

RISK AND AUDIT SCRUTINY COMMITTEE

Minutes of meeting held in Committee Room 2, Council Offices, Almada Street, Hamilton on 6 February 2019

Chair:

Councillor Graeme Campbell

Councillors Present:

Councillor Poppy Corbett, Councillor Maureen Devlin, Councillor Mary Donnelly, Councillor Isobel Dorman (*substitute for Councillor Julia Marrs*), Councillor Mark Horsham, Councillor Carol Nugent, Councillor Margaret B Walker, Councillor Jim Wardhaugh

Councillor Also Present:

Councillor John Ross (for item 3)

Councillors' Apologies:

Councillor Martin Lennon, Councillor Julia Marrs

Attending:

Chief Executive's Service

L Freeland, Chief Executive (for item 3)

Finance and Corporate Resources

P Manning, Executive Director; Y Douglas, Audit and Compliance Manager; S Dunsmore, Insurance and Risk Management Adviser; T Little, Head of Corporate Communications and Strategy; P MacRae, Administration Officer; G McCann, Head of Administration and Legal Services

Also Attending:

Audit Scotland

D Richardson, External Auditor

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 14 November 2018 were submitted for approval as a correct record.

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

3 Annual Review of the Local Code of Corporate Governance

A report dated 11 December 2018 by the Executive Director (Finance and Corporate Resources) was submitted on the annual review of the Local Code of Corporate Governance.

The Council undertook, on an annual basis, a comprehensive review of the governance arrangements required to support its financial and operational controls. To achieve good governance, the Council required to:-

- ◆ demonstrate that its governance structures complied with principles contained in the governance framework established by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE)
- ◆ develop and maintain a Local Code of Governance and governance arrangements reflecting those principles

The Local Code of Corporate Governance had been reviewed and an updated document had been prepared as part of the 2018/2019 annual review of governance arrangements. Details were given on:-

- ◆ the review process and findings from the review
- ◆ key governance changes during 2017/2018
- ◆ communication of the Code

The updated Code had been attached as Appendix 1 to the report and the main changes to the Council's governance arrangements were detailed in Appendix 2.

The Committee decided:

- (1) that the findings from the review of the Local Code of Corporate Governance be noted; and
- (2) that the updated Local Code of Corporate Governance be approved.

[Reference: Minutes of 13 June 2018 (Paragraph 5)]

4 Internal Audit Activity as at 16 January 2019

A report dated 16 January 2019 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 25 October 2018 to 16 January 2019.

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

- ◆ 63% of assignments had been delivered within budget against a target of 80%
- ◆ 85% of draft reports had been delivered on time against a target of 80%
- ◆ 83% of the 2018/2019 Internal Audit Plan had commenced and plans were in place to deliver the programme by 31 March 2019
- ◆ 82% of audit assignments had been concluded to a signed action plan within 4 weeks of the issue of a draft report against a target of 80%
- ◆ 91% of Internal Audit recommendations had been delivered on time against a target of 90%

The findings from assignments completed in the period 25 October 2018 to 16 January 2019 were detailed in Appendix 2 to the report.

Following a review of the current year's Audit Plan, it was proposed not to complete the following 4 audit assignments in 2018/2019 for the reasons detailed in the Executive Director's report:-

- ◆ ICON (income management system)
- ◆ mobile working (roads)
- ◆ financial strategy
- ◆ roads follow up

The Committee decided:

- (1) that the performance of the Internal Audit Service and the progress of assignments in the period 25 October 2018 to 16 January 2019 be noted; and
- (2) that the proposed amendments to the Internal Audit Plan 2018/2019 be approved.

[Reference: Minutes of 11 November 2018 (Paragraph 3)]

5 Good Governance Action Plan 2018/2019 - Quarter 2 Progress Report

A report dated 11 December 2018 by the Executive Director (Finance and Corporate Resources) was submitted on the 2018/2019 Good Governance Action Plan.

The 2018/2019 Good Governance Action Plan highlighted improvement areas which had been identified through the annual assessment of governance arrangements. The Action Plan had been developed in parallel with, and informed, the Governance Statement which was included in the Annual Accounts. The Quarter 2 Update of the Good Governance Action Plan 2018/2019, attached as an appendix to the report, was based on the IMPROVe performance management reporting system and provided details of the governance control measures and actions undertaken by Resources. The monitoring system was traffic light based, with red, amber, green and 'to be reported later' categories. Of the 21 control measures identified in the Plan:-

- ◆ 14 had been categorised as green, indicating that the timescale target had been met in line with expectations
- ◆ none had been categorised as amber. This category indicated that there had been minor slippage against timescale or minor shortfall against target
- ◆ 1 had been categorised as red, indicating that there had been major slippage against timescale or major shortfall against target
- ◆ 6 would be reported later. For some measures, statistics were not available to ascertain whether the target had been reached and those would be reported when available

The Committee decided: that the report be noted.

[Reference: Minutes of 24 January 2018 (Paragraph 4)]

6 Review of the Council's Top Risks

A report dated 16 January 2019 by the Executive Director (Finance and Corporate Resources) was submitted on the outcome of a review of the Council's top risks.

Details were given on the process for, and results of, the 2018 annual review of the Council's top risks.

Details of the revised top 20 risks, with both the inherent and residual risk scores, together with examples of associated risk controls and an assessment of the adequacy of controls, were given in Appendix 1 to the report. The Council's overall risk exposure for 2018/2019 had remained the same as in 2017/2018.

In response to members' questions, the Insurance and Risk Management Adviser undertook to provide further information in relation to the following risks:-

- ◆ recruitment arrangements to prepare for the national expansion in early years education and childcare provision
- ◆ preparation of rapid rehousing transformation plans to address proposals from the Homelessness and Rough Sleeping Action Group

In response to a member's question on the impact of Brexit on the Council, the Executive Director (Finance and Corporate Resources) advised that work was ongoing, throughout a number of levels of government, to prepare for the implications of the UK leaving the European Union and confirmed that the situation would be closely monitored.

The Committee decided: that the report be noted.

[Reference: Minutes of 24 January 2018 (Paragraph 5)]

7 Good Governance – Review of the Adequacy of Internal Audit

A letter dated 21 January 2019 by Audit Scotland, the Council's External Auditor, was submitted on the External Auditor's assessment of the adequacy of the Council's Internal Audit function for 2018/2019.

The objectives of the assessment were to:-

- ◆ establish the effectiveness of Internal Audit arrangements as part of the Council's wider governance arrangements
- ◆ identify areas of Internal Audit work on which Audit Scotland could place formal reliance

Details were given on the areas of Internal Audit's work on which Audit Scotland planned to place formal reliance as follows:-

- ◆ procurement
- ◆ information risk management
- ◆ budgetary control
- ◆ national fraud initiative
- ◆ City Deal benefit realisation

Audit Scotland had concluded that the Council's Internal Audit Service operated in accordance with the Public Sector Internal Audit Standards (PSIAS) and had sound documentation standards and reporting procedures in place. However, 2 findings and their associated risks had been recorded as follows:-

- ◆ inclusion of Internal Audit within the remit of the Executive Director (Finance and Corporate Resources)
- ◆ the potential impact of 2 unfilled posts within the Internal Audit team on the delivery of the 2018/2019 Audit Plan

Assurances had been given in relation to both issues and Audit Scotland would continue to monitor the position.

The Committee decided: that the information be noted.

8 Performance and Review Scrutiny Forum Annual Update

A report dated 15 January 2019 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 2018.

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 24 January 2018 (Paragraph 6)]

9 Forward Programme for Future Meetings

A report dated 8 January 2019 by the Executive Director (Finance and Corporate Resources) was submitted on the outline forward programme for the meetings of the Risk and Audit Scrutiny Committee to 27 November 2019.

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 Risk and Audit Scrutiny Committee to 27 November 2019 be noted.

10 Urgent Business

There were no items of urgent business.