

# RISK AND AUDIT SCRUTINY COMMITTEE

Minutes of meeting held via Microsoft Teams on 18 June 2020

## **Chair:**

Councillor Graeme Campbell

## **Councillors Present:**

Councillor Walter Brogan, Councillor Grant Ferguson, Councillor Julia Marrs, Councillor Davie McLachlan, Councillor Carol Nugent, Councillor Jared Wark

## **Councillor Also Present:**

Councillor John Ross (for items 3 and 4)

## **Councillors' Apologies:**

Councillor Mary Donnelly, Councillor Martin Lennon, Councillor Jim Wardhaugh

## **Attending:**

### **Chief Executive's Service**

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

### **Finance and Corporate Resources**

P Manning, Executive Director (Finance and Corporate Resources); Y Douglas, Audit and Compliance Manager; S Dunsmore, Insurance and Risk Manager; T Little, Head of Corporate Communications and Strategy; P MacRae, Administration Officer; G McCann, Head of Administration and Legal Services; S Somerville, Administration Manager; J Taylor, Head of Finance (Strategy)

## **Also Attending:**

### **Audit Scotland**

A Kerr and D Richardson, External Auditors

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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 19 February 2020 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 Annual Assurance Report 2019/2020**

A report dated 3 June 2020 by the Audit and Compliance Manager (Finance and Corporate Resources) was submitted providing:-

- ◆ a summary of progress and performance of Internal Audit for the financial year 2019/2020
- ◆ an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control systems based on audit work undertaken in 2019/2020

Details were given on:-

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

The overall opinion expressed on the Council's control environment was that a reasonable level of assurance could be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ended 31 March 2020. The Internal Audit findings would inform the Council's 2019/2020 Governance Statement.

**The Committee decided:**

- (1) that the performance of Internal Audit during 2019/2020 be noted;
- (2) that the level of assurance on the Council's control environment be noted; and
- (3) that it be noted that the overall findings from Internal Audit work would inform the Council's 2019/2020 Annual Governance Statement.

*[Reference: Minutes of 19 June 2019 (Paragraph 3)]*

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#### **4 Annual Governance Statement for 2019/2020 and Significant Governance Areas Quarter 4 Progress Report**

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A report dated 1 June 2020 by the Executive Director (Finance and Corporate Resources) was submitted on the Governance Statement for 2019/2020 and progress against significant governance areas identified within the Good Governance Action Plan at Quarter 4.

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

The annual review for 2019/2020 had been undertaken using an assessment framework which was attached as Appendix 1 to the report. The resulting Annual Governance Statement for 2019/2020, attached as Appendix 2 to the report, provided information on the Council's compliance during 2019/2020. The annual review of governance arrangements across the Council demonstrated sufficient evidence that the principles of delivering good governance in local government, contained in the Local Code of Corporate Governance, operated effectively and that the Council complied with its Code.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Better Governance Forum Audit Committee Update on "Developing an Effective Annual Governance Statement" was attached as Appendix 3 to the report. This guidance aimed to provide advice and support to Audit Committees in relation to their role in considering how effective the governance arrangements had been in the year and in reviewing the Annual Governance Statement prior to approval and publication.

Progress on the significant governance areas highlighted within the Annual Governance Statement 2018/2019 was attached as Appendix 4 to the report.

In response to a member's question, officers advised of the impact of the Coronavirus pandemic on the Council's governance arrangements together with measures in place to provide updates on this issue.

**The Committee decided:**

- (1) that the Annual Governance Statement, attached as Appendix 2 to the report, which would be included in the 2019/2020 Annual Report and Statement of Accounts, be approved;
- (2) that the CIPFA Better Governance Forum Audit Committee Update on Developing an Effective Governance Statement, attached as Appendix 3 to the report, be noted; and
- (3) that progress on the significant governance areas, highlighted within the Annual Governance Statement 2018/2019, be noted.

*[Reference: Minutes of 19 June 2019 (Paragraph 5)]*

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## **5 Unaudited Annual Accounts 2019/2020**

A report dated 3 June 2020 by the Executive Director (Finance and Corporate Resources) was submitted on the requirement for members to consider the Unaudited Annual Accounts of the Council and related Charitable Trusts by 30 June 2020.

The Council's Unaudited Annual Accounts detailed key information on the Council's expenditure and income for the financial year ended 31 March 2020. The accounts also covered 3 Charitable Trusts managed by the Council, namely South Lanarkshire Council Educational Trust, South Lanarkshire Council Charitable Trust and the East Kilbride Information Technology Trust.

Due to the workload arising from the Coronavirus pandemic, only the main statements in relation to the unaudited accounts had been presented to the Committee. The full unaudited accounts would be circulated to members following their submission to the auditor on 30 June 2020. In addition, a revised balance sheet in respect of the Council's unaudited accounts would be circulated to members of the Committee.

The Unaudited Annual Accounts would be advertised as being available for public inspection on the Council's website from 1 July 2020.

Costs incurred in 2019/2020 in relation to the Coronavirus pandemic were not substantial, however, the full costs of the lockdown exercise, the additional costs for services implemented by the Council during the lockdown and the costs of the recovery process would likely place a significant financial burden on the Council.

**The Committee decided:**

- (1) that the Unaudited Annual Accounts of the Council and related Charitable Trusts, to be submitted to Audit Scotland by the deadline of 30 June 2020, be noted; and
- (2) that the financial risk due to the Coronavirus pandemic be noted.

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## **6 Internal Audit Activity as at 29 May 2020**

A report dated 3 June 2020 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 25 January to 29 May 2020.

As a result of a change of working arrangements for the Internal Audit function in light of the Coronavirus pandemic, a work programme, attached as Appendix 1 to the report, had been developed which allowed Internal Audit time to:-

- ◆ complete 2019/2020 assignments
- ◆ undertake routine financial year end tasks
- ◆ prepare for proposed audit assignments to be undertaken later in 2020/2021

Details were given on the progress of audit assignments and the performance of Internal Audit for the year ended 31 March 2020 which highlighted that:-

- ◆ 82% of assignments had been delivered within budget against a target of 80%
- ◆ the target of 100% of draft reports delivered on time had been achieved
- ◆ 90% of the 2019/2020 Internal Audit Plan had been completed to draft report stage by 31 March 2020
- ◆ 97% 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 25 January to 29 May 2020 were detailed in Appendix 3 to the report.

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

*[Reference: Minutes of 19 February 2020 (Paragraph 4)]*

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## **7 Interim Management Letter 2019/2020**

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A letter dated 27 May 2020 by Audit Scotland, the Council's External Auditor, was submitted on the External Auditor's assessment of the adequacy of the Council's internal controls in financial systems 2019/2020.

The objectives of the assessment were to gain assurance that the Council:-

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

The management responses in relation to the External Auditor's findings on each of those areas of work were detailed in the letter.

As result of the Coronavirus pandemic and the suppression measures put in place by the UK and Scottish Governments, Audit Scotland had been unable to complete its audit testing or wider dimension work at the interim stage. A shorter version of the interim reporting options, in the form of a management letter, had, therefore, been provided.

The External Auditor also advised of wider developments in relation to the impact of the Coronavirus pandemic in respect of:-

- ◆ the extension of current External Audit appointments
- ◆ the timetable for the preparation and approval of the Annual Accounts

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

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## **8 Risk Management Strategy**

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A report dated 15 April 2020 by the Executive Director (Finance and Corporate Resources) was submitted on the review of the Council's Risk Management Strategy and associated documents.

The Council's Risk Management Strategy was last subject to a full review in 2016. To comply with best practice, one of the actions included in the Council's Risk Management Work Plan for 2019/2020 was to ensure that the Strategy was up to date and fit for purpose. The review of the Strategy had been undertaken by the Council's Risk Management team, with input from the Council's Risk Sponsors.

The main changes to the Strategy, as a result of the review, included:-

- ◆ review and update of content to reflect best practice, in line with Association of Local Authority Risk Managers (ALARM) guidance
- ◆ updated policy statement, including Chief Executive comment
- ◆ revision to risk management application, noting importance of risk management as part of procurement exercises and during service reviews
- ◆ updated roles and responsibilities
- ◆ updated risk tolerance levels
- ◆ updated risk methodology, including a move from 3x3 risk matrix to a 5x5 risk matrix, providing a wider overall scoring mechanism and better means of prioritisation
- ◆ updated monitoring arrangements, including addition of Red; Amber; Green (RAG) reporting for risk control actions
- ◆ improved general presentation and layout

The updated Risk Management Strategy was attached as an appendix to the report.

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

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## **9 Audit Scotland – Financial Overview 2018/2019**

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A report dated 3 April 2020 by the Executive Director (Finance and Corporate Resources) was submitted on the Audit Scotland report entitled 'Financial Overview 2018/2019' which had been published in December 2019.

The report had been structured around the following 4 headings:-

- ◆ councils' income in 2018/2019
- ◆ financial position
- ◆ financial outlook
- ◆ Integration Joint Boards' overview 2018/2019

Details were given on key points contained in the Audit Scotland report. The report also included a number of questions which Audit Scotland had intimated should be considered by elected members. The questions, which covered a variety of issues, together with the Council's position on each of the areas identified, were detailed in Appendix 1 to the Executive Director's report.

**The Committee decided:**

- (1) that the key points and recommendations contained in the Audit Scotland report entitled 'Financial Overview 2018/2019' be noted; and
- (2) that the Council's position on those key points and recommendations, as detailed in section 8 of the report, be noted.

*[Reference: Minutes of 24 April 2019 (Paragraph 5)]*

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## **10 Financial Resources Scrutiny Forum Activity**

A report dated 1 June 2020 by the Executive Director (Finance and Corporate Resources) was submitted on reports considered by the Financial Resources Scrutiny Forum in the period from August 2019 to March 2020.

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

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

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## **11 Forward Programme for Future Meetings**

A report dated 2 June 2020 by the Executive Director (Finance and Corporate Resources) was submitted on the outline forward programme for the meetings of the Risk and Audit Scrutiny Committee to 9 December 2020.

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

**The Committee decided:** that the outline forward programme for the meetings of the Risk and Audit Scrutiny Committee to 9 December 2020 be noted.

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## **12 Urgent Business**

There were no items of urgent business.