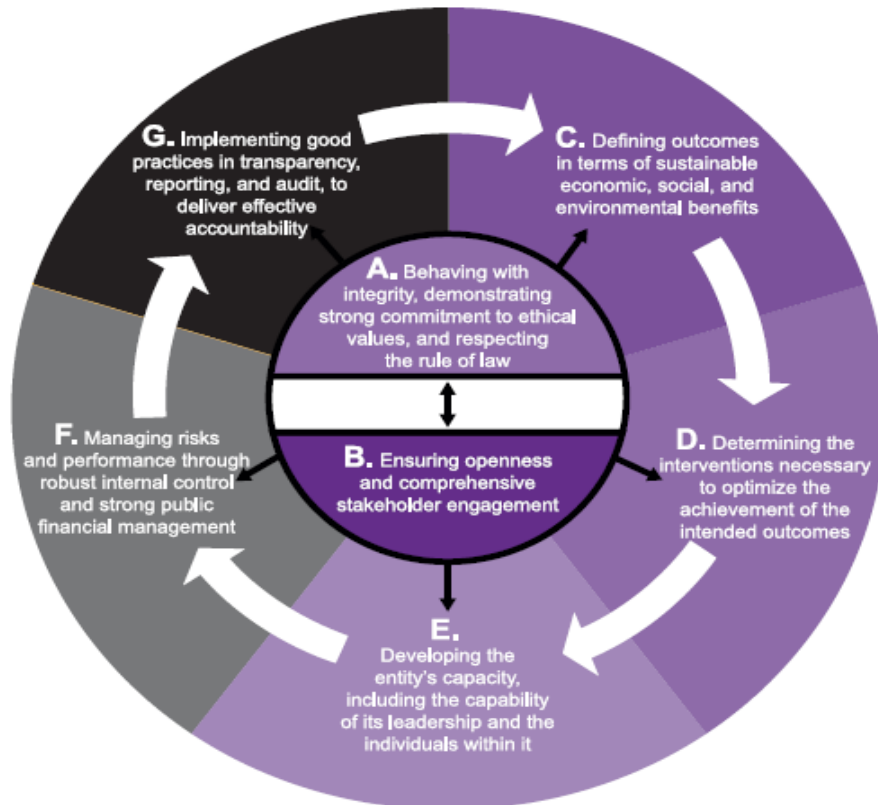
#### **3. Good Governance in the Public Sector (The Framework)**

The Framework defines the principles that should underpin the governance of each council and provides a structure to help councils with their approach to governance. Whatever arrangements are in place, councils should test their governance structures and partnerships against the principles contained in the Framework by:-

- reviewing existing governance arrangements;
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness; and
- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

To achieve good governance, each council should be able to demonstrate that its governance structures comply with the principles contained in this Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out.

The diagram below illustrates the seven principles of good governance in the public sector and how they relate to each other:-



Further information regarding each of the above principles and the behaviours and actions that demonstrate good governance in practice are detailed at Section 1.

#### 4. Monitoring and Review

The council will monitor its governance arrangements for their effectiveness in practice and will review them on a continuing basis to ensure that they are up to date. For more information on how we do this see the council's Annual Governance Statement which can be found on the [governance information page](#) on the council's website.

#### 5. Compliance with the Code

Compliance with the code will be assessed annually using the councils "Governance Assurance Framework". This will be assessed by a governance working group which is chaired by the council's monitoring officer and comprises of senior officers from each of the council's five departments. The Internal Auditor also attends these meetings. The results of the assessment will be reported to the Risk and Audit Scrutiny Committee. This will incorporate recommendations for additions and/or improvements to the code to reflect any changes in the way in which the council does business or new legislation affecting the council's governance arrangements.

Each year the council will publish an Annual Governance Statement. The Leader of the Council and the Chief Executive are required to produce this as part of the auditing of the council's annual accounts. The document sets out the following:-

- the scope of the council's responsibility;
- the purpose of the council and its governance framework;
- how the council monitors and evaluates the effectiveness of its governance arrangements;
- key elements of the council's governance framework. This is the main part of the document which sets out how the council has complied with the principles in this code and provides assurance as to how they are met;
- provides an opinion on the effectiveness of the council's arrangements; and
- provides details of improvements that have been delivered and are required moving forwards.

In addition, the council's Internal Audit team will also conduct an annual independent audit reviewing the adequacy, effectiveness and extent of compliance with the code.

## **6. Certification**

The council is committed to the seven principles of good corporate governance detailed within the Framework and demonstrates this commitment through the development, adoption and implementation of a Local Code of Corporate Governance.

We hereby certify our commitment to this Code of Corporate Governance and will make sure that the council continues to review, evaluate and develop the council's governance arrangements to ensure continuous improvement of the council's systems.

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

**Signature:**

**Date:** 19 February 2020

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

**Signature:**

**Date:** 19 February 2020

## Section 1

### Actions and behaviours that demonstrate good governance in practice

#### Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

**What this means in practice:-** The council are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

#### Links to council's values:

Accountable, effective, efficient and transparent; Working with and respecting others

Sub principles:	South Lanarkshire Council is committed to:-
<b>A1: Behaving with integrity</b>	Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the council.
	Ensuring members take the lead in establishing specific standard operating principles or values for the council and its employees and that they are communicated and understood. These should build on the Seven Principles of Public Life (The Nolan Principles).
	Leading by example and using the above standard operating principles or values as a framework for decision making and other actions.
	Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.
<b>A2: Demonstrating strong commitment to ethical values</b>	Seeking to establish, monitor and maintain the council's ethical standards and performance.
	Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the council's culture and operation.
	Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.
	Ensuring that external providers of services on behalf of the council are required to act with integrity and in compliance with ethical standards expected by the council.
<b>A3: Respecting the rule of law</b>	Ensuring members and employees demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.
	Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.
	Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.
	Dealing with breaches of legal and regulatory provisions effectively.
	Ensuring corruption and misuse of power are dealt with effectively.

<b>Principle B: Ensuring openness and comprehensive stakeholder engagement</b>	
<p><b>What this means in practice:-</b> The council is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.</p>	
<p><b>Links to council's values:</b> Accountable, effective, efficient and transparent; Fair, open and sustainable; Focused on people and their needs; Working with and respecting others</p>	
<b>Sub principles:</b>	<b>South Lanarkshire Council is committed to:-</b>
<b>B1: Openness</b>	Ensuring an open culture through demonstrating, documenting and communicating the council's commitment to openness.
	Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.
	Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.
	Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.
<b>B2: Engaging comprehensively with institutional stakeholders</b>	Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.
	Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.
	Ensuring that partnerships are based on: trust; a shared commitment to change; a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.
<b>B3: Engaging with individual citizens and service users effectively</b>	Establishing a clear policy on the types of issues that the council will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.
	Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement.
	Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.
	Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account.
	Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.
	Taking account of the impact of decisions on future generations of tax payers and service users.

## **Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits**

**What this means in practice:-** The long-term nature and impact of many of the council's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the council's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

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

Accountable, effective, efficient and transparent; Fair, open and sustainable; Focused on people and their needs

<b>Sub principles:</b>	<b>South Lanarkshire Council is committed to:-</b>
<b>C1: Defining Outcomes</b>	Having a clear vision which is an agreed formal statement of the council's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the council's overall strategy, planning and other decisions.
	Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.
	Delivering defined outcomes on a sustainable basis within the resources that will be available.
	Identifying and managing risks to the achievement of outcomes.
	Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available.
<b>C2: Sustainable economic, social and environmental benefits</b>	Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision.
	Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the council's intended outcomes and short-term factors such as the political cycle or financial constraints.
	Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.
	Ensuring fair access to services.



## Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

**What this means in practice:-** The council achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that the council has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

### Links to council's values:

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

<b>Sub principles:</b>	<b>South Lanarkshire Council is committed to:-</b>
<b>D1: Determining interventions</b>	Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided.
	Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.
<b>D2: Planning interventions</b>	Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.
	Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.
	Considering and monitoring risks facing each partner when working collaboratively, including shared risks.
	Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances.
	Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured.
	Ensuring capacity exists to generate the information required to review service quality regularly.
	Preparing budgets in accordance with objectives, strategies and the medium term financial plan.
	Informing medium and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.
<b>D3: Optimising achievement of intended outcomes</b>	Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.
	Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.
	Ensuring the medium-term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.
	Ensuring the achievement of 'social value' through service planning and commissioning.

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

**What this means in practice:-** The council needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. The council must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

**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

**Sub principles:**

**South Lanarkshire Council is committed to:-**

**E1: Developing the entity's capacity**

- Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness.
- Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently.
- Recognising the benefits of partnerships and collaborative working where added value can be achieved.
- Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.

**E2: Developing the capability of the entity's leadership and other individuals**

- Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.
- Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.
- Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority.
- Developing the capabilities of members and senior management to achieve effective leadership and to enable the council to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:
  - Ensuring members and employees have access to appropriate induction tailored to their role and that ongoing training and development matching individual and council requirements is available and encouraged;
  - Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis; and
  - Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.

<b>Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it (continued)</b>	
<b>Links to council's values:</b> Accountable, effective, efficient and transparent; Ambitious, self-aware and improving; Excellent employer; Focused on people and their needs; Working with and respecting others	
<b>Sub principles:</b>	<b>South Lanarkshire Council is committed to:-</b>
<b>E2: Developing the capability of the entity's leadership and other individuals (continued)</b>	Ensuring that there are structures in place to encourage public participation.
	Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.
	Holding staff to account through regular performance reviews which take account of training or development needs.
	Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.

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

**What this means in practice:-** The council needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

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

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

<b>Sub principles:</b>	<b>South Lanarkshire is committed to:-</b>
<b>F1: Managing risk</b>	Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.
	Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.
	Ensuring that responsibilities for managing individual risks are clearly allocated.
<b>F2: Managing performance</b>	Monitoring service delivery effectively including planning, specification, execution and independent post-implementation review.
	Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the council's financial, social and environmental position and outlook.
	Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the council's performance and that of any organisation for which it is responsible. (Or, for a committee system - Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making).
	Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.
	Ensuring there is consistency between specification stages (such as budgets) and post-implementation reporting (e.g. financial statements).
<b>F3: Robust internal control</b>	Aligning the risk management strategy and policies on internal control with achieving objectives.
	Evaluating and monitoring risk management and internal control on a regular basis.
	Ensuring effective counter fraud and anti-corruption arrangements are in place.
	Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.

<b>Principle F: Managing risks and performance through robust internal control and strong public financial management (continued)</b>	
<b>Links to council's values:</b> Accountable, effective, efficient and transparent; Ambitious, self-aware and improving	
<b>Sub principles:</b>	<b>South Lanarkshire is committed to:-</b>
<b>F3: Robust internal control (continued)</b>	Ensuring an audit committee or equivalent group/function, which is independent of the executive and accountable to the governing body; <ul style="list-style-type: none"> <li>provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and</li> <li>that its recommendations are listened to and acted upon.</li> </ul>
<b>F4: Managing data</b>	Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.
	Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.
	Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.
<b>F5: Strong public financial management</b>	Ensuring financial management supports both long-term achievement of outcomes and short-term financial and operational performance.
	Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.

## **Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

**What this means in practice:-** Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the council plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

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

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

<b>Sub principles:</b>	<b>South Lanarkshire Council is committed to:-</b>
<b>G1: Implementing good practice in transparency</b>	Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.
	Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.
<b>G2: Implementing good practices in reporting</b>	Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way.
	Ensuring members and senior management own the results reported.
	Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement).
	Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate.
	Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations.
<b>G3: Assurance and effective accountability</b>	Ensuring that recommendations for corrective action made by external audit are acted upon.
	Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon.
	Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.
	Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.
	Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.

**Section 2**  
**Policies, Procedures and other documentary evidence**

Evidence that the council complies with the requirements of the framework (see Section 1) (Link provided where available)	Core Principles						
	A	B	C	D	E	F	G
<a href="#">Annual Accounts</a>							●
<a href="#">Annual Performance Spotlights</a>		●	●				●
Annual Resource budget strategy meeting				●			
<a href="#">Fraud management plan and procedures</a>	●					●	
<a href="#">Asset Management</a>					●		
<a href="#">Audit Scotland monitoring and reporting process</a>					●		●
<a href="#">Behaviours Framework/Performance Appraisal</a>	●				●		
<a href="#">Budget Consultations and Savings Plans</a>		●	●	●			
Business Continuity Plans				●		●	
CEO/Political leaders meetings					●		
<a href="#">Codes of Conduct</a> (Link to Councillors Code)	●				●		
<a href="#">Committee Management Procedural Documents</a>	●	●					
Communication plans and strategies		●		●			
Community Engagement: <a href="#">Community Asset Transfer Partnership Group/Framework/Community Engagement Team/Participation Requests</a>		●		●	●		
<a href="#">Community Planning Partnership Plans and Strategies/Community Plan Annual Report</a>		●	●	●	●		●
<a href="#">Complaints Handling; You said, we did</a>	●	●		●	●		
<a href="#">Consultation Database</a>		●		●			
<a href="#">Corporate Management Team, Committees and Forums</a>	●	●	●	●	●	●	●
<a href="#">Council Plan – Connect</a>	●	●	●	●	●		
<a href="#">Digital Communications</a>	●	●		●			●
<a href="#">Empower Self-Assessment process</a>					●		
<a href="#">Equality Impact Assessments/Equal Opportunities Policy</a>	●	●	●	●	●		
<a href="#">Financial management</a>			●	●		●	●
<a href="#">Financial regulations</a>						●	



Evidence that the council complies with the requirements of the framework (see Section 1) (Link provided where available)	Core Principles						
	A	B	C	D	E	F	G
<a href="#">Freedom of Information Act Publication Scheme</a> (How the council works)		●					
<a href="#">Governance Arrangements</a> /Register of Partnerships		●			●		●
Induction process/programme	●				●		
<a href="#">Information Governance</a> / <a href="#">Data Protection</a> / <a href="#">Privacy Impact Assessment</a>	●	●				●	
<a href="#">Internal Audit Plan</a>	●			●		●	
Investors in People Award	●				●		
Learning and Development Programmes	●				●		●
<a href="#">Local Code of Corporate Governance</a>	●						●
<a href="#">Local Government Benchmarking Framework</a>				●	●	●	●
Media and Public Relations		●					
Members Role profiles					●		
<a href="#">Monitoring Officer provisions</a>	●						
Multi-member ward protocol					●		
<a href="#">Neighbourhood Planning</a>		●	●	●	●		
Officer job description/specifications	●						
Participatory Budgeting			●				
Partnerships: <a href="#">Glasgow Region City Deal</a> /Clyde Valley		●			●		●
<a href="#">People's Panel</a>		●		●	●		
<a href="#">Performance Management</a>				●	●	●	
Personnel strategies, policies and procedures	●				●		
<a href="#">Procurement</a>	●		●	●		●	
<a href="#">Public Performance Reports</a>		●			●		●
<a href="#">Records Management Policy</a> ;						●	
<a href="#">Register of gifts and hospitality</a> /Register of Interests	●						
Resource Contingency Plans						●	
<a href="#">Resource Plans</a> / <a href="#">Health and Social Care Strategic Commissioning Plan</a>	●		●	●		●	
<a href="#">Risk and Audit Scrutiny Committee</a>	●					●	



Evidence that the council complies with the requirements of the framework (see Section 1) (Link provided where available)	Core Principles						
	A	B	C	D	E	F	G
<a href="#">Risk Management</a>			●	●		●	●
<a href="#">Scheme of Delegation</a>	●				●		
<a href="#">Scrutiny Forums</a>	●					●	
Service Review Framework				●	●		
Standards and Procedures Advisory Forum	●				●		
<a href="#">Standing Orders on Procedures/ Standing Orders on Contracts /</a>	●			●	●	●	
Statutory guidance	●						
<a href="#">Strategic Environmental Assessments</a>			●				
<a href="#">Strategies and Policies</a>	●		●				
<a href="#">Terms of Reference</a>	●				●	●	
<a href="#">Whistle blowing policies</a> (link to Third Parties)	●					●	
Workforce planning					●		



## Annual Governance Statement 2018-19 – Significant Governance Areas

## Quarter 2 update - April 2019 to September 2019

Areas identified in 2018-19	Actions	Quarter 2 Progress	Further information as at the end of Quarter 3
<b>Brexit</b> Impact of the UK leaving the European Union on the council	The potential implications for the council in relation to:- Funding and finance; Workforce and employment; Procurement and trade; Legislation; and Support to local businesses  have been considered and the council will continue to closely monitor the situation with contingency arrangements being implemented where required.	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.  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.	No further update since Quarter 2.
<b>Best Value Assurance Review</b> Changes to the council's governance and service delivery arrangements to deliver the improvement plan	During 2018-19, the council were subject to a Best Value Assurance Review. 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.	The BVAR improvement actions agreed by Council on 26 June 2019 are being monitored via detailed actions which are held on the Internal Audit's Figtree System. Progress is monitored monthly and the action plan is due for completion by the end of March 2020. Some actions may have longer-term aspects which will continue beyond this date.	No further update since Quarter 2.
<b>Mid-term review of committee procedural documents</b> Changes to the council's governance arrangements in relation to committee decision	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.	The Standards and Procedures Advisory Forum has had 4 meetings, commencing in March 2019. Arrangements are being made for a further meeting to allow recommendations to be submitted to the Executive Committee and Council in December 2019.	Progress is being made with the mid-term review of the committee procedural documentation, however, progress has been slightly delayed due to the number of meetings held of the

Areas identified in 2018-19	Actions	Quarter 2 Progress	Further information as at the end of Quarter 3
making processes and procedures			<p>Standards and Procedures Advisory Forum (SPAF).</p> <p>The last meeting of the SPAF was in December 2019 and a report is being prepared for council in February 2020. The Forum agreed that some of the issues will continue to be discussed with Group Leaders for taking forward at a future point in time.</p>
<b>Participatory Budgeting</b> 1% of the council's budget to be subject to Participatory Budgeting	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 Settlement). Councillor's awareness sessions have been conducted and a report on Participatory Budgeting was presented to Executive Committee in May 2019. Further update reports will be submitted to committee.	A Members' Awareness Session took place in August 2019. Proposals around the role of Area Committees in Participatory Budgeting is being considered by the Standards and Procedures Advisory Forum.	A further Members Awareness Seminar is being arranged and will take place early 2020.
<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 2020-21 will be updated and presented to councillors during autumn 2019.</p>	<p>A report was presented to the Executive Committee in June 2019 on the 2020-21 budget and savings requirements.</p> <p>A Members Seminar is being held on 11 November 2019 in relation to savings, and the Executive Committee will consider a paper on the budget and savings in December 2019.</p>	The setting of the budget is challenging due to uncertainty around the Scottish Government setting its budget and providing the council with a grant settlement.

Areas identified in 2018-19	Actions	Quarter 2 Progress	Further information as at the end of Quarter 3
<p><b>GDPR</b> Compliance with the new General Data Protection Regulations (GDPR)</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 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:- Employee training on "How Data Protection Works"; and replacement of the current Privacy Policy with a Data Protection Policy.</p>	<p>The council has appointed a Data Protection Officer as required by the GDPR/DPA 2018 and incorporated the post into its structures in relation to information governance. An updated Data Protection Policy has been adopted and this will replace the former privacy policy and has reviewed other policies as a result of the changes introduced by that policy.</p> <p>Application forms have been developed that allow data subjects to exercise all of their rights under the GDPR rather than merely the Right of Access. All internal learn online courses have now been updated to reflect the GDPR. Training by external providers has been undertaken in respect of:-</p> <ul style="list-style-type: none"> <li>• The GDPR in general;</li> <li>• The DPA 2018 and law enforcement; and</li> <li>• Conducting Privacy Impact Assessments.</li> </ul> <p>Monitoring of any required changes arising from developments in courts, legislation, ICO guidance and Brexit continue.</p> <p>The council continues to progress the implementation of Objective. Phase 2 involves introducing a browser version of the application and the Project Review Board has developed a project implementation plan to take this forward.</p>	<p>In relation to Brexit, the GDPR will become the UK GDPR, but on a practical level there are no changes. All existing policies/ guidance compliant with the GDPR will remain compliant with the UK GDPR.</p>

Areas identified in 2018-19	Actions	Quarter 2 Progress	Further information
<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>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>Prior to all Integration Joint Board meetings, a Development Session is facilitated for IJB members to consider new areas of policy or proposals which are being worked up for approval at future IJB meetings. In all, there are up to 6 Development sessions in any given year.</p> <p>In terms of the development of the new Strategic Commissioning Plan, IJB members were fully involved in this process, with a dedicated Development Session held to consider the draft plan. Members were also invited to all formal consultation and participation events and were given the opportunity to see early drafts of the plan. The new Strategic Commissioning Plan 2019-22 was approved by the IJB on 25 March 2019.</p> <p>In terms of Directions, the IJB approved its Directions for 2019-20 at its Special Meeting on 25 March 2019.</p>	<p>Consideration will be given to adding in a theme regarding Care at Home in light of the recent Improvement Notice we have had from the Care Inspectorate for the service in Hamilton.</p>

Areas identified in 2018-19	Actions	Quarter 2 Progress	Further information
<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>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 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>From August 2019, 47 Nursery Classes and 12 stand-alone nurseries will deliver more than 600 hours and up to 1,140 hours of free early learning and childcare to children and families across the council. Over 2,860 children aged 3 and 4 years (and their families) will benefit from additional funded hours as well as eligible 2 year olds. This is an increase of 45% since last year. On track with capital investment approved by the council to meet infrastructure requirements which will be taken forward through the School Modernisation Programme.</p> <p>On 7 May 2019, the council approved the 'Procured Service Agreement' for funded partners in line with governance arrangements.</p> <p>Progress reports made as follows:</p> <ul style="list-style-type: none"> <li>• 13 February 2019 – Executive Committee</li> <li>• 27 February 2019 – South Lanarkshire Council</li> <li>• 7 May 2019 – Education Resources Committee</li> <li>• 6 August 2019 – Education Resources Committee</li> </ul> <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>Review of estimate numbers of children and existing accommodation undertaken. Requirements of major extensions and new builds identified and approved at the Executive Committee.</p> <p>350 FTE additional staff employed to date.</p> <p>A key principle of the workstream continues to focus on "grow our own" workforce which, so far, has resulted in 75 Modern Apprentices. In addition, a further 12 have been recruited in August 2019. 18 have successfully completed the recognised qualification and have been matched to early years' workers post.</p> <p>Elected members have been briefed on the current status at Area Committee meetings which were held during Nov-Dec 2019.</p>

		<p><b>In summary:</b>  That the implementation of the Early Learning and Childcare expansion programme for all 3 and 4 year olds and eligible 2 year olds by 2020 and the plan to consult on the admissions policy for 2020 has been actioned; that approval of the Procured Service Agreement for funded providers has been actioned; that the participation in the Scottish Government pilot for Graduate Apprentices in conjunction with University West of Scotland, has been actioned.</p>	
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Areas identified in 2018-19	Actions	Quarter 2 Progress	Further information
<p><b>Welfare Reform</b> Impact of Welfare Reform on council services</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>The membership of the Welfare Reform Group has been expanded to include representation from the Scottish Social Security Agency and Citizen's Advice Bureau.</p> <p>A Communications Sub-Group has also been established and it is anticipated that this will allow a greater focus on identifying and communicating consistent key messages to ensure the council is maximising awareness and uptake of benefits and entitlements, safeguarding peoples' benefits and mitigating impacts wherever possible.</p> <p>An updated terms of reference for both groups has been drafted.</p> <p>In September, a revised Welfare Reform update was provided to the CPP Board that included a wide range of welfare related data from various council services and other organisations. This data will be used to further inform the understanding of the impact of welfare reform on people and the organisations that provide support to those affected. The revised report will be provided to the CPP Board on a six monthly basis.</p>	<p>No further update since Quarter 2.</p>

Areas identified in 2018-19	Actions	Quarter 2 Progress	Further information
<p><b>Child Poverty</b> The council's contribution to meeting the national child poverty 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>A Child Poverty Lead Officer Group was established to draft the first Child Poverty Action Report. The council, NHS 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. Feedback on the Local Action Reports will be provided by the new Poverty and Inequality Commission during 2019-20.</p>	<p>South Lanarkshire's first Local Child Poverty Action Report (LCPAR) was published in June 2019 ahead of the deadline. Feedback from the Scottish Government and the Poverty and Inequality Commission is expected by the end of the year and recent guidance suggests this will not take the form of individualised reports for each area. They and the National Child Poverty Leads are more likely to provide reports highlighting good practice and also where further improvement is required, enabling local partnerships to assess their own reports against these. We are currently reviewing other areas reports to compare against our own and identify areas/actions that we can progress locally.</p> <p>Work has been ongoing since publication in June to engage families with a lived experience of poverty in discussion with a range of partnership staff to gain their views of the report and where we could do more or better. Feedback to date has been positive and helpful and we will continue to engage with families as we move to publish the next LCPAR (2020-21).</p> <p>We also shared daily emails with council and partner staff during Challenge Poverty Week in October 2019 to raise awareness of Child Poverty, the LCPAR and reinforce that all staff can contribute</p>	<p>The LCPAR was an integral part of the recent cycle of children's services partnership multi-agency locality events. Around 240 staff from across the partners benefited from an input on the context and progress of the LCPAR and contributed to workshops designed to identify areas for improvement and additionality. Extensive feedback from the activity has been collected and will be presented to the Child Poverty Lead Officer Group for analysis and development.</p> <p>This will help inform the step change activity required for year two of the LCPAR.</p>

		<p>to our local efforts. In addition, there are ongoing presentations to staff groups.</p> <p>Progress against the plan will be reported at Q2.</p>	
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# Report

4

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>19 February 2020</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Internal Audit Activity as at 24 January 2020</b>
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## 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 24 January 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 November 2019. This reported on work completed in the period 31 August to 31 October 2019. This report covers all work completed in the period 1 November 2019 to 24 January 2020. Performance information is also included.

## 4. Performance

4.1. As at 24 January 2020, 98% of 2019/2020 assignments have been started. The other key performance indicators reflecting quality, on time and within budget for the period to 31 December 2019 are summarised in Appendix One together with explanations. 100% of draft reports have been issued on time and 77% 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. 100% 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 Two lists all assignments completed in the period 1 November 2019 to 24 January 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 will be evidenced by completion of the 2019/2020 Plan and will be monitored through the performance indicators regularly reported to the Committee throughout the period.

## **7. Employee Implications**

- 7.1. There are no employee issues.

## **8. Financial Implications**

- 8.1. A breakeven position is forecast at the end of the financial year for the Internal Audit section.

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

- 9.1. There are no significant implications in terms of climate change, sustainability and environmental issues associated with 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**

28 January 2020

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

- 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

## **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)

## Key audit performance indicators as at 31 December 2019

## Appendix One

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	24/31	77%	80%	All assignments over budget relate to older year audits closed in 2019/2020 where the complexity of audit was under-estimated at the time of planning.
Draft reports delivered within 6 weeks of file review	13/13	100%	80%	
2019/2020 Audit Plan completed to draft by 31 March 2020	11/52	21%	100%	98% 2019/2020 Audit Plan is in progress and plans are in place to deliver this programme of work by 31 March 2020.
Internal Audit recommendations delivered on time	69/72	96%	90%	
Client to agree findings and actions within 4 weeks of draft issue	12/12	100%	80%	



## List of assignments completed 1 November 2019 to 24 January 2020 Appendix Two

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
<b>Prior Year Assignments</b>				
I410062	Follow Up Medication Social Work	31/03/2019	06/11/2019	Adequate assurance with 10/11 actions implemented. For the one action on pod key holding not implemented, a further action was agreed. One additional action was agreed that all recommendations should be implemented across all care homes.
I672154	Award of Contract – Professional Services Framework	24/01/2019	08/11/2019	Adequate assurance around processes for the award of contract although there could be improvements in the process to tighten controls for contracts awarded from the Professional Services Framework and to enhance the management information available. Actions agreed to address issues identified with a commitment by the Service to mini-tender for all new awards.
I410059	Follow Up General Data Protection Regulations	31/03/2019	11/11/2019	The Information Governance Board (IGB) declared that the original audit action to present the results of the self-assessment to the IGB along with progress updates was complete by 27 September 2018. However, this does not mean that all relevant actions are complete as demonstrated from the progress updates subsequently provided to the Board. The IGB should

				continue in its current role and work with all Council Resources to ensure that the Council is fully compliant with all the requirements of General Data Protection Regulations. A further update on progress in relation to the actions is to be provided to Internal Audit in 2019/2020 and will be incorporated within the Internal Audit Annual Assurance report for this year.
I650139	Vehicle Telematics	31/03/2019	11/11/2019	Adequate level of assurance over controls in place to monitor Council vehicle misuse by employees. No evidence of misuse within the period under review, albeit the timescale for review was very limited due to the volume of vehicles, the level of detail within the telematics reports and the time available to complete the audit. Telematic reports for vehicles are reviewed by managers although the level of monitoring is varied across all Resources. To address this point, the Drivers' Safety Group will consider and agree on a consistent level of review and ensure that the Drivers' Handbook is updated to reflect the agreed process.
I670145	Freedom of Information Response	02/12/2019	02/12/2019	Respond to Freedom of Information request

Current Year – Other Output				
I262087	General Ledger Data for 2018/2019	20/09/2019	20/09/2019	Provision of data extracts to External Audit.
I730046	Temporary Traffic Management Scrutiny	02/10/2019	02/10/2019	Participation in Council-wide contract

	2019/20			scrutiny groups throughout the year and provision of assurance surrounding the robustness of the process at each stage.
I670161	Response to External Audit Information Request	01/11/2019	01/11/2019	Response to specific procurement query from External Audit.
I222091	LEADER Grant Audit 2019/2020	25/10/2019	07/11/2019	Provision of LEADER audit certificate for the year to 15 October 2019.

Current Year – Assurance Reports				
I410068	Follow Up Oracle Accounts Payable	31/10/2019	08/11/2019	Good assurance with 2/2 high priority actions implemented.

2018/2019				
External Clients				
I916103	SEEMIS Ordering and Invoicing	22/08/2019	11/11/2019	Reported to SEEMIS
I934105	SEEMIS Change Management	22/08/2019	11/11/2019	Reported to SEEMIS
I938102	SEEMIS Admin/ Annual Report 2018/2019	31/10/2019	21/11/2019	Reported to SEEMIS



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

09 December 2019

Dear Paul

## **South Lanarkshire Council 2019/20**

### **Corporate Governance – Review of the adequacy of Internal Audit**

Audit Scotland's Code of Audit Practice requires external auditors to carry out an annual assessment of the adequacy of the internal audit function. This letter sets out the findings from our assessment of the council's internal audit service for 2019/20. This assessment does not constitute an external assessment for the purposes of the Public Sector Internal Audit Standards (PSIAS) and should not be considered as such.

The objectives of our annual assessment are:

- to establish the effectiveness of internal audit arrangements as part of the council's wider governance arrangements, and
- to identify areas of internal audit work upon which we can place formal reliance

We concluded that the internal audit service operates in accordance with PSIAS and has sound documentation standards and reporting procedures in place. We reviewed internal audit's planned work programme for 2019/20 to identify areas where we can potentially place reliance on internal audit's work.

For our financial statements audit responsibilities, we plan to place reliance on aspects of internal audit's work in the following areas:

- Procurement
- BACs Reconciliation

We also plan to place reliance on the work of internal audit in respect of the National Fraud Initiative.

Notwithstanding our general conclusion, we record one finding and the associated risk for your consideration.

**Issue**

The internal audit service sits within the remit of the Executive Director of Finance and Corporate Services and the Audit and Compliance Manager has operational responsibility for funding and compliance (for example, EU funding expenditure).

**Risk**

There is a risk that this could impinge upon the Audit and Compliance Manager's actual or perceived ability to operate independently from the corporate finance function and that resources could be diverted from core internal audit duties. The Audit and Compliance Manager has advised that she has not encountered any material issues in being asked to undertake non-audit duties, but we will continue to monitor this during 2019/20.

If you have any questions about the contents of this letter, then please do not hesitate to contact me.

Yours Sincerely



Dave Richardson  
Senior Audit Manager

By email:

Jackie Taylor, Head of Finance (Strategy) ([jackie.taylor@southlanarkshire.gov.uk](mailto:jackie.taylor@southlanarkshire.gov.uk))  
Yvonne Douglas, Audit and Compliance Manager ([yvonne.douglas@southlanarkshire.gov.uk](mailto:yvonne.douglas@southlanarkshire.gov.uk))

# South Lanarkshire<sup>6</sup> Council

Audit Plan 2019/20



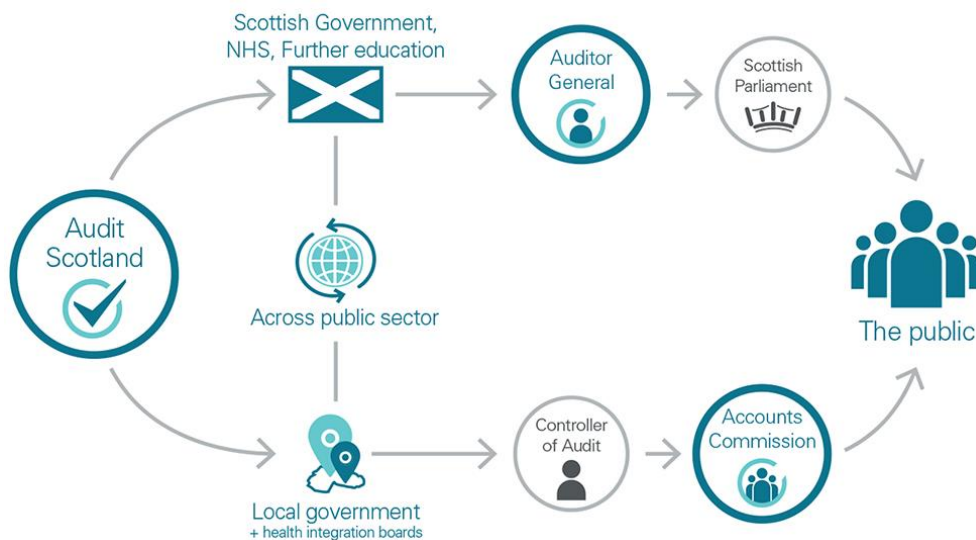
 AUDIT SCOTLAND

Prepared for South Lanarkshire Council  
January 2020

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.



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# Risks and planned work

1. This audit plan provides an overview of the planned scope and timing of our audit of South Lanarkshire Council for 2019/20. Our audit is carried out in accordance with International Standards on Auditing and the [Code of Audit Practice](#) issued by Audit Scotland.


2. The plan sets out the audit work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit. The wider scope of public audit includes assessing arrangements for financial sustainability, financial management, governance and transparency, and value for money. We make a public report of conclusions on these matters in our annual audit report to members and the Controller of Audit.

3. We seek to add value to the council by identifying areas of improvement and recommending and encouraging good practice on financial sustainability, governance, risk management and performance. In so doing, we aim to help the council promote improved standards, better management and decision-making, and more effective use of resources.


## Audit risks

4. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for South Lanarkshire Council. We have categorised these risks into financial risks and wider dimension risks. The key audit risks are set out at [exhibit 1](#).


## Exhibit 1 2019/20 Significant audit risks

 Audit risk	Source of management assurance	Planned audit work
<b>Financial statements risks</b>		
<b>1 Risk of management override of controls</b>  Auditing standards require that audit work is planned to consider the risk of misstatement arising from the management override of controls.	<ul style="list-style-type: none"> <li>In view of the nature of this risk, assurances from management are not appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>Detailed testing of journal entries.</li> <li>Review of accounting estimates.</li> <li>Focused testing of accruals and prepayments.</li> <li>Evaluation of significant transactions that are outside the normal course of business.</li> </ul>

	Audit risk	Source of management assurance	Planned audit work
2	<b>Risk fraud over income recognition.</b>  Auditing standards assert that fraud over income should be presumed to be a significant risk in any audit.	<ul style="list-style-type: none"> <li>• Most income is received via electronic payment.</li> <li>• Robust controls over the receipt of other income.</li> </ul>	<ul style="list-style-type: none"> <li>• Testing the operation of key controls over council tax, non-domestic rate and housing rent income.</li> <li>• Detailed testing of income transactions.</li> <li>• Analytical procedures on income streams.</li> </ul>
3	<b>Risk of fraud over expenditure</b>  Auditing standards assert that fraud over expenditure should be presumed to be a significant risk in any audit.	<ul style="list-style-type: none"> <li>• Involvement in National Fraud Initiative.</li> <li>• Robust controls over expenditure streams.</li> <li>• Emphasis on fraud awareness in expenditure streams</li> <li>• Review of system controls and focus on standing data</li> <li>• Internal audit review of procurement.</li> </ul>	<ul style="list-style-type: none"> <li>• Audit work on the National Fraud Initiative matches.</li> <li>• Walkthrough of controls over expenditure systems.</li> <li>• Reliance on internal audit's review into procurement.</li> <li>• Audit of grants.</li> <li>• Detailed testing of expenditure transactions focusing on the areas of greatest risk</li> <li>• Analytical procedures on expenditure streams.</li> </ul>
4	<b>Estimation and judgments</b>  There is a significant degree of subjectivity in the measurement and valuation of some significant balance sheet assets/liabilities. <ul style="list-style-type: none"> <li>• Valuations on non-current assets rely on expert valuations and management assumptions.</li> <li>• The value of the council's pension liability is an estimate based on information provided by management and actuarial assumptions.</li> <li>• The council's provision for doubtful debts is based on management assessments of the recoverability of debts.</li> </ul> <b>Risk</b>  Valuations of assets /liabilities are materially misstated.	<ul style="list-style-type: none"> <li>• Asset valuations completed by Royal Institute of Chartered Surveyors (RICS) qualified surveyors.</li> <li>• Pension Fund valuation completed by a qualified actuary with the applicability of actuarial assumptions used reviewed by council officers.</li> <li>• Provision for doubtful debts based on aged debt approach, incorporating prior year experience.</li> </ul>	<ul style="list-style-type: none"> <li>• Review of the work of the valuer and actuary.</li> <li>• Focused substantive testing of classification and valuation of assets.</li> <li>• Review appropriateness of actuarial assumptions.</li> <li>• Confirm pension valuations in actuarial report are correctly reflected within the 2019/20 accounts.</li> <li>• Review the provision for doubtful debts to assess whether it is reasonable and complete based on the perceived risk that the debt will not be recovered, and in line with historic experience.</li> <li>• Review actual experience of significant estimates made in the prior year.</li> </ul>

	Audit risk	Source of management assurance	Planned audit work
<b>Wider dimension risks</b>			
<b>5</b>	<b>2020/21 budget setting</b>  The timing of budget setting for the UK and Scottish public sector has led to increased uncertainty for councils in setting their 2020/21 budgets and council tax.  <b>Risk</b>  Budget does not reflect the final settlement and further in-year savings need to be made.  Council tax level is not set by statutory date of 11 March.	<ul style="list-style-type: none"> <li>• The council received its grant settlement on 6 February, and this will allow the council to set its council tax, and budget for the coming year.</li> <li>• The grant letter stated that the Scottish Government (SG) has taken a cautious approach to the settlement as they await their budget from the UK Government. If the settlement from the UK Government is significantly different from the assumptions the SG have made, they may need to reconsider the allocations provided in the Local Government settlement letter.</li> </ul>	<ul style="list-style-type: none"> <li>• Review of the council's 2020/21 budget setting arrangements.</li> </ul>
<b>6</b>	<b>Revenue budget – loans charges and council tax income</b>  Loans charges and council tax income are set and controlled at corporate level. In the previous three years we reported on a trend of underspends in loan charges and greater than budgeted council tax income. These elements have contributed substantially to the unplanned accumulation of reserves.  The most recent revenue budget monitoring report (up to period 9) projects a year end underspend of £8.512 million for loans charges and an over recovery of council tax, including the council tax reduction scheme, of £4.345 million.  <b>Risk</b>  These budget lines continue to have excess budget allocated to them potentially denying the use of resources elsewhere.	<ul style="list-style-type: none"> <li>• The budget set for 2019/20 in early 2019 reflects best known information at the point when the budget is set. The budget set is prudent and is monitored throughout the year. Committee have been kept advised throughout the year of the expected position.</li> <li>• For Council Tax, the budget for 2019/20 reflects estimated council tax from additional properties. Since November 2019 we have been advising committee that an over-recovery as expected and a full explanation of all areas of underspend was provided in January to the Executive Committee.</li> <li>• The 2019/20 in-year over-recovery reflects a number of areas including: <ul style="list-style-type: none"> <li>➤ additional properties that have come online earlier than anticipated (£1.3m). Additional budget has been included for 2020/21.</li> <li>➤ Additional income for second homes for which spend is committed elsewhere in the council in line with complying with the Accounting Code (£0.5m).</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Review financial monitoring reports and the year end outturn against budget.</li> </ul>

	Audit risk	Source of management assurance	Planned audit work
		<ul style="list-style-type: none"> <li>➤ Higher than anticipated additional income for long term empty properties of £0.4m. This is the first year that additional council tax has been collected.</li> <li>➤ Higher than budgeted council tax arrears of £1.3m. As arrears are variable the level of budget is set at a prudent level.</li> <li>➤ Lower than budgeted Council Tax Reduction Scheme of £0.8m. This is variable and impacted by the impact of the rollout of Universal Credit.</li> </ul> <ul style="list-style-type: none"> <li>• The Loan Charges budget underspend reflects mainly the impact of the re-phasing of debt carried out at the start of the financial year. This decision was approved by Executive Committee in June 2019. The financial impact of this (being an underspend of £5.5m) has been reported every period since then.</li> <li>• Further reported underspends of £1m reflect better interest rates achieved when borrowing was taken in 2018/19. Members agreed in June to use this £6.5m underspend to support the 2020/21 budget strategy.</li> <li>• A decision to delay borrowing in 2019/20 resulted in a further temporary underspend of £1.1m Again, the financial impact in the budget has been reported to members since November 2019.</li> <li>• In January a further underspend of £0.9m was reported which reflects deposit interest this year. The level of budgeted interest is prudently low reflecting the low risk approach to making deposits.</li> </ul>	

	Audit risk	Source of management assurance	Planned audit work
7	<b>Extending Loans Fund repayment periods</b>  <p>In 2018/19, the council extended the repayment periods for a number of loans. A business case was prepared to support the extension proposal. A summary of the business case was included in the final outturn report submitted to members. The full business case was not provided to members.</p> <p>Management have advised that further reviews of loan fund repayment periods are envisaged during the current financial year.</p> <p><b>Risk</b></p> <p>There is a risk that members are not provided with an adequate level of information to allow them to scrutinise and challenge loan extension proposals.</p>	<ul style="list-style-type: none"> <li>The ongoing work to re-profile the council's debt has been reflected in Committee reports this financial year. When the work is complete, members will be presented with a business case to explain the rationale and the full financial impact of re-profiling debt.</li> </ul>	<ul style="list-style-type: none"> <li>Review the information provided to members.</li> <li>Confirm reprofiled loans are correctly reflected within the 2019/20 accounts.</li> </ul>

Source: Audit Scotland


## The audit of charities administered by South Lanarkshire Council

**5.** The preparation and audit of financial statements of registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. The 2006 regulations require charities to prepare annual accounts and require an accompanying auditor's report. The Local Government (Scotland) Act 1973 specifies the audit requirements for any trust fund where some or all members of a council are the sole trustees. A full and separate audit and independent auditor's report is required for each registered charity where members of the council are sole trustees, irrespective of the size of the charity.

**6.** Members of South Lanarkshire Council are sole trustees for three registered Scottish charities, with combined assets of some £1.187 million. Based on our discussions with management and initial planning work undertaken, we have identified the audit risk set out at [exhibit 2](#).

## Exhibit 2

### 2019/20 Significant audit risks

	Audit risk	Source of management assurance	Planned audit work
1	<p><b>Governance documentation</b></p> <p>Following our recommendations in previous years, the council has prepared and approved new arrangements for the administration of the three charitable trusts under its control. The new arrangements were approved by the Office of the Scottish Charity Regulator (OSCR) in December 2019. However, given the tight timescale to implement these changes, it is unlikely they will take effect until 2020/21.</p> <p><b>Risk</b></p> <p>Governance arrangements are weak and current arrangements inhibit the distribution of funds for public benefit.</p>	<ul style="list-style-type: none"> <li>OSCR has approved the establishment of the new modernised trust funds. Legal Services are now working on obtaining approval from OSCR to transfer the balances of the old trust funds into the modernised trust funds. It is anticipated that this will not complete until 2020/2021. Administration of the trust funds during 2019/2020 will be on existing arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>Liaise with officers during the process of updating and replacing trust deeds.</li> <li>Review the updated documentation when available.</li> </ul>

Source: Audit Scotland

## Grant claims and returns

7. The council is required to make various grant claims and returns to UK or Scottish Government departments. Such claims and returns require to be audited prior to submission. We will perform testing and provide audit certificates in accordance with guidance issued by Audit Scotland. We have planned for the following claims and returns in 2019/20:

- Housing benefit subsidy claim
- Non-domestic rate income return
- Education maintenance allowances
- Whole of government accounts return

Where unexpected claims or returns are received or supporting working papers are not adequate, a supplementary fee may be requested.

## Reporting arrangements

8. This audit plan, the outputs set out at [exhibit 3](#), and any other outputs on matters of public interest will be published on Audit Scotland's website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

9. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be issued to the relevant officer(s) to confirm factual accuracy, prior to the issue and publication of final reports.

**10.** We will provide an independent auditor's report to the members of South Lanarkshire Council and the Accounts Commission setting out our opinions on the annual accounts. We will provide members and the Controller of Audit with an annual audit report, containing observations and recommendations on significant matters which have arisen during the audit.

## Exhibit 3

### 2019/20 Audit outputs

Audit Output	Target date	Risk and Audit Scrutiny Committee Date
Interim Management Report	31 May	18 June
Annual Audit Report	30 September	21 September
Independent Auditor's Report	30 September	21 September

The target dates included are those specified in Audit Scotland's Planning Guidance 2019/20.

## Audit fee

**11.** The agreed audit fee for the 2019/20 audit of South Lanarkshire Council is £498,970 (2018/19 fee £490,110). In determining the audit fee, we have taken account of the risk exposure of the council, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit.

**12.** We have also agreed an audit fee for the audit of the three registered charities of £5,425 (£5,425 in 2018/19).

**13.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts or inadequate working papers, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

## Responsibilities

### Risk and Audit Scrutiny Committee and Executive Director of Finance and Corporate Resources

**14.** Audited bodies are responsible for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity. In South Lanarkshire Council the Executive Director of Finance and Corporate Resources is the proper officer, with responsibility for the administration financial affairs (section 95 officer). The council has delegated responsibility for the oversight of internal and external audit to its Risk and Audit Scrutiny Committee.

**15.** The audit of the annual accounts does not relieve management or the Risk and Audit Scrutiny Committee of their responsibilities.

### Appointed auditor

**16.** Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice and the auditing profession's ethical guidance.

**17.** Auditors in the public sector give independent opinions on the financial statements and other information within the annual accounts.



# Audit scope and timing

## Annual accounts

**18.** The audit of the annual accounts will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing local government and the wider public sector. Our audit approach includes:

- understanding the business of South Lanarkshire Council and the associated risks which could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how the council will include them in the financial statements
- assessing how weaknesses in the key systems of internal control could impact on the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free from material misstatement.

**19.** We will give an opinion on whether:

- the annual accounts give a true and fair view of the state of affairs of the council and the income and expenditure for the year
- the annual accounts have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20
- the annual accounts have been prepared in accordance with relevant legislation.



characteristics



responsibilities



£  
principal activities



risks



governance  
arrangements

## Other information in the annual accounts

**20.** We also review and report on the management commentary, governance statement and remuneration report. We give an opinion on whether they have been prepared in accordance with the appropriate regulations and guidance. We also read and consider any other information in the annual accounts and report any material inconsistencies.

## Materiality

**21.** We apply the concept of materiality in planning and performing our audit. Materiality defines the maximum error that we are prepared to accept and still conclude that the financial statements present a true and fair view. It helps assist our planning of the audit and allows us to assess the impact of any potential audit adjustments on the financial statements. Our calculated materiality levels are set out at [exhibit 4](#).

## Exhibit 4

### Materiality levels

Materiality	Amount
<b>Planning materiality</b> – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure based on the audited accounts for the year ended 31 March 2019.	£12.205 million
<b>Performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 50% of planning materiality.	£6.100 million
<b>Reporting threshold</b> – We are required to report to those charged with governance on all unadjusted misstatements in excess of a predetermined reporting threshold. This has been calculated at 1% of planning materiality.	£0.120 million

Source: Audit Scotland

22. We set separate materiality levels for the audits of the charities' annual accounts, [exhibit 5](#).

## Exhibit 5

### Trust materiality levels

Trust	Planning materiality*	Performance materiality	Reporting threshold**
<b>South Lanarkshire Council Charitable Trusts</b>	£11,500	£8,500	£100
<b>South Lanarkshire Council Educational Trusts</b>	£1,500	£1,000	£100
<b>East Kilbride Technology Centre Trust</b>	£300	£200	£100



\* Based on the latest audited accounts and set at 1% total funds for the year ended 31 March 2019, rounded up as considered appropriate. \*\* In view of the amounts involved, we have set the reporting threshold at £100.

## Timetable

23. An agreed timetable is included at [exhibit 6](#) which takes account of submission requirements and planned Risk and Audit Scrutiny Committee meeting dates.

## Exhibit 6

### Annual accounts timetable

 Key stage	 Date
Consideration of unaudited annual accounts by those charged with governance	18 June
Latest submission date of unaudited annual accounts	30 June
Latest date for final clearance meeting with officers	4 September
Agreement of unsigned financial statements	9 September
Issue of Annual Audit Report*	21 September
Independent Auditor's Reports (council and three charities)	21 September

\* ISA 260 issues arising from the audit of charitable trusts will be reported in a separate section of the council's annual audit report. However, a separate independent auditor's report will be issued for each of the three charitable trusts.

## Internal audit

**24.** Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an assessment of the internal audit function at audited bodies.

**25.** South Lanarkshire Council's internal audit function is provided by its internal audit section led by the Audit and Compliance Manager. Our assessment of the internal audit function concluded that it has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

### Using the work of internal audit

**26.** To support our audit opinion on the financial statements we plan to place formal reliance on the following planned internal audit reviews:

- Procurement
- BACs reconciliation

**27.** In respect of our wider dimension audit responsibilities we plan to consider the work of internal audit in respect of the National Fraud Initiative.

## Audit dimensions

**28.** Our audit is based on four audit dimensions which define the wider scope of public sector audit, [exhibit 7](#). Our conclusions on the four dimensions will contribute to an overall assessment and assurance on best value.

## Exhibit 7

### Audit dimensions



Source: Code of Audit Practice

### Financial sustainability

**29.** We consider the appropriateness of the use of the going concern basis of accounting as part of the audit of the financial statements. We also comment on the council's financial sustainability. We will carry out work and conclude on the following in 2019/20:

- the effectiveness of financial planning
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- monitoring the arrangements put in place by the council to minimise any disruption occasioned by the UK's withdrawal from the European Union.

### Financial management

**30.** Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review and report on:

- the effectiveness of the budgetary control system in communicating accurate and timely financial performance
- whether financial capacity and skills are adequate
- whether appropriate and effective arrangements for internal control and the prevention and detection of fraud and corruption have been established
- consideration of the effectiveness of the council's controls and policies in preventing procurement fraud.

### Governance and transparency

**31.** Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information. We will assess:

- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports

- the quality and timeliness of financial and performance reporting
- whether governance arrangements are appropriate and operating effectively
- the quality and timeliness of financial and performance reporting.

### Value for money

**32.** Value for money refers to using resources efficiently and effectively. We will review, conclude and report on whether the council can provide evidence that it is demonstrating value for money in the use of its resources.

### Best Value

**33.** The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. A Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in a five-year period.

**34.** During 2018/19 a Best Value review of the council was completed. The [South Lanarkshire Council BVAR](#) was published March 2019. The focus of our audit work this year is to report on the council's response to the report and progress made with the Best Value [action plan](#) approved by the council in June 2019.

**35.** In addition to assessing progress against the Best Value action plan, we will also:

- review the council's arrangements covering fairness and equality.
- complaints handling procedures
- website accessibility.

The results of this work will be reported in our Annual Audit Report.

**36.** The seven councils on which a BVAR will be published during the fourth year of the new approach are listed in [exhibit 8](#). Reports will be considered by the Accounts Commission in the period between March and November 2020.

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## Exhibit 8

### 2019/20 Best Value Assurance Reports



Aberdeenshire Council	Dundee Council
Argyle and Bute Council	Falkirk Council
City of Edinburgh Council	Moray Council
North Ayrshire Council	

Source: Audit Scotland

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### Shared risk assessment of the Local Area Network

**37.** As part of our planning work we held a shared risk assessment meeting with the key scrutiny bodies of the council. We discussed the range of reports, published over the past year by scrutiny bodies including Education Scotland and the Care Inspectorate. Of particular note is the Care Inspectorate's reports on care at home services in Hamilton, which resulted in the service being served with an Improvement Notice. An urgent improvement plan is being implemented and progress against this will be monitored by the Care Inspectorate.

## Contribution to national performance audits

**38.** As part of our 2019/20 audit activity we may be required to carry out limited work to assess the local impact of recent national audit reports on:

- Council's use of arm's-length organisations ([published](#) May 2018)
- Children and young people's mental health ([published](#) September 2018)

## Independence and objectivity

**39.** Auditors appointed by the Accounts Commission must comply with the Code of Audit Practice. When auditing financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland's Ethics Partner.

**40.** The engagement lead for South Lanarkshire Council is Fiona Mitchell-Knight, Assistant Director. The engagement lead for the charitable trusts is Dave Richardson, Senior Audit Manager. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of South Lanarkshire Council or the charitable trusts.

## Quality control

**41.** International Standard on Quality Control (UK and Ireland) 1 requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

**42.** The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal and external quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) has been engaged to carry out an annual programme of external quality reviews.

**43.** As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead or to Audit Scotland's Audit Quality and Appointments group.

# South Lanarkshire Council

## Audit Plan 2019/20

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# Report

7

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>19 February 2020</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Fraud Statistics Six Monthly Update</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ provide a summary of the fraud statistics for the six month period to 30 September 2019 and a comparison to the same period in 2018.

## 2. Recommendation(s)

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

- (1) that the contents of this report are noted

## 3. Background

- 3.1. Collating and reporting fraud statistics and setting targets for improvement are considered best practice by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Association of Local Authority Risk Managers (ALARM).
- 3.2. This report provides information on the number, types and outcomes of fraud investigations within South Lanarkshire Council for the six month period to 30 September 2019 together with a comparison to the statistics for the same period in 2018. It includes all frauds reported to Internal Audit, benefit frauds during this period investigated by the Department for Work and Pensions (DWP) and insurance losses resulting from a failure in internal controls or which have been investigated by Internal Audit.
- 3.3. Although the responsibility for housing benefit fraud investigations has transferred to the DWP Fraud and Error Service (FES), South Lanarkshire Council retains responsibility for the recovery of fraud overpayments. Therefore, housing benefit fraud statistics will continue to be included within the fraud statistics reported. As it will be necessary to rely on FES providing details on proven South Lanarkshire Council fraud cases, this may result in a delay in reporting.
- 3.4. The roll out of Universal Credit to all new benefits applicants from October 2017 will have an impact on the number of Housing Benefit claimants. It is, therefore, expected that the number of fraud cases will gradually decrease over future years. The Council will continue to pursue all Housing Benefit fraud overpayments, where appropriate.

- 3.5. The Benefits and Revenues Section continues to deliver an annual programme of rolling reviews on housing benefit claimants with reviews based on risk-profiling to establish the most likely areas of benefit fraud or overpayment. Information is also obtained from HMRC through Real Time Information (RTI) and DWP through the Housing Benefit Matching Service (HBMS). Where fraud is suspected, the case will be passed to FES for investigation and, if proven, the case returned to South Lanarkshire Council to pursue recovery. Irrespective of whether a fraud is proven or not, the Council takes steps immediately to recover any overpayment.

#### 4. Results

- 4.1. All concerns reported to Internal Audit are risk assessed to ensure an appropriate response. Internal Audit also undertake joint investigations with Resources and the Fact-Finding team within Personnel Services depending on the nature of the fraud and the operational knowledge required.
- 4.2. Areas within the Council that inherently have a higher risk of fraud are considered for inclusion in the annual Audit Plan. There have been no specific patterns or trends identified in the period to 30 September 2019 in addition to those already known.
- 4.3. The Benefits and Revenues Section continues to supply details of the number and value of benefit frauds investigated by FES and the sanctions imposed for consolidation with the information held by Internal Audit. The Risk Management Section is responsible for collecting and recording all insurance losses. Information relevant to these statistics is provided to Internal Audit on a six monthly basis.
- 4.4. An analysis of the fraud caseload for the six month period to 30 September 2019 and the comparative period in 2018 is detailed in Table One.

**Table One - Fraud Caseload**

Status	Six Months to 30/09/19		Six Months to 30/09/18	
	Nos.	£000	Nos.	£000
Cases open as at 1 April	78	69	115	394
Concerns reported to 30 September	79	91	81	107
Caseload at 30 September	157	160	196	501
<b>Cases closed in period (see Table Two)</b>	<b>32</b>	<b>36</b>	<b>81</b>	<b>153</b>
Work in progress at 30 September	125	124	115	348

- 4.5. 75% of the cases reported in the period relate to benefit cases reported to and investigated by FES. A further 23% relate to thefts and break-ins. This split is broadly similar to the cases reported in the same period in 2018.
- 4.6. An analysis of closed cases in the year is detailed in Table Two:

**Table Two - Analysis of Closed Cases**

Source of fraud	Six Months to 30/09/19		Six Months to 30/09/18	
	Nos.	£000	Nos.	£000
<b>Founded allegation (see Table Three)</b>	<b>23</b>	<b>31</b>	<b>57</b>	<b>142</b>
Insufficient information	3	0	11	8
Unfounded allegations	6	5	13	3
<b>Total</b>	<b>32</b>	<b>36</b>	<b>81</b>	<b>153</b>

- 4.7. 72% of all cases, that were investigated, were founded. None of these cases involved a South Lanarkshire Council employee.
- 4.8. An analysis of founded allegations is detailed in Table Three:

**Table Three – Analysis of Founded Allegations**

Source of fraud	Six Months to 30/09/19		Six Months to 30/09/18	
	Nos.	£000	Nos.	£000
External	17	16	7	0
Internal	0	0	2	1
Benefits	6	15	48	141
<b>Total</b>	<b>23</b>	<b>31</b>	<b>57</b>	<b>142</b>

- 4.9. All founded cases relate to Benefit Fraud cases or fraud committed by a third party.
- 4.10. In respect of all founded cases, where appropriate, South Lanarkshire Council seeks to recover financial losses. The value of both previous and current year recoveries has marginally increased from £36,000 in the six month period to 30 September 2018 to £37,000 in the same period in 2019. All recoveries reported in this period relate to benefit fraud.
- 4.11. The cost of investigations concluded by Internal Audit has increased when compared to the same period in 2018 from £2,000 to £13,000. The cost of an investigation reflects the complexity of the investigation and, therefore, the time required to conclude. 90% of costs were incurred concluding work on procurement and responding to a Police enquiry.
- 4.12. Time budgets and target completion timescales for investigations are set at the start of each audit and will vary depending on the nature of the investigation. Performance measures for investigations undertaken by Internal Audit are monitored through local Performance Indicators and are reported to each meeting of this Committee.

## **5. Improvements**

- 5.1. On the conclusion of all internal investigations, an assessment is made on whether an improvement action is necessary. If deemed necessary, an improvement plan will be issued containing recommended actions. These improvement plans are agreed with the relevant Heads of Service and the actions followed up by Internal Audit to ensure implementation and that gaps in controls have been addressed. Outcomes for concluded investigations are reported to this Committee as part of Internal Audit's annual assurance report.
- 5.2. There were three improvement plan issued by Internal Audit during the period under review with six separate actions to be taken. Follow up of all high priority actions resulting from fraud investigations will be included in future Audit Plans.

## **6. Employee Implications**

- 6.1. South Lanarkshire Council has a zero tolerance approach to fraud. All employees have a role to play in reducing fraud within the Council and should understand the risk of fraud faced by the Council, that fraud is serious and that it diverts resources from the delivery of the Council's primary objectives. A Learn on Line (LOL) Fraud Awareness course is available to all employees with People Connect access.
- 6.2. Internal Audit will continue to coordinate future National Fraud Initiative (NFI) exercises and collate and report fraud statistics on a six monthly basis to this Committee.

## **7. Financial Implications**

- 7.1. The investigation of fraud, participation in NFI exercises and the collection and reporting of fraud statistics will be carried out within existing resources.
- 7.2. A total of 111 days has been allocated within the 2019/2020 Internal Audit Plan for fraud risk work. This includes an allowance of contingency time to undertake fraud investigations, where required. An additional allowance of 40 days has been allocated for NFI.

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

- 8.1. There are no significant implications in terms of climate change, sustainability and environmental issues associated with this report.

## **9. Other Implications**

- 9.1. Fraud risk is recognised as one of the top risks facing South Lanarkshire Council. This risk is significant as it can adversely affect the delivery of Council objectives and erode valuable resources. It is, therefore, important that the risk of fraud is soundly managed.
- 9.2. Fraud Risk Registers are now in place within all Resources and are reviewed and updated annually in line with standard Risk Management procedures.
- 9.3. The collection and reporting of fraud statistics should assist in the management of fraud by identifying patterns and trends of fraud and areas of high risk where preventative controls should be concentrated. However, in order to do this effectively, fraud statistics must be complete. This remains an area where practice could be improved and it is, therefore, important that all instances of potential and actual fraud are reported to Internal Audit. Further work can be undertaken by Internal Audit to promote fraud policies, if considered appropriate.
- 9.4. In order to ensure the Council is fully aware of, and prepared for, emerging fraud risks, Internal Audit periodically carries out self-assessment exercises against good practice guidance in fraud management. Internal Audit will continue to include an allowance within the Internal Audit Plan to undertake such assessments.

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

- 10.1. There is no requirement to undertake an equality impact assessment.
- 10.2. Consultation was not necessary for this report.

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

28 January 2020

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

- ♦ Objective – Governance and Accountability

**Previous References**

- ◆ Fraud Statistics and NFI Six Monthly Update, 24 April 2019
- ◆ 2018 National Fraud Initiative Exercise, 18 September 2019
- ◆ Fraud Statistics Annual Report 2019, 18 September 2019

**List of Background Papers**

None

**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

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# Report

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Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>19 February 2020</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Performance and Review Scrutiny Forum Annual Update</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ provide, for information, a summary of the reports considered by the Performance and Review Scrutiny Forum during the period January to December 2019.

## 2. Recommendation(s)

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

- (1) that the content of this report is noted, and that it be noted that an annual update will be provided for information.

## 3. Background

3.1. The Terms of Reference and Powers and Responsibilities for the Performance and Review Scrutiny Forum includes consideration of the council's response to Best Value, improvement and performance management.

3.2. The details within this report provide the Risk and Audit Scrutiny Committee with a summary of business reported to the Performance and Review Scrutiny Forum.

## 4. Agenda items

4.1. The table below notes the reports submitted to the Performance and Review Scrutiny Forum during 2019 under the main areas of responsibility.

Date	Improvement
5 February	<ul style="list-style-type: none"> <li>Improve Red/Amber Results (Q2 2018-19)</li> <li>Connect 2018-19 Q2 progress report</li> </ul>
18 June	<ul style="list-style-type: none"> <li>Self-Assessment and Improvement Activity Annual Update 2018-19</li> <li>Connect 2018-19 Q4 progress report</li> </ul>
17 September	<ul style="list-style-type: none"> <li>Self-Assessment and Improvement Activity Programme 2019-20</li> </ul>
26 November	<ul style="list-style-type: none"> <li>Connect 2019-20 Q2 progress report</li> </ul>
Date	Performance Management
5 February	<ul style="list-style-type: none"> <li>Local Government Benchmarking Framework (LGBF) 2017-18 Results and Action Plan</li> <li>Accounts Commission – Statutory Performance Information: 2018 Direction</li> </ul>
17 September	<ul style="list-style-type: none"> <li>Resource Plans, Performance and Connect Reporting</li> <li>Annual Performance Spotlights 2018-19</li> </ul>
26 November	<ul style="list-style-type: none"> <li>LGBF Family Group analysis</li> </ul>

Date	Best Value
18 June	<ul style="list-style-type: none"> <li>• Audit Scotland – Performance and Challenges (Local Government Overview Report)</li> </ul>
17 September	<ul style="list-style-type: none"> <li>• Best Value Assurance Report summary</li> </ul>
26 November	<ul style="list-style-type: none"> <li>• Best Value Assurance Reports published (Scottish Borders)</li> <li>• National Scrutiny Report</li> </ul>

- 4.2. A schedule of reporting will continue covering the key themes noted at paragraph 3.1 above. The Risk and Audit Scrutiny Committee will be provided with an annual report for information, advising it of the business presented to the Performance and Review Scrutiny Forum.

## **5. Employee Implications**

- 5.1. There are no employee implications relating to this report.

## **6. Financial Implications**

- 6.1. There are no financial implications relating to this report.

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

- 7.1 There are no Climate Change, Sustainability and Environmental implications relating to this report.

## **8 Other Implications**

- 8.1. There are no risk issues associated with the content of this report.

## **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.

**Paul Manning**

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

23 December 2019

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

- Promote performance management and improvement

## **Previous References**

- None

## **List of Background Papers**

- Performance and Review Scrutiny Forum meetings – 5 February 2019, 18 June 2019, 17 September 2019 and 26 November 2019

## **Contact for Further Information**

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

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# Report

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Report to: **Risk and Audit Scrutiny Committee**  
 Date of Meeting: **19 February 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)**

16 January 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:-

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## APPENDIX – RASC OUTLINE FORWARD PROGRAMME TO DECEMBER 2020

Meeting Date	Item	Responsibility
6 May 2020	<ol style="list-style-type: none"> <li>1. Internal Audit Activity Report</li> <li>2. 2020/2021 Internal Audit Plan</li> <li>3. Audit Scotland Report – Local Government in Scotland Financial Overview 2018/2019</li> </ol>	<p>Audit and Compliance Manager</p> <p>Audit and Compliance Manager</p> <p>Head of Finance (Strategy)</p>
18 June 2020	<ol style="list-style-type: none"> <li>1. Internal Audit Annual Assurance Report</li> <li>2. Good Governance Statement 2019/2020 and Quarter 4 Year End Report</li> <li>3. Unaudited Annual Accounts 2019/2020</li> <li>4. Internal Audit Activity Report</li> <li>5. Interim Management Report 2019/2020</li> <li>6. Financial Resources Scrutiny Forum Activity</li> </ol>	<p>Audit and Compliance Manager</p> <p>Head of Administration and Legal Services</p> <p>Head of Finance (Strategy)</p> <p>Audit and Compliance Manager</p> <p>External Auditor</p> <p>Head of Finance (Strategy)</p>
21 September 2020	<ol style="list-style-type: none"> <li>1. External Auditor's Annual Report 2019/2020</li> <li>2. Audited Annual Accounts 2019/2020</li> <li>3. Internal Audit Activity Report</li> <li>4. Efficiency Savings 2019/2020</li> <li>5. Annual Fraud Report to 31 March 2020</li> <li>6. National Fraud initiative Exercise</li> <li>7. Year End Risk Management Report 2019/2020 Review of Council's Top Risks</li> <li>8. Year End Insured Risks Report</li> </ol>	<p>External Auditor</p> <p>Head of Finance (Strategy)</p> <p>Audit and Compliance Manager</p> <p>Head of Finance (Strategy)</p> <p>Audit and Compliance Manager</p> <p>Audit and Compliance Manager</p> <p>Head of Finance (Transactions)</p> <p>Head of Finance (Transactions)</p>
9 December 2020	<ol style="list-style-type: none"> <li>1. Internal Audit Activity Report</li> </ol>	<p>Audit and Compliance Manager</p>

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.

