

## RISK AND AUDIT SCRUTINY COMMITTEE

Minutes of meeting held via Confero and in Committee Room 1, Council Offices, Almada Street, Hamilton on 26 March 2024

### Chair:

Councillor Elaine McDougall

### Councillors Present:

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

### Councillors' Apologies:

Councillor Mathew Buchanan, Councillor Celine Handibode, Councillor Susan Kerr

### Councillor Also Present:

Councillor Joe Fagan (for item 3)

### Attending:

#### Chief Executive's Service

S Sengupta, Acting Depute Chief Executive (for item 3)

#### Finance and Corporate Resources

J Taylor, Executive Director, Y Douglas, Audit and Compliance Manager; E-A McGonigle, Administration Officer; I Strachan, Head of Administration and Legal Services; L Wyllie, Administration Assistant

### Also Attending:

#### Audit Scotland

A Barclay and J Boyd, External Auditors

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### Chair's Opening Remarks

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The Chair, on behalf of the Committee:-

- ♦ congratulated Jackie Taylor on her recent appointment as Executive Director (Finance and Corporate Resources)
- ♦ welcomed Iain Strachan, Head of Administration and Legal Services and Amanda Barclay, Senior Auditor, Audit Scotland to their first meeting of the Committee

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### 1 Declaration of Interests

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No interests were declared.

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### 2 Minutes of Previous Meeting

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The minutes of the meeting of the Risk and Audit Scrutiny Committee held on 30 January 2024 were submitted for approval as a correct record.

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

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### **3 Good Governance Update**

A report dated 28 February 2024 by the Executive Director (Finance and Corporate Resources) was submitted providing an update on the Council's governance arrangements.

Each year, the Council undertook a comprehensive review of the governance arrangements required to support its financial and operational controls. The annual review of governance arrangements informed the Governance Statement which was included within the Council's Annual Accounts. As part of this annual review, the Council's Local Code of Corporate Governance was reviewed, updated and republished. Compliance with the Code was also reviewed on an annual basis and Appendix 1 to the report provided details of the Council's compliance with the Code.

Details of the amendments made to the Code, following the review, were provided and the revised Code was attached as Appendix 2 to the report. Progress on the significant governance areas, as highlighted within the Annual Governance Statement 2022/2023, was detailed in Appendix 3 to the report.

Officers responded to members' questions on various aspects of the report, and where information was not readily available, undertook to provide this information to the relevant members.

#### **The Committee decided:**

- (1) that the findings from the annual compliance check against the Local Code of Corporate Governance be noted;
- (2) that the updated Local Code of Corporate Governance be approved; and
- (3) that progress against the significant governance areas identified within the Annual Governance Statement 2022/2023 be noted.

*[Reference: Minutes of 7 March 2023 (Paragraph 3)]*

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### **4 Internal Audit Plan 2024/2025**

A report dated 8 March 2024 by the Executive Director (Finance and Corporate Resources) was submitted on the proposed Internal Audit Plan 2024/2025.

Internal Audit formed part of the Council's wider governance framework. Output from the function was the delivery of a planned programme of internal audit assignments. Each assignment was formally reported to the Committee and an audit opinion expressed which was based on the level of assurance that testing had provided. The definitions of the various levels of assurance that were expressed within an audit report were provided in Appendix 1 to the report. Those assurances informed an overall audit opinion of the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements that were reported to the Committee and captured in the Council's Governance Statement which formed part of the Annual Accounts.

The function operated within the context of an Internal Audit Charter, as detailed in Appendix 2 to the report, and a set of internal audit standards known as the Public Sector Internal Audit Standards (PSIAS). The Council's Internal Audit function's compliance with PSIAS was externally assessed in 2022/2023 and the outcome of that review was reported to the Committee on 31 October 2023. A few areas of improvement had been identified and an update on progress of those would be presented to the Committee in June 2024. Two of the actions were, however, relevant to the audit planning process and an update was provided as follows:-

- ◆ the relationship between the Chief Internal Auditor and the Monitoring Officer was clarified, and a section on escalation had been added to the Internal Audit Charter in Appendix 2 to the report
- ◆ audit activities should be prioritised as part of the South Lanarkshire Annual Audit Plan. The audit activities were prioritised, as detailed in Appendix 3 to the report. Priority assignments were graded as 'H' for high

New Internal Audit Standards would be effective from January 2025 with PSIAS currently being updated to reflect those new standards within a UK public sector context. It was anticipated that any subsequent changes to the UK PSIAS, and their implementation, would be subject to consultation and appropriate transitional arrangements. At this point in time, compliance with the Standards continued to be an annual self-assessment exercise, with a periodic independent external inspection, and an annual statement or report on the function's level of compliance.

PSIAS required a specific based approach to be taken when preparing audit plans and all planning requirements within the Standards had been applied in preparation of the 2024/2025 Internal Audit Plan. The risk assessment matrix used when evaluating each audit idea, was detailed in the matrix attached in Appendix 4 to the report.

The 2024/2025 Audit Plan, attached as Appendix 3 to the report, would be delivered within the context of the Internal Audit Charter and in accordance with the PSIAS. Progress against the audit strategy would be monitored and reported to the Committee as part of regular monitoring reports presented at each meeting. Delivery of the strategy would be evidenced by the completion of the 2024/2025 Internal Audit Plan.

A total of 1,287 audit days, inclusive of days which had been allocated to external clients, had been provided for in the Plan. Year on year comparisons of the number of days available were difficult due to in year variations linked to periods of planned leave, secondments and personnel changes. All known factors had been reflected in capacity planning. The underlying assumptions would be reviewed throughout the year and any significant changes to the Plan would be presented to the Committee.

In 2024/2025, the content of the Internal Audit Plan recognised the need to commit time to Oracle Fusion, a cloud based human resources and financial management system which was being implemented by the Council and this was detailed in section 4.6 of the report. At the start of the financial year, there would be a requirement to input to the testing of costing and reconciliation solutions as well as providing guidance around changes in internal controls that related to new automated processes and workflows. Once completed, a programme of audit work would be developed that would span a 3-year period. The Plan would require further refinement as the Council moved towards the go live and post go live periods. In the medium term, the Council would also implement new social care and housing IT systems, and audit work across those core systems would form an element of the Audit Plan in the next 3 to 5 years. A detailed 3-year Plan would be presented at a future meeting of the Committee in relation to the proposed audit areas across all Oracle Fusion functions for 2024/2025, and indicatively through to 2026/2027.

The commitments for Oracle Fusion had to be balanced with the delivery of routine corporate activities and a programme of audits that delivered the function's core objectives, as set out in the Internal Audit Charter.

Overarching all of this, were the fundamental changes that required to be made as to how internal audits were being delivered. There was a growing need to develop skill sets within the Council's own internal audit function and this was detailed at section 4.8 of the report. Time had been included in the 2024/2025 Plan to prepare a strategy, develop skills within the team and to establish how outputs from major, new Council systems could be used to refine the data analytical approach of Internal Audit in the future.

The Audit and Compliance Manager responded to a member's question in relation to how the 345 days set aside for Oracle Fusion would be used.

The Chair and Depute, on behalf of the Committee members, thanked officers for the work that had been undertaken to prepare the 2024/2025 Internal Audit Plan.

**The Committee decided:**

- (1) that the proposed Internal Audit Plan for 2024/2025, as detailed in Appendix 3 to the report, be approved; and
- (2) that it be noted that a detailed 3-year Plan would be presented after the first quarter of 2024/2025 in relation to the proposed audit areas across all Oracle Fusion functions for 2024/2025, and indicatively through to 2026/2027.

*[Reference: Minutes of 7 March 2023 (Paragraph 4)]*

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## **5 Audit Scotland: Annual Audit Plan 2023/2024**

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The Committee considered the South Lanarkshire Council Annual Audit Plan for 2023/2024 submitted by Audit Scotland, the Council's External Auditor.

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

- ◆ financial management
- ◆ financial sustainability
- ◆ vision, leadership and governance
- ◆ use of resources to improve outcomes

The planned work on the wider scope responsibilities was risk based and, proportionate and in addition to local risks, challenges which were impacting the whole public sector would be considered. In 2023/2024, a significant risk was identified around financial sustainability and this was detailed in Exhibit 4 of the report.

The Plan was structured around the following areas:-

- ◆ annual accounts
- ◆ wider scope and best value
- ◆ reporting arrangements, timetable and audit fee
- ◆ other matters

Details were given on key aspects of those areas.

As part of the annual work on Best Value, thematic reviews were conducted as directed by the Accounts Commission. In 2023/2024, the thematic review across the sector would be on workforce innovation and would consider how councils were responding to the current workforce challenges through building capacity, increasing productivity, and innovation.

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

*[Reference: Minutes of 23 May 2023 (Paragraph 5)]*

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## 6 Internal Audit Activity as at 8 March 2024

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A report dated 8 March 2024 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 13 January to 8 March 2024.

Findings from internal audit assignments were reported to this Committee throughout the year and the last progress report was considered by this Committee on 30 January 2024. Key performance indicators, which reflected quality, on time and within budget as at 29 February 2024, were summarised in Appendix 1 to the report.

As at 29 February 2024, 33% of the 2023/2024 Audit Plan was completed to draft report stage, with a further 22 assignments in progress. In the reporting period, all elements of the Audit Plan had been progressed with a continued focus on the National Fraud Initiative (NFI), investigative activities and external client audit plans. Alongside this, there had been a significant time commitment to the implementation of Oracle Fusion, a cloud based human resources and financial management system within the Council. Internal Audit would continue to provide resources to assist with the implementation of Oracle Fusion through to 31 March 2024. Updates would continue to be provided to the Committee in the Internal Audit Activity report.

Assignments completed in the period 13 January to 8 March 2024, together with a summary of overall assurances, were detailed in Appendix 2 to the report.

An update was also provided on progress against the Audit Strategy which was a requirement of the Public Sector Internal Audit Standards (PSIAS). Delivery of the 2023/2024 Strategy had been evidenced by the completion of the Internal Audit Plan in-year and monitored during the year by performance indicators which were regularly reported to the Committee.

The Audit and Compliance Manager responded to a member's question in relation to delivery of the remaining assignments in the 2023/2024 Audit Plan.

**The Committee decided:** that progress be noted.

*[Reference: Minutes of 30 January 2024 (Paragraph 3)]*

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## 7 Forward Programme for Future Meetings

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A report dated 28 February 2024 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 2025.

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 2025 be noted.

*[Reference: Minutes of 30 January 2024 (Paragraph 6)]*

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## 8 Urgent Business

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There were no items of urgent business.

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**Chair's Closing Remarks**

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The Chair referred to a training needs analysis assessment that had recently been emailed to all elected members. The Chair said that relevant training could be helpful for members of this Committee and suggested that members respond accordingly.