



Council Offices, Almada Street
Hamilton, ML3 0AA

Monday, 27 February 2023

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: Tuesday, 07 March 2023

Time: 10:00

Venue: Hybrid - Council Chamber, 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

Elaine McDougall (Chair), Mary Donnelly (Depute Chair), Mathew Buchanan, Alistair Fulton, Ross Gowland, Celine Handibode, Cal Johnston-Dempsey, Susan Kerr, Richard Lockhart

Substitutes

Colin Dewar, Gavin Keatt, Monique McAdams, Helen Toner

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 6 December 2022 submitted for approval as a correct record. (Copy attached)

Item(s) for Decision

- 3 Good Governance Update** 9 - 44
Report dated 17 February 2023 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 4 2023/2024 Internal Audit Plan** 45 - 56
Report dated 16 February 2023 by the Executive Director (Finance and Corporate Resources). (Copy attached)

Item(s) for Noting

- 5 Internal Audit Activity as at 17 February 2023** 57 - 62
Report dated 17 February 2023 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 6 Fraud Statistics Six Monthly Update 2022/2023** 63 - 68
Report dated 16 February 2023 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 7 Update of the 2022/2023 Audit of South Lanarkshire Council and Trusts Registered as Scottish Charities** 69 - 72
Letter dated 20 February 2023 by Audit Scotland, External Auditors. (Copy attached)
- 8 Forward Programme for Future Meetings** 73 - 76
Report dated 17 February 2023 by the Executive Director (Finance and Corporate Resources). (Copy attached)

Urgent Business

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

Clerk Name:	Elizabeth-Anne McGonigle
Clerk Telephone:	07385403101
Clerk Email:	elizabeth-anne.mcgonigle@southlanarkshire.gov.uk

RISK AND AUDIT SCRUTINY COMMITTEE

2

Minutes of meeting held via Confero and in the Council Chamber, Council Offices, Almada Street, Hamilton on 6 December 2022

Chair:

Councillor Elaine McDougall

Councillors Present:

Councillor Mary Donnelly (Depute), Councillor Alistair Fulton, Councillor Ross Gowland, Councillor Cal Johnston-Dempsey, Councillor Susan Kerr, Councillor Richard Lockhart

Councillors' Apologies:

Councillor Mathew Buchanan, Councillor Celine Handibode

Attending:

Finance and Corporate Resources

Y Douglas, Audit and Compliance Manager; T Little, Head of Communications and Strategy; C Lyon, Administration Officer; A Norris, Administration Assistant

1 Declaration of Interests

No interests were declared.

2 Minutes of Previous Meeting

The minutes of the meeting of the Risk and Audit Scrutiny Committee held on 27 September 2022 were submitted for approval as a correct record.

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

3 Minutes of Special Meeting

The minutes of the special meeting of the Risk and Audit Scrutiny Committee held on 25 October 2022 were submitted for approval as a correct record.

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

4 Audit Scotland: The National Fraud Initiative in Scotland 2020

A report dated 22 November 2022 by the Executive Director (Finance and Corporate Resources) was submitted on Audit Scotland's report – The National Fraud Initiative in Scotland 2020 (August 2022).

The National Fraud Initiative (NFI) was a counter-fraud exercise which took data from councils and other public bodies and cross matched to identify the potential for fraud. Participating bodies were then informed of the resulting indicative matches and were responsible for investigating a proportion of those matches using a risk-based approach. Audit Scotland had responsibility for co-ordinating the exercise across Scotland.

The 2020 exercise matched data across a wide range of data groups and information was provided on the target investigations and outcomes in Appendix 1 to the report.

Audit Scotland had published an overview report that set out NFI outcomes across Scotland, drew conclusions from those results and made recommendations for consideration ahead of participation in the next NFI exercise.

Within the Audit Scotland report, financial outcomes were expressed in terms of fraud, overpayment or error detected as a result of the NFI exercise. Figures reported also included estimated future losses avoided as a result of the exercise as well as notional losses incurred as a result of delayed detection. Information was provided on those estimation bases in Appendix 2 to the report.

Details were provided on approved and potential expansion of NFI powers.

132 Scottish public bodies including Central Government, local authorities and NHS took part in the 2020 NFI exercise. This was an increase from the previous exercise where 124 bodies took part.

Despite an increase in the number of bodies participating in the exercise, the overall number of matches across Scotland fell to 507,354, a decrease of around 12.6%. The overall financial outcomes fell to £14.9 million, a decrease of around 2.6%. Within South Lanarkshire, matches increased by 3,066 and outcomes increased by £292,033. This increase mainly related to new match areas in the 2020 exercise of Covid-19 Grants and Blue Badges.

Audit Scotland concluded within their report that the reduction in matches might be due to less fraud and error in the system, strong internal controls or some key datasets from previous years not being included in the latest exercise. Further detail was provided noting that residential care home data, direct payments and social care customers' data were not matched in the 2020 Exercise due to legal questions around the definition of patient data. Immigration data was not included in either the 2018 or 2020 exercises due to restrictions placed by the Home Office.

The Audit Scotland Report included a 2-part checklist for participating bodies to use to self-appraise their involvement in the NFI prior to and during the NFI exercise. The completed checklists were attached at Appendices 3 and 4 of the report. In addition, the report set out suggestions for improving efficiencies and effectiveness and the Council's responses against each of those points were detailed in Appendix 5 of the report.

Officers responded to a member's question on various aspects of the report.

The Chair, on behalf of the Committee, thanked the Audit and Compliance Manager and team for the extensive work undertaken on the 2020 NFI exercise.

The Committee decided:

- (1) that the contents of the report be noted; and
- (2) that the actions outlined in Appendix 5 be approved.

5 Internal Audit Activity as at 18 November 2022

A report dated 22 November 2022 by the Executive Director (Finance and Corporate Resources) was submitted:-

- ♦ providing an update on progress by, and performance of, the Internal Audit service during the period 10 September to 18 November 2022
- ♦ advising of the planned external assessment of the Council's Internal Audit Function's level of compliance with the Public Sector Internal Audit Standards (PSIAS)

Findings from internal audit assignments were reported to the Committee throughout the year and the last progress report was considered by this Committee on 27 September 2022. Key performance indicators, which reflected quality, on time and within budget for the period to 30 September 2022, were summarised in Appendix 1 to the report. 100% of draft reports were issued on time and 100% within budget against targets of 80% respectively. Quality continued to be monitored through internal quality control procedures.

As at 18 November 2022, 12% of the 2022/2023 Audit Plan was completed, with a further 12% anticipated to be concluded by 31 December 2022. Of the remaining 76%, 40% related to assignments that were planned to conclude in the period 1 January to 31 March 2023 and 36% to tasks that continued throughout the year and would be closed at financial year end.

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

An update on all assignments completed in the period 10 September to 18 November 2022, together with a summary of overall assurances from each area of work, was provided in Appendix 2 to the report.

As part of the external Public Sector Internal Audit Standards (PSIAS) assessment, the intention had been to complete the self-assessment questionnaire and pass to East Lothian Council, the Council's external examiners for the purposes of the 2022/2023 PSIAS inspection, in December 2022. Despite a short delay in commencing the self-assessment exercise, it was anticipated that the independent inspection would be concluded by 31 March 2023.

The Committee decided:

- (1) that progress and performance of the Internal Audit service be noted; and
- (2) that the planned external assessment of the level of compliance of the Council's Internal Audit service with PSIAS be noted.

[Reference: Minutes of 27 September 2022 (Paragraph 4)]

6 Audit Scotland: Local Government in Scotland Overview 2022

A report dated 28 October 2022 by the Executive Director (Finance and Corporate Resources) was submitted on the summary of Audit Scotland's report – Local Government in Scotland in June 2022.

This 'overview' report was prepared each year and covered key areas of current and future activity relative to local government and an opinion on how those were or should be managed.

The latest Local Government Overview (LGO) was the second in a series of reports reflecting on the evolving and long-term nature of the impact of Covid-19. The 2021 report considered the initial response phase of the pandemic from March 2020 to February 2021, while this report looked at the second year of the pandemic from March 2021 to February 2022.

The 2022 report built on last year's LGO and assessed:-

- ◆ the ongoing impact of Covid-19 and councils' progress towards recovery and renewal
- ◆ how councils were positioned to address long-term priorities including climate change, inequality and public service reform
- ◆ how effectively council leadership was managing recovery and renewal

The Accounts Commission had prepared a checklist of questions for Elected Members to consider and this was attached as Appendix 1 to the report.

The report contained the following 6 key messages:-

- ◆ councils had had a very difficult year, alongside the ongoing response to the pandemic, councils had faced challenges in recovering services, dealing with increased demand and backlogs, and meeting community needs and expectations
- ◆ the challenging context meant collaborative leadership was more important than ever
- ◆ the pressure on the local government workforce continued
- ◆ the impact of the pandemic and service disruption had been felt most strongly by those already experiencing inequality
- ◆ the early response showed what could be achieved by working closely with communities and the voluntary sector
- ◆ improvements were needed in data availability, tools and skills to support performance monitoring, strategic decision-making and planning service improvements

The report was structured around the following 3 main themes on which progress towards recovery and renewal depended:-

- ◆ responding to the external environment
- ◆ organising the council
- ◆ meeting local needs

Audit Scotland's recommendations were detailed in the report, along with an assessment of the Council's position and any action considered necessary.

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

The Committee decided: that the key messages and recommendations contained within the report be noted.

7 Performance and Review Scrutiny Forum Annual Update

A report dated 22 November 2022 by the Executive Director (Finance and Corporate Resources) was submitted on reports considered by the Performance and Review Scrutiny Forum in the period from January to December 2022.

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

The Committee decided: that the report be noted.

[Reference: Minutes of 26 January 2022 (Paragraph 7)]

8 Forward Programme for Future Meetings

A report dated 11 November 2022 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 27 June 2023.

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 27 June 2023 be noted.

9 Urgent Business

There were no items of urgent business.

Report

3

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	7 March 2023
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Good Governance Update
----------	-------------------------------

1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ provide 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 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 2021/2022 be 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, a governance framework came into effect, Delivering Good Governance in Local Government and the 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 Local Code of Corporate Governance was developed and approved by the Council on 16 May 2018 and this is reviewed, updated and re-published annually. Compliance with the Code is also 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 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 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 2021/2022 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 2021/2022 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.

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 from the new Council Plan.
- ◆ 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 2022/2023 corporate governance self-assessment.

6. Significant Governance Areas

- 6.1. Progress on the significant governance areas highlighted within the Annual Governance Statement 2021/2022 is attached at Appendix 3.

7. Communication of the Code

- 7.1. The Good Governance Learn on Line course was reviewed in late 2019 and republished in March 2020.
- 7.2. 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.
- 8.2. The Employee Code of Conduct was updated to reflect the new Local Code of Corporate Governance and issued to managers and employees during March 2022.

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 implications for climate change, sustainability or the environment in terms of the information contained within 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)

17 February 2023

Link(s) to Council Values/Priorities/Outcomes

- ◆ All Council values/priorities/outcomes

Previous Reference

- ◆ Report on the "Good Governance Statement 2021/2022 and Q4 Progress" on 22 June 2022

List of Background Papers

- ◆ None

Contact for Further Information

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

Geraldine McCann, Head of Administration and Legal Services

Ext: 4516 (Tel: 01698 454516)

Email: geraldine.mccann@southlanarkshire.gov.uk

3

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.
- Standards of conduct and integrity were promoted through the national Code of Conduct for Councillors and by the Standards and Procedures Advisory Forum. This is supplemented by role profiles which have a core accountability to maintain the highest standards of conduct.
- The Standards Commission for Scotland issued one decision notice, finding that a councillor had acted in breach of the Councillors Code of Conduct. This was reported to Council in compliance with Section 18 Ethical Standards in Public Life, etc. (Scotland) Act 2000.
- The employee Code of Conduct outlines standards of conduct and integrity. All breaches including reported cases of suspected unethical behaviour and non-compliance with the law/policy were investigated through the employee disciplinary process and the recommended actions taken.
- Professional Codes of Conduct ensured that ethical standards were maintained, and all breaches were investigated by the governing body.
- To support integrity in decision making, the Council has a number of Committee procedural documents including decision making protocols known as the Scheme of Delegation, terms of reference documents, standing orders on procedures and contracts and financial regulations.
- To ensure openness and transparency agendas and Committee reports are published to the council website at least five working days ahead of the scheduled meeting dates and any minutes of decisions taken by the Chief Executive during any period when committee meetings are suspended are publicised on the Council website. Committee meetings are live streamed to the Council's YouTube channel.
- To ensure openness and transparency in decision making processes, all declarations of interest made by councillors at meetings were recorded and made available online.
- 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. These continue to be updated to reflect best practice and support a culture of ethical behaviour amongst employees and councillors.
- Health and Safety compliance during 2021/2022 was assessed as being within the top rating band of "good".
- Legal Services maintained an overview of Pandemic legislation and regulations and worked with services to ensure compliance.

Principle B: Ensuring openness and comprehensive stakeholder engagement

Links to Council's values:

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

How we do this:

- To ensure transparency and openness in decision making processes, all agendas, reports, and decisions were published on the Council's website and printed copies were available for public inspection for all Committee and Forum meetings (except the Standards and Procedures Advisory Forum). From April 2021 all Committee meetings were live streamed

to the Council's YouTube channel http://bit.ly/SL_Committees. From August 2021 all Forum meetings have been live streamed.

- The [Committee Management Information System](#) allows members of the public to register and be notified when Committee and forum papers are published. The system also facilitates the creation of [online petitions](#) to increase the potential reach of signatories.
- The work of the Council and key information from our partners is communicated regularly using a range of communication channels. The [South Lanarkshire View](#) pages on the Council website provide a dedicated source of local information and news for communities. A variety of social media channels are used to communicate updates and share information.
- A suite of dedicated Pandemic pages providing advice, help and public health information were created and maintained on the council website.
- A 'Let's Talk South Lanarkshire' campaign has been established and was used to engage local people in an initial discussion about their experiences of the pandemic and will continue to be used for ongoing dialogue with communities on both the Council and community planning priorities.
- The Council's Community Engagement Team continue their work to increase stakeholder engagement and involvement in decision making processes through the continued development of new Community Planning Partnership Neighbourhood Plans which are aimed at improving outcomes and reducing inequalities.
- The Community Planning Partnership published its first [Community Participation and Engagement Strategy 2020 to 2025](#) which is also available online in [BSL](#) and the Council has produced an online course for employees to complement this.
- A partnership Participation and Engagement Group has been established to ensure that there is a consistent and co-ordinated approach to engaging with communities.
- The Council carried circa 50 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, unpaid carers, black and ethnic minorities, etc. Groups considered items such as the budget consultation, rent setting and performance reporting.
- The [Participation Requests](#) and [Community Asset Transfer](#) processes support communities to engage with the Council to improve local outcomes.
- The Council's performance [Spotlights](#) summarise what the council has achieved and the [Public Performance Reports](#) provide a comprehensive overview of service performance. These, along with the council's [Benchmarking report](#) demonstrate the council's commitment to continuous improvement and achieving Best Value; summarise the progress that the council has made in meeting its priorities and how it is performing locally and nationally.
- The Council's Digital Inclusion Strategy 2020 to 2023 sets out the actions that the Council will take to assist those people who are unable to get online to access services digitally. The Council also leads on a partnership Digital Inclusion Group.
- A comprehensive range of information on how the Council operates is available on the website. The [Freedom of Information Publication Scheme](#) ensures that key information about how the council works is accessible to the public.

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 adapted approaches in response to the Pandemic to ensure processes continued to be effective, efficient, and transparent.

- The Council has a Capital Strategy that has a long-term outlook on future capital investment (up to 2027/2028). 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 to 2022 and Community Plan 2017 to 2027 have clearly defined economic, social, and environmental outcomes to be delivered during the period. In light of the Pandemic, priorities for both plans were reviewed during 2021/2022 with the new Council Plan 2022 to 2027 and South Lanarkshire Community Plan 2022 to 2032 to be presented to Council for approval and noting respectively in June 2022.
- A new Community Wealth Building Strategy setting out the Council's ambitions in relation to spending, workforce, land and property, finance and building the generative economy was approved in March 2021. A Community Wealth Building Commission has been established to oversee the implantation of the Strategy and met for the first time in August 2021. A Community Wealth Building Progress Group has been set up to ensure that timescales within the action plan are met.
- 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 to 2022](#) 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 and to reduce the council's contribution to global warming. The new strategy is in development with the final draft of the Sustainable Development and Climate Change Strategy 2022-2027 and the proposed vision, themes and priorities to be presented to Council for approval in June 2022.
- The Council's [Climate Change and Sustainability Committee](#) oversees the delivery of the Sustainable Development and Climate Change Strategy 2017-2022, the council's transition to carbon neutrality and climate resilience.
- The Council's new [Procurement Strategy 2020-2023](#) which will be complemented by an annual action plan, sets out how value for money, national and local priorities will be delivered. It also demonstrates how the council will deliver the wider social, economic, and environmental aims of procurement as required by the sustainable procurement duty.
- Sustainability principles are embedded in procurement processes and in recognition of the importance of our suppliers in achieving the Council's aim to become more sustainable.
- Strategic Environmental Assessments (SEAs) were completed for all relevant council led policies, plans and strategies developed during 2021/2022.
- The [South Lanarkshire Local Development Plan 2](#) was adopted by the Council on 9 April 2021. The spatial strategy of the plan is to encourage sustainable economic growth and regeneration, a move towards a low carbon economy, protect the natural and historic environment and mitigate against the impacts of climate change.
- 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:

- Key services were adapted, and delivery was maintained throughout the Pandemic in line with Public Health guidance and Government guidance and legislation.

- There is a standard approach to identifying savings across the Council. The Council's efficiency programme is overseen by the Senior Management Team. Frameworks are in place for holding discussions with key stakeholders. Savings achievements are monitored monthly and reported to the Senior Management Team quarterly.
- The Financial Strategy which is aligned with the Council's objectives was updated during the year to reflect the latest internal and external influences. This plan sets out the assumptions in terms of commitments, grant funding and efficiency requirement and demonstrates sound financial management and the ability to address projected funding gaps.
- The annual budget setting consultations took place with members of the public, groups and the Council's partners in order to inform the budget process. There were over 470 responses to the online consultation. The annual budget is open to scrutiny and amendment by councillors until the approval of the final budget.
- The Council's Performance Management Framework has ensured that progress against intended outcomes has been regularly reported to Management Teams; Committees; and the Performance and Review Scrutiny Forum. Decisions and actions to address performance issues have been taken and monitored to ensure that they have been effective.
- The Council has complied with its statutory and regulatory reporting requirements during the year.
- The Public Bodies (Joint Working Act) sets out those Adult Care Services that are delegated to the Integration Joint Board (IJB) as set out in the South Lanarkshire Integration Scheme. 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.
- To improve efficiency and effectiveness, the Council is the lead authority for a range of collaborative projects and services delivered through the Clyde Valley Learning and Development Group.

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:

- A Leadership Challenge Programme which is linked to succession planning has been developed and rolled out during 2021.
- Learning and Development programmes were revised and employees at all levels can now access optional accredited management qualifications.
- Training requirements were identified and online learning and development opportunities including webinars and e-briefings were developed and offered to all councillors.
- Three surveys of all Council employees were undertaken during 2021/2022. The 3rd related to working from home/hybrid working, the results will be available shortly. Feedback from this survey will be used to inform future agile working arrangements.
- A range of policies and activities are in place to support the Health and Wellbeing of employees including physical and mental health and these have been regularly communicated. Online wellbeing events were held in response to the new ways of working.
- The Council recognises that skilled and motivated employees are a key asset. All employees have an annual performance appraisal which links to the Council values and a Personal Development Plan. The council offers a range of training interventions to support employee development.
- The Council has a comprehensive and coordinated approach to workforce planning which also supports succession planning. Each Resource reviews their workforce plan and related

action plan to better understand workforce capacity issues, further challenges, and opportunities to ensure that resources are in the right place, at the right time and people have the right skills. The Council-wide Workforce plan 2020/2023 has been revised to consider the workforce requirements as a result of the pandemic response.

- Senior Managers have overseen the annual scrutiny of the Council's assets through the review of a suite of Asset Management Plans. Service Asset Management Plans have been developed in line with CIPFA guidance and these feed into the Corporate Asset Management Plan which outlines priorities and provides an overview of how the Council has performed in this area.
- The Council's Scheme of Delegation, Financial Regulations, Standing Orders on Contracts and Terms of Reference ensured that Committees, officers, and statutory officers were clear on the decisions that could be made within their area of authority. This is supplemented by councillor's role profiles which outline the key purpose, specific and core accountabilities for each role.
- The Council continues to work with a range of public sector, business, and academic partners to improve outcomes for those living and working in South Lanarkshire. Strategic Partnerships include the Community Planning Partnership and the Glasgow City Region City Deal.
- In terms of the 2020/2021 Local Government Benchmarking Framework results, based on the information available at the end of January 2022 and in light of the impact of COVID-19, the council is performing better than the Scottish average levels for one third of the indicators. The results have been analysed and an action plan developed which will be monitored by the Senior Management Team.
- The Council takes a risk-based approach to self-assessment which is used to review and redesign services with a focus on fundamental change. Progress and the impact of improvement activity was reported to the Senior Management Team and the Performance and Review Scrutiny Forum.
- The Council has a robust complaints process which is underpinned by national complaints handling standards. Complaints performance was regularly reported to Senior Management and Committee and [learning from complaints](#) which is integral to this process is also published on the Council's website. Complaint handling procedures have been updated in line with national changes and communicated to all employees.

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, in partnership with Trade Unions, ensured that safe systems of work were in place through a robust risk assessment process, changes to working methods and supply of personal protective equipment.
- The Council has put in place comprehensive arrangements for identifying, evaluating, and controlling significant risks which threaten the council's ability to meet its objectives to deliver services to the public. There is also a robust process in place for compliance monitoring of the Council's Risk Management Strategy, Resource Risk Registers and Control Plans.
- The annual end of year compliance statement evidenced that all Resources were compliant with Risk Management Strategic requirements.
- The Council's risk scoring matrix was revised as an outcome of the 2021/2022 annual review of risks.
- The Council's Internal Audit Service which complies with Public Sector Internal Audit Standards completed a revised 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.

- In response to changes in working practices and the introduction of new systems, for example to process pandemic grants, Internal Audit has advised on key internal controls that should be maintained through the identification of alternative controls and has been involved in the development of new systems.
- The Information Governance Board is satisfied that Resources have followed the Information Governance operational arrangements in order to promote effective arrangements for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.
- Information security incidents have continued to be monitored and considered for notification to the Information Commissioner's Office. Throughout the period, the Council's Data Protection Officer provided advice and assistance to Resources in relation to meeting their obligations under UK General Data Protection Regulations (GDPR).
- 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.
- The cost of the pandemic on the council's budgets has been closely monitored and regular reports have been presented to the Senior Management Team and Committee.
- External Audit of the Council's accounts is robust and a "clean audit certificate" was issued for 2020/2021.
- 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.
- Trustees of the South Lanarkshire Charitable and Educational Trusts received independent legal training setting out their duties and responsibilities in ensuring 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 Senior Management Team and as such, is integral in all major decisions taken by the Council, and in material matters which are submitted to councillors for decision. This involvement fulfils the expectation of CIPFA in terms of the role of the Chief Financial Officer.
- The Council has completed a self-assessment using the principles of the CIPFA Financial Management Code and an action plan has been developed for the remaining three principles, to allow us to further embed and develop our existing financial management controls and measures to provide continued comfort on financial resilience. In relation to financial resilience this will be included in a future Budget Strategy paper presented in 2022. The 2020/21 annual budget consultation approach has been embedded and options appraisal will continue to be embedded across the Council.

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

Links to Council's values:

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

How we do this:

- The Good Governance Group has completed the annual review of governance arrangements at resource level and in line with the CIPFA/SOLACE Delivering Good Governance Framework. Governance improvement actions have also been identified and are included in Resource/Service Action Plans. Progress against actions including those highlighted as significant governance areas for action will be reported to the Senior Management Team and Committee.
- In the 2020/2021 annual audit report, the external auditor commended the Council's annual governance statement as good practice for the second year.

- All Directors completed their annual Statement of Assurance and where relevant assurances have been provided.
- The Council prepares and publishes an Annual Governance Statement which is aligned with national guidance and reflects on the adequacy and effectiveness of the Council's governance arrangements. This is independently considered by External Audit and published with the Annual Accounts and separately on a dedicated [governance web page](#).
- The annual review of governance arrangements for the Council's at Arm's Length External Organisation (ALEO) and key external service providers has not highlighted any compliance issues.
- The annual review of the Local Code of Corporate Governance was completed, and the revised Code was approved by Committee and re-published on the Council's website.
- Whilst temporary decision-making arrangements were put into place as a result of the pandemic restrictions on people gathering, all agendas, reports and decisions continued to be published (except those exempt under the Local Government (Scotland) Act 1973) on the council's website. Arrangements were put in place for subtitled recordings of Committee meetings which can be found on the council's YouTube page. All Committee and Forum meetings are livestreamed to the Council's YouTube page http://bit.ly/SL_Committees.
- 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.
- Internal audit activity has continued to be reported to the Senior Management Team and to the Risk and Audit Scrutiny Committee.
- Internal Audit changed how their findings are presented to the Risk and Audit Scrutiny Committee to improve scrutiny.
- Outcomes from external audit and inspection activity was reported to the appropriate Committee and action plans were developed for implementation where required.



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)

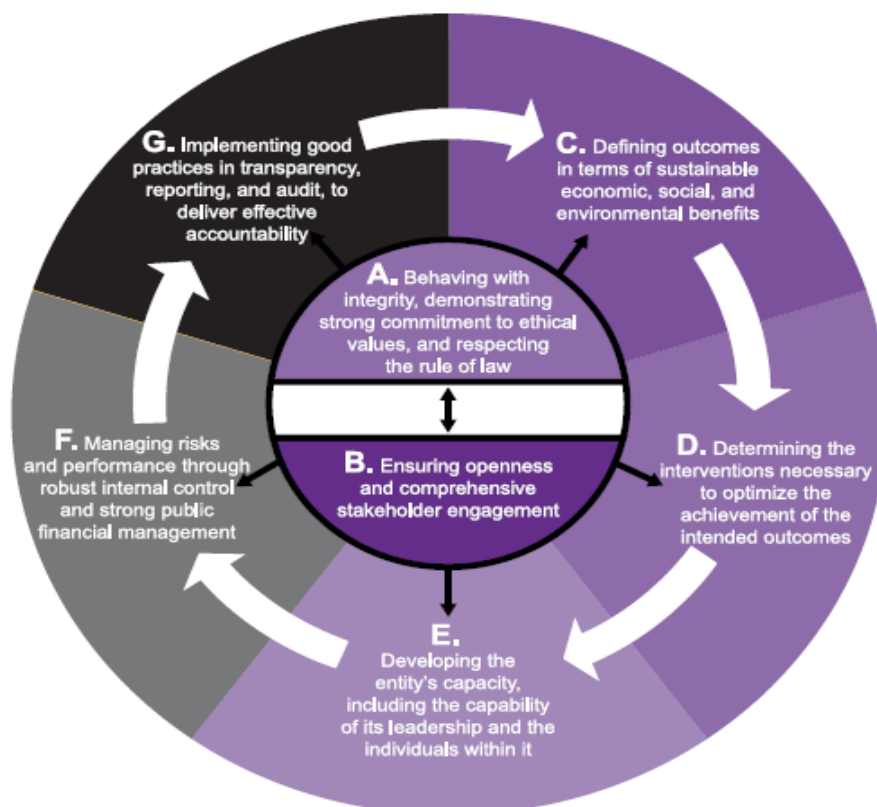
The Framework defines the principles that should underpin the governance of each council and provides a structure to help councils with their approach to governance. Whatever arrangements are in place, councils should test their governance structures and partnerships against the principles contained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

Appendix 2

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 carried out 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 forward.

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.

Joe Fagan
Leader of the Council

Signature:

Date:

Cleland Sneddon
Chief Executive

Signature:

Date:

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; Fair, open and sustainable

Sub principles:	South Lanarkshire Council is committed to:-
A1: Behaving with integrity	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.
A2: Demonstrating strong commitment to ethical values	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.
A3: Respecting the rule of law	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.

Principle B: Ensuring openness and comprehensive stakeholder engagement

What this means in practice:- 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.

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

Sub principles:
South Lanarkshire Council is committed to:-
B1: Openness

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.

B2: Engaging comprehensively with institutional stakeholders

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.

B3: Engaging with individual citizens and service users effectively

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; Ambitious, self-aware and improving

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

C1: Defining Outcomes

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.

C2: Sustainable economic, social and environmental benefits

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

Sub principles:

South Lanarkshire Council is committed to:-

D1: Determining interventions

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.

D2: Planning interventions

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.

D3: Optimising achievement of intended outcomes

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

	<ul style="list-style-type: none"> Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.
Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it (continued)	
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:-
E2: Developing the capability of the entity's leadership and other individuals (continued)	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

Sub principles:	South Lanarkshire is committed to:-
F1: Managing risk	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.
F2: Managing performance	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).
F3: Robust internal control	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.

Principle F: Managing risks and performance through robust internal control and strong public financial management (continued)
Links to council's values:

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

Sub principles:
South Lanarkshire is committed to:-
F3: Robust internal control (continued)

Ensuring an audit Committee or equivalent group/function, which is independent of the executive and accountable to the governing body;

- provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and
- that its recommendations are listened to and acted upon.

F4: Managing data

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.

F5: Strong public financial management

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; Fair, open and sustainable

Sub principles:	South Lanarkshire Council is committed to:-
G1: Implementing good practice in transparency	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.
G2: Implementing good practices in reporting	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.
G3: Assurance and effective accountability	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
Annual Accounts							●
Annual Performance Spotlights		●	●				●
Annual Resource budget strategy meeting				●			
Fraud management plan and procedures	●					●	
Asset Management					●		
Audit Scotland monitoring and reporting process					●		●
Behaviours Framework/Performance Appraisal	●				●		
Budget Consultations and Savings Plans		●	●	●			
Business Continuity Plans/Recovery Plans				●		●	
CEO/Political leaders meetings					●		
Codes of Conduct (Link to Councillors Code)	●				●		
Committee Management Procedural Documents	●	●					
Communication plans and strategies		●		●			
Community Engagement and Participation Strategy Community Engagement Partnership Group Community Engagement Team Participation Requests Community Asset Transfer		●			●		
Community Planning Partnership Plans Community Plan Annual Report		●	●	●	●		●
Complaints Handling ; You said, we did	●	●		●	●		
Consultation Database		●		●			
Corporate Management Team , Committees and Forums	●	●	●	●	●	●	●
Council Plan – Connect	●	●	●	●	●		
Digital Communications	●	●		●			●
Empower Self-Assessment process					●		
Equality Impact Assessments/Equal Opportunities Policy	●	●	●	●	●		
Financial Management			●	●		●	●

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
Financial Regulations	●				●	●	
Freedom of Information Act Publication Scheme (How the council works)		●					
Governance Arrangements Register of Partnerships		●			●		●
Induction process/programme	●				●		
Information Governance Data Protection Privacy Impact Assessment	●	●				●	
Internal Audit Plan	●			●		●	●
Investors in People Award	●				●		
Learning and Development Programmes	●				●		●
Local Code of Corporate Governance	●						●
Local Government Benchmarking Framework				●	●	●	●
Media and Public Relations		●					
Members Role profiles					●		
Monitoring Officer provisions	●						
Multi-member ward protocol					●		
Neighbourhood Planning		●	●	●	●		
Officer job description/specifications	●						
Participatory Budgeting			●				
Partnerships: Glasgow Region City Deal / Clyde Valley		●			●		●
People's Panel		●		●	●		
Performance Management				●	●	●	
Personnel strategies, policies and procedures	●				●		
Procurement	●		●	●		●	
Public Performance Reports		●			●		●
Records Management Policy						●	
Register of gifts and hospitality/Register of Interests	●						

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
Resource Contingency Plans						●	
Resource Plans / Health and Social Care Strategic Commissioning Plan			●	●		●	
Risk and Audit Scrutiny Committee						●	
Risk Management			●	●		●	●
Scheme of Delegation	●				●		
Scrutiny Forums	●					●	
Service Review Framework				●	●		
Standards and Procedures Advisory Forum	●				●		
Standing Orders on Procedures / Standing Orders on Contracts	●			●	●	●	
Statutory guidance	●						
Strategic Environmental Assessments			●				
Strategies and Policies	●		●				
Terms of Reference , the council, Committees and associated forums	●				●	●	
Whistle blowing policies (link to Third Parties)	●					●	
Workforce planning					●		

Annual Governance Statement 2021/2022 – Significant Governance Areas

Quarter 2 and 3 Update – September/October 2022 to March 2023

Areas identified in 2021/2022	Actions	Quarter 2 and 3 Progress
<p>1. COVID-19 pandemic</p> <p>The council will continue to respond to matters arising from the COVID-19 pandemic</p>	<p>The council will continue to monitor national guidance; maintain ongoing resilience arrangements; and implement further measures as and when required in response to the Pandemic.</p> <p>Corporate and Resource risk registers will continue to be monitored and updated to reflect national and local developments.</p>	<p>At a national level, the pandemic is no longer being dealt with as civil emergency. As such, within the council's Corporate risk register and Resource risk registers the 'pandemic' risk description has been refocused to consider potential future events. The risk score has also been reduced to reflect the latest position. The residual effects of the pandemic are being managed at Resource level.</p> <p>Social Work/HSCP: Services have all been delivered within the national guidance. Requirements for social distancing and Infection prevention Control have been complied with for all services including personal care and face to face delivery such as care at Home and residential and care and Support Services. Public Protection has continued to be a priority and all public protection requirements have been met and reported on.</p> <p>SW/HSCP Risk register has been updated on a regular basis for all SW Committees as well as IJB's. Highest Risks remain as staffing availability and actions to mitigate have been noted as well as requirements to prioritise work and resources.</p> <p>Schools and educational establishments are still in the recovery and renewal phase.</p> <p>The pandemic and mitigations are included in the Risk Register approved by the Education Committee on 15 November 2022.</p> <p>We continue to monitor these risks and adopt health</p>

Areas identified in 2021/2022	Actions	Quarter 2 and 3 Progress
		protection and public health guidance, where appropriate
2. COVID-19 Pandemic recovery Recovery actions	As conditions continue to improve, the council will deliver the right services in the right way, for the benefit of our residents and communities.	This is ongoing for all Resources. Schools and establishments have remained open and have not been subject to any public health or pandemic restrictions during this period.
3. Cyber Resilience Compliance with legislative and regulatory policy	A programme of actions to maintain cyber security and resilience in 2022/2023 will include: <ul style="list-style-type: none"> • Refresh/retiral of legacy systems, network equipment and end user devices (mobile phones, PCs) • Programme of security patching of all systems • Compliance with PSN and Cyber Essentials schemes • Incident response • Officer training and awareness (e.g., phishing) • Data security reviews as part of new system installation Security monitoring 	Progress is being made against programmes of work in line with ICT Asset Management Plan. Security patches being applied on a regular basis and as required. PSN and Cyber Essentials accreditation for 2023 in progress. Incident response process updated and tested to ensure preparedness Updated Cyber Security training module published onto Learn Online staff training platform coupled with 5 day awareness programme for Cyber Scotland week Security reviews included with all new system procurement along with Security monitoring. Education Resources has a managed service ICT contract for schools to help mitigate against cyber security and the SEEMIS system has regular safety and security monitoring in place as a key workstream.
4. Financial Challenges Exceptional increase in costs, reduction in council funding, resulting in difficulties maintaining front line services.	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. In addition there are exceptional increases in costs being experienced resulting in significant budget gaps that will require to be managed. The Council has developed a long-term strategy which identifies budget pressures, future risks and uncertainties, and projects	Reports on Budget strategy have been presented to meetings of full Council and Executive Committee over the course of the financial year 2022-2023 year, and at a special Council meeting held on 22 February 2023 the budget for 2023-2024 was approved. The impact of the cost of living crisis features in Resource risk registers. Inflationary pressures will also present significant challenges for all council services as rising costs have to

Areas identified in 2021/2022	Actions	Quarter 2 and 3 Progress
	<p>budget gaps to 2028/2029.</p> <p>The Budget Strategy for 2023/2024 will be updated and presented to councillors during 2022.</p>	<p>managed within existing.</p>
Areas identified in 2021/2022	Actions	Quarter 2 and 3 Progress
<p>5. Integrated Joint Board – Health and Social Care</p> <p>The need for the council to deliver the objectives set out in the Integrated Joint Board (IJB) Strategic Commissioning Plan 2022-25</p>	<p>The current strategic direction set out and approved by the IJB is detailed within the Strategic Commissioning Plan. The council and NHS Board are required to deploy their resources in line with this strategic direction.</p> <p>The IJB issues Directions that set out the key actions to be delivered by the council during the year 2022/2023 and these Directions were agreed by the IJB at it special budget meeting in March 2022.</p> <p>The council will provide progress updates against Directions for which it is the lead organisation.</p>	<p>The strategic Commissioning plan and directions for both health board and council have been delivered for this quarter in full. Full reporting of performance and scrutiny takes place at the IJB Performance and Audit sub committee on a quarterly basis that reports to the IJB re directions and risks.</p> <p>Strategic Commissioning Plan and Annual Performance Report (APR) are reported to Social Work Committee for noting for committee and council.</p> <p>Directions and budget are also externally audited and reported on and no issues or risks re governance and reporting noted.</p>
<p>6. Review of Community Planning</p> <p>Provide support to the review of Community Planning arrangements</p>	<p>During 2019, the Community Planning Partnership Board undertook a self-assessment of the current Community Planning arrangements. Improvement actions were later supplemented by the recommendations from the Council's Best Value Assurance Review and a group was set up to take these forwards.</p> <p>The review focuses on several key areas including structures, governance, and accountability arrangements. The council will provide resources to support the</p>	<p>The review of the community planning structures is progressing with the Clydesdale and Cambuslang/ Rutherglen Community Partnerships meeting regularly and the Hamilton and East Kilbride Community Partnerships being developed.</p> <p>The mapping of the current partnership activity by the Thematic Groups concluded in December 2022. This was followed by an Outcomes Leads Group review session in January 2023 to consider the recommendations and agree a draft Community Planning structure. The new structure will remain under review and will continue to evolve alongside the Community Plan and the associated delivery requirements.</p>

Areas identified in 2021/2022	Actions	Quarter 2 and 3 Progress
<p>6. Review of Community Planning cont'd.</p>	<p>implementation of the agreed actions.</p> <p>The proposal was approved by the Community Planning Partnership Board at their meeting in September 2020. This highlighted a two-phase approach to implementation, with interim actions to be delivered during the 2021/2022 year leading to final improvements, particularly around structures, during 2022/2023 in order to ensure that the partnership is fit for purpose to deliver the outcomes within the new Community Plan, which will be created using a co-production model during 2021/2022.</p> <p>Interim structures are in place and the new Community Plan was presented to the CPP Board for approval on 22 June 2022 together with a progress update on structure changes. Further progress updates were made to the CPP Board on 14 September 2022 detailing the changes required to governance structures in order to deliver the plan. Work continues with the partners to progress changes.</p>	<p>The work of the Outcomes Leads group has moved to locality-based planning and delivery which is key to realising the partnership's ambition to build structures from the community level, upwards. The current focus of the group is to develop a locality-based proposal and implementation plan.</p> <p>Work continues to progress the Community Plan including the establishment of a working group to map the plan to the 17 UN Sustainable Development Goals. The Community Plan Year One actions have also now been consolidated with other CPP action plans and have been combined to create a composite action plan for the partnership for 2023/2024.</p> <p>As part of the Community Planning governance review, Thematic Groups are revising their Terms of Reference where necessary and governance arrangements are being developed at board level and a new CPP Board reporting template has been produced to improve the accessibility of reports.</p> <p>A further progress report will be submitted to the CPP Board on 22 March 2023.</p>
<p>7. Community Wealth Building</p> <p>Deliver the Community Wealth Building Strategy</p>	<p>The Community Wealth Building Strategy which was approved in March 2021 will bring fundamental changes to how the Council delivers its services and works with its partners and communities. In August 2021 the Community Wealth Building Commission approved an action plan containing a range of actions to progress the aspirations of the Strategy over a 3-to-5-year timeframe. A risk register has been developed and approved.</p>	<p>A refreshed action plan for 2022-23 was approved by the Commission in September 2022. Through the CWB Progress Group, the revised action plan incorporated Partner feedback and input. The action plan strengthened links between CWB and the climate change and sustainability agenda, as well as "place-building" and the role of spatial planning.</p> <p>The Commission has considered detailed reports on key topics under the 5 pillars, notably the impact of changes to quick quote; further analysis of spend and local</p>

Areas identified in 2021/2022	Actions	Quarter 2 and 3 Progress
	<p>Risk monitoring arrangements are in place</p> <p>An annual report highlighting progress over the first year of the Strategy was presented to the Commission on 28 June 2022 for approval.</p> <p>Year 2 Actions identified in the approved Action will be progressed in 2022/2023</p>	<p>businesses' perceptions of procurement; and details of town centre action plans.</p> <p>A development session with invited guests from the Scottish Government and Neil McInroy from CLES in September 2022 provided the Commission with an opportunity to hear about best practice elsewhere and the wider Scottish dimension. Ideas arising from the discussion are being taken forward in 2023, e.g., the potential for developing a South Lanarkshire Anchor Charter.</p>
8. Sustainable Development and Climate Change	<p>The Council acknowledges the serious and immediate threat of climate change and is committed to accelerating the pace of action in response to the climate emergency and in Scotland's transition to a net-zero and climate resilient society and economy. A review of the council's Sustainable Development and Climate Change Strategy (2017 to 2022) has commenced and is scheduled to conclude during 2022; and a new Strategy for 2022-2027 was developed and presented to Council in June 2022 for approval together with the Council Plan and Community Plan. An Action Plan is being developed covering the 5-year period of the Strategy. The Action Plan will be reviewed annually with progress updates being reported to the Climate Change and Sustainability Committee on a 6 monthly basis.</p>	<p>The Sustainable Development and Climate Change Strategy Action Plan 2022-2027 has been developed and presented to the Climate Change and Sustainability Committee for approval on 8 February 2022 together with Associated Improvement Actions for 2023/2024. The Quarter 2 progress report for 2022/2023 was presented to the Committee on the same date. Education Resources has climate change and sustainability as a core priority for 2022/2023 for all of its schools and services.</p> <p>The voice of young people to help shape and influence action on climate change and sustainability is being heard through the Youth Forum. A highly successful conference was held in October 2022 for primary aged pupils led by senior pupils with pledges of change being an outcome.</p>
9. Economic Strategy	<p>The new draft Economic Strategy 2022-2027 has been developed and approved by Council on 15 June 2022 as part of a suite of documents accompanying the draft Council Plan and Community Plan. The vision within the Strategy is "to make South Lanarkshire a flourishing, green, dynamic and equitable place</p>	<p>Following the completion of the further consultation on the draft strategy the finalised Economic Strategy 2022 to 2027 was approved at the Executive Committee held on 30 November 2022.</p> <p>The graphic design of the document is nearing completion and the Action Plan is being developed to ensure it can respond to the fast moving economic</p>

Areas identified in 2021/2022	Actions	Quarter 2 and 3 Progress
Economic Strategy Cont'd.	<p>for communities, visitors, businesses and investors". The Strategy is framed around the 3 themes of sustainable, inclusive, economic development- People, Place and Business.</p> <p>Further online consultation on the Strategy took place during July and August. Progress on the delivery of the Action Plan will be measured 6-monthly with the results being reported annually to the relevant committees.</p> <p>The council will continue to lead on local economic recovery for South Lanarkshire businesses through promotion of local economic support networks and contribution to the pan-Lanarkshire Economic Forum.</p>	environment that we live in and the challenges it brings and opportunities that it offers.
10. Implement the outcomes following the Cross-Party Working Group Review of South Lanarkshire Leisure and Culture (SLLC)	<p>Outcomes of the Review will continue to be implemented over the course of the 2022/2023 and include:-</p> <ul style="list-style-type: none"> • Presentation of the modernised constitution for the new SCIO model approved by the SLLC Board in February 2022 to the Council for approval in 2022 • review of various Service Level Agreements that exist for the provision of shared services with the aim of strengthening the SLC/SLLC partnership); and Continue to engage with community groups on community asset transfer of SLLC assets. 	<p>The modernised constitution to complete the transition of South Lanarkshire Leisure and Culture from a charitable company limited by guarantee to a Scottish Charitable Incorporated Organisation (SCIO) was approved by South Lanarkshire Council at the meeting on 15 June 2022. Arrangements for the appointment of Board members and an Independent Chair were noted. The review of Service level agreements is ongoing and engagement is continuing with community groups on community asset transfer. A transfer was agreed by Housing and Technical Resources committee to a Community Group at their meeting on 14 December 2022.</p>
11. Recruitment and Retention Challenges	<p>COVID-19 and Brexit have had a substantial impact on recruitment and retention as the labour market has tightened and employees have more mobility through agile working which is not necessarily tied to a geographical location. In addition some older workers have</p>	<p>We continue to develop the recruitment programme for procurement graduates, holding an in person recruitment event in February 2023, with the objective of improving retention levels.</p> <p>Recruitment strategies have been put in place to attract and retain teachers, early years and support staff, to meet national</p>

Areas identified in 2021/2022	Actions	Quarter 2 and 3 Progress
11. Recruitment and Retention Challenges Cont'd.	<p>reassessed priorities and taken up an option for partial or full retiral earlier than they would have done previously.</p> <p>As a result there are a number of skills in short supply nationally and this is putting pressure on local government services. Examples of this include HGV drivers, procurement and Social Care. The impact on Senior Manager recruitment and retention is also clear and turnover at this level is closely monitored</p> <p>South Lanarkshire Council has experienced these issues and is taking the following actions:-</p> <ul style="list-style-type: none"> • Workforce Plans were refreshed to reflect the changed environment by 30 June 2022. The updated plans were reported to the relevant Resource Committees in September and October 2022. • A grow your own approach is being used in key areas (recruited graduates in Procurement) • Increasing social media recruitment and use of job fairs • Employability routes are being defined for skills shortage areas (e.g. Social care) • Enhanced employee support arrangements are in place but also being reviewed for development 	<p>teacher numbers and standards.</p> <p>The Council wide and Resource workforce plan action plans are being progressed, with ongoing activity to boost recruitment via use of social media.</p> <p>An approved Social Care Workforce Plan and also a wider Health and Social Care Workforce Plan which seeks to address some of the challenges. However, many of these challenges are national and ones which South Lanarkshire cannot solve on its own</p>

Report

4

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	7 March 2023
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	2023/2024 Internal Audit Plan
----------	--------------------------------------

1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ seek approval of the proposed Internal Audit Plan for 2023/2024

2. Recommendation(s)

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

- (1) that the proposed Internal Audit Plan for 2023/2024 be approved.

3. Background

3.1. Public Sector Internal Auditing Standards (PSIAS) require a specific risk-based approach to be taken when preparing audit plans. All requirements have been followed in preparation of the 2023/2024 Internal Audit Plan. The Internal Audit function's compliance with PSIAS is being externally assessed by East Lothian Council in 2022/2023. The outcome of this assessment will be presented to the Risk and Audit Scrutiny Committee (RASC) in June 2023.

3.2. The content of audit plans is determined by the requirement to deliver a programme of work that informs the annual audit opinion on the overall adequacy and effectiveness of an organisation's framework of governance, risk management and control arrangements. The Internal Audit Plan for South Lanarkshire Council in 2023/2024 supports this objective by:-

- ◆ linking to the Council's objectives and priorities
- ◆ providing assurance (as part of a rolling programme of work) in relation to top risks that have been identified by the Council
- ◆ delivering a balanced plan in compliance with PSIAS that maximises resources available
- ◆ committing resources to support corporate activity
- ◆ prioritising assignments to ensure key areas of work are completed in the year.

4. Internal Audit Plan 2023/2024

4.1. In recent years, to manage the impact of the re-deployment of the Service to deliver COVID-related tasks, the Internal Audit Plan has been presented as two separate six month plans. In 2023/2024, the Plan has reverted to a proposed programme of work for the full financial year. At the time of drafting the Plan, the Council is continuing with its implementation of Oracle Fusion, a significant new human resources and financial accounting system.

- 4.2. One Auditor post within Internal Audit has been deployed full-time to the project, supplemented by significant additional time from an Audit Adviser. An allowance has been made for the Auditor re-deployment to the project to continue through until September 2023 with further contingency time included to reflect, potentially, additional resources being required through to the go-live date and Phase 2 of the project. An allowance has also been made to test systems post implementation. A detailed plan will be prepared to set out how audit time will be utilised across both pre and post implementation periods and presented to a future meeting of RASC.
- 4.3. Other temporary resourcing pressures in 2022/2023 will change in 2023/2024, with all of the factors impacting upon the time that is available, reflected in a detailed capacity plan. Days to deliver External Client work has also been reviewed to maximise resources available to deliver a core programme of audit work for South Lanarkshire Council.
- 4.4. Once capacity had been determined, the content of the Plan was developed. This considered the assessed top risks of the Council. These risks are revised on an annual basis and, in October 2022, a revised 'top risk' report was presented to RASC. The Audit Plan has sought to link to areas of highest risk to provide assurance around the management and mitigation of these significant risks.
- 4.5. The proposed final Internal Audit Plan for 2023/2024 is attached at Appendix 1. This represents the Plan for the full year and reflects time required to deliver a range of assignments that seek to align to corporate objectives as well as providing assurance around the general control environment of the Council. Each audit is conducted in accordance with the revised PSIAS and within the context of the Internal Audit Charter (Appendix 2). A summary of how each assignment links to the three key assurance areas is appended to the table in Appendix 1.
- 4.6. The Plan sets out the name of the proposed assignment, the lead Resource and a brief outline scope for each proposed assignment. Objectives and scopes will be refined by auditors prior to the commencement of work and once a full risk analysis has been completed and key controls identified. Clients will be involved in this initial risk and control assessment and will be consulted prior to the preparation of the audit remit for each assignment.
- 4.7. Progress against the audit strategy will be monitored and reported to the RASC as part of regular monitoring reports that are presented at each meeting. Delivery of the strategy will be evidenced by the completion of the 2023/2024 Internal Audit Plan. The risk of significant subsequent changes to the Plan, arising from a change in the Council's priorities or risks, are managed through a level of contingency time that continues to be built in to provide flexibility throughout the year. Key performance indicators will continue to be reported within routine activity reports and within the annual assurance report presented to RASC.
- 4.8. The Committee is asked to approve the 2023/2024 Internal Audit Plan attached at Appendix 1.

5. Employee Implications

- 5.1. A full employee capacity plan was prepared at commencement of the audit planning process. This has determined that 1,220 audit days can be delivered in 2023/2024 (inclusive of days to deliver an internal audit service to external clients). Year on year comparisons of the number of days available are difficult due to in year variations through periods of planned leave, secondments and personnel changes. All known factors have been reflected in capacity planning. The underlying assumptions will be

reviewed throughout the year and any significant changes to the Plan will be presented to RASC for approval.

6. Financial Implications

- 6.1. Capacity planning has been based on available budget. This is considered to provide sufficient resources to deliver the Audit Plan.

7. Climate Change, Sustainability and Environmental Implications

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

8. Other Implications

- 8.1. To mitigate against the risk of non-delivery of the Plan, the progress of every assignment is monitored using the Council's risk management software, Figtree.

9. Equality Impact Assessment and Consultation Arrangements

- 9.1. There is no requirement to conduct an equality impact assessment on the proposed Audit Plan. As part of the process, there has been consultation during preparation of the Plan and all returned suggestions were included within the initial "audit universe" for risk evaluation.
- 9.2. The Plan includes time to provide data to the Council's new External Auditors to assist with their audit and to respond to queries. A copy of the Plan will be shared with Audit Scotland to ascertain areas where they wish to place reliance on output from the 2023/2024 Internal Audit Plan.

Paul Manning

Executive Director (Finance and Corporate Resources)

16 February 2023

Link(s) to Council Values/Priorities/Outcomes

- ◆ Accountable, effective, efficient and transparent

Previous References

- ◆ 2022/2023 Internal Audit Plan, 26 January 2022
- ◆ 2022/2023 Internal Audit Plan, 27 September 2022

List of Background Papers

- ◆ Internal Audit planning documentation
- ◆ Internal Audit Charter

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 45(2618))

E-mail: yvonne.douglas@southlanarkshire.gov.uk

Lead Resource	Audit assignment	Outline Scope	Days	Area of Assurance
Key year end tasks				
FCR	External Audit	Provide 2022/2023 general ledger data to External Audit for the audit of the financial accounts for the year ended 31 March 2023.	25	N/A
FCR	2022/2023 Annual Report	Finalise 2022/2023 audit reports. Prepare annual statement of assurance for 2022/2023. Present to RASC.	110	Governance
FCR	Governance Statement	Undertake review of evidence that supports SLC's Annual Governance Statement and provide 2022/2023 annual assurance statement for Glasgow City Region – City Deal.	5	Governance
Participation in and delivery of corporate tasks				
All	Attend internal and external working groups	Attend, respond to requests, participate in consultations and provide updates.	12	N/A
All	Committee reporting	Prepare report RASC.	10	Governance
All	2024/2025 Audit Plan	Undertake consultation, risk assessment, Resource and Section planning, set scopes and objectives and seek approval through preparation of reports.	10	N/A
All	National Fraud Initiative	Coordinate investigation of matches from 2022 National Fraud Initiative Exercise (including time to investigate some categories of matches). Report outcomes to RASC.	50	Internal Controls
All	Advice and guidance	Provision of advice and guidance.	60	Internal Controls
FCR	Fusion	Support implementation of project. Testing of system post implementation.	318	Internal Controls
Delivery of an internal audit programme of core tasks and assignments				
All	Informal Follow Up	Prompt Resources on a quarterly and monthly basis of actions due within that period. Collate responses for reporting.	6	Governance
All	General Follow Up	For all Council Resources, identify audit recommendations due in the period April 2022 to March 2023. Risk assess and follow-up to ensure	15	Internal Controls

Lead Resource	Audit assignment	Outline Scope	Days	Area of Assurance
		implementation of all high risk actions.		
All	Anti-fraud checks	Rolling programme of anti-fraud checks – including, but not limited to, procurement, petty cash, purchase cards.	95	Internal Controls
All	Continuous Controls Monitoring (CCM)	Continue to download data in current CCM areas. Use data for analysis and to inform internal and external audit testing.	25	Internal Controls
All	Fraud	React to fraud alerts through internal and external sources and disseminate information as appropriate. Undertake investigations as required.	55	Internal Controls
All	Managing Change	Provide assurance that areas that have been subject to transformational change post COVID-19 have embedded revised changes within systems and processes.	50	Governance
All	Information Sharing Protocol	Assess application and effectiveness of Information Sharing Protocol.	15	Governance
All	Sustainability	Provide ongoing assurance that plans are practically deliverable in the short, medium and long term and that in-year progress against targets is monitored and reported. Report on outcomes of standard audit programme testing.	25	Risk Management
CER	External Funding	Test processes in place to provide assurance that these maximise funding, demonstrate good governance around spending and evidence delivery of outcomes.	30	Internal Controls
EDR	Equity Strategy	Provide assurance of good governance around spend and tracking of benefits deriving from spend.	30	Internal Controls
EDR	Additional Support Needs Transport	Test effectiveness of new systems and procedures and implementation of agreed actions.	20	Internal Controls
SWR	Infection Prevention	Procedural review to assess whether processes reflect guidance, are current, provide for evidence of compliance and mitigate risk.	50	Risk Management
All	General contingency	Respond to requests for unplanned work.	62	Internal Controls

Lead Resource	Audit assignment	Outline Scope	Days	Area of Assurance
Delivery of an internal audit service to external clients				
N/A	Audit Plan	Deliver internal audit service to External Clients.	142	N/A
TOTAL DAYS			1,220	

South Lanarkshire Council Internal Audit Charter

Purpose

Internal Audit is an in-house, independent assurance function that provides an objective opinion and consultative guidance to South Lanarkshire Council and external clients on how well risks are controlled within their operations.

Internal Audit provides managers and elected members with assurance on how well processes and procedures in place are controlling the associated risks and recommends actions for improvements to ensure controls are effectively managed.

This complies with the definition of Internal Audit included within the Public Sector Internal Audit Standards (PSIAS):

“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

Compliance with PSIAS is mandatory from 1 April 2013.

The Standards were revised from 1 April 2017 to incorporate new and revised international standards resulting in additional public sector requirements and interpretations.

The Internal Audit service reports to the Risk and Audit Scrutiny Committee (RASC) who for the purposes of PSIAS are defined as the Board. This Committee serves as the Audit Committee for SLC and independently provides assurance on the soundness of the Council’s control environment and the adequacy of the risk management framework. It also delivers scrutiny and oversees external financial reporting processes. The Committee is made up of ten members of the Council and is chaired by a member of the opposition party. Membership changes with each new Council to ensure political balance.

An Annual Statement of Assurance is provided to this Committee and elected members by the Audit and Compliance Manager, to report on the adequacy and effectiveness of the governance, risk management and control arrangements in place. Assurance is based on the professional practices outlined within Internal Audit’s Audit Manual.

The authority to deliver an internal audit service is contained within SLC’s Financial Regulations, Standing Orders and Scheme of Delegation (all of which are available on the intranet) as well as in the Council’s Counter Fraud, Bribery and Corruption Policy Statement and Strategy.

For internal audit work delivered to external bodies, authority is provided by the Accounts Commission’s ‘Code of Guidance on Following the Public Pound’ as well as Service Level Statements agreed with clients.

As well as professional standards Internal Audit will be bound by SLC local standards including the Employee Code of Conduct and the Code of Corporate Governance.

Relationship with the Risk and Audit Scrutiny Committee

The Executive Director Finance and Corporate Resources and the Audit and Compliance Manager should seek to maintain sound working relationships with appropriate elected members and ensure that good channels of communication are maintained. Within South Lanarkshire Council, the Audit and Compliance Manager is considered to be the Chief Internal Auditor. The Chair of the RASC and the Audit and Compliance Manager may meet privately from time to time to discuss audit findings, the performance of the Committee and other related matters. Internal Audit report all findings from concluded assignments via progress reports to the RASC. Lines of communication between the Chairs of all Committees and the Audit and Compliance Manager will be open at all times.

All elected members are free to raise concerns directly with the Audit and Compliance Manager and input to the audit plan but these will be assessed in terms of risk prior to any audit work being undertaken.

Enquiries from elected members will follow the Council's protocols and guidance.

Objective

Internal Audit's objectives are to:

- improve internal control through provision of advice and guidance on preventative measures and good governance
- safeguard public expenditure and ensure control over Council capital, revenue and project expenditure and minimise loss through a programme of routine and contract audits
- promote compliance with all corporate standards and frameworks, ensure that management information is produced accurately and safeguard the Council's computer and on-line transactions with particular emphasis on security, efficiency and sustainable service delivery
- deliver objective assurance over controls within operational and financial systems and governance arrangements
- contribute to efficiency by identifying opportunities and leading the management of the fraud risk
- promote risk awareness and plan risk-based audit work within available resources
- meet agreed targets directing all efforts towards sound performance in all areas

In delivering the above objectives, Council values and Performance and Development requirements will be adhered to.

Role and Scope of Work

To provide the assurance of controls in place within processes and procedures across the entire control environment of the organisation, Internal Audit will:

- independently review and appraise all systems of financial and operational control in terms of their adequacy and application;
- ascertain the extent of compliance with financial and operational procedures, policies, regulations and legislation and their impact on operations;
- advise on control implications for new and modified IT systems;
- provide advice and guidance and contribute to working groups and ad-hoc strategic exercises;
- provide consultancy services (which is defined for the purposes on PSIAS as pertaining to the provision of advice and guidance to Council Resources) on a secondment or

group representation basis, provided this does not compromise independence and that a sufficient period elapses before auditors formally review those services where consultancy has been provided (usually one year);

- perform periodic governance checks;
- provide written assurance in selected areas as well as an overall opinion at least once per annum;
- recommend improvements in control, performance and productivity in achieving corporate objectives;
- follow-up the extent to which earlier recommendations have been implemented;
- work in partnership with external auditors;
- detect, prevent and investigate fraud and crime in accordance with approved anti-fraud strategies and policies.
- undertake investigative audits in respect of potential fraud, irregularity and serious breaches of governance and, as such, is required to be notified of all suspected or detected fraud, corruption or impropriety. It also monitors devolved responsibility for investigation by Resources.

Internal audit testing may go beyond the records and adopt a more direct approach, including interviews, fact finding and on site surveys.

The existence of Internal Audit does not diminish the responsibility of management to exercise sound systems of internal control. It is clearly and solely a management responsibility to ensure that activities are conducted in a secure, efficient and well-ordered manner and that finances are safeguarded and used to maximum effect. This includes identifying and managing risks including fraud.

Managers are expected to provide requested information within a reasonable timescale and earlier than the equivalent timescale for Freedom of Information (FOI) Requests. Managers are expected to respond to assignment feedback requests, usually within seven days and to draft reports within fourteen days.

Internal Audit charges a fee for work performed for external clients, subject to agreed Service Level Statements. In addition, Internal Audit may undertake work relating to external bodies funded by the Council or partners, as authorised by the Following the Public Pound guidance.

Internal Audit may work jointly with neighbouring authorities, local health boards, Scottish Government departments and external auditors on a variety of projects, aimed at improving the control and/or efficiency environment of public sector bodies.

Independence

Internal Audit is located within Audit and Compliance Services, under the direction of the Proper Officer, the Executive Director Finance and Corporate Resources.

In addition, general management duties will be delegated from the Executive Director Finance and Corporate Resources to the Audit and Compliance Manager and will cover audit matters as well as general management duties, including representation on the Resources Senior Management Team.

The Audit and Compliance Manager has management responsibilities outwith Internal Audit for Funding and Compliance Services. It is recognised that arrangements are required to be in place for any audit work in this area to allow this to be managed independently of the Audit and Compliance Manager. The specific nature of these arrangements will be reported to the RASC when audit activity in this area is planned.

The establishment structure will comprise qualified and technician posts with a mix of professional specialisms. Structural reviews may take place from time to time and regular resource monitoring is reported to the RASC. Any reduction in resources which might jeopardise the delivery of assurance will be immediately reported to the Executive Director Finance and Corporate Resources in the first instance.

As far as is practicable, Internal Audit should not participate in the day-to-day operation of any internal systems of financial or operational control.

Plans will be formed to reflect organisational audit needs but within available resources.

Upon request from the Executive Director Finance and Corporate Resources, appropriate specialists from other departments should be made available to take part in any audit requiring specialist knowledge.

Within SLC, the Employee Code of Conduct provides guidance on the type and nature of interests that should be declared (including paid employment outside the Council and personal interests in contracts). Auditors must declare their interests in accordance with the Code of Conduct and with regard to the audit principle of independence, and notify the Audit and Compliance Manager of any conflicts of interest which may arise. This formal declaration is renewed on an annual basis but can be revisited should any conflicts arise.

Auditors will not be assigned to review or be involved in any activity where they have previously had operational or other involvement, usually within a period of one year. This includes instances where Internal Audit employees have been consulted during system, policy or procedural developments.

Access

Internal Auditors have authorisation from the Council to examine all council records, IT systems, cash, stores and other property, to obtain explanations and to enter Council property or land.

Access is unrestricted and shall be granted on demand and not necessarily be subject to prior notice.

Reporting

All planned audit assignments will formally be reported and every assignment will be closed after review by audit management. All Internal Audit reports will be submitted to the Executive Director Finance and Corporate Resources, and to recipients within the Resource being audited, including the Executive Director, Head of Service and the auditee. Circulation to the Chair of the Resource Committee is the responsibility of the Executive Director. Copies of reports relating to routine planned assignments will also be forwarded to external auditors.

The Audit Manager will plan for regular formal consultations with Heads of Service and Executive Directors, especially when preparing the formal audit plan. Feedback on performance and value of work undertaken will be sought. Heads of Service will be copied on every report affecting their area of responsibility. Effective relationships will be maintained by both parties and confidentiality of information will be protected, unless this would prevent the delivery of audit assurance. Timing of work is subject to consultation but this will not preclude unannounced visits when necessary or requested by Executive Officers or Members.

Best practice dictates that the Head of Internal Audit must report to those charged with governance. In SLC this means that the Audit and Compliance Manager reports to the Corporate Management Team (CMT) and the RASC.

The CMT is made up of Executive Directors covering all Council Resources, who for the purposes of PSIAS, are defined as Senior Management. The CMT endorses, as a minimum the Internal Audit Plan and the Internal Audit Annual Report, which provides the opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements.

Internal Audit also reports plans, annual assurance and all audit findings to the RASC. For external clients, reports and opinions will also be offered to audit committees, where these exist, or to client Boards and senior management teams.

Escalation

The Audit and Compliance Manager has direct access, reports and is accountable to the Executive Director Finance and Corporate Resources, the Proper Officer, as defined in Section 95, Local Government Act 1973 and meets with this officer on a regular one to one basis.

This relationship will be the escalation route for issues arising within Internal Audit and for those matters where it is appropriate for the Chair of the RASC to be briefed. The Audit and Compliance Manager's relationship with the Chair of the RASC and elected members is detailed above within the section 'Relationship with the Risk and Audit Scrutiny Committee'.

Auditors will use escalation processes so that slippage in relation to the delivery of audit assignments can be dealt with swiftly.

Responsibilities

In delivering assurance, Internal Audit adopts a predominantly systems-based approach to audit. In discharge of this duty, the Audit and Compliance Manager will:

- prepare an annual plan for formal agreement
- deliver a range of audit assignments, resulting in reports for management. Occasionally, letters or memos, rather than full reports will be issued. This usually occurs where few concerns are raised during the audit or where work is of a rolling nature, for example spot cash counts
- make recommendations for improvements
- provide Committee reports and other briefings to provide advice or raise awareness of performance or risk issues
- ensure a system of close supervision of audit work, and maintain a review of audit files through the supervisory structure
- maintain a skill level within the section specifically for the investigation of fraud
- provide an annual opinion within a full annual audit assurance statement, for agreement with the Chief Executive and Executive Director Finance and Corporate Resources and onward presentation to the RASC.

Report

5

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	7 March 2023
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Internal Audit Activity as at 17 February 2023
----------	---

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 19 November 2022 to 17 February 2023
- ◆ provide an update on progress with the external assessment of the Council's internal audit function's level of compliance with the Public Sector Internal Audit Standards (PSAIS)

2. Recommendation(s)

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

- (1) that progress and performance be noted; and
- (2) that the delay in progressing the external assessment of the Council's internal audit service level of compliance with PSIAS be 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 December 2022 and reported on work completed in the period 10 September to 18 November 2022. This report covers all work completed in the period 19 November 2022 to 17 February 2023. Performance information is also included.

4. Delivery of the Internal Audit Plan: Progress and Performance

4.1. As at 17 February 2023, 33% of the 2022/2023 Audit Plan was complete. Of the remaining 67%, 34% relates to assignments that are planned to conclude by 31 March 2023 and 33% to tasks that continue throughout the year and will be closed at financial yearend.

4.2. Key performance indicators reflecting quality, on time and within budget as at 31 January 2023 are summarised in Appendix 1 together with explanations. 100% of draft reports have been issued on time and 100% within budget against targets of 80% respectively. Quality continues to be monitored through internal quality control procedures.

- 4.3. 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, where this was required, within four weeks of the issue of a draft report against a target set of 80%.
- 4.4. Appendix 2 lists all assignments completed in the period 19 November 2022 to 17 February 2023 together with a summary of overall assurances from each area of work.
- 4.5. Members are asked to note progress and performance.
- 5. Glasgow City Region City Deal – Internal Audit Plan 2022/2023**
 - 5.1 No Internal Audit reports were presented at Cabinet meetings in February 2023. The next meeting of the Cabinet is in May 2023 and an update will be provided to the next meeting of the RASC.
- 6. Public Sector Internal Audit Standards – External Review**
 - 6.1 The self-assessment questionnaire has now been passed to East Lothian Council, the Council's external examiners for the purposes of the 2022/2023 PSIAS inspection. Due to other priorities this was sent two months later than intended. The impact of this delay in commencing the self-assessment exercise is that the outcome from the exercise will not now be reported to RASC until June 2023.
 - 6.2. Members are asked to note progress and that findings will now be reported to RASC in June 2023.
- 7. Progress against Strategy**
 - 7.1. 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.
 - 7.2. Delivery of the strategy in 2022/2023 will be evidenced by the completion of the Internal Audit Plan in-year and will be monitored through the performance indicators regularly reported to the Committee.
- 8. Employee Implications**
 - 8.1. There are no employee issues.
- 9. Financial Implications**
 - 9.1. A breakeven position for 2022/2023 is forecast at the end of the financial year for the Internal Audit section.
- 10. Climate Change, Sustainability and Environmental Implications**
 - 10.1. There are no significant implications in terms of climate change, sustainability and environmental implications associated with this report.
- 11. Other Implications**
 - 11.1. The main risks to the delivery of the Audit Plan are, generally, vacancies and team up-skilling requirements, unforeseen service demands and delays with client sign-off. These are mitigated by coaching and training, regular meetings and escalation processes as well as inclusion of contingency time within the annual plan. The risk of significant, subsequent amendments to the Plan, arising from a change in the Council's priorities or risks, are reduced given the approach in 2022/2023 that has allowed capacity and content to be reassessed mid-year.

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

12. Equality Impact Assessment and Consultation Arrangements

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

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

Paul Manning

Executive Director Finance and Corporate Resources

17 February 2023

Link(s) to Council Values/Priorities/Outcomes

- ◆ Accountable, effective, efficient and transparent

Previous References

- ◆ 2022/2023 Internal Audit Plan, 26 January 2022
- ◆ Internal Audit Activity as at 3 June 2022, 22 June 2022
- ◆ Internal Audit Activity as at 9 September 2022, 27 September 2022
- ◆ Internal Audit Activity as at 18 November 2022, 6 December 2022

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

Key audit performance indicators as at 31 January 2023

Appendix 1

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	10/10	100%	80%	
Draft reports delivered within 6 weeks of file review	10/10	100%	80%	
2022/2023 Audit Plan completed to draft by 31 March 2023	16/48	33%	100%	A further 34% are anticipated to conclude by 31 March 2023 with 33% relating to tasks that continue throughout the year and will be closed at financial yearend.
Internal Audit recommendations delivered on time	4/4	100%	90%	
Client to agree findings and actions within 4 weeks of draft issue	10/10	100%	80%	

Job Number	Assignment name	Draft Issue	Final Issue	Assurance Info
Current Year				
I411090	Follow-up of procurement actions	24/01/2023	24/01/2023	Follow up work was planned for 2022/2023 but has been deferred to allow actions to be reviewed given new functionalities within Fusion.
I222112	Education Maintenance Allowance (EMA) Claims Audit 2021/2022	24/01/2023	24/01/2023	Audit certificate for EMA claim not now required.
I410093	Follow-up Debtors	24/01/2023	24/01/2023	Work deferred to allow actions to be reviewed given new functionalities within Fusion.
I674205	Theft of Goods	17/02/2023	17/02/2023	Investigation concluded. Employee resigned. Summary of risks and required controls shared with Resource.
I221114	HMRC Return -2020/2021, 2021/2022 and 2022/2023	03/02/2023	03/02/2023	Collated, completed and submitted tax returns to HMRC.
I613197	Review of Fraud Policy	17/02/2023	17/02/2023	Review of fraud policy concluded. To be presented to RASC in June 2023 for approval.
I710079	Three Lines Analysis	25/01/2023	25/01/2023	Analysis of top risks using three lines of defence model. Sharing output with Risk Sponsors.
I810037	2023/2024 Audit Plan	17/02/2023	17/02/2023	Preparation and presentation of 2023/2024 Audit Plan to RASC for approval.
External Clients				
I921184	LVJB 2022/23 Audit Plan	08/11/2022	09/11/2022	Reported to LVJB
I939181	SEEMIS Customer Service	05/09/2022	13/01/2023	Reported to SEEMIS



Report

6

Report to: **Risk and Audit Scrutiny Committee**
 Date of Meeting: **7 March 2023**
 Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **Fraud Statistics Six Monthly Update 2022/2023**

1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ provide a summary of the fraud statistics for the six months to 30 September 2022 and a comparison to the same period in 2021

2. Recommendation(s)

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

- (1) that the contents of this report be 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 months to 30 September 2022 together with a comparison to the statistics for the same period in 2021. 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 from their own Housing Benefit claimants. Housing Benefit fraud data will, therefore, continue to be included within the fraud statistics reported as information is provided by FES.
- 3.4. Revenues and Benefits continue to deliver an annual programme of rolling reviews on Housing Benefit claimants 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.

- 3.5. Progress has been made with all types of fraud investigations during the six-month period to 30 September 2022 albeit resourcing pressures have required a level of re-prioritisation throughout the period.
- 3.6. In July 2022, Audit Scotland issued a Fraud and Irregularity report for 2021/2022. Section 5 of this report sets out the key messages and recommendations.

4. Results

- 4.1. All concerns reported to Internal Audit are risk assessed with high risk areas investigated by Internal Audit, medium risks investigated by Resources and low risks registered for monitoring of trends. Internal Audit may 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 have an inherently higher risk of fraud are considered for inclusion in the Annual Audit Plan. There have been no specific patterns or trends identified in 2022/2023 in addition to those already known.
- 4.3. An analysis of the fraud caseload for the six months to 30 September 2022 and the comparative period in 2021 is detailed in Table One.

Table One - Fraud Caseload

Status	Six Months to 30/09/22		Six Months to 30/09/21	
	Nos.	£000	Nos.	£000
Cases open as at 1 April	142	118	133	150
Concerns reported to 30 September	22	10	19	4
Caseload at 30 September	164	128	152	154
Cases closed in period (see Table Two)	9	5	16	6
Work in progress at 30 September	155	123	136	148

- 4.4. Although cases reported in the period remain relatively low, a pattern of these coming primarily from suspected benefit fraud has started to emerge again.
- 4.5. 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 30/09/22		Six Months to 30/09/21	
	Nos.	£000	Nos.	£000
Founded allegation (see Table Three)	3	2	10	5
Insufficient information	4	0	1	0
Unfounded allegations	1	1	5	1
Time Delay	1	2	0	0
Total	9	5	16	6

- 4.6. 33% of cases closed in the period were founded. None of these cases involved a South Lanarkshire Council employee.
- 4.7. An analysis of founded allegations is detailed in Table Three:

Table Three – Analysis of Founded Allegations

Source of fraud	Six Months to 30/09/22		Six Months to 30/09/21	
	Nos.	£000	Nos.	£000
External	3	2	10	5
Internal	0	0	0	0
Benefits	0	0	0	0
Total	3	2	10	5

- 4.8. All of the founded cases relate to fraud committed by a third party.
- 4.9. Minimal costs have been incurred by Internal Audit in the period to 30 September 2022 with the majority of time to complete investigations being committed in the second half of 2022/2023. 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. These time-scales can be extended to reflect other Service priorities although every effort is made to complete work within a reasonable time period.

5. Audit Scotland report: Fraud and Irregularity 2021/2022

- 5.1. In July 2022, Audit Scotland published their Fraud and Irregularity report for 2021/2022. The report set out a number of key messages:-

- ◆ the COVID-19 pandemic had introduced many challenges for the Scottish public sector
- ◆ auditors had found that most bodies had responded well by introducing new systems, procedures and controls
- ◆ although the COVID-19 pandemic had led to different types of fraud developing, public bodies had taken steps to reduce fraud and error in schemes administered on behalf of the Scottish Government

- 5.2. These key messages led Audit Scotland to make the following recommendations within the report:-

- ◆ public bodies should ensure effective counter-fraud arrangements are in place and should understand current and emerging counter-fraud risks
- ◆ there should be a regular review of counter-fraud strategies and plans and a regular assessment and review of internal controls and governance arrangements to ensure they remain effective
- ◆ there should be consideration as to whether the risks and weaknesses in controls identified in the report exist within the organisation and, if so, appropriate corrective action should be taken
- ◆ there should be a review of the recommendations that were commissioned by the Scottish Environment Protection Agency (SEPA) following a ransomware attack on its systems

- 5.3. On review, no specific, further action requires to be taken in respect of any of the recommendations with counter-fraud arrangements in place that are regularly reviewed and reflect emerging fraud risks. The Council's fraud strategy has been reviewed and will be presented to the next meeting of the Risk and Audit Scrutiny Committee (RASC). An Audit Plan is delivered annually to test internal control and governance arrangements. Recommendations arising from a review of the ransomware attack on SEPA have been considered and some actions identified to mitigate similar risks that exist within South Lanarkshire Council. Internal Audit will

track implementation of these actions and provide an update within the 2022/2023 Annual Assurance report.

6. Improvements

- 6.1. On the conclusion of all internal investigations, an assessment is made on whether any improvement actions are necessary. If required, 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 RASC as part of Internal Audit's annual assurance report.

7. Employee Implications

- 7.1. 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. Periodic communications seek to communicate these messages and raise awareness amongst employees.

8. Financial Implications

- 8.1. The investigation of fraud, participation in NFI exercises and the collection and reporting of fraud statistics will be carried out within existing resources.
- 8.2. Fraud related assignments are split across three main areas in the 2022/2023 Audit Plan:

Audit assignment	Outline Scope
NFI	Coordinate data uploads for new NFI exercise in 2022/2023. Develop and communicate plan for investigation of matches in 2023/2024.
Anti-fraud checks	Rolling programme of anti-fraud checks – including procurement, petty cash, COVID-19 grants and purchase cards. Re-brief Conflict of Interest policy and develop annual process for briefing within Resources. Review and update Fraud Policies and present to Committee for approval.
Investigative contingency	Undertake investigations as required.

- 8.3. All Phase One NFI data has been uploaded and matches are anticipated to be returned early 2023. A Plan will then be developed to investigate matches. Anti-fraud checks are in progress and will continue through to the end of the financial year as will the investigative work that is currently work in progress.

9. Climate Change, Sustainability and Environmental Implications

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

10. Other Implications

- 10.1. 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. Fraud Risk Registers are in place within all Resources and are reviewed and updated in line with standard Risk Management procedures.

- 10.2. In order to ensure the Council is fully aware of and prepared for emerging fraud risks, Internal Audit periodically carry out self-assessment exercises against good practice guidance in fraud management.
- 10.3. The Council's Serious and Organised Crime (SOC) working group have developed an action plan to address the impact of COVID-19 on SOC and the challenges that this has brought to the Council in the short, medium and long term. The Group progress delivery of the various actions, revising if any new or emerging threats are identified through the pan Lanarkshire Multi Agency SOC Group. Updates on progress are presented to RASC on a periodic basis.
- 10.4. The collection and reporting of fraud statistics assists 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. Internal Audit will continue to highlight areas where practice could be improved to ensure that all instances of potential and actual fraud are reported to Internal Audit.
- 10.5. There are no sustainability issues in terms of the information contained in this report.

11. Equality Impact Assessment and Consultation Arrangements

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

Paul Manning

Executive Director (Finance and Corporate Resources)

16 February 2023

Link(s) to Council Values/Priorities/Outcomes

- ◆ Accountable, effective, efficient and transparent

Previous References

- ◆ Fraud Statistics 2021/2022 Annual Report, 27 September 2022

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

Ext: 2618 (Tel: 01698 452618)

E-mail: yvonne.douglas@southlanarkshire.gov.uk

South Lanarkshire Council

20 February 2023

Update on the 2022/23 audit of South Lanarkshire Council and trusts registered as Scottish charities

1. The purpose of this letter is to provide members with an update on the 2022/23 audits of South Lanarkshire Council (SLC) and trusts registered as Scottish charities. Covid-19 has continued to impact on the completion of the 2021/22 audits with ongoing extensions to statutory deadlines. This, along with the changeover in the appointed auditor, has impacted on the timing of our planning work on our 2022/23 audits.

2. Our planning work on the 2022/23 audits is at an early stage. Therefore, we are not able to present our Annual Audit Plan to the Risk and Audit Scrutiny Committee (RASC) at the meeting on 7 March 2023. We have included this Audit Strategy Letter to update members on progress and highlight key audit matters. Following the conclusion of our audit planning procedures, we will issue a copy of the Annual Audit Plan to officers and members of RASC by 31 March 2023.

Risks

3. We are in the process of undertaking our audit risk assessment. Our preliminary planning work has identified the following significant risk that requires specific audit considerations.

- **Risk of material misstatement due to management override of controls:** International Standard on Auditing 240 (ISA 240) require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls to change the position disclosed in the financial statements.
- **Estimation in the valuation of land and buildings:** The Council held land and buildings with a net book value of £3,595 million as at 31 March 2022. There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations. Through our audit work we will pinpoint our risk to areas most susceptible to material misstatement and include this in our external audit plan.

4. ISA 240 presumes a risk of fraud in revenue recognition which is extended to expenditure by Practice Note 10. There is a risk that income or expenditure may be fraudulently misstated resulting in a material misstatement in the financial statements. We do not consider these to be significant risks for SLC or as there are limited opportunities to manipulate the way income or expenditure are recognised in the financial statements and have therefore rebutted these risks.

5. Our Annual Audit Plan will include any further risks identified from our planning work and outline our response to all identified risks.

Best Value

6. Under the [2021 Code of Audit Practice](#), the audit of Best Value in councils is fully integrated within our annual audit work.

7. Best Value at the Council will be assessed comprehensively over the period of the audit appointment and will include an annual evaluation of the Council's approach to demonstrating improvement in the effective use of resources and public performance reporting. We will also follow up findings reported previously in the Best Value Assurance Report in March 2019 to assess the pace and depth of improvement.

8. In addition to our annual work on Best Value we will conduct thematic reviews as directed by the Accounts Commission. In 2022/23 our focus will be on the effectiveness of council leadership in developing new local strategic priorities following the elections in May 2022. Our conclusions and judgements will be reported in a separate report to management and summarised in our Annual Audit Report.

Audit Fee

9. The proposed baseline audit fee for the 2022/23 audit of South Lanarkshire Council is £586,410 (2021/22: £521,060). Our fees have increased in 2022/23 and this is a reflection of the current audit market and the rising costs in delivering high quality audit work. There are increased regulatory expectations and risks placed on audit and its quality, as well as a widening in the scope of work audit must cover.

10. In setting the fee for 2022/23 we have assumed that the council has effective governance arrangements and will prepare comprehensive and accurate accounts for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied.

Audit Timetable

11. As outlined in paragraph 1, Covid-19 has continued to impact on the timings of our 2022/23 audit planning. We are working towards issuing the independent auditor's report and Annual Audit Report by the statutory deadline of 30 September 2023. However, we acknowledge this may not be achievable due to ongoing pressures. We will maintain a pragmatic and flexible approach to the audit and will continue to have discussions with management and the Chair of the RASC around the progress of our work and any changes that may be required to the target dates outlined in [Exhibit 1](#).

Exhibit 1

Audit outputs – South Lanarkshire Council

Audit Output	Target date	Performance and Audit Sub-Committee date
Annual Audit Plan	31 March 2023	<i>To be circulated to RASC members by 31 March</i>
Independent Auditor's Report	30 September 2023	<i>TBC</i>
Annual Audit Report	30 September 2023	<i>TBC</i>

Source: Audit Scotland

Independence and Objectivity

12. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the 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 Executive Director of Innovation and Quality who serves as Audit Scotland’s Ethics Partner.

13. The engagement lead (i.e. appointed auditor) for SLC is John Boyd, Audit Director. Mark Ferris, Senior Audit Manager, is the engagement lead for the charitable trusts. Auditing and ethical standards require the engagement lead 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 audits of South Lanarkshire Council or the charitable trusts.



John Boyd
Audit Director

Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

Report

8

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	7 March 2023
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 30 January 2024
- ◆ 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 30 January 2024, 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 30 January 2024 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)

17 February 2023

Link(s) to Council Values/Priorities/Outcomes

- ◆ 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:-

Elizabeth-Anne McGonigle, Administration Officer

Tel: 0738 5403101

E-mail:- elizabeth-anne.mcgonigle@southlanarkshire.gov.uk

APPENDIX – RASC OUTLINE FORWARD PROGRAMME TO 30 JANUARY 2024

Meeting Date	Item	Responsibility
27 June 2023	Public Sector Internal Audit Standards (PSIAS) – External Assessment	Audit and Compliance Manager
	Internal Audit Assurance Report 2022/2023	Audit and Compliance Manager
	Annual Governance Statement for 2022/2023 and Significant Governance Areas Quarter 4 Progress Report	Head of Administration and Legal Services
	Unaudited Annual Accounts 2022/2023	Head of Finance (Strategy)
	Internal Audit Activity Report	Audit and Compliance Manager
	Audit Scotland – Financial Overview 2021/2022	Head of Finance (Strategy)
	Financial Resources Scrutiny Forum Activity	Head of Finance (Strategy)
	Annual Audit Plan 2022/2023	Audit Scotland
22 August 2023	Review of Counter Fraud, Bribery and Corruption Policy	Audit and Compliance Manager
	2023/2024 Internal Audit Plan Update	Audit and Compliance Manager
	Internal Audit Activity Report	Audit and Compliance Manager
	Year End Insured Risks Report 2022/2023	Head of Finance (Transactions)
	Fraud Statistics Annual Report 2022/2023	Audit and Compliance Manager
26 September 2023 (special)	National Fraud Initiative Exercise 2021/2022	Audit and Compliance Manager
	External Auditor's Annual Report to South Lanarkshire Council 2022/2023	External Audit
	Audited Annual Accounts 2022/2023	Head of Finance (Strategy)

31 October 2023	Internal Audit Activity Report	Audit and Compliance Manager
	Year End Risk Management Report 2022/2023 and Review of Council's Top Risks 2023/2024	Head of Finance (Transactions)
30 January 2024	Good Governance Update	Head of Administration and Legal Services
	Internal Audit Activity Report	Audit and Compliance Manager
	Performance and Review Scrutiny Forum Annual Update	Head of Corporate Communications

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.