



Council Offices, Almada Street
Hamilton, ML3 0AA

Tuesday, 09 November 2021

Dear Councillor

Risk and Audit Scrutiny Committee

The Members listed below are requested to attend a meeting of the above Committee to be held as follows:-

Date: Wednesday, 17 November 2021
Time: 10:00
Venue: By Microsoft Teams,

The business to be considered at the meeting is listed overleaf.

Yours sincerely

Cleland Sneddon
Chief Executive

Members

Eric Holford (Chair), Walter Brogan, Mary Donnelly, Grant Ferguson, Martin Lennon, Julia Marrs, Davie McLachlan, Carol Nugent, Jared Wark

Substitutes

Janine Calikes, Margaret Cowie, Bert Thomson

BUSINESS

1 Declaration of Interests

- 2 Minutes of Previous Meeting** 3 - 10
Minutes of the meeting of the Risk and Audit Scrutiny Committee held on 15 September 2021 submitted for approval as a correct record. (Copy attached)

Monitoring Item(s)

- 3 External Auditor's Report 2020-2021** 11 - 86
Report dated 8 November 2021 by the Executive Director (Finance and Corporate Resources). Copy attached

Item(s) for Decision

- 4 Audited Annual Accounts 2020/2021** 87 - 90
Report dated 3 November 2021 by the Executive Director (Finance and Corporate Resources). Copy attached
- 5 2021/2022 Internal Audit Plan – Six Months to 31 March 2022** 91 - 102
Report dated 2 November 2021 by the Executive Director (Finance and Corporate Resources). Copy attached

Item(s) for Noting

- 6 Internal Audit Activity as at 29 October 2021** 103 - 110
Report dated 2 November 2021 by the Executive Director (Finance and Corporate Resources). Copy attached
- 7 Audit Scotland Report Local Government in Scotland Overview 2021** 111 - 116
Report dated 20 September 2021 by the Executive Director (Finance and Corporate Resources). Copy attached
- 8 Forward Programme for Future Meetings** 117 - 120
Report dated 7 October 2021 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.

For further information, please contact:-

Clerk Name:	Elizabeth-Anne McGonigle
Clerk Telephone:	01698 454521
Clerk Email:	elizabeth-anne.mcgonigle@southlanarkshire.gov.uk

RISK AND AUDIT SCRUTINY COMMITTEE

Minutes of meeting held via Microsoft Teams on 15 September 2021

Chair:

Councillor Eric Holford

Councillors Present:

Councillor Mary Donnelly, Councillor Julia Marrs, Councillor Davie McLachlan, Councillor Carol Nugent

Councillor Also Present:

Councillor Jim Wardhaugh

Councillors' Apologies:

Councillor Walter Brogan, Councillor Graeme Campbell, Councillor Grant Ferguson, Councillor Martin Lennon

Attending:

Finance and Corporate Resources

P Manning, Executive Director (Finance and Corporate Resources); Y Douglas, Audit and Compliance Manager; S Dunsmore, Insurance and Risk Manager, E-A McGonigle, Administration Officer; J Taylor, Head of Finance (Strategy), B Teaz, Head of IT Services

Also Attending:

Audit Scotland

G McNally, 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 22 June 2021 were submitted for approval as a correct record.

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

3 Internal Audit Activity as at 27 August 2021

A report dated 30 August 2021 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 5 June to 27 August 2021.

Findings from internal audit assignments were reported to the Committee throughout the year and the last progress report was considered by this Committee on 22 June 2021. Key performance indicators, which reflected quality, on time and within budget for the period to 30 June 2021, were summarised at 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.

Much of the focus for the first quarter of the year had been the preparation of annual assurance reports for the Council and the 4 external clients to which the Council provided an internal audit service, in conjunction with supporting Council Services to disburse COVID-19 grants. Those tasks had exceeded the original estimated days to complete and this had impacted on progress with other assignments that were anticipated to be concluded in the first 6 months of the year. Work to complete the first phase of the 2021/2022 Audit Plan continued and a full update, together with a proposed Plan for the remainder of the year, would be presented to the next meeting.

The findings from assignments completed in the period 5 June to 27 August 2021 were detailed in Appendix 2 to the report.

The Committee decided: that the report be noted.

[Reference: Minutes of 22 June 2021 (Paragraph 6)]

4 Year End Risk Management Report 2020/2021 and Review of Council's Top Risks 2021/2022

A report dated 16 August 2021 by the Executive Director (Finance and Corporate Resources) was submitted providing an update on:-

- ◆ progress with risk management activity undertaken during 2020/2021
- ◆ the Council's top risk register following the review and consultation process

In 2020/2021, a mid-year review of the Council's 'very high' scored risks was undertaken to ensure that those risks continued to be managed appropriately, given their significance. The only change of note at this time, was a reduction in the risk score on the 'Social Work Care Inspectorate Requirements' risk. Details of further amendments to this risk were provided in Appendix 3 to the report.

An informal benchmarking exercise was undertaken to review the Council's top risks against a neighbouring authority's risk register. This review established that the current South Lanarkshire Council's top risk register was, in the main, reflective of the risks faced by the neighbouring authority. The intention was to expand this exercise further with additional local authorities for the 2022/2023 review.

Risk Sponsors were required on an annual basis to assess their Resource's compliance with the Risk Management Strategy and provide supporting evidence. The information for 2020/2021 was summarised in the end of year compliance statement which was detailed in Appendix 1 to the report. Resources continued to demonstrate full compliance with the Strategy, having scored 45 out of 45. The revised 5x5 risk scoring matrix was attached as Appendix 2 to the report.

The annual review, in line with previous years, did not result in wholesale changes to the top risk register. The risks from the previous year's review, as detailed in the report to this Committee on 9 December 2020, were still deemed to be valid, however, the majority of those risks had been impacted by the COVID-19 pandemic.

Details were given on the main changes to the Council's top risk register as follows, with further details provided in Appendix 3 to the report:-

- ◆ the residual risk score for 'COVID-19 pandemic' had reduced from 20 to 16
- ◆ a new risk had been added, 'The Council was materially affected by the recommendations arising from the independent review of Adult Social Care in Scotland'
- ◆ the residual risk score for 'EU Exit' had reduced from 20 to 12

- ◆ the risk 'Failure to evidence progress against Social Work Care Inspectorate Requirements' was no longer considered to be a Council top risk and had been removed following the acknowledgement by the Care Inspectorate of improvements made in the Hamilton and Rutherglen service areas
- ◆ the risk card for 'Potential liability arising from claims of historic abuse' had been re-written to reflect upon recent developments and changes to legislation
- ◆ the risk 'Failure to adequately prepare for the national expansion in early years' education and child care provision' was no longer considered to be a Council top risk and had been removed
- ◆ the risk 'Failure to maintain the required pupil/teacher ratio' was no longer considered to be a Council top risk and had been removed
- ◆ the risk description for 'Death or injury to employees, service users or members of the public affected by Council operations' had been amended to capture wider health, safety and wellbeing issues
- ◆ risk descriptions, controls and actions had been updated, as required, on individual risks, following discussion with risk owners

The Council's top risk register was monitored on an ongoing basis and updates were reported annually to this Committee. Risk scores and rankings would be amended if new information came to light that allowed the position to be reassessed. The top risk register for 2021 was attached as Appendix 4 to the report.

Horizon scanning was used to identify several areas that could pose potential threats and risks or emerging issues and opportunities that could affect the Council. Full details were provided at Appendix 5 to the report and those areas would continue to be monitored.

The Committee decided:

- (1) that the Resource compliance with the requirements of the Risk Management Strategy be noted;
- (2) that progress being made in delivering actions to mitigate top Council risks be noted; and
- (3) that the updated Council top risks be noted.

[Reference: Minutes of 9 December 2020 (Paragraph 6)]

5 2020/2021 Year End Insured Risks Report

A report dated 16 August 2021 by the Executive Director (Finance and Corporate Resources) was submitted on the Council's insurance claims for the year to 31 March 2021 for the following main classes of insurance:-

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

Appendix 1 to the report provided annual comparisons of the numbers and values of claims by Resources for the years 2016/2017 to 2020/2021. The comparison showed an overall downward trend in the number of claims. Claims costs had fluctuated over the last 5 years with 2020/2021 showing the lowest number of claims received during this period.

Appendix 2 to the report compared claim numbers and costs for 2020/2021, at 31 March 2021, with the equivalent position for 2019/2020. This showed a reduction of 228 claims (22.9%) on the numbers reported in 2019/2020 and an increase in the cost of claims from £1.947 million in 2019/2020 to £2.010 million in 2020/2021.

Information was provided on:-

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

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

The Committee decided:

- (1) that the Insured Risks Report for the year ended 31 March 2021 be noted; and
- (2) that ongoing work to identify and mitigate insurance hotspots be noted.

[Reference: Minutes of 21 September 2020 (Paragraph 5)]

Councillor Nugent left the meeting during consideration of this item of business due to technical difficulties

6 2020/2021 National Fraud Initiative Exercise

A report dated 30 August 2021 by the Executive Director (Finance and Corporate Resources) was submitted on the 2020/2021 National Fraud Initiative (NFI) exercise.

The NFI matched similar data across public sector systems and identified possible inconsistencies. Those inconsistencies, known as matches, required to be investigated by participating public bodies with a view to detecting fraud. The full exercise continued to be undertaken every 2 years. This data was matched to other benefits and payroll data as well as Department for Work and Pensions (DWP) deceased persons' records and the Electoral Register.

A full NFI exercise had been undertaken in 2020/2021 and involved Council wide comparisons including:-

- | | |
|--------------------------------|--|
| ◆ housing benefits | ◆ blue badge holders |
| ◆ Council Tax Reduction Scheme | ◆ procurement |
| ◆ payroll | ◆ creditors |
| ◆ housing tenants | ◆ Council tax single discount |
| ◆ waiting lists | ◆ Small business grant fund (SBGF) and retail, hospitality and leisure grants (RHLG) |

For the 10 match areas, 4 categories had a decrease in match numbers, 5 categories had an increase in matches, and one new category was introduced in relation to COVID-19 grant funding.

Details were given on the results of the 2020/2021 exercise which, for the Council, highlighted that:-

- ◆ at 4 June 2021, a total of 17,113 matches had been identified. Of those, it was intended to investigate a total of 9,954 matches
- ◆ the greatest percentage decrease had been in the number of matches relating to Housing Benefit. This decrease was likely to be attributable to the ongoing move to Universal Credit which was now managed by the DWP
- ◆ the greatest percentage increase had been in the number of blue badges matched to DWP deceased persons' records. This might relate to a timing issue from the date the information was provided to NFI and the date matches were carried out

Appendices 1 to 3 to the report provided:-

- ◆ details of the match areas covered in the 2020/2021 exercise
- ◆ a comparison of matches reported to the Committee in 2020
- ◆ a detailed breakdown of the target investigations and outcomes

Due to resources required to respond to the ongoing COVID-19 pandemic, the deadline for investigations was extended to 31 March 2022, however, it was anticipated that the majority of investigations would be completed ahead of this date. Further updates would be reported to the Committee during 2021/2022.

The Committee decided: that the results of the matching exercise and target number of investigations be noted.

[Reference: Minutes of 21 September 2020 (Paragraph 6)]

7 Fraud Statistics Annual Report 2020/2021

A report dated 30 August 2021 by the Executive Director (Finance and Corporate Resources) was submitted on fraud statistics for the year to 31 March 2021 and comparing those figures with the previous year's statistics.

The number, types, outcomes and costs of fraud investigations, together with performance measures for the year to 31 March 2021, were detailed in the report. A comparison to the statistics for the same period in the previous year was also provided. Those statistics highlighted that:-

- ◆ 26 fraud investigations, with a total value of £45,000, had been reported in the period, representing a decrease in number and in value from the previous year
- ◆ 63% of cases investigated were founded
- ◆ all except one founded case related to benefit fraud or fraud committed by a third party

On conclusion of all internal investigations, an assessment was made on whether improvement actions were necessary. Arising from the fraud investigations during the year to 31 March 2021, an improvement plan with 7 separate actions had been produced.

The Committee decided: that the report be noted.

[Reference: Minutes of 21 September 2020 (Paragraph 8)]

8 Financial Management Code

A report dated 10 June 2021 by the Executive Director (Finance and Corporate Resources) was submitted on the Financial Management (FM) Code and an update on the Council's self-assessment exercise.

The Chartered Institute of Finance and Public Accountancy (CIPFA) introduced the FM Code which provided "guidance for good and sustainable financial management in local authorities. By complying with the principles and standards within the code, authorities would be able to demonstrate their financial sustainability". A key goal of the FM Code was to improve the financial resilience of organisations by embedding enhanced standards of financial management.

2020/2021 was the shadow year of implementing the FM Code and CIPFA had suggested that by 31 March 2021, local authorities should be able to demonstrate that they were working towards full implementation. The first full year of compliance with the FM Code would be 2021/2022.

A review of the FM Code was undertaken and consideration given to the Council's position in relation to it. The principles that informed the FM Code had been designed to focus on an approach that would assist in determining whether, in applying standards of financial management, a local authority was financially sustainable.

Details were provided on the following principles of the FM Code:-

- ◆ organisational leadership
- ◆ accountability
- ◆ financial management
- ◆ adherence to professional standards
- ◆ sources of assurance
- ◆ long-term sustainability of local services

Appendix 1 to the report detailed the Council's position against each of the principles and the response to the self-assessment. Of the 17 criteria in the self-assessment, the Council had fully embedded 14 as part of its normal business by the end of the shadow implementation year 2020/2021. This highlighted that the Council already had a strong approach to financial management and financial resilience, including demonstrating value for money, strong governance and controls and adherence to professional guidance, and approach to financial management and reporting.

In respect of the 3 criteria that were not fully embedded, actions had been developed that would allow for further incorporation and development of the existing financial management controls and measures to provide continued comfort on financial resilience. Those actions would be completed by the end of March 2022 to ensure full compliance at the end of the first full year of implementation.

The Committee decided:

- (1) that the requirements of the Financial Management (FM) Code, detailed in section 4 of the report, be noted; and
- (2) that the Council's position in relation to the shadow year self-assessment, detailed in section 5.4 of the report, be noted.

9 Audit Scotland – Financial Overview 2019/2020

A report dated 5 July 2021 by the Executive Director (Finance and Corporate Resources) was submitted on the Audit Scotland report entitled 'Financial Overview 2019/2020' which had been published in January 2021.

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

- ◆ councils' income in 2019/2020
- ◆ financial position
- ◆ financial outlook
- ◆ Integration Joint Boards' overview 2019/2020

The key messages from the Audit Scotland report were detailed, together with an assessment of the position in South Lanarkshire Council.

The Committee decided:

- (1) that the key messages and recommendations contained in the Audit Scotland report entitled 'Financial Overview 2019/2020', as detailed in sections 4 to 7 of the report, be noted; and
- (2) that the Council's position on those key messages and recommendations, as detailed in section 8 of the report, be noted.

[Reference: Minutes of 18 June 2020 (Paragraph 9)]

10 Audit Scotland Report: Digital Progress in Local Government

A report dated 30 August 2021 by the Executive Director (Finance and Corporate Resources) was submitted on a summary of the information contained within the Audit Scotland Report 'Digital Progress in Local Government' published in January 2021.

The use of digital technologies was becoming increasingly commonplace in all aspects of life, including personal, social and in the workplace. A digitally enabled business could deliver both improved services and efficiencies.

Over the past year, digital technologies had enabled councils to continue to deliver services during the COVID-19 pandemic. This was demonstrated by an accelerated rollout of laptops and Office 365/Microsoft Teams which enabled thousands of staff to work effectively from home. Virtual committee meetings had allowed the democratic processes to continue and citizen interaction in many cases had transferred to channels such as email, online forms, phone and videoconferencing.

The pandemic had also highlighted the disadvantages that many citizens experienced through digital exclusion, where they could not access, or benefit from, online services. The reasons for exclusion included poor internet availability, affordability, lack of skills or concerns around online security. The Council's Digital Inclusion Strategy had a programme of work to address those challenges in the Council.

The Digital Inclusion Strategy set out how the Council utilised technology to deliver service and cost benefits. The Strategy was currently being refreshed and would be submitted to a future meeting of this Committee for approval. This would align closely with the Council Plan, Connect and the new Scottish Government national digital strategy published in spring 2021.

Audit Scotland published a report in January 2021, "Digital Progress in Local Government", which looked at how well councils were progressing with digital transformation. Audit Scotland interviewed representatives from several councils, COSLA, the Local Government Digital Office, Scotland Excel and SEEMiS to assess progress.

Information was provided on the key messages arising from the Audit Scotland report including:-

- ◆ impact of COVID-19
- ◆ becoming a digital council
- ◆ citizens at heart
- ◆ workforce and skills
- ◆ data and technology
- ◆ national leadership and collaboration

A summary of the Audit Scotland recommendations for councils, together with an assessment of the position in South Lanarkshire Council, was provided.

The Committee decided: that the key messages and recommendations of the Audit Scotland Report 'Digital Progress in Local Government' be noted.

11 Forward Programme for Future Meetings

A report dated 21 July 2021 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 26 January 2022.

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 meeting of the Risk and Audit Scrutiny Committee to 26 January 2022 be noted.

12 Urgent Business

There were no items of urgent business.

Report

3

Report to: **Risk and Audit Scrutiny Committee**
 Date of Meeting: **17 November 2021**
 Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **External Auditor's Report 2020/2021**

1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise members of the External Auditor's report for 2020/2021

2. Recommendation(s)

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

- (1) that the attached External Auditor's Report be noted.

3. Background

3.1. The Council's External Auditors, Audit Scotland, have completed an audit which extends across the 2020/2021 Accounts and related matters.

3.2. Members are required to have regard to any report made or advice provided on the Annual Accounts by the External Auditor.

3.3. The External Auditor's Report is appended to this covering paper. A full contents list is included in section 4 for ease of reference.

4. External Auditor's Report – South Lanarkshire Council

4.1. As noted in section 3.3, the External Auditor's report is appended to this covering paper. The report itself is preceded by the following documents:

- ◆ Letter to the Risk and Audit Scrutiny Committee
- ◆ Appendix A: Proposed Independent Auditor's Report
- ◆ Appendix B: Letter of Representation (IAS 580)
- ◆ Appendix C: Registered charities administered by South Lanarkshire Council
- ◆ Appendix D: Proposed independent auditors report – registered charities administered by South Lanarkshire Council
- ◆ Appendix E: Letter of representation – registered charities administered by South Lanarkshire Council

4.2. The External Auditor's report is then attached for members' consideration.

5. Employee Implications

5.1. There are no direct employee implications from this report.

6. Financial Implications

6.1. There are no direct financial implications arising from this report.

7. Climate Change, Sustainability and Environmental Implications

- 7.1. There are no Climate Change, Sustainability or Environmental implications in terms of the information contained within this report

8. Other Implications

- 8.1. The main risk associated with the Council and Charitable Annual Accounts is a qualified audit report. The risk has been assessed as low due to the detailed preparation in relation to the year end process, technical training undertaken by key finance staff and the roll out of this to Resource finance staff as appropriate. Finance and Resources work together to achieve key deadlines and actions set from timetables.

9. Equality Impact Assessment and Consultation Arrangements

- 9.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and therefore no impact assessment is required.
- 9.2. There is also no requirement to undertake any consultation in terms of the information contained in this report.

Paul Manning

Executive Director (Finance and Corporate Resources)

8 November 2021

Link(s) to Council Values/Ambitions/Objectives

- ♦ Accountable, Effective, Efficient and Transparent

Previous References

- ♦ None

List of Background Papers

- ♦ External Auditor's Report.

Contact for Further Information

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

Jackie Taylor, Head of Finance

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E-mail: jackie.taylor@southlanarkshire.gov.uk

Risk and Audit Scrutiny Committee

17 November 2021

South Lanarkshire Council Audit of 2020/21 annual accounts

Independent auditor's report

1. Our audit work on the 2020/21 annual accounts of South Lanarkshire Council and the registered charities administered by the council ([appendix C](#)) is now substantially complete. Subject to the receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's following approval of the annual accounts (the proposed reports are attached at [appendix A](#) and [appendix D](#)).

Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Risk and Audit Scrutiny Committee's consideration our proposed annual report on the 2020/21 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.

3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.

4. This report will be issued in final form after the annual accounts have been certified.

Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected.

6. We have no unadjusted misstatements to report.

Fraud, subsequent events and compliance with laws and regulations

7. In presenting this report to the Risk and Audit Scrutiny Committee we seek confirmation from those charged with governance of any instances of any actual, suspected, or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

Representations from management

8. As part of the completion of our audit, we are seeking written representations from the Executive Director of Finance and Corporate Resources on aspects of the annual accounts, including the judgements and estimates made.

9. Draft letters of representation in respect of the council and the registered charities are attached at [appendix B](#) and [appendix E](#). These should be signed and returned to us by the Executive Director of Finance and Corporate Resources together with the signed annual accounts prior to the independent auditor's report being certified.

Concluding remarks

10. I take this opportunity to record my thanks for the patient and courteous assistance extended to the audit team. Officers provided good support to the audit team which helped to ensure that the audit process ran smoothly.



Fiona Mitchell-Knight FCA

Audit Director

Audit Scotland

4th Floor, The Athenaeum Building

8 Nelson Mandela Place

Glasgow, G2 1BT

Appendix A: Proposed Independent Auditor's Report

Independent auditor's report to the members of South Lanarkshire Council and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of South Lanarkshire Council and its group for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Expenditure and Funding Analysis, Comprehensive Income and Expenditure Statements, Balance Sheets, Movement in Reserves Statements, Cash-Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Statement of Movement on the Housing Revenue Account Balance, the National Non Domestic Rates Income Accounts Statement, the Council Tax Income Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 2020/21 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the council and its group as at 31 March 2021 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 18 July 2016. The period of total uninterrupted appointment is 5 years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Executive Director of Finance and Corporate Resources and the Risk and Audit Scrutiny Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Executive Director of Finance and Corporate Resources is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Executive Director of Finance and Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Finance and Corporate Resources is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Risk and Audit Scrutiny Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the council is complying with that framework;
- identifying which laws and regulations are significant in the context of the council;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

I have audited the part of the Remuneration Report described as audited. In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Statutory other information

The Executive Director of Finance and Corporate Resources is responsible for the statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on Management Commentary and Annual Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Fiona Mitchell-Knight FCA
Audit Director
Audit Scotland
4th Floor South Suite
The Athenaeum Building
Glasgow
G2 1BT

17 November 2021

Appendix B: Letter of Representation (ISA 580)

Fiona Mitchell-Knight FCA
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

Dear Fiona,

South Lanarkshire Council Annual Accounts 2020/21

This representation letter is provided about your audit of the annual accounts of South Lanarkshire Council and its group for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.

I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Corporate Management Team and the council, the following representations given to you in connection with your audit of South Lanarkshire Council annual accounts for the year ended 31 March 2021.

General

South Lanarkshire Council and I have fulfilled our statutory responsibilities for the preparation of the 2020/21 annual accounts. All the accounting records, documentation, and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by South Lanarkshire Council have been recorded in the accounting records and are properly reflected in the financial statements.

I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (2020/21 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003, and The Local Authority Accounts (Scotland) Regulations 2014.

In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of South Lanarkshire Council and its Group at 31 March 2021 and the transactions for 2020/21.

Accounting Policies & Estimates

All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2020/21 accounting code where applicable. Where the code does not specifically apply, I have used judgement in developing and applying

an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to South Lanarkshire Council's circumstances and have been consistently applied.

The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or because of new information or experience.

Going Concern Basis of Accounting

I have assessed the ability of the council and its group to carry on as a going concern. I am not aware of any material uncertainties that may cast significant doubt on this. The going concern basis of accounting is considered appropriate.

Assets

The assets shown in the books and accounts at 31 March 2021, other than assets which are employed under finance leases, were owned by South Lanarkshire Council. The assets are free from any lien, encumbrance, or charge.

For the year ended 31 March 2021, title deeds for properties owned or mortgaged to South Lanarkshire Council were held by the Council and all such deeds were in order.

Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2021 does not differ materially from that which would be determined if a revaluation had been carried out at that date.

All non-current assets are appropriately classified and there are no known errors in the valuations of non-current assets in the balance sheet. The net book value in the balance sheet was arrived at after:

- Taking into account all material capital expenditure on additions but not expenditure properly chargeable to revenue
- The amounts at which the land and buildings were stated in the balance sheet were properly calculated in accordance with the approved bases of valuation and fairly represented the values at 31 March 2021
- Deducting the cost and accumulated depreciation relating to items sold or scrapped
- Providing for depreciation and obsolescence on bases and at rates calculated to reduce the net book value of each asset to its estimated residual value by the end of its probable useful life

The council's housing stock was valued on the Existing Use Value – Social Housing (EUV – SH) using the beacon principle. In my view the valuation approach complies with RICS guidance, it is in accordance with the Code and fairly represents the value of the housing stock.

The council owns intangible assets in the form of software licenses. Intangible assets have been separately identified in the balance sheet. Intangible assets have been recognised in accordance with the Code and IAS 38, as disclosed in note 21 to the accounts.

All leasing arrangements have been reviewed and correctly classified as operating or finance within the financial statements. Lease arrangements granted by South Lanarkshire Council have been correctly classified and disclosed in the financial statements.

In line with the requirements of FRS 30 Heritage Assets, heritage assets are included in the balance sheet at valuation. As allowed by the Code, the basis of valuation is the declared valuation for insurance purposes or replacement value. There are a number of heritage assets where obtaining a valuation would involve disproportionate cost and the Code permits such assets to be excluded from the balance sheet.

All long-term debtors and prepayments have been fully provided for in the books of account.

The council's stocks have been valued at the lower of cost or net realisable value. All inventories are included in the financial statements.

I carried out an assessment at 31 March 2021 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.

Liabilities

All liabilities have been provided for in the books of account, including the liability for all purchases for which title has passed prior to 31 March 2021 and deferred liabilities arising from the financing of PPP/PFI contracts and other finance leases.

Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2021 of which I am aware where the conditions specified in the 2020/21 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2021.

Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2021 or to reflect material changes in the assumptions underlying the calculations of the cash flows.

Expenditure has only been accrued where it relates to costs incurred prior to the financial year end.

The accrual recognised in the financial statements for holiday untaken by 31 March 2021 has been calculated by extrapolating actual costs from a sample of staff. In my opinion the sample selected is representative of the workforce as a whole.

The pension assumptions made by the actuary in the IAS 19 report for South Lanarkshire Council have been considered and I confirm that they are consistent with management's own view.

There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Contingent liabilities

There are no significant contingent liabilities, other than those disclosed in Note 31 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and IAS 37.

Loans Fund

All borrowings are compliant with relevant legislation. The council did not, during 2020/21, borrow in advance of immediate requirements other than as part of normal treasury management.

The accounting policy for profiling loans fund repayments has been changed in 2020/21. The profiling of the payments included in the annual accounts complies with the reported accounting policy and relevant statutory guidance.

Insurance Fund

In respect of the council's insurance fund for property, motor and liability insurance, there are no material unfunded risks.

Other matters

I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24, as interpreted by the Code.

Except as disclosed in the financial statements, the results for the period were not materially affected by:

- Transactions of a sort not usually undertaken by South Lanarkshire Council
- Circumstances of an exceptional or non-recurrent nature
- Changes or credits relating to prior periods
- Any change in the basis of accounting

Common good fund and trust funds

In my opinion the common good assets, liabilities and revenue transactions within the financial statements are materially complete. All common food assets, liabilities and revenue transactions have been properly separated from the council's single entity accounts and are reflected within the common good accounts in accordance with LASAAC guidance issued in December 2007.

Similarly, all assets, liabilities and revenue transactions relating to trusts administered by the council have been properly separated from the council's single entity accounts and are reflected within the trust fund accounts.

Fraud

I acknowledge that it is the responsibility of South Lanarkshire Council to prevent and detect fraud and other irregularity. I have considered the risk that the financial statements may be materially misstated because of fraud. I have disclosed to you any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

Laws and Regulations

I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2020/21 accounting code. I have made available to you the identity of all the South Lanarkshire Council's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014.

Management commentary

I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

I confirm that South Lanarkshire Council has undertaken a review of the system of internal control during 2020/21 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2021, which require to be reflected.

Group Accounts

I have identified all the other entities in which South Lanarkshire Council has a material interest and have classified and accounted for them in accordance with the 2020/21 accounting code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

Events Subsequent to the Date of the Balance Sheet

All events subsequent to 31 March 2021 for which the 2020/21 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Paul Manning
Executive Director of Finance and Corporate Resources
South Lanarkshire Council

Appendix C: Registered charities administered by South Lanarkshire Council

Charity	Scottish charity number
South Lanarkshire Council Charitable Trusts	SC025089
East Kilbride Information Technology Centre Trust	SC015221
South Lanarkshire Council Educational Trusts	SC028135

Appendix D: Proposed independent auditors report – registered charities administered by South Lanarkshire Council

Independent auditor's report to the trustees of <insert name of charity> and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of <insert name of charity> for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments, the Statement of Balances and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the charity for the year ended 31 March 2021 and its statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the trustees for the financial statements

The trustees are responsible for the preparation of financial statements which properly present the receipts and payments of the charity, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the charity is complying with that framework;
- identifying which laws and regulations are significant in the context of the charity;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the charity's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on other requirements

Statutory other information

The trustees are responsible for the statutory other information in the statement of accounts. The statutory other information comprises the Trustees' Annual Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinion prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Charities Accounts (Scotland) Regulations 2006.

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Andrew Kerr CA
Senior Audit Manager
Audit Scotland
4th Floor South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

17 November 2021

Andrew Kerr is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

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8 Nelson Mandela Place
Glasgow
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Appendix E: Letter of representation – registered charities administered by South Lanarkshire Council

Andrew Kerr CA
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

Dear Andrew,

South Lanarkshire Charitable Trusts
East Kilbride Information Technology Centre Trust
South Lanarkshire Educational Trusts

SC025089
SC015221
SC028135

Annual accounts of the registered charities administered by South Lanarkshire Council 2020/21

This representation letter is provided in connection with your audit of the financial statements of the registered charities listed above for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements properly presents the financial position of each of these registered charities as at 31 March 2021 and their receipts and payments for the year then ended.

I confirm to the best of my knowledge and belief and having made appropriate enquiries of the trustees of the registered charitable trusts, the following representations given to you in connection with your audit for the year ended 31 March 2021.

General

I acknowledge my responsibility and that of South Lanarkshire Council, as the administering authority, for the preparation of the financial statements on behalf of the trustees. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by the registered charitable trusts have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.

The information given in the Trustees Reports presents a balanced picture of each charity and is consistent with the financial statements.

I confirm that there are no uncorrected misstatements.

Financial reporting framework

The financial statements have been prepared in accordance with the requirements of Local Government (Scotland) Act 1973 including all relevant presentation and disclosure

requirements. The financial statements also comply with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and the Charities Accounts (Scotland) Regulations 2006 and guidance issued by the Office of the Scottish Charity Regulator (OSCR).

Disclosure has been made in the financial statements of all matters necessary for them to properly present the transactions and state of affairs of each charity for the year ended 31 March 2021.

Accounting policies

The financial statements have been prepared on a receipts and payments basis in accordance with applicable regulations and the founding documents of each charitable trust.

Assets

The cash fund and investments shown in the statement of balances at 31 March 2021 were owned by the charities. Assets are free from any lien, encumbrance, or charge. There are no plans or intentions that are likely to affect the carrying value of classification of the assets within the financial statements.

Related party transactions

There were no related party transactions with any party other than South Lanarkshire Council as administering agent.

Governance

The business of the charitable trusts is recorded in the systems of South Lanarkshire Council. As section 95 officer for South Lanarkshire Council, I confirm that there are no issues or deficiencies in internal control that require to be disclosed within the financial statements of the charitable trusts.

Fraud

I have considered the risk that the financial statements may be materially misstated because of fraud or irregularity. There have been no actual or alleged frauds or irregularities involving trustees or staff of South Lanarkshire Council that could affect the financial statements of the charitable trusts.

Events subsequent to the balance sheet date

There have been no material events since 31 March 2021 which necessitate revision of the figures in the financial statements or notes thereto, including contingent assets and liabilities.

Since 31 March 2021, no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Yours sincerely

Paul Manning
Executive Director of Finance and Corporate Resources, South Lanarkshire Council, for and on behalf of the trustees of the charities administered by South Lanarkshire Council.

South Lanarkshire³ Council

Proposed 2020/21 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of South Lanarkshire Council and the Controller of Audit
November 2021

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Key messages

2020/21 annual accounts

- 1 Our audit opinions on the annual accounts of the council, its group and the three section 106 charities administered by the council are unmodified.
- 2 The management commentary, annual governance statement and remuneration report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.
- 3 Over several years we have identified a number of errors in the accounting for non-current assets. While the errors identified have been corrected in the accounts, the council needs to review its procedures for accounting for non-current assets.

Financial management

- 4 Financial management is effective. The financial impact of Covid-19 has been reported to members.
- 5 The pandemic had a significant impact on the council's 2020/21 budget outturn position. A budget underspend of £77.224 million is reported. £32.390 million of the underspend related to unspent Covid-19 funding.
- 6 Costs relating to the Covid-19 pandemic totalled £35.800 million in 2020/21. The council received £68.190 million of direct funding, and administered £77.556 million of agency income, provided by the Scottish Government in 2020/21.
- 7 The unspent Covid-19 funding of £32.390 million contributed significantly to the £41.401 million increase in general fund reserves at March 2021. £27.861 million of this unspent funding was received late in the financial year from the Scottish Government.

Financial sustainability

- 8 Covid-19 funding increased the council's reserves, but these funds will be required to meet ongoing financial pressures. Recovery from the pandemic is a key element of the council's 2021/22 budget.
- 9 Medium and longer-term financial plans are in place but should be updated to reflect the impact of the pandemic. This is the case for all councils.

Governance and transparency

- 10** Effective governance and decision making-arrangements were in place during 2020/21, with appropriate adjustments made to these to reflect the ongoing disruption caused by the pandemic.
- 11** Internal controls operated effectively during 2020/21.
- 12** The council has in place appropriate arrangements for prevention and detection of fraud and corruption, with work undertaken in the year to counter potential fraud risks from Covid-19.

Best Value

- 13** Good progress has been made in addressing the recommendations from the [Best Value Assurance Report](#) (March 2019).
- 14** The council demonstrates a clear focus on delivering Best Value, with its rate of performance improvement remaining consistent over recent years. The way that some services have been delivered changed to reflect the needs of communities during the pandemic.

Introduction

1. This report summarises the findings arising from the 2020/21 audit of South Lanarkshire Council (the council) and its group.
2. The scope of the audit was set out in our [2020/21 annual audit plan](#) presented to the March 2021 meeting of the Risk and Audit Scrutiny Committee. This report comprises the findings from:
 - an audit of the annual accounts
 - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) namely, financial management, financial sustainability, governance and transparency and value for money.

Responsibilities and reporting

3. The council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.
4. The council is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.
5. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK.
6. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:
 - the suitability and effectiveness of corporate governance arrangements, and financial position
 - the arrangements for securing financial sustainability,
 - the effectiveness of the council's performance management arrangements and,
 - Best Value arrangements.
7. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

8. This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

9. Our annual audit report contains an agreed action plan at [appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

Adding value through the audit

10. In addition to our primary responsibility of reporting on the annual accounts we seek to add value to the council by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we aim to help the organisation promote improved standards of governance, better management and decision making, and more effective use of resources.

Auditor Independence

11. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the annual accounts auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

12. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2020/21 audit fee of £516,575 as set out in our annual audit plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

13. This report is addressed to both the council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

14. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

1. Audit of 2020/21 annual accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

Our audit opinions on the annual accounts of the council, its group and the three section 106 charities administered by the council are unmodified.

The management commentary, annual governance statement and remuneration report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

The council approved the reprofiling of loans fund advance repayments during the year. The methodology applied to reprofile the repayments is in line with the council's new accounting policy and the guidance in this area. Due to this change the council's loans fund repayments were reduced by £12.160 million in 2020/21.

Over several years we have identified a number of errors in the accounting for non-current assets. While the errors identified have been corrected in the accounts, the council needs to review its procedures for accounting for non-current assets.

Our audit opinions on the annual accounts are unmodified

15. The annual accounts for the council and its group for the year ended 31 March 2021 are to be approved by the Risk and Audit Scrutiny Committee on 17 November 2021. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the management commentary, the annual governance statement and the remuneration report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

16. We concluded that there were no matters upon which we are required to report, by exception, to the Accounts Commission.

The annual accounts were signed off in line with the timescales permitted to reflect Covid-19

17. As a result of the continuing impact of Covid-19 the submission deadlines for Local Government audited annual accounts and annual audit reports have been set at 30 November 2021.

18. Despite the ongoing restrictions caused by the Covid-19 pandemic, we received the unaudited annual accounts on 29 June 2021 in line with the agreed audit timetable. The annual accounts submitted for audit were of a high standard as were supporting working papers. The exception to this is the accounting for non-current assets which is discussed further in item 2 in [exhibit 2](#). Finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

19. Although later than initially first planned, due to challenges in completing the audit remotely, the annual accounts were signed off in line with the revised timetable permitted to reflect the impact of Covid19.

There were no objections raised to the annual accounts

20. The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. There were no objections to the 2020/21 annual accounts.

Our audit identified and addressed the risks of material misstatement

21. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit, we identified a number of key audit risks which could impact on the annual accounts. We set out in our annual audit plan the audit work we proposed to undertake to secure appropriate levels of assurance. [Appendix 2](#) sets out the significant audit risks identified and how we addressed each risk in arriving at our opinion on the annual accounts.

Our audit testing reflected the calculated materiality levels

22. Materiality can be defined as the maximum amount by which auditors believe the annual accounts could be misstated and still not be expected to affect the perceptions and decisions of users of the annual accounts. The assessment of what is material is a matter of professional judgement. A misstatement or omission, which would not normally be regarded as material by value, may be important for other reasons (for example, an item contrary to law).

23. Our initial assessment of materiality for the annual accounts is undertaken during the planning phase of the audit. On receipt of the unaudited annual accounts, and following completion of audit testing, we reviewed our original materiality calculations and concluded that they remained appropriate. Our materiality levels are set out at [exhibit 1](#).

Exhibit 1

Materiality levels

Materiality levels	Amount
Overall materiality- This is the figure we use in assessing the overall impact of potential adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2021.	£13.375 million
Performance materiality- This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we calculated performance materiality at 50% of planning materiality.	£6.690 million
Reporting threshold- We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been set at 1% of planning materiality.	£0.135 million

Source: Audit Scotland

Identified misstatements of £18.822 million were adjusted in the accounts, these were more than our performance materiality and as such we revised our audit approach accordingly

24. We identified 13 misstatements, including misclassifications, with a gross value of £18.822 million in the unaudited annual accounts. Six of the misstatements, totalling £6.079 million, related to the non-current assets. As the total was above our performance materiality level, we revised our audit approach accordingly and increased audit testing in some areas.

25. Management have now adjusted the accounts to correct all the misstatements. These adjustments have contributed to the total comprehensive net income increasing by £4.884 million, with a corresponding increase in total reserves. Further details of these adjustments are included in [exhibit 2](#).

We have significant findings to report on the annual accounts

26. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to "those charged with governance". The qualitative aspects of the council's accounting practices, accounting policies, accounting estimates and accounts disclosures are satisfactory and appropriate to the council.



27. Significant findings are summarised at [exhibit 2](#). Where a finding has resulted in a recommendation to management, a cross reference to the action plan in [appendix 1](#) has been included.

28. In addition to the issues set out below, and in accordance with normal audit practice, a number of presentational and disclosure amendments were discussed and agreed with management.

Exhibit 2

Significant findings from the audit of the annual accounts

Issue	Resolution
<p>1. Loans fund reprofiling</p> <p>As detailed at paragraphs 29 - 35 in June 2020 the council approved a change in the method used to schedule repayments, from the general fund, for outstanding debt relating to advances from the loans fund.</p> <p>An element of the accounting treatment for the loans fund review involved profiling a recalculation adjustment. Following audit discussions on the profiling of this amount, the council made a change to the unaudited accounts to ensure the profiling better reflected the remaining asset lives that the borrowing financed. The impact of this was to reduce the 2020/21 loans fund repayments from £6.544 million to £2.028 million and increase the councils reserves by £4.516 million.</p>	<p>For information only.</p> <p>Audit's view is that the amended accounts include loans fund repayments that reflect the council's new accounting policy and guidance in this area.</p>
<p>2. Accounting for non-current assets</p> <p>Our testing of the council's non-current assets identified the following issues:</p> <ul style="list-style-type: none"> • Several assets with a nil book value were found to still be in use and as such required to be revalued. This resulted in a net increase of £3.864 million to the council's asset portfolio. • An asset with a net book value of £0.792 million was disposed of. However, as at 31 March 2021, the council still operated from this building, with the sale not scheduled to be concluded until January 2022. • An asset with a net book value of £0.360 million was noted as being disposed of (demolished). However, as at 31 March 2021, this asset was still held by the council and no demolition date has been set. 	<p>Management have corrected the misstatements in the audited annual accounts for each of the issues identified.</p> <p>In response to the issues, we undertook additional audit testing across a range of asset categories.</p> <p>Over the course of our audit appointment a large number of misstatements have been identified with the accounting treatment of the council's non-current assets. These have resulted in significant changes to the annual accounts.</p> <p>Clear year-end communication between Property Services and Corporate Finance is required to ensure accounting records are complete and accurate for the annual accounts.</p>

Issue	Resolution
<ul style="list-style-type: none"> Land with a value of £0.240 million was omitted from the asset register. There was a misclassification of a recently purchased asset resulting in a movement of £0.622 million between assets under construction and other land and buildings. 	 Recommendation 1 (appendix 1, action plan)
<p>3. Assets held for sale</p> <p>When an asset is re-classified as being held for sale, consideration should be given to its value in the accounts.</p> <p>There is an expectation that assets held for sale should achieve a sale within one year. Given the current climate, we recognise that this may not always be the case. However, for assets held longer than one year, a revaluation of these assets must be considered every year.</p> <p>Our testing identified one asset held for sale (since 2018/19) with a net book value of £0.651 million. This had not been revalued since 2016/17.</p>	<p>Management confirmed this asset is believed to have a valuation of £0.450 million, resulting in a £0.201 million overstatement. This has been adjusted for in the audited annual accounts.</p> <p>Management should ensure a process is in place to consider the appropriateness of the valuations for those assets classified as being held for sale.</p>  Recommendation 2 (appendix 1, action plan)
<p>4. Accounting treatment of Covid-19 funding</p> <p>The Scottish Government provided Covid-19 grant support funding to all councils in Scotland in 2020/21. This is discussed at paragraphs 68 - 77.</p> <p>The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) issued guidance on the expected accounting treatment and disclosure requirements for the various grants.</p> <p>The main consideration for council's was to assess whether they were acting as the principal (i.e., the council is acting on its own behalf) or as an agent of the Scottish Government in the disbursement of the grants to third parties.</p> <p>Our assessment of the council's accounting treatment against this guidance noted the following differences:</p>	<p>Management have corrected the misstatements in the audited annual accounts.</p>

Issue	Resolution
<ul style="list-style-type: none"> • Discretionary fund: £1.935m - accounted for as agency but should have been treated as principal. • Self-isolation grants: £0.499m - accounted for as principal but should have been treated as agency. 	
<p>5. Covid-19 funding guidance change</p> <p>After the unaudited accounts were produced, updated guidance relating to the accounting treatment for several Covid-19 grants was received from the Scottish Government and LASAAC. The council was required to amend the following:</p> <ul style="list-style-type: none"> • A number of Scottish Government grants awarded to the council to assist with additional Covid-19 costs were provided as part of the General Revenue Grant. In line with original guidance, these were initially accounted for against the relevant resource line within the Comprehensive Income and Expenditure Statement (CIES). Late guidance from LASAAC resulted in a change to the accounting requirements of these grants and, as a result, £1.7 million of expenditure has been moved from the resource lines into "Taxation and Non-specific Grant Income". • The council was provided with personal protective equipment (PPE) and Covid-19 testing kits for council staff totalling £3.482 million, free of charge. Late guidance determined that this should be accounted for in the annual accounts. There is a nil effect on the bottom line of the CIES. • Funding was provided for free school meals during the Easter holidays totalling £0.297 million. This had originally been treated as a prepayment in the annual accounts. However, clarification from Scottish Government and LASAAC indicated that these amounts should be included in the 2020/21 CIES. This change does not impact on the bottom line of the CIES or Balance Sheet. 	<p>The misstatements arose due to late Scottish Government guidance. Management have adjusted for these in the audited annual accounts.</p>

Issue	Resolution
6. Provision for dilapidations Our audit testing identified £0.315 million relating to dilapidation costs which had not been provided for in the unaudited accounts.	Management have adjusted for this in the audited annual accounts.

Source: Audit Scotland

The council approved the reprofiling of loans fund advance repayments during the year which has reduced the annual payments from the general fund to the loans fund

29. The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016

(the 2016 Regulations) came into force on 1 April 2016.

These Regulations replace the statutory provisions for local authority borrowing, lending and loans funds as set out in Schedule 3 of the Local Authority (Scotland) Act 1975.

30. The 2016 regulations make provision, with respect to the powers of local authorities, to borrow money and to maintain loans funds. The loans fund operates like an internal bank: it raises money externally and makes advances to council services, typically for large capital projects. The service repays the amount advanced over a specified number of years. Prior to the introduction of the 2016 regulations this repayment period was fixed at the outset and was not changeable.

31. The 2016 regulations give councils more flexibility in making their debt repayments, by allowing them to repay their outstanding loan debt over a different period if it can be considered prudent to do so. The advantage to a council of extending repayment periods is that reduced annual repayments are made by services, relieving short term pressures on revenue budgets. There is no impact on the overall level of debt that will be repaid but the term over which it is repaid is extended.

32. In June 2020, the Executive Director of Finance and Corporate Resources presented a business case to the council's Executive Committee. This reviewed the profile of the council's loans fund charges for the repayment of its underlying debt liability, in line with the life of the assets associated with that debt. The Executive Committee approved the implementation of the loans fund review. This resulted in a change in accounting policy for 2020/21 moving from the "statutory method" to the "asset life method" for future repayments for outstanding debt relating to advances from the loans fund.

33. The outstanding internal debt was £892 million, £75 million of this has previously been charged to services under the previous accounting policy. As a result, this has been treated by the council as a 'recalculation adjustment' and a balance of £817 million has been reprofiled under the new policy.

34. The [Local government finance circular 7/2016: Loans Fund Accounting guidance](#) requires the period over which loans fund repayments are profiled to be prudent. It says that 'prudent repayment of a loans fund advance is one which is reasonably commensurate with the period and pattern of benefits provided to the community from the capital expenditure.' In our opinion the methodology used for reprofiling the council's loans fund balances is prudent based on the expectations of the circular and the council's new accounting policy.

35. The reprofiling of the debt reduced the council's repayment of loans fund principal recharges in 2020/21 by £12.160 million. The council will continue to benefit from an annual reduction in loans fund principal recharges up to 2045/46. It should be noted however that the total amount to be repaid is unaffected by the change. The reprofiling means that annual repayments will require to be made over a longer period than would have been the case under the "statutory method," as a result the council will incur additional interest charges over this period.

The council's 2020/21 management commentary provides a fair picture of its performance and operational activity for the year, including the impact from the pandemic

36. Management commentaries included in the annual accounts should provide information on the council, its main objectives and the principal risks faced. It should provide a fair, balanced, and understandable analysis of a council's performance as well as helping stakeholders understand the financial statements.

37. The council's management commentary that accompanies the annual accounts explains how the council has performed against its budget and how this is reconciled to the financial statements. The impact of Covid-19 on the 2020/21 outturn and reserves position was clearly disclosed. The council has also included a good level of disclosure on the principal risks it is facing going forward. This includes details on how the pandemic will continue to be an area of focus for the foreseeable future, given its impact on all aspects of the council's operations.

The annual governance statement includes a good level of disclosure of the impact Covid-19 had on the council's governance arrangements during 2020/21

38. The council has a Local Code of Corporate Governance, and this is reviewed and updated annually. The local code follows the principles set out in the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework 2016. The council's annual governance statement complies with this guidance and continues to represent good practice.

39. In response to Covid-19 and government imposed social restrictions, public bodies had to quickly change how they delivered services. The widespread use of virtual working and the rapid introduction of new programmes and services to support businesses and individuals, created a range of potential financial risks and challenges to internal controls. In its annual governance statement, the

council has provided a good level of disclosure of the impact that Covid-19 has had on its governance arrangements in 2020/21. This includes a timeline of key events and decisions made during the year, including:

- In March 2020, the Chief Executive was granted delegated authority to ensure that the business of the council continued. At the time, committees were not able to meet due to restrictions on movements and gatherings. Decisions were made in consultation with the council's political group leaders and published on the council's website. These temporary decision-making arrangements were in line with the council's Scheme of Delegation.
- This delegated authority ceased when committee meetings began again in June 2020. From January 2021 committee meetings have been recorded and added to the council's YouTube channel for public viewing. Throughout the period, and in line with the council's standard governance arrangements, all meeting papers continued to be published on its website.
- Throughout the year, there have been various new government Covid-19 support grant schemes that the council has been responsible for administering. The council's internal audit function re-focused its annual workplan for the year to ensure risks relating to the pandemic were mitigated. This included providing assurance over these new grant expenditure streams through a high-level review of the controls in place.
- Several service changes were implemented. All council schools closed in March 2020, with hubs operating to provide facilities for children of key workers and vulnerable children. Additional IT equipment and licenses were purchased to allow staff who were able to, to work from home.

Good practice

The council was proactive in taking steps to ensure good governance arrangements were maintained during the Covid-19 pandemic.

The audited part of the remuneration report was consistent with the annual accounts and has been prepared in accordance with applicable regulations

40. The Local Authority Accounts (Scotland) Regulations 2014 requires the council to include a remuneration report within its annual accounts that includes details of:

- the remuneration of senior officers, including pension entitlements, for the financial year (and prior year comparator); and accrued pension benefits figures at 31 March of that year, and
- the number and cost of exit packages approved during the financial year.

41. We have no issues to report in relation to the information included within the remuneration report in the council's 2020/21 annual accounts.

Good progress was made on prior year recommendations

42. We followed up on actions agreed in our [2019/20 annual audit report](#), to assess what progress on implementation had been made. Details of the follow up are included in [appendix 1](#).

Our audit opinions on the annual accounts of the three section 106 charities administered by the council are unmodified

43. Elected members are trustees for 64 trusts administered by the council. Each trust has been included in one of three registered Scottish charities, [exhibit 3](#).

44. As a consequence of the interaction of the Local Government (Scotland) Act 1973 with charities legislation, a full and separate audit and independent auditor's report is required for each registered charity irrespective of the value of its assets.

45. Our duties as auditors of the charities administered by South Lanarkshire Council are to:

- express an opinion on whether the charity's financial statements properly present the charity's financial position and are prepared in accordance with charities legislation
- read the trustees' annual report and express an opinion as to whether it is consistent with the financial statements
- report on other matters, by exception, to the trustees and to the Office of the Scottish Charity Regulator (OSCR).

46. We have given an unqualified opinion on the annual accounts of the three charities administered by the council and have nothing to report in respect of the other matters.

47. A proposal to modernise the operation of the charities was approved by the Finance and Corporate Resources Committee in April 2018. In December 2019, OSCR approved the modernisation schemes.

48. In early 2020, the council began the process of transferring the assets to the new charities. A first draft of the Transfer Deed had been prepared and work on completing the forms OSCR require for approving the transfer was in progress before it was interrupted by the Covid-19 disruption. A report to the council's Finance and Corporate Resources Committee in September 2021 confirmed that in the coming months most of the funds will be transferred over. However, this timeframe is dependent on OSCR timescales. As part of our 2021/22 audit activity, we will consider the latest position and report accordingly.

Exhibit 3

Charities administered by South Lanarkshire Council

Charity	Scottish Charity Number	Net Assets as at 31 March 2021
South Lanarkshire Council Charitable Trusts	SC025089	£1,000,098
East Kilbride Information Technology Centre Trust	SC015221	£26,857
South Lanarkshire Council Educational Trusts	SC028135	£127,427
Total Net Assets		£1,154,382

Source: South Lanarkshire Council charities audited annual accounts 2020/21

2. Financial management

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Main judgements

Financial management is effective. The financial impact of Covid-19 has been reported to members.

The pandemic had a significant impact on the council's 2020/21 budget outturn position. A budget underspend of £77.224 million is reported. £32.390 million of the underspend related to unspent Covid-19 funding.

Costs relating to the Covid-19 pandemic totalled £35.800 million in 2020/21. The council received £68.190 million of direct funding, and administered £77.556 million of agency income, provided by the Scottish Government in 2020/21.

The unspent Covid-19 funding of £32.390 million contributed significantly to the £41.401 million increase in general fund reserves at March 2021. £27.861 million of this unspent funding was received late in the financial year from the Scottish Government.

The pandemic had a significant impact on the council's 2020/21 budget outturn position

49. The council demonstrates sound financial management. There is a well-established budget process and a history of delivering services within budget.

50. The council approved its 2020/21 revenue budget of £779.667 million (£739.527 million net of specific grants of £40.140 million) in February 2020. The initial gap between proposed spend and available resources, the funding gap, was £41.477 million. Management identified several measures to close the funding gap including, the use of £24.115 million of reserves and a 3% increase in council tax yielding £3.900 million. This left resource directorates to find savings of £6.922 million.

51. At the time of setting this budget, no one could predict the lasting impact of the pandemic, with some restrictions still in place well into 2021/22, or the extent of the Scottish Government funding received in response to the pandemic. It is clear both have had an impact on the council's 2020/21 budget, with this reflected in the budget movement across the year.

52. At the March 2021 meeting of the Executive Committee, the probable outturn for 2020/21 was reported as being an underspend of £27.026 million, prior to any transfers to reserves and excluding the Covid-19 shortfall of £1.902 million. Total reserve transfers of £24.863 million were approved. This included transfers relating to the Pupil Equity Fund (£2.450 million) and Early Years 1140 Hours (£3.811 million) funding that required carrying forward into 2021/22 to reflect the spend profile of the funding. This resulted in a projected underspend of £0.261 million after accounting for the Covid-19 shortfall and reserve transfers.

53. In its annual accounts, the council reported an actual underspend of £77.224 million, prior to any transfers to reserves, against its revised revenue budget for 2020/21 of £806.509 million. The budget evolved during the year as additional funding was released by the Scottish Government to meet the costs of responding to Covid-19. The underspend increased from that reported in March 2021 due to new Covid-19 funding allocations totalling £27.861 million being received towards the end of the financial year. In addition to this, Covid-19 had an impact on the council's ability to spend on commitments during the final part of the year. This resulted in a further underspend of £12.942 million on resources. At the year-end, the unspent Covid-19 funding amounted to £32.390 million. This, together with the underspends against resource commitments, was transferred to the council's reserves. The reserves position is discussed further at paragraphs [94 - 97](#) of this report.

54. These budget revisions, and transfers, resulted in an actual outturn underspend, of £2.595 million. As part of the final outturn review, in June 2021 the Executive Committee approved the transfer of this underspend to reserves. These funds are to be used for specific purposes that includes the replacement of the council's, HR, payroll, purchasing and procurement system. These transfers result in a final breakeven outturn position for 2020/21.

55. The changes in the budget position were reported in revenue budget monitoring reports presented to the Executive Committee throughout the year. These reports contained a good level of detail on the forecast outturn position, as well as details on the costs of Covid-19 and the funding received in support of this.

Resource spend against budget was impacted by Covid-19

56. The council has a history of delivering services within budget, but Covid-19 had an impact on the resource outturn positions in 2020/21. The most significant variances on resource areas are detailed in [exhibit 4](#), with prior year comparators included to highlight the pandemic's impact on the outturn positions against budget for 2020/21.

Exhibit 4

Council resources spend against budget 2018/19 – 2020/21

Council resource	2020/21 over/(under)spend £'million	2020/21 percentage of over/(under)spend compared to budget	2019/20 percentage comparator	2018/19 percentage comparator
Community and Enterprise	£0.723	0.6%	0.5%	(0.7%)
Education	(£9.457)	(2.7%)	(1.4%)	(1.4%)
Finance and Corporate	£1.761	4.8%	0.3%	(0.3%)
Housing and technical	£6.825	43.4%	(2.3%)	1.5%
Social work	(£0.408)	(0.2%)	1.1%	0.7%

Source: South Lanarkshire Council revenue budget outturn reports 2018/09 – 2020/21

Education underspend

57. This is mainly attributed to the timing of spend on multi-year programmes such as Pupil Equity Funding (PEF) and Early Learning and Childcare (ELC). Lockdown restrictions also impacted on the ability of schools to spend PEF funding in the current year. These underspends will be carried into 2021/22 to support the expansion of ELC and expenditure incurred in the school session April to June 2021.

Finance and corporate overspend

58. This net overspend is mainly attributed to additional Covid-19 expenditure. This is primarily due to free school meals provided during the Christmas holidays, January, and February lockdowns and to those children who were self-isolating. This was partially offset by underspends in personnel services, with training and employability programmes delayed due to the pandemic.

Housing and technical overspend

59. The pandemic had a significant impact on the works that could be undertaken and, as a result, impacted on the level of income recovered.

Costs relating to the Covid-19 pandemic totalled £35.800 million in 2020/21

60. The Accounts Commission published its [Local Government in Scotland Overview 2021](#) report in May 2021. The report notes that councils estimated that the total 2020/21 net financial impact of Covid-19 would be £767 million. This included financial pressures totalling £855 million, offset by cost reductions of £88 million from a range of areas such as lower property costs and reduced school meal costs. Loss of income accounted for around £400 million of the forecast financial pressures. Other areas reported to come under increased pressure included the costs associated with delaying capital projects and underachievement of savings. [Exhibit 5](#) highlights the cost of Covid-19 to South Lanarkshire Council in 2020/21.

Exhibit 5

Summary of significant Covid-19 costs

Area	£'million	Further comment
Additional resource spend	£24.820	Includes costs related to education recovery, PPE, and IT equipment. The council was also responsible for making payments to assist families during lockdown, including free school meals and winter clothing payments.
Lost income	£7.299	Lockdown impacted on income generating services such as planning applications and parking.
Unspent budget	(£3.485)	Primarily relates to the reduced need for food purchases, including breakfast and holiday lunch clubs.
Unachieved savings	£0.553	Budget realignments impacted.
South Lanarkshire Leisure and Culture Ltd (SLLC)	£0.139	Cost of covering SLLC lost income.
Capital spend	£6.474	Revenue funding used to cover Covid-19 capital costs.
Total Covid-19 expenditure	£35.800	

Source: South Lanarkshire Council 2020/21 annual accounts and Revenue Budget Outturn 2020/21 report

The council received £68.190 million of direct funding, and administered £77.556 million of agency income, provided by the Scottish Government to alleviate the impact of the pandemic on individuals, businesses, and the economy

61. The impact on public finances of the Covid-19 pandemic has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses, and the economy. South Lanarkshire Council received £68.190 million in Covid-19 related funding in 2020/21. This was used to offset costs noted in [exhibit 5](#). The unspent Covid-19 funding of £32.390 million was transferred to the council's general reserve.

62. Throughout 2020/21 the council has played a key role in supporting individuals and families through the financial burden of the pandemic. This included facilitating support for:

- those self-isolating
- provision of free school meals
- funding for education recovery

63. As part of its 2021/2022 budget, the Scottish Government announced further Covid-19 funding allocations. South Lanarkshire Council's share of this funding has been £25.786 million to date. When combined with the £32.390 million carried forward from 2020/21, this results in £58.176 million being available to help manage further costs from the pandemic.

64. Of this total available Covid-19 funding, £26.101 million is funding for specific areas such as education recovery and support for third sector organisations. This leaves £32.075 million of funding to meet the cost of Covid-19 in 2021/22, reported by the council as being £18.199 million as at period 5 of 2021/22, together with any ongoing costs of the pandemic that continue into 2022/2023.

65. As at period 5 of 2021/22, management have reported to the council's Executive Committee that the net cost of Covid-19 to the council is £7.976 million, with this being met from the above funding (£4.943 million of specific and £3.033 million of non-specific funding).

Throughout the pandemic the council has played a key role in administering grant payments, including making payments on behalf of the Scottish Government to support individuals and businesses

66. In addition to providing support for individuals and families, councils have played a key role in supporting local business as they dealt with the impact of the pandemic. Across Scotland, councils have administered funding of over £1 billion under the various Covid-19 business support fund grant schemes. These grants were administered by councils on behalf of the Scottish Government.

67. South Lanarkshire Council was responsible for administering £77.556 million to local applicants as part of the various business support grant schemes. Access to the available support was well publicised on the council's website. The website contained details on eligibility criteria as well as the enquiries process in relation to the support.

68. Due to the grant conditions these business support funds are considered to represent an agency agreement. Agency payments are those paid out by the council on behalf of another organisation, in this case the Scottish Government. As such, the £77.556 million does not appear in the council's annual accounts, except for being appropriately disclosed in its management commentary.

69. While the provision of additional Scottish Government financial support was essential to alleviate the impact of the pandemic, we recognise that managing the volume and complexity of the various Covid-19 support schemes placed additional pressure on council staff during the year.

70. We reviewed the council's accounting treatment for each of the grants against the applicable guidance. Other than issues 4 and 5 of [exhibit 2](#), we concluded that the council had classified, and where required, correctly accounted for the grants in its 2020/21 annual accounts.

An underspend of £2.569 million was reported against the annual Housing Revenue Account (HRA)

71. The council reported a £2.569 million underspend against the annual HRA budget for 2020/21. The underspend was primarily due to lower than anticipated repairs and maintenance costs which varied throughout the year due to Covid-19. This was partially offset by the under recovery of rental income, with the availability of new build properties delayed due to the pandemic.

72. The £2.569 million underspend was transferred to the Housing Revenue Reserve. In addition to this, there was income received of £0.501 million in council tax from owners of second homes. Taken together, this has increased the reserve from £9.011 million in 2019/20 to £12.784 million in 2020/21.

73. As reported to the Executive Committee in September 2021, as at period 5 of 2021/22, the council is reporting a breakeven position on its HRA.

The pandemic impacted upon the delivery of the 2020/21 capital programme

74. The council approved its 2020/21 general services capital programme of £91.192 million in March 2020 and its housing capital programme of £97.303 million in February 2020. As these budgets were approved prior to the Covid-19 outbreak, they did not factor in the impact that the lockdown restrictions would have on capital works during the year.

75. A subsequent review of both programmes was undertaken by management to compile a more realistic estimate of what projects could be achieved given the Covid-19 restrictions. The revised budgets for the year were £80.648 million for general services and £48.172 million for the housing programme.

76. The final outturn report for the year showed general services capital works of £70.522 million being completed during 2020/21. This represents slippage against the revised budget of 13 per cent but this is largely attributable to the impact of Covid-19 in the early part of the year. This unspent committed funding will carry forward into the 2021/22 financial year.

77. The housing capital programme spent £49.362 million in 2020/21. This was 2.5% greater than the revised budget for the year. The overspend arose due to accelerated spend on the provision of additional housing supply.

78. The Executive Committee approved the 2021/22 capital programmes in June 2021. The general services programme for 2021/2022 totals £85.066 million, with the housing services programme originally amounting to £94.360 million. At the Committee's September 2021 meeting, the housing services budget was subsequently revised down to £79.640 million. This was due to a review of the council's new build housing programme, with proposals approved to move projects totalling £14.720 million into the 2022/23 financial year. These movements reflect revised timescales and estimated completion dates across a number of sites that have been impacted by planning delays.

79. As at period 5 of 2021/22, £16.003 million (19%) of the general services budget has been spent, with £26.065 million (33%) of the housing services budget being spent.

80. The delivery of both programmes of work in 2021/22, together with any Covid-19 impact, will be subject to regular review and scrutiny by the Executive Committee. We will continue to monitor the delivery of the capital programme as part of our 2021/22 audit.

3. Financial sustainability

Financial sustainability looks forward to the medium and long term to consider whether the council is planning effectively to continue to deliver its services or the way in which they should be delivered

Main judgements

Covid-19 funding increased the council's reserves, but these funds will be required to meet ongoing financial pressures. Recovery from the pandemic is a key element of the council's 2021/22 budget.

Medium and longer-term financial plans are in place but should be updated to reflect the impact of the pandemic. This is the case for all councils.

Recovery from the pandemic is a key element of the council's 2021/22 budget

81. Recovery planning began in many councils early in the pandemic, primarily focusing on recovery and renewal. The priorities that demanded councils' attention before the pandemic have become even more pressing, such as tackling inequalities, improving outcomes for young people, and tackling climate change.

The initial 2021/22 budget gap was £52.741 million

82. The Executive Director of Finance and Corporate Resources presented a report to the council's Executive Committee in June 2020. The report estimated the 2021/22 budget gap at £52.741 million. The report included several options, approved by the Committee, to address the funding gap:

- "Corporate solutions" (this covers carry forward of 2020/21 grant and reduced integration joint board support) £12.948 million.
- Increasing council tax by maximum permitted percentage (4.84%) £6.810 million.
- Use of reserves £16.600 million.
- Loan reprofiling exercise £3.000 million.

83. Depending on the members' decision on an increase in council tax, a gap of between £13 and £20 million would have to be addressed through savings from services.

84. A 2021/22 revenue budget update presented to the Executive Committee in February 2021 noted a revised savings gap of £17.530 million. After taking into consideration management and operational savings of £5.762 million and the potential increase in council tax of £6.810 million, this left a savings requirement of £4.958 million. To address this gap, members were presented with savings options amounting to £15.559 million.

The final grant settlement for 2021/22 reduced the savings required and resulted in funds being available for additional investment

85. Following the final 2021/22 grant settlement figures being confirmed by the Scottish Government, the council's position improved by £12.591 million compared to when the budget strategy update was presented to the Executive Committee in February 2021.

86. The council approved its 2021/22 revenue budget of £795.527 million (£751.793 million net of specific grants of £43.734 million) in February 2021. The improvement in the council's financial position allowed further funds to be allocated to its programme of investment to aid with the pandemic recovery. The 2021/22 budget includes investment in areas such as:

- £3 million set aside for "Get South Lanarkshire Council Working" fund to support social enterprises, attract inward investments and develop a new tourism strategy.
- £2.245 million earmarked for the learning and wellbeing of children and young people whose education was impacted by the pandemic.
- £2 million to provide match funding for projects tackling climate change.

87. The council considers such investments to be an important aspect of its role in helping its citizens and local businesses recover from the impact of the pandemic, with the provision of these funds also aligning to its recently published Community Wealth Building Strategy (see paragraphs [124 - 128](#)).

Covid-19 costs to date in 2021/22 are £7.976 million

88. Estimating the cost to the council of the Covid-19 disruption is complex and subject to revision as central government directions and funding decisions are made. The Executive Director of Finance and Corporate Resources reported that, as at August 2021, the estimated net expenditure cost to the council of the Covid-19 disruption was £7.976 million. These costs are covered by funding received in 2020/21, together with further funding allocations received in 2021/22 for Covid-19.

89. As reported to the Executive Committee in September 2021, the council is projecting a revenue budget overspend of £0.454 million. This includes the break-even position on Covid-19 spend as noted above.

Medium and longer-term financial plans are in place but should be updated to reflect the impact of the pandemic

90. In its [Local Government in Scotland Overview 2021](#) report the Accounts Commission recognised that even before the pandemic councils were facing financial and service pressures. There is going to be a range of new challenges facing councils, including decisions on what services to reinstate and to what level. There will also be a need for councils to develop new services and strategies to address the long-term harm caused to communities by the pandemic.

91. Due to the Covid-19 pandemic, the funding position beyond 2021/22 is particularly uncertain, with all councils working to the one-year grant settlement. Planning for the medium term is difficult, but necessary, to manage the levels of uncertainty and volatility facing councils' budgets.

92. At the meeting of the Executive Committee in June 2021, management advised members of a combined savings requirement, after corporate solutions (e.g., use of reserves) and council tax increases, for 2022/23 – 2026/27 of £96.229 million, [exhibit 6](#).

93. Medium and longer-term financial plans will need to be revised by all councils to consider additional financial pressures and updated funding arrangements arising from the pandemic, as well as updated savings requirements and financial assumptions.



Recommendation 3 ([appendix 1](#), action plan)

Exhibit 6

Identified savings required 2022/23 – 2026/27

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Savings required £'million	£9.417	£24.747	£22.396	£27.866	£11.806	£96.232

Source: 2022/2023 Revenue Budget Strategy and Savings Requirement report

Covid-19 funding has increased the council's reserves

94. The Financial Management Code from CIPFA applies from 2021/22 and is designed to support good practice in financial management, with compliance against the principles helping local authorities demonstrate financial sustainability. The council undertook a self-assessment against the Code during the shadow implementation year, 2020/21. The governance statement discloses the following actions from this review:

- a detailed financial resilience assessment will be carried out.
- alongside the usual consultation process, key stakeholders will be included in the development of medium and long-term financial plans.
- the council's Options Appraisal guidance and template will be re-issued to encourage its use in demonstrating value for money in decision-making.
- the council's reserves policy does not currently prescribe a minimum level of reserves that should be maintained, a statement on the adequacy of the council's reserves will be included in the 2022/23 budget strategy paper.

95. Prior to the Covid-19 pandemic, in 2019/20 the level of usable reserves had decreased. This year the usable reserves increased by £42.230 million to £145.820 million at 31 March 2021, [exhibit 7](#). Within the general fund reserve, the most significant increase was due to Covid-19 funding of £32.390 million.

Exhibit 7

South Lanarkshire Council usable reserves

Reserve	31 March 2019 £'million	31 March 2020 £'million	31 March 2021 £'million
General fund	£82.785	£75.579	£116.980
Housing revenue account	£9.011	£9.713	£12.784
Repair and renewal fund	£6.929	£5.918	£7.484
Capital fund	£15.905	£10.327	£6.268
Insurance fund	£3.278	£2.053	£2.304
Total usable reserves	£117.908	£103.590	£145.820

Source: South Lanarkshire Council annual accounts

96. The council's general fund reserve includes an unearmarked balance of £33.078 million, with £20.035 million of this being approved for future budget strategies and £13.043 million uncommitted. Against an expenditure budget of £795.527 million for 2021/2022, this unearmarked element represents a 4.16% reserve. Management considers that this level of reserve reflects a suitable cushion to contribute towards any unanticipated pressures. The remainder of the general fund reserve, £83.902 million, is earmarked for specific purposes such as Early Year's, the Pupil Equity Fund, Covid-19 as well as being used to manage the savings requirements across specific future budget years.

97. The Accounts Commission's [Local Government in Scotland Overview 2021](#) report highlighted that the increase in revenue reserves, as a result of Covid-19, would provide some additional flexibility for councils. However, it noted that councils should continue to recognise the ongoing sustainability challenges of using reserves to fund recurring expenditure, particularly as the impact and challenges of Covid-19 continue to develop. In this regard, members will need to take difficult decisions in the future, recognising that reserves can only be spent once.

4. Governance and transparency

The effectiveness of scrutiny and oversight and transparent reporting of information

Main Judgements

Effective governance and decision making-arrangements were in place during 2020/21, with appropriate adjustments made to these to reflect the ongoing disruption caused by the pandemic.

Internal controls operated effectively during 2020/21.

The council has in place appropriate arrangements for prevention and detection of fraud and corruption, with work undertaken in the year to counter potential fraud risks from Covid-19.

Effective governance and decision-making arrangements were in place during 2020/21

98. Members and management of the council are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded together with the monitoring of the adequacy and effectiveness of these arrangements.

99. As noted at paragraph [39](#), the council was proactive in revising some of its governance arrangements in response to the pandemic. We commented on council's governance arrangements in our 2019/20 annual audit report and our previous year's conclusion is still relevant, that "the council's arrangements...are appropriate and they support good governance and accountability".

The council conducts its business in an open and transparent manner

100. As we reported in 2019/20, there is evidence from several sources which demonstrate the council's commitment to openness and transparency:

- The agendas, papers and minutes of committee meetings are published on the council's website on a timely basis.

- The council makes its annual accounts available on its website. These include a management commentary which adequately explains the council's financial performance for the year.
- Its website also provides the public with access to a wide range of corporate information including details of the council's corporate plan, performance information, and equality and diversity reporting.

101. During 2020/21 the council held committee meetings virtually using Microsoft Teams. The council has made recordings of meetings available on its YouTube page. As of April 2021, livestreaming of these meetings was being offered by the council which helps to maintain public accessibility to council committee business.

102. Overall, we remain of the view that the council conducts its business in an open and transparent manner.

Internal controls operated effectively during 2020/21

103. As part of our 2020/21 audit, we tested key controls operating over the main accounting systems. Our objective was to gain assurance that systems for processing and recording transactions provide a sound basis for the preparation of the annual accounts. Our findings, which were reported to the Risk and Audit Scrutiny Committee in June 2021, included recommendations to enhance the existing control system.

104. Our controls work did not identify any significant risks of material misstatement, with the internal controls providing a sound basis for the preparation of the annual accounts.

Internal audit provided a reasonable level of assurance over the council's risk management, control, and governance arrangements in place during 2020/21

105. The internal audit service, in any organisation, is an important element of internal control. It provides members and management with independent assurance on risk management, internal control and corporate governance processes as well as providing a deterrent effect to potential fraud.

106. We found the council's internal audit to be operating effectively, and in line with the Public Sector Internal Audit Standards (PSIAS) requirements.

107. PSIAS require the provision of an annual internal audit opinion, to inform the council's annual governance statement. The Audit and Compliance Manager issued her Annual Assurance Report to the Risk and Audit Scrutiny Committee in June 2021 which included the opinion that: reasonable assurance can be placed on the adequacy and effectiveness of the council's framework of governance, risk management and control arrangements for the year ending 31 March 2021.

The council has in place appropriate arrangements for the prevention and detection of fraud and corruption, with work undertaken in 2020/21 to counter potential fraud risks from Covid-19

108. The council has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, anti-fraud strategy and codes of conduct for members and officers.

109. In June 2020 Audit Scotland published a report on [Covid-19: Emerging fraud risks](#). This briefing set out a range of fraud risks emerging from the Covid-19 disruption and what public bodies might do to help reduce these risks. Councils had to quickly establish new processes to administer support funding to business during the pandemic. This, combined with the working from home arrangements for staff, heightened the risk of fraud. Internal audit used this report as the basis for a review of the council's risk management arrangements in 2020/21.

110. The review confirmed the findings of the Audit Scotland report, that inherent fraud risks had heightened, with key financial processes such as procurement and payroll particularly vulnerable. To help mitigate against potential issues, the council provided guidance to employees reminding them of safeguarding duties, for both council assets and data, and good practice steps that should be taken when working remotely. It was also established that the council's IT Security Team continued to monitor emerging cyber threats during the pandemic and, where required, introduced additional controls in response to these threats.

Good practice

Internal audit re-aligned its 2020/21 workplan to take account of emerging risks arising from Covid-19. This included undertaking a review of revised working arrangements together with consideration of the heightened fraud risk created by the pandemic.

111. New processes such as the payment of business support grants were implemented by the council. The council's internal audit function provided assurance over these new expenditure streams through a high-level review of the controls in place. From our own review of the council's controls over its administering of business support grants, we found that these were operating effectively.

112. The council continues to participate in the National Fraud Initiative (NFI). This is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The 2020/21 NFI exercise will include data on Covid-19 grant funding. Internal audit is currently reviewing the higher risk matches, with the council on target to complete this by the deadline of 31 March 2022.

113. We have concluded that the council has appropriate arrangements in place for the prevention and detection of fraud and corruption. We are not aware of any specific issues we require to bring to your attention.

5. Best Value

Using resources effectively and continually improving services.

Main judgements

Good progress has been made in addressing the recommendations from the Best Value Assurance Report (March 2019).

The council demonstrates a clear focus on delivering Best Value, with its rate of performance improvement remaining consistent over recent years. The way that some services have been delivered changed to reflect the needs of communities during the pandemic.

Good progress has been made in addressing the recommendations from the Best Value Assurance Report (March 2019). We will continue to monitor the longer-term impact of the improvements made

114. The [Best Value Assurance Report](#) (March 2019) (BVAR) for South Lanarkshire Council reported that the council has strong leadership, clear direction, a strong culture of continuous improvement and concluded that it is a well performing council. “We are pleased to note the council continues to demonstrate all of these elements and is making significant progress in fulfilling its duty of Best Value, and outcomes are improving for citizens.”

115. The BVAR contained ten improvement recommendations, in areas including how community engagement is used to shape services, the role of the Community Planning Partnership Board and the need for elected members to review their training needs. Our work in 2019/20 concluded that the council had achieved two of these, with progress having been made on the other eight recommendations, albeit this had been impacted by the pandemic.

116. Our work in 2020/21 has established that the council continues to make positive progress in implementing the recommendations from the 2018/19 BVAR, [exhibit 8](#). Best Value is a continuous process. This is recognised by the council, with some of the recommendations being progressed further into longer-term improvements. We will continue to monitor the impact of the improvements made.

Exhibit 8

Progress against BVAR recommendations

BVAR recommendation	Audit Scotland view on progress to date
1. To increase the impact of the council's efforts in achieving its strategic objectives, links between the council plan (Connect Plan) and the LOIP (Community Plan) should be made clearer with a sharper focus on the key areas of activity. Locality plans should be prepared without further delay.	<p>Well progressed</p> <p>A refresh of the Connect Plan and Community Plan is currently underway, with the council working with communities to identify what their priorities are for the new plans.</p> <p>An interim review of the current Community Plan was undertaken, with a revised interim plan published prior to the new Community Plan being available in 2022.</p> <p>To date, six neighbourhood plans have been developed. A further four are progressing with the aim of publishing these by March 2022.</p>
2. Management should carry out the staff survey and use the results to drive improvement and share existing good practice.	<p>Complete</p> <p>See paragraphs 117 - 123 below for further details of staff surveys carried out in year.</p>
3. Elected members need to improve the public scrutiny of key decisions, performance, and financial reports.	<p>Ongoing</p> <p>Management have advised that member engagement and scrutiny has improved through training, with more debate evident. Work is ongoing to provide members of the Risk and Audit Scrutiny Committee with training to assist them in their scrutiny and challenge role. This had previously been delayed due to Covid-19.</p>
4. Members should, with the assistance of the personnel service, review their personal training and development needs and agree a plan to ensure that they have the skills required to effectively fulfil their scrutiny and challenge roles.	<p>Well progressed</p> <p>Training has been undertaken by all members. There have been 30 sessions held between January 2020 and March 2021. Training sessions have covered a wide range of areas. This training will support members in effectively carrying out their roles.</p>
5. Management should review arrangements for assessing resident satisfaction, to ensure these are providing meaningful data to help shape future services.	<p>Well progressed</p> <p>Engagement has been undertaken with communities throughout South Lanarkshire to identify what the main priorities are for neighbourhoods, as part of the development of the new Connect and Community Plans. Residents answered a short open survey on their priorities, with over 3,100 responses received. These responses will be the basis of the new plans which are being developed and</p>

	will shape the direction of service delivery in South Lanarkshire over the next 5 to 10 years.
6. The Community Planning Partnership Board should take a more active role in driving partnership working, monitoring outcomes, and feeding back to thematic subgroups.	<p>Well progressed</p> <p>As highlighted in the prior year, the CPP Board is becoming a more strategic Board, providing oversight of partnership activity. From a review of Board papers, each meeting has a full agenda with regular updates on a wide range of areas reported to members.</p> <p>Development sessions continue to be held, with outcomes of these sessions reported to the CPP Board.</p> <p>Thematic groups are involved in decisions taken by the Board and have been recently involved in the proposed CPP structure and governance arrangements.</p>
7. The council should review existing governance structures to ensure that they support community-based activity.	<p>Complete</p> <p>At a special meeting of the council in February 2020, members approved revised Terms of Reference for the council's Area Committees, which set out the powers and responsibilities of the committees.</p> <p>All four area committees are meeting online, and it is evident that the updated terms of reference are being implemented.</p>
8. Management should implement revised arrangements for community engagement to improve how it is used to shape services. Consistent and high-quality consultation across all services should be part of this.	<p>Well progressed</p> <p>The Partnership Community Participation and Engagement Group has been established and meets monthly. The group is co-chaired by the Chief Executive of Voluntary Action South Lanarkshire (VASL) and South Lanarkshire Council's Community Engagement Manager. The group has taken a key role in overseeing the promotion of the engagement activity around the new Community Plan.</p> <p>The council published its first Community Wealth Building (CWB) Strategy in March 2021. Further detail is included at paragraphs 124 - 125.</p>

Source: Audit Scotland

The council has consulted with employees throughout the pandemic, with this feedback being used to help shape future service delivery

117. One of the Best Value recommendations referred to the council's plans to undertake a staff survey, with the results used to drive improvement and share existing good practice.

118. Building on from the survey undertaken by the council in 2019, a working from home staff survey was carried out in June 2020, with a follow-up in December 2020. On both occasions, 87% of those who responded said that they felt working from home was a positive experience. The findings of these surveys were reported to the council's Corporate Management Team. The council is using the feedback from these surveys to help inform any decisions on its future agile working arrangements.

119. In 2020/21, the Public Sector Improvement Framework (PSIF) developed a number of checklists to capture the learning an innovation that council services had put in place in response to the pandemic, with the hope that these new ways of working are permanently embedded into services for communities.

120. South Lanarkshire Council's community engagement team agreed to pilot the newly developed checklist at service level, to capture learning from the team's experience of working with the community during the pandemic. The case study was published on the PSIF [website](#) in August 2020.

121. The checklist was issued to all members of the community engagement team for completion. The responses were analysed to identify where staff felt their team's response to Covid-19 has been strong, and areas that could have been improved. This aimed to identify new ways of working that the team could take forward.

122. An online session with the staff from the community engagement team was held to present the checklist findings back to them and with this helping to facilitate group sessions on how the team planned to implement these new ways of working.

123. As a result, a "New Ways of Working" plan was developed, covering areas such as:

- maintaining the benefits of using technology to engage with the community
- maintaining the new networks established in each of the localities for future projects
- maintaining the many volunteers to support future projects and to recognise their contribution during this period
- embed the benefits gained in agile working for staff
- maintain the benefits of joint working between partner organisations around sharing of information and consistent and timely messaging.

Good practice

The council has proactively engaged with its employees around working arrangements during the pandemic and used this feedback to help drive improvement to support staff and the communities they work in.

The development of a Community Wealth Building Strategy aims to create stronger local economies in communities across South Lanarkshire

124. In March 2021, the council published its first Community Wealth Building (CWB) Strategy. The Scottish Government describes CWB as a people-centred approach to local economic development, with the aim of redirecting wealth back into local communities.

125. The strategy aims to build on the council's current work in its local communities by setting out its ambitions across five key areas:

- Spending
- Workforce
- Land and property
- Finance and building
- Generative economy

126. The strategy is aligned to the council's Community Plan. It is hoped the strategy will help contribute to the council's overarching objective to tackle poverty, deprivation and reduce inequalities, all of which have been heightened nationally by the Covid-19 pandemic.

127. In addition to annual reporting on strategy progress indicators, the council has established a CWB commission to advance the strategy and raise awareness of it more widely. The commission is chaired by the Council Leader and includes representation from senior elected members, council services, the Health and Social Care Integration Joint Board and Community Planning Partners.

128. We will monitor the progress and impact of the strategy through consideration of this annual reporting.

Several new services were provided in response to Covid-19

129. There were additional service pressures, including the delivery of new services, faced by all council's during 2020/21 as they responded to the pandemic. As part of the annual performance spotlights 2020/21 report considered by the Performance Review and Scrutiny Forum in August 2021, it was reported that the council provided an array of support during the pandemic, examples include:

- Over 500 children each day over the school holidays attended the childcare support hubs set up for vulnerable children and those of key workers.
- There were over 50,000 calls to/from the council's Covid-19 wellbeing phoneline.
- Over 400,000 meals were distributed directly to individuals and families in the community.

130. The extent of this support cannot be overestimated. 2020/21 was a year like no other in terms of activity and service delivery. As a result of the pandemic, the council was forced to suspend or reduce several services that could not be continued in full due to government advice, including adhering to physical distancing requirements for residents and staff. Going forward, this may make it difficult to make meaningful comparisons on the council's performance year on year as the resultant changes will have inevitably impacted performance outcomes in certain areas.

Service performance is reported in line with the expectations of the statutory performance indicators (SPIs)

131. The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. In turn, councils have their own responsibility, under their Best Value duty, to report performance to the public. The commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced, and engaging performance information.

132. The Accounts Commission issued a revised 2018 Statutory Performance Information Direction in December 2018 which requires a council to report:

- its performance in improving local public services provided by the council (on its own and with its partners and communities), and progress against agreed desired outcomes
- its own assessment and independent audit assessments of how it is performing against its duty of Best Value, and how it plans to improve these assessments and how it (with its partners where appropriate) has engaged with and responded to its diverse communities.

133. The council's performance against resource measures is reported to the appropriate resource committee and performance against corporate measures is reported to the Performance and Review Scrutiny Forum. Progress reports submitted to the Performance and Review Scrutiny Forum include a summary of performance against measures for each of the council's strategic plan (Connect 2017-22) objectives, along with details of the main achievements for that objective.

134. The Connect quarter four progress report for 2020/21 reports that of the council's 98 performance measures, 76 (78%) had been achieved. Of the remaining measures, one experienced significant issues. This was in relation to

the percentage of standard adaptations carried out to council properties within an agreed appointment time. Of all standard adaptations carried out, 92.4% met the agreed appointment times, against a target of 97%. This drop in performance is attributed to households self-isolating during the Covid-19 pandemic, meaning that access could not be granted for the works to be undertaken.

135. Our work in 2020/21 has confirmed that, despite the impact of Covid-19, the council performance reporting arrangements remained in place, with the council's website covering all the requirements set out in the SPI direction issued by the Accounts Commission.

The council's overall performance per national benchmarking declined slightly when compared to prior years

136. The council participates in the [Local Government Benchmarking Framework](#) (LGBF). The framework brings together a wide range of information about how all Scottish councils perform in delivering services, including the cost of services and how satisfied citizens are with them. The council says that the use of the LGBF allows it to self-assess its performance across years, and to compare performance with peers against an agreed suite of performance indicators, which will assist in achieving best practice and efficiencies.

137. The most recent [National Benchmarking Overview Report 2019/20](#) by the Improvement Service was submitted to the council's Performance and Review Scrutiny Forum in May 2021 along with a council specific action plan. The council's overall performance declined slightly when compared with the prior years. Details of the council's trend over the past three years against these performance indicators can be seen at [exhibit 9](#).

Exhibit 9

South Lanarkshire Council analysis of LGBF results

	Number of indicators (%) 2017/18	Number of indicators (%) 2018/19	Number of indicators (%) 2019/20
South Lanarkshire Council performance			
Improving performance in SLC	32 (40%)	34 (38%)	35 (38%)
Declining performance in SLC	35 (44%)	34 (38%)	45 (50%)
No change in performance in SLC	2 (2%)	3 (3%)	1 (1%)
Information not available	11 (14%)	18 (21%)	10 (11%)
Comparison with Scottish Average			
SLC results better than Scottish average	39 (49%)	44 (49%)	41 (45%)
SLC results worse than Scottish average	28 (35%)	28 (32%)	40 (44%)
SLC results the same as Scottish average	2 (2%)	3 (3%)	0 (0%)
Information not available	11 (14%)	14 (16%)	10 (11%)

Source: Performance and Review Scrutiny Forum (May 2021) and LGBF 2020/21

138. For 2019/20, there has been an increase in the number of council indicators that are worse than the Scottish average. Many of the reasons identified are specific to the indicator. The council has an improvement action plan for all the indicators, including those reported as being below the national average.

139. The Improvement Service continues to review and develop the suite of indicators. For example, there are five new measures relating to financial sustainability, that consider the level of reserves and borrowing, included in the 2019/20 results. The council showed a declining performance in four of these, with three also being lower than the Scottish average. The nature of these indicators means that the council's high level of planned investment in key budget areas such as schools and roads can have an adverse effect on these ratios. Therefore, these indicators should be considered in the line with the council's local policy decisions.

140. The LGBF data includes indicators that assess residents' satisfaction with local services provided by the council and South Lanarkshire Leisure and

Culture. These are based on results from national Scottish Household Surveys (SHS). The latest LGBF data shows that the council's performance was worse than the national average for four out of the seven satisfaction indicators.

141. Where the council conducts its own local satisfaction surveys, the local results are better than the SHS result. Management notes this is likely due to the local surveys targeting people that have used and experienced the service in question. These local results help demonstrate the council's engagement and communication with residents and local communities. From our review of the council surveys, residents are understanding of the challenges faced by the council and are generally satisfied with how services are being delivered. However, a wider focus, beyond service users, that considers views from other residents who may not currently be using those services should be maintained. This will provide well rounded meaningful data to help shape future services.

142. The council is engaging with the Improvement Service to look at how it uses and reports on the LGBF, with a view to refining the selection of indicators which are used to better reflect the council's priorities and support scrutiny of progress in its identified improvement areas.

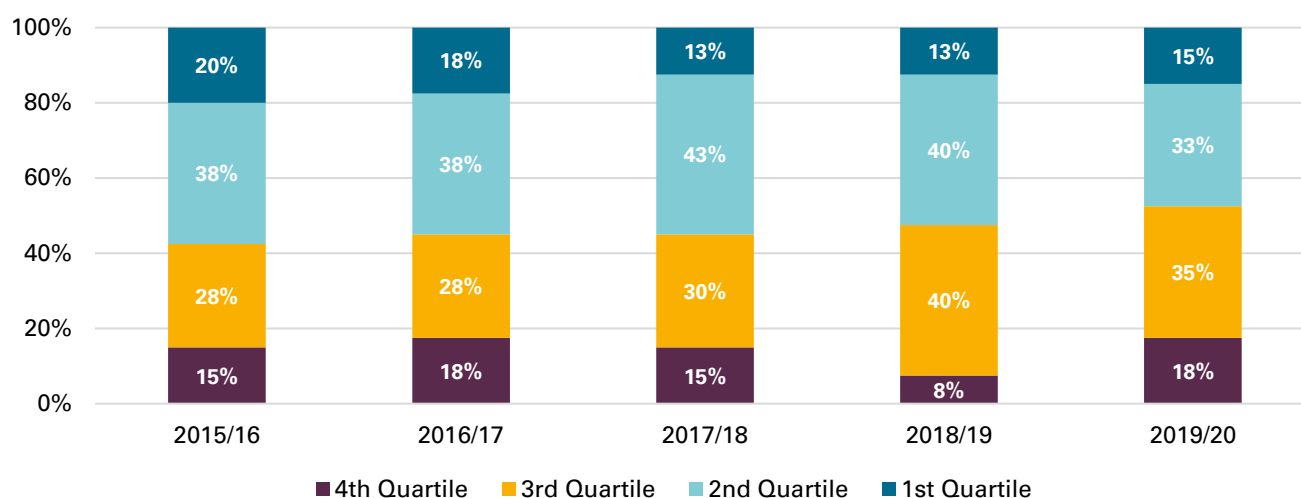
The rate of improvement of South Lanarkshire Council's performance has been consistent over recent years.

143. The analysis in [exhibit 10](#) focusses on indicators that have been consistently reported across 2015/16 - 2019/20. It looks at South Lanarkshire Council's relative performance compared to other councils. Relative performance against other councils is divided into four equal quartiles. The first quartile contains the best-performing councils for that indicator and the fourth quartile contains the poorest-performing councils. This does not indicate that the overall performance of an individual council is improving but can indicate if relative performance is improving or deteriorating as well as the pace of improvement in a council.

144. This analysis is based on 40 (out of a total of 90), mainly outcomes-based, indicators which were reported on every year within the five-year period. The analysis excludes satisfaction and most cost-based indicators, as 'high' or 'low' cannot be as easily determined as 'positive' or 'negative,' as these may be influenced by a council's priorities and local circumstances. Due to comparability issues arising from Covid-19, indicators related to education attainment have also been excluded.

Exhibit 10

Quartile analysis of selected LGBF indicators



Source: Audit Scotland, Local Government Benchmarking Framework, and the Improvement Service

145. The rate of improvement of South Lanarkshire Council's performance has been consistent over recent years but there has been a dip in 2019/20 with an increase in indicators in the bottom two quartiles. However, the comparability of indicators is impacted by Covid-19 in 2019/20 particularly as some education attainment indicators are not included this year. There are a couple of indicators that we feel are of particular note this year.

Pupils entering positive destination has improved from quartile 2 to quartile 1

146. With improvements year-on-year, the council has performed consistently well in this area over recent years. As reported in our 2018/19 [Best Value Assurance Report](#), education indicators have been an area where the council has performed well in.

147. The trend of year-on-year improvements in the council's education performance indicators is supported by the findings in the Audit Scotland report on [Improving outcomes for young people through school education](#) published in March 2021. This reports an improved position from 2013/14.

148. The pandemic will likely impact on this indicator, with a higher level of negative destinations from young people than in previous years. This is due to a combination of factors, including limited labour market opportunities together with difficulties some young people experience engaging remotely with further and higher education and training. In response to this, the council is working closely with partners including Skills Development Scotland to identify and track young people and make appropriate offers of support. Funding has been secured from the Scottish Government that will help create additional opportunities for young people to engage in work experience and employability focused groupwork activities to progress to and sustain employment.

149. The council recognises the need for continuous improvement in this area and has set a target of 95% of pupils entering positive destinations (94.8% achieved in 2019/20).

The number of Business Gateway start-ups has declined dropping from quartile 3 to quartile 4 but action is being taken to address this

150. The number of Business Gateway start-ups has been consistent over several years but has not increased. A new Business Gateway contract became operational from 1 March 2021 with a new contractor. Management is anticipating that the new contractor will implement a more innovative approach that includes a localised marketing campaign to help publicise the services offered by Business Gateway. It is hoped this will lead to an increase in the number of start-ups. The initial targets and performance for the contract are subject to review after six months, this will allow for any amendment to the approach to be made if necessary.

151. An effective Business Gateway contract will play an important role in ensuring the council achieves its objectives set out in the Community Wealth Building Strategy e.g., helping to develop and grow smaller, locally owned enterprise.

The council contributed to a review into South Lanarkshire Leisure and Culture's (SLLC) governance arrangements and structure. The revised arrangements should ensure that SLLC continues to represent best value to the council

152. Local authorities have a statutory responsibility to comply with the Accounts Commission and COSLA Code of Guidance on funding external bodies and following the public pound.

153. South Lanarkshire Leisure and Culture Ltd. (SLLC) is a registered charity set up by the council to deliver leisure and cultural services to the citizens of South Lanarkshire. The council pays a management fee to SLLC for the delivery of these services, with this being £20.055 million in 2020/21. The financial results of SLLC are consolidated on a subsidiary basis within the group statements in council's annual accounts.

154. The council recognises the continued important role SLLC plays in the lives of its citizens. In 2019/20, the council provided financial support of £0.365 million to cover SLLC's in-year loss of income due to Covid-19 restrictions. This support was extended into 2020/21, with the council committing up to £1.269 million. In the end, only £0.139 million of this available funding was needed by SLLC in 2020/21.

155. As reported in the council's BVAR the council identified a need to review the terms of its service level agreement with SLLC to clarify its expectations of how SLLC should prioritise leisure and cultural services. This was prompted by the increasing pressure on budgets and the year-on-year reductions in the funding available to SLLC. These pressures have been further highlighted by the current Covid-19 environment.

156. A review of the leisure and culture provision was undertaken by an independent firm of solicitors, with their findings reported to the council's Executive Committee in June 2021. A number of changes, to be implemented over the coming year, were identified. Principally, these include the modernisation of the current governance arrangements in place between SLLC and the council. A new constitution will be developed, reflecting a modernised governance model. This will involve a review of various service level agreements that exist for the provision of shared services between the council and SLLC, with the aim of strengthening the current partnership as well as helping to generate efficiencies.

157. Effective governance is a key aspect of 'following the public pound.' The council must ensure that funds and resources provided to arms-length organisations are used for the purpose intended. Effective monitoring is therefore essential. The new modernised governance arrangements should help ensure that SLLC continues to provide Best Value to the council.

Relevant national performance audit reports are considered by the council

158. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2020/21, Audit Scotland published several reports which are of direct interest to the council. These are outlined in [appendix 3](#).

159. During 2020/21 we noted that relevant national reports, including the [Local government in Scotland: Overview 2020](#) report, were taken to the Risk and Audit Scrutiny Committee for consideration. These were accompanied by the completed self-assessment checklists, and other supplementary information explaining how the findings and recommendations relate to the specific circumstances of South Lanarkshire Council. We welcome this positive response to the national reports.

Appendix 1

Action plan 2020/21

2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Accounting for non-current assets</p> <p>Our testing of the council's non-current assets identified several issues impacting on the accuracy of the asset register covering areas such as disposals and additions. Changes have been made to the 2020/21 audited accounts to correct these errors.</p> <p>Risk: If the asset register is not complete and accurate future accounts could be materially misstated.</p>	<p>Clear year-end communication between Property Services and Corporate Finance is required to ensure accounting records are complete and accurate for the annual accounts.</p> <p>Exhibit 2 – Issue 2</p>	<p>An Asset Valuation Working Group comprising of members of staff from Finance Strategy and Property Services has been established. The group will meet quarterly to review capital transactions, including the capital programmes, acquisitions, disposals, revaluations, and transfers between Resources. This is intended to improve communications between Finance Strategy and Property Services and to review asset transactions before they are processed on Oracle Assets, therefore reducing the likelihood of errors. The group will also carry out a review of assets held for sale prior to the financial year end and consider whether they are held at the appropriate value</p> <p>Responsible officer</p> <p>Finance Manager (Strategy) / Property Services (Assets and Estates Services)</p> <p>Agreed date</p> <p>31 March 2022</p>
<p>2. Assets Held for Sale</p> <p>Our testing of assets held for sale identified one asset held for sale since 2018/19 which</p>	<p>Management should implement a robust review process to ensure that any assets held for sale for longer</p>	<p>Action as above</p> <p>Responsible officer</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>has not been revalued since 2016/17.</p> <p>We would expect that assets held for sale for longer than one year are considered for revaluation.</p> <p>Risk: The values for assets held for sale within the asset register are misstated.</p>	<p>than one year are identified and considered for revaluation to ensure that assets are held at the appropriate value.</p> <p>Exhibit 2 – Issue 3</p>	<p>Finance Manager (Strategy) / Property Services (Assets and Estates Services)</p> <p>Agreed date</p> <p>31 March 2022</p>
<p>3. Revised financial plans to reflect Covid-19</p> <p>The council's medium and longer-term financial strategy was developed prior to the Covid-19 pandemic.</p> <p>Risk: The assumptions made in the council's financial strategy are out of date as they do not consider the financial impact of Covid-19.</p>	<p>The council should review its long-term financial strategy to reflect the impact of Covid-19 on the council's finances going forward, including scenario planning of key financial assumptions.</p> <p>Paragraph 93</p>	<p>As part of the refresh of the budget strategy in June 2021, the medium-term strategy was updated and presented to members. The council will continue to reflect known impact of covid in future strategies going forward and highlight any new risks</p> <p>The budget strategy for 2023/24 would be presented to members during 2023/24</p> <p>Responsible officer</p> <p>Executive Director, Finance and Corporate resources</p> <p>Agreed date</p> <p>June 2023</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>PY1. Credit balances</p> <p>Credit balances totalling £0.412 million were included in the year end sundry debtor's balance. Some credit balances appeared to relate</p>	<p>Management should undertake a frequent review and clear out of credit balances, and where appropriate apply the balance</p>	<p>Complete</p> <p>The council has made considerable progress in removing the credit balances, with those balances remaining trivial in nature.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>to a corresponding sundry debtor.</p> <p>Risk: Income is not being correctly matched to invoices.</p>	<p>to the relevant outstanding sundry debtors.</p>	
<p>PY2. Asset register – fully depreciated assets</p> <p>Where assets are no longer in use they should be formally scrapped or sold. Assets continuing in use should be revalued and depreciated over the remaining useful economic life.</p> <p>Risk: Depreciation charges are not being correctly made to user services.</p>	<p>Where fully depreciated assets are still in use they should be revalued and depreciated over their remaining useful economic life.</p>	<p>Complete</p> <p>A review of all assets with a nil book value was carried out in year to identify those still in use. These have been revalued and depreciated over their remaining useful economic life.</p>
<p>PY3. Accounting for non-current assets</p> <p>Over the course of our audit engagement, we have encountered errors in the council's processes for accounting for non-current assets.</p> <p>Risk: The asset register is not accurate.</p> <p>Appropriate charges are not being made to user services.</p>	<p>Management should undertake a review of the processes in place for maintenance of the asset register and accounting for non-current assets. The review should also consider what training is needed for both finance staff and relevant staff in resource directorates.</p>	<p>Ongoing</p> <p>Our testing of various asset categories did not identify any material misstatement. However, as noted in exhibit 2, several issues were noted from our testing.</p> <p>See also recommendations 1 and 2 above.</p>
<p>PY4. Council tax collection</p> <p>Only expected collection for current and previous financial years are included in the annual collection estimate. No allowance is made for collections for previous years.</p> <p>Risk: Inaccurate estimates of council tax collection reduce members' options when considering the setting of the annual budget.</p>	<p>Management should ensure that a reasonable estimate of council tax collection for prior years is included in the preparation of annual budgets.</p>	<p>Complete</p> <p>The arrears collection budget was revised down from £3.500 million in 2019/20 to £2.500 million in 2020/21. Management did not consider it would be appropriate to increase this estimate given the anticipated challenges arising from the pandemic. The budget for 2021/22 has been set at £3.200 million.</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>Our work last year identified that the budgeted council tax income was 3.2% lower than the actual income received. The income was £4.261 million more than had been budgeted for. For 2020/21 the over recovery is lower at £2.876 million (1.15%).</p> <p>The 2020/21 budget assumed a collection rate of 97.125% for 2020/21. Given that not all the 2020/21 debt will be collected in year, it follows that the collection assumption includes debts due from prior periods to make up to the budgeted collection level.</p>
<p>PY5. Arrears of rent and other housing charges</p> <p>These charges amount to some £20.137 million in total.</p> <p>There are a number of individual arrears balances for substantial amounts.</p> <p>Members receive little information on the arrears position.</p> <p>Risk: Arrears are not being pursued in accordance with agreed policy and procedures.</p> <p>The collection of high and escalating arrears balances become increasingly unlikely.</p> <p>Members are unaware of the nature and scale of underlying balances.</p>	<p>Management should review the policy and procedures for pursuing arrears to ensure that appropriate and timeous interventions are being made.</p> <p>Management should investigate large arrears balances and ensure that everything is being done to collect amounts due.</p> <p>Members should be provided with sufficient information on arrears at each committee cycle to allow them to exercise appropriate oversight.</p>	<p>Ongoing</p> <p>There has been a notable reduction in the highest value arrears, both in the number of cases and the outstanding charges.</p> <p>However, as noted in our prior year risk, the collection of higher value arrears becomes increasingly unlikely.</p> <p>The primary reason for the reduction in higher value cases in 2020/21 is due to the approved write-off of these rather than the collection of the arrears. There were 60 cases over £0.010 million, totalling £0.779 million, written-off in 2020/21.</p>

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of management override of controls</p> <p>Auditing standards require that audit work is planned to consider the risk of misstatement arising from the management override of controls.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>Results: Journal adjustments were tested, and no indications of management override of controls were found.</p> <p>Judgements and estimations applied were tested to confirm they were appropriate and reasonable.</p> <p>We tested accruals and prepayments and confirmed that income and expenditure was properly accounted for in the financial year.</p> <p>We reviewed transactions during the year – no issues highlighted of significant transactions outside the normal course of business.</p> <p>Conclusion: Satisfactory</p>
<p>2. Risk of fraud over income</p> <p>Auditing standards assert that fraud over income should be presumed to be a significant risk in any audit. Residual income arises from diverse fees and charges. Taking account of controls in place, the nature of the council's income and the limited scope for the manipulation and extraction of income we</p>	<p>Most council funding is from central government, local taxation and rent receipts received via direct bank payment. These income streams are readily reconciled to underlying documentation and systems. The risk of material misstatement is not significant, and our testing will be limited.</p>	<p>Results and conclusion: On completion of our interim audit work for 2020/21 we reconsidered this risk considering the results of our interim audit work and the requirements laid out in auditing standards. As a result, we have now rebutted the presumption that a significant material risk exists from fraud over income recognition. This is based on</p>

Audit risk	Assurance procedure	Results and conclusions
<p>assess that the risk of material misstatement arising from fraud over income is limited.</p>	<p>For other income streams we will test a sample of transactions.</p>	<p>the extent of income which is received from other parts of the public sector, including Scottish Government Funding.</p>
<p>3. Risk of fraud over expenditure</p> <p>Audit Scotland's Code of Audit Practice requires that auditors should plan to address the risk that the financial statements may be materially misstated as a result of fraud over expenditure.</p>	<p>Payroll expenditure is well forecast and will be reconciled to the payroll system.</p> <p>For other non-pay expenditure, we will test a sample of transactions.</p>	<p>Results and conclusion: On completion of our interim audit work for 2020/21 we reconsidered this risk taking into account the results of our interim audit work and the requirements laid out in auditing standards. As a result, we have now rebutted the presumption that a significant material risk exists from fraud over expenditure. This is based on the extent of expenditure which is issued to other parts of the public sector, including expenditure on the IJBs.</p> <p>For the areas that are subject to some risk, we have considered the incidence of fraud using National Fraud Initiative and Counter Fraud Service outcomes. We have assessed that the volume of transactions, that would need to be fraudulent to prove a material risk, is implausible.</p>
<p>4. Covid-19 funding and financial flexibilities</p> <p>Councils are receiving additional funding to cover Covid-19 costs. The council is responsible for approving and distributing various grants relating to the Covid-19 disruption from this funding.</p> <p>In addition, councils have been given the option to apply some financial flexibility</p>	<p>Review of any Scottish Government and CIPFA/LASAAC guidance.</p> <p>Discussions with management during the year to consider the accounting treatment.</p> <p>Review of disclosures in annual accounts and ensure that this is consistent with any guidance issued.</p> <p>Review of the controls in place for the payment of</p>	<p>Results: Other than issues 4 and 5 of exhibit 2, the council complied with relevant guidance when disclosing and accounting for Covid-19 related funding in its annual accounts. This included correctly distinguish between principal and agency funding.</p> <p>Conclusion: Satisfactory</p>

Audit risk	Assurance procedure	Results and conclusions
<p>options to mitigate some of the impact of Covid-19.</p> <p>As yet, no clear guidance has been issued as to how all of these items should be presented in the council's annual accounts.</p> <p>Risk: The grant funds are vulnerable to fraud by external parties.</p> <p>Presentation in the annual accounts is not consistent with (expected) guidance.</p>	<p>grants, with emphasis on the business support stream.</p> <p>Review of the work of internal audit on grant payments and possible reliance thereon.</p>	
<p>5. Estimation and judgments</p> <p>There is a significant degree of subjectivity in the measurement and valuation of some material balance sheet assets/liabilities.</p> <ul style="list-style-type: none"> • Valuations on non-current assets rely on expert valuations and management assumptions. • The value of the council's pension liability is an estimate based on information provided by management and actuarial assumptions. • The council's provision for doubtful debts is based on management assessments of the recoverability of debts. <p>Risk: Valuations of assets /liabilities are materially misstated.</p>	<p>Review of the work of the valuer and actuary.</p> <p>Focused substantive testing of classification and valuation of assets.</p> <p>Review appropriateness of actuarial assumptions.</p> <p>Confirm pension valuations in actuarial report are correctly reflected within the 2020/21 accounts.</p> <p>Review the provision for doubtful debts to assess whether it is reasonable and complete based on the perceived risk that the debt will not be recovered, and in line with historic experience.</p> <p>Review actual experience of significant estimates made in the prior year.</p>	<p>Results: Our review of the work of the council's valuation team confirmed the appropriateness of the methodology and assumptions used.</p> <p>We assessed the reliability of the actuary and reviewed their work. No issues were noted.</p> <p>Pension disclosures agreed in full to information from actuaries, or to financial records where applicable. This included verification of pension entries in the audited accounts to the IAS19 report.</p> <p>On completion of our interim audit work for 2020/21 we reconsidered the risk of estimation and judgments relating to the council's provision for doubtful debts. As a result, we have now rebutted the presumption that a significant material risk exists in this area. This is based on there being several provisions covering different account areas (e.g., council tax and housing) that individually are immaterial. All such provisions would have</p>

Audit risk	Assurance procedure	Results and conclusions
		<p>to be misstated for there to be a material error, given the historical lack of issues with these estimates, this is unlikely.</p> <p>Conclusion: Satisfactory</p>
<p>6. Accounting for non-current assets</p> <p>Over the course of our audit appointment, we have identified several issues with the council's accounting treatment for non-current assets.</p> <p>Risk: The asset register is inaccurate.</p> <p>Assets are materially misstated in the annual accounts.</p>	<p>Detailed testing of non-current asset balances, including testing of additions, disposals, and depreciation to confirm the accuracy of the asset register.</p>	<p>Results: We tested asset additions, disposals, and depreciation charges. As noted in exhibit 2, issues 2 and 3, we identified several errors with the council's non-current assets accounting.</p> <p>We undertook additional testing in response to the issues identified. No further issues were noted.</p> <p>See also appendix 1, recommendations 1 and 2.</p> <p>In totality these errors did not breach materiality for the audit.</p> <p>Conclusion: Satisfactory</p>

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>7. Financial sustainability</p> <p>The Covid-19 disruption has had a fundamental impact on what and how services are delivered by the council and its partners. Inevitably there will be additional cost burdens to the council on top of the immediate response to the Covid-19 crisis. Council priorities may need to change. As the council reinstates services, this is likely to require, expenditure beyond that in the budget</p>	<p>Monitor how the council's budget is affected in 2020/21 and the impact on medium/longer-term financial planning. Comment as appropriate in the annual audit report.</p> <p>Monitor the council's performance reports to establish the impact of Covid-19 on services.</p> <p>Monitor the additional funding provided to South Lanarkshire Leisure and</p>	<p>Results: The financial outturn and challenges for the medium and longer term are reflected in section 2 and 3 of this report. Service performance is included in section 5.</p> <p>The council provided £0.139 million of financial support to SLLC in 2020/21.</p> <p>Conclusion: As with most public sector organisations, the council will need to update its medium to longer-</p>

Audit risk	Assurance procedure	Results and conclusions
and financial plans will need to be revised accordingly.	Culture Ltd (SLLC) to secure its future.	term financial plans to reflect the impact of the pandemic. See appendix 1 , recommendation 3.

Appendix 3

Summary of national performance reports 2020/21

April 2020

[Affordable housing](#)

June 2020

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

July 2020

[The National Fraud Initiative in Scotland 2018/19](#)

January 2021

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

February 2021

[NHS in Scotland 2020](#)

March 2021

[Improving outcomes for young people through school education](#)

May 2021

[Local Government in Scotland Overview 2021](#)

South Lanarkshire Council

2020/21 Annual Audit Report

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Report

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Report to: **Risk and Audit Scrutiny Committee**
 Date of Meeting: **17 November 2021**
 Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **Audited Annual Accounts 2020/2021**

1. Purpose of Report

1.1. The purpose of the report is to:

- ◆ advise members of the requirement to approve the Annual Accounts 2020/2021 for signature, both Council and related Charitable Trusts

2. Recommendation(s)

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

- (1) that the South Lanarkshire Council Accounts 2020/2021 and the Charitable Accounts have received a clean audit certificate, be noted;
- (2) that the audited South Lanarkshire Council Accounts 2020/2021 and the Charitable Trusts' Accounts be approved for signature;
- (3) that it be noted that the External Auditor's Report will be referred to South Lanarkshire Council for information; and
- (4) that it be noted that the Audited Accounts 2020/2021 will be available on the Council's website.

3. Background

- 3.1. Following the publication of The Local Authority Accounts (Scotland) Regulations 2014, the members of the Committee have to meet to consider whether to approve the Audited Annual Accounts for signature, no later than the 30 September 2021. Due to COVID-19 pandemic, the Scottish Government introduced legislation which allowed this deadline to be extended to 30 November.
- 3.2. The members are also required to have regard to any report made or advice provided on the Annual Accounts by the External Auditor.
- 3.3. The External Auditor's Report was included as an earlier report to this meeting and will be referred to the meeting of South Lanarkshire Council (1 December 2021) for information.
- 3.4. Copies of the (unsigned) Audited Accounts 2020/2021, for both the Council and Related Charities, have been emailed to members of this Committee under separate cover. Copies of the Council's Audited Accounts, the Charitable Trusts' Audited Accounts and the External Auditor's Report, will be issued to all Elected Members for their information.

- 3.5. Once signed, the Audited Accounts will be available to the general public on the Council's website and due to COVID-19 restrictions, we can arrange to send a copy out to anyone who requests them rather than them being available on the 4th Floor, Council Offices, Almada Street, Hamilton.

4. Audited Accounts – South Lanarkshire Council

- 4.1. As noted in section 3.1, members of the Committee are required to approve the Audited Accounts for signature. A copy of the Audited Accounts for 2020/2021 have been emailed to Members of this Committee under separate cover.
- 4.2. As detailed in a previous report, the Council's External Auditors, Audit Scotland, have completed an audit which extends across the 2020/2021 Accounts and related matters.
- 4.3. The report notes that the External Auditor has provided a clear Audit Certificate with no qualifications on the Council's Accounts.
- 4.4. The External Auditor's Report also includes an agreed action plan at Appendix 1. Officers of the Council will work to ensure that these actions are implemented during 2021/2022.

5. Audited Accounts – Charitable Trusts

- 5.1. Members of the Committee are required to approve the Charitable Trusts' Audited Accounts for signature. A copy of the Audited Accounts for 2020/2021 have been emailed to Members of this Committee under separate cover.
- 5.2. The External Auditor also reports on the 3 Charitable Trusts managed by the Council: South Lanarkshire Council Educational Trust, South Lanarkshire Council Charitable Trust and the East Kilbride Information Technology Trust.
- 5.3. The External Auditor's report shows a clear audit certificate for each Trust.

6. Employee Implications

- 6.1. There are no direct employee implications from this report.

7. Financial Implications

- 7.1. There are no direct financial implications arising from this report. The Annual Accounts received a clear audit certificate. The main changes to the Council's Accounts 2020/2021 are detailed in the External Auditor's report. All changes identified in the External Auditor's report have been made and the impact on the Council's outturn reflected in the Audited Accounts. The changes were in respect of COVID-19 and the Loans Fund Review and the resultant underspend has been transferred to the Earmarked General Fund Reserve for future spend on these areas. There is therefore no impact in relation to the Council's uncommitted reserves.

8. Climate Change, Sustainability and Environmental Implications

- 8.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

9. Other Implications

- 9.2. The main risk associated with the Council and Charitable Annual Accounts is a qualified audit report. The risk has been assessed as low due to the detailed preparation in relation to the year end process, technical training undertaken by key

finance staff and the roll out of this to Resource finance staff as appropriate. Finance and Resources work together to achieve key deadlines and actions set from timetables.

10. Equality Impact Assessment and Consultation Arrangements

10.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and therefore no impact assessment is required.

10.2. There is also no requirement to undertake any consultation in terms of the information contained in this report.

Paul Manning

Executive Director (Finance and Corporate Resources)

3 November 2021

Link(s) to Council Values/Ambitions/Objectives

- ◆ Accountable, Effective, Efficient and Transparent

Previous References

- ◆ None

List of Background Papers

- ◆ South Lanarkshire Council Annual Accounts 2020/2021 and External Auditor's Report.
- ◆ Charitable Trusts' Annual Accounts 2020/2021 and External Auditor's Report.
- ◆ Financial Ledger 2020/2021 and associated working papers.

Contact for Further Information

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

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Report

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Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	17 November 2021
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	2021/2022 Internal Audit Plan – Six Months to 31 March 2022
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ seek approval for the proposed second phase of the 2021/2022 Internal Audit Plan for the six months to 31 March 2022

2. Recommendation(s)

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

- (1) that the proposed second phase of the 2021/2022 Internal Audit Plan for the six months to 31 March 2022 is 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 2021/2022 Internal Audit Plan.

3.2. To reflect the evolving risks and challenges that the Council continues to face, the Audit Plan for 2021/2022 has been presented to the Committee as two, separate six month plans. The first of these six month plans, for the period to 30 September 2021, was approved in March 2021 and an update with the progress of this Plan is set out in Appendix 1. The second of these Plans, covering the remainder of the year, is detailed at Appendix 2. Presenting the Audit Plan in this way in 2021/2022 has ensured that the Plans are current, relevant and deliverable. These Plans include core elements of audit work, time to complete key financial year-end tasks and the resources required to support Council Services disburse COVID-19 grants.

3.3. The over-arching strategy continues to be one that delivers the key objective of the Service which is to provide general assurance in relation to governance, risk management and control arrangements through:-

- ◆ linking to the Council's objectives and priorities, providing assurance in relation to top risks that have been identified by the Council
- ◆ undertaking a balanced programme of work delivered in compliance with PSIAS that maximise resources available
- ◆ committing resources to support corporate activity
- ◆ prioritising assignments to ensure key areas of work are completed in year

3.4. A summary of how each assignment links to these key assurance areas is included at Appendix 3.

3.5. Progress against the audit strategy has been and will continue to be monitored and reported to the Committee as part of regular activity reports that are presented at each meeting. Delivery of the strategy will be evidenced by the completion of the 2021/2022 Audit Plan. The risk of significant subsequent changes to the Plan, arising from a change in the Council's priorities or risks, are reduced given the approach to planning in 2021/2022 although a level of contingency time has been built in to provide some flexibility through to the end of the financial year. A formal review of the second phase of the Audit Plan will be undertaken in January 2022. Key performance indicators will continue to be reported to the Committee within routine activity reports and as part of the annual assurance report.

4. Internal Audit Plan 2021/2022

4.1. In 2021/2022, audits have been and will continue to be conducted in accordance with the revised PSIAS and within the context of the Internal Audit Charter. A formal review of the function's compliance with PSIAS will be undertaken in 2021/2022 in preparation for an external assessment in 2022/2023 to comply with the requirement for an independent review once every 5 years.

4.2. A copy of the proposed second phase of the Internal Audit Plan for the six months to 31 March 2022 is attached at Appendix 2. This shows the name of the proposed assignment, the lead Resource (if relevant) 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. Resources 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.

4.3. The Council's top risks have been reassessed in 2021/2022 and, as in previous years, this review did not result in significant changes. Previously identified risks were mostly still valid albeit the majority of the top risks have been impacted by the pandemic. Time to test revised controls has been included in the second, six month Plan along with further time to conclude the exercise that seeks to map out the key 'lines of defence' against each of the top risks. From this, an overview will be provided of the governance and risk management arrangements in place.

4.4. Resources within the team have been impacted in the year by the continuing need to support the payment of COVID-19 grants on behalf of the Scottish Government. Aside from this time, the focus of the Plans is on new and revised processes and areas of heightened risk to provide assurance that both controls that remain unchanged and those that have been revised, are effective and robust.

4.5. The Committee is asked to approve the second phase of the Audit Plan for the six months to 31 March 2022.

5. Internal Audit Plan 2022/2023

5.1. The audit planning process for 2022/2023 will shortly commence and Resources and External Audit will be consulted by the end of the calendar year to discuss ideas and suggestions for inclusion in the Plan. Suggestions are also being sought from members of the Committee. Ideas and suggestions should focus on specific risk areas where there are known control weaknesses.

- 5.2. Once the consultation process has been concluded, the comprehensive list of audit 'ideas' will be risk assessed and an audit plan presented to the Committee for approval.
- 5.3. In both 2020/2021 and 2021/2022, Internal Audit Plans have been presented at six-monthly intervals to the Committee and, ahead of preparing the 2022/2023 Internal Audit Plan, some consideration will be given to whether this more agile approach is a more effective model for future years. The pandemic has highlighted both the need and benefit of having relevant, flexible Plans that can direct remote audit work but has also presented challenges in ensuring that a cohesive plan of work is delivered across the year.
- 5.4. This review will consider current practice across other local authorities as well as best practice guidance published by relevant professional bodies. The outcome of this exercise will be reported to the Committee in conjunction with the presentation of a proposed audit plan for 2022/2023.

6. Employee Implications

- 6.1. A full employee capacity plan was prepared at the commencement of the audit planning process. This determined that, 1,174 audit days can be delivered in total through to 31 March 2022 (inclusive of days to deliver an internal audit service to external clients). This is broadly similar to the number of days that were available in 2020/2021 albeit these years are not directly comparable given resources required to respond to the pandemic.
- 6.2. Capacity planning for the year includes assumptions that some resources will be required on an ongoing basis to collate and verify EU European Social Fund grant payments and that 0.5 of a post will be required to support implementation of Oracle Fusion through to 31 March 2022.

7. Financial Implications

- 7.1. Capacity planning has been based on the 2021/2022 budget for the Service. This is considered to provide sufficient resources to deliver the proposed Audit Plan.

8. Climate Change, Sustainability and Environmental Implications

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

9. Other Implications

- 9.1. To mitigate against the risk of non-delivery of this first phase of the Plan, the progress of every assignment will be monitored using the Council's risk management software, Figtree.

10. Equality Impact Assessment and Consultation Arrangements

- 10.1. There is no requirement to conduct an equality impact assessment on the proposed Audit Plan. As part of the early planning process, there was extensive consultation and feedback sought from the following main consultees:

- ◆ Internal Audit Team
- ◆ Finance and Corporate Resources Management Team
- ◆ Executive Directors
- ◆ Audit Scotland, the Council's external auditors
- ◆ Members of the Risk and Audit Scrutiny Committee

10.2. All returned suggestions were included within the initial “audit universe” for risk evaluation.

Paul Manning
Executive Director Finance and Corporate Resources

2 November 2021

Link(s) to Council Objectives/Improvement Themes/Values

- Achieve results through leadership, good governance and organisational effectiveness

Previous References

- 2020/2021 Internal Audit Plan– Risk and Audit Scrutiny Committee, 21 September 2020
- 2021/2022 Internal Audit Plan – Six Months to 30 September 2021 – Risk and Audit Scrutiny Committee, 3 March 2021

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:-

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Audit and Compliance Manager

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Progress with Six Month Internal Audit Plan to 30 September 2021 **Appendix 1**

Lead Resource	Audit assignment	Progress	Status
Participation in and delivery of corporate tasks			
All	Contract Scrutiny Groups	No requirement to date and none has been identified through to 31 March 2022	Complete
All	Provision of reports to Committee	Reports being prepared and presented to Risk and Audit Scrutiny Committee and to External Client Committees and Boards.	Ongoing
All	Attend internal and external working groups	Attending, responding to requests, participating in consultations and providing updates.	Ongoing
All	Audit plan 2021/2022	Completed initial analysis of 'lines of defence' against key risks. Undertook consultation, risk assessment, Resource and Section planning, set scopes and objectives and sought approval through preparation of reports.	Complete (first phase)
All	Annual Report	Prepared annual statement of assurance for 2020/2021. Presented to Risk and Audit Scrutiny Committee.	Complete
FCR CER	City Deal – Governance Statement	Provided 2020/2021 Governance Statement for submission to Glasgow City Council.	Complete
Provision of support tasks			
FCR	General Ledger Data	Provided 2020/2021 general ledger data to External Audit for the audit of the financial accounts for the year ended 31 March 2021.	Complete
All	COVID	Provided COVID-19 support to Council Services. Provided advice and guidance regarding key controls within processes. Undertaking investigative and data analysis work	Complete Ongoing
Delivery of an internal audit programme of core tasks and assignments			
All	National Fraud Initiative (NFI)	Facilitating the investigation of 2020/2021 matches.	Ongoing
All	Fraud	Reacting to fraud alerts through internal and external sources and disseminating information as appropriate. Reviewed anti-fraud policies and refreshing Learn on Line modules. Undertaking investigations as required.	Ongoing
All	Anti-Fraud review	Developed a programme of tests for the Follow Up of Audit Scotland report (Emerging Fraud Risks – July 2020. Test check controls in place within new or changed processes.	Complete Ongoing
All	Informal Follow Up	Prompting Resources on a quarterly and monthly basis of actions due within that period. Collating responses for reporting.	Ongoing

Lead Resource	Audit assignment	Progress	Status
All	Follow Up	For all Council Resources, identified audit recommendations due in the period to March 2021. Risk assessing and following-up to ensure implementation of all high risk actions.	Complete Ongoing
All	Procurement	Rolling programme of testing of procurement practices in areas assessed as being subject to higher risk of fraud.	Ongoing
FCR	BACs Reconciliation	Assisted with development of routine reconciliations.	Complete
All	Continuous Control Monitoring (CCM)	Continuing to download data in current CCM areas. Using data for analysis and to inform internal and external audit testing. Preparing formal reports to allow exceptions and unusual trends in financial controls. Actioning as required.	Ongoing
All	Contingency	Concluded all 2020/2021 audits and responded to requests for unplanned work through to 30 September 2021. Provided advice and guidance.	Complete
All	Inventory/Stock	Reviewing processes in place for the recording of inventory and stock. Providing assurance these are adequate and effective and incorporate key controls.	Ongoing
SWR	Justice Services	Concluding review of management information to ensure timely and accurate.	Ongoing
Delivery of an internal audit service to external clients			
N/A	Audit Plan	Delivering internal audit service to External Clients	Ongoing

Note: shaded areas represents assignments carried forward to Phase 2 to conclude work

Lead Resource	Audit assignment	Scope of Work	Expected Days
Participation in and delivery of corporate tasks			
All	Provision of reports to Committee	Prepare reports to present to Risk and Audit Scrutiny Committee and to External Client Committees and Boards.	2
All	Attend internal and external working groups	Attend, respond to requests, participate in consultations and provide updates.	9.5
All	Audit plan 2021/2022	Complete further analysis of 'lines of defence' against top risks and report to Resource Risk Sponsors.	23
All	Oracle Fusion	Participate in corporate project to implement Oracle Fusion.	64
FCR	PSIAS/Best Practice review	Preparation for an external assessment of the function's compliance with PSIAS. Comparison of existing arrangements with best practice and developing action plan to address any gaps.	6
FCR	External Audit	Provide interim general ledger data to External Audit for the audit of the financial accounts for the year ended 31 March 2022.	2
All	Excel	Develop basic Excel skills matrix and training materials for the Service. Roll out of skills matrix to Council Services.	12
Provision of support tasks			
All	COVID	Undertaking investigative and data analysis work.	14
Delivery of an internal audit programme of core tasks and assignments			
All	National Fraud Initiative (NFI)	Conclude investigation of 2020/2021 matches and prepare reports for presentation to Risk and Audit Scrutiny Committee.	41
All	Fraud	React to fraud alerts through internal and external sources and disseminate information as appropriate. Refresh Learn on Line modules. Undertake investigations as required.	23.5
All	Anti-Fraud review	Test check controls in place within new or changed processes.	63
All	Informal Follow Up	Prompt Resources on a quarterly and monthly basis of actions due within that period. Collate responses for reporting.	2
All	Follow Up	Risk assess and follow-up to ensure implementation of all high risk actions.	24

Lead Resource	Audit assignment	Scope of Work	Expected Days
All	Procurement	Rolling programme of testing of procurement practices in areas assessed as being subject to higher risk of fraud.	14
FCR	BACs Reconciliation	Assistance to undertake routine reconciliations.	1.5
All	Continuous Control Monitoring (CCM)	Continue to download data in current CCM areas. Use data for analysis and to inform internal and external audit testing. Prepare formal reports to allow identification of exceptions and unusual trends in financial controls. Action as required.	20
All	Contingency	Respond to requests for unplanned work through to 31 March 2022. Provide advice and guidance.	20
All	Inventory/Stock	Review processes in place for the recording of inventory and stock. Provide assurance these are adequate and effective and incorporate key controls.	15
SWR	Justice Services	Conclude review of management information to ensure timely and accurate.	15
All	Purchase Cards	Provide assurance that the use of purchase cards is controlled at the outset, that usage is governed and complies with written procedures and that all spend is correctly incurred and independently monitored.	17.5
CER	LEADER	Provision of annual audit certificate.	0.5
EDR/FCR	Advice and Guidance	Provision of advice and guidance on online banking for school funds and on the revision of duplicate invoice checks.	2.5
All	Sustainability	Preparation of a position statement and development of a bank of routine audit tests to be included in all routine audits from 2022/2023.	16
All	Top Risks	Review of top risks and testing of revised controls to mitigate.	40
All	Objective work flows	Provide assurance that key internal controls are embedded in new work flows.	12
Delivery of an internal audit service to external clients			
N/A	Audit Plan	Deliver internal audit service to External Clients	159
Total			619

Resource	Audit Assignment	Scope of Work	Area of Assurance
All	National Fraud Initiative (NFI)	Facilitate the investigation of 2020/2021 matches.	Governance
All	Informal Follow Up	Prompt Resources on a quarterly and monthly basis of actions due within that period. Collate responses for reporting.	Governance
FCR	PSIAS/Audit Committee best practice	Prepare for an external assessment of compliance with PSIAS. Comparison of existing arrangements with best practice.	Governance
All	Sustainability	Prepare a position statement and develop a bank of routine audit tests to be included in all routine audits from 2022/2023.	Governance
All	Audit plan 2021/2022	Analysis of 'lines of defence' against key risks.	Risk Management
All	Top Risks	Review of top risks and testing of revised controls to mitigate.	Risk Management
All	Follow Up	Identify audit recommendations due in the period to March 2021. Risk assess and following-up to ensure implementation of all high risk actions.	Internal Controls
All	Procurement	Rolling programme of testing of procurement practices in areas assessed as being subject to higher risk of fraud.	Internal Controls
FCR	BACs Reconciliation	Assistance to undertake routine reconciliations.	Internal Controls
All	Continuous Control Monitoring (CCM)	Continue to download data in current CCM areas. Use data for analysis and to inform internal and external audit testing. Prepare formal reports to allow exceptions and unusual trends in financial controls. Action as required.	Internal Controls
All	Audit plan 2021/2022	Analysis of 'lines of defence' against key risks.	Internal Controls
All	Oracle Fusion	Participation in corporate project.	Internal Controls
All	Purchase Cards	Provide assurance that the use of purchase cards is controlled at the outset, that usage is governed and complies with written procedures and that all spend is correctly incurred and independently monitored.	Internal Controls

All	Objective work flows	Provide assurance that key internal controls are embedded in new work flows.	Internal Controls
CER	LEADER	Provide an annual audit certificate.	Internal Controls
EDR/FCR	Advice and Guidance	Provide advice and guidance on online banking for school funds and revision of duplicate invoice checks.	Internal Controls
All	Fraud	React to fraud alerts through internal and external sources and disseminating information as appropriate. Review anti-fraud policies and refresh Learn on Line to modules. Undertake investigations as required.	Internal Controls
All	Anti-Fraud review	Follow Up Audit Scotland report (Emerging Fraud Risks – July 2020). Develop a programme of tests. Test check controls in place within new or changed processes.	Internal Controls
All	Inventory/Stock	Review processes in place for the recording of inventory and stock. Provide assurance these are adequate and effective and incorporate key controls.	Internal Controls
SWR	Justice Services	Review management information to ensure timely and accurate.	Internal Controls
All	COVID	Provide COVID support to Council Services. Provide advice and guidance regarding key controls within processes. Undertaking investigative and data analysis work.	Internal Controls

Corporate tasks			
All	Audit plan 2021/2022	Undertake consultation, risk assessment, Resource and Section planning, set scopes and objectives and seek approval through preparation of reports.	Other tasks
All	Contract Scrutiny Groups	Participate in Contract Scrutiny Groups as required.	Other tasks
All	Provision of reports to Committee	Prepare reports and present to Risk and Audit Scrutiny Committee and to External Client Committees and Boards.	Other tasks
All	Attend internal and external working groups	Attend, respond to requests, participate in consultations and providing updates.	Other tasks
All	Annual Report	Prepare annual statement of assurance for 2020/2021. Present to Risk and Audit Scrutiny Committee.	Other tasks

FCR CER	City Deal – Governance Statement	Provide Governance Statement to Glasgow City Council for 2020/2021.	Other tasks
FCR	Provision of data to External Audit	Provide 2020/2021 general ledger data to External Audit for the audit of the financial accounts for the year ended 31 March 2021 and interim data for the year to 31 March 2022	Other tasks
N/A	Audit Plan	Deliver internal audit service to External Clients	Other tasks
All	Excel	Develop basic skills matrix and training materials for the Service. Roll out of this matrix across Council Services.	Other tasks

Report

6

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	17 November 2021
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Internal Audit Activity as at 29 October 2021
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ update the Risk and Audit Scrutiny Committee on progress by, and performance of, the Internal Audit service in the period to 29 October 2021

2. Recommendation(s)

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

- (1) that progress and performance is noted.

3. Background

3.1. Findings from internal audit assignments are reported to the Committee throughout the year. The last progress report to the Committee was in September 2021 and reported on work completed in the period 5 June to 27 August 2021. This report covers all work completed in the period 28 August to 29 October 2021. Performance information is also included.

4. Delivery of the 2020/2021 Audit Plan: Progress and Performance

- 4.1. As at 29 October 2021, 95% of assignments from Phase 1 of the 2021/2022 Audit Plan have started. 23% have been completed to draft report stage. A further 30% of assignments relate to work that continues throughout the year and is carried forward to the second, six month Plan. Work to complete the remaining 47% of the first phase of the 2021/2022 Audit Plan continues and will now be completed alongside the assignments that form part of the second half of the Plan through to 31 March 2022.
- 4.2. Key performance indicators reflecting quality, on time and within budget for the period to 30 September 2021 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 4 weeks of the issue of a draft report against a target set of 80%.
- 4.4. Members are asked to note performance

5. Findings

- 5.1. Appendix 2 lists all assignments completed in the period 28 August to 29 October 2021.
- 5.2. In December 2020, the Committee was advised that the format for presenting findings within Internal Audit update reports was to be reviewed to ensure that this fully supported Member scrutiny. This review has been completed and the first of these, in the new format of a more expanded key messages summary, is attached at Appendix 3. Summaries, in this format, will be appended to update reports for all significant internal audit output going forward. To further assist Members with their scrutiny role, each of these key messages summaries will conclude with suggested areas where Members should seek assurances that all risks have been identified and that there are controls in place to mitigate.
- 5.3. Members are asked to note findings set out in Appendices 2 and 3.

6. Progress against Strategy

- 6.1. The Public Sector Internal Audit Standards (PSIAS) require progress against the audit strategy to be monitored and reported to the Committee as part of regular monitoring reports that are presented at each meeting.
- 6.2. Delivery of the strategy will be evidenced by completion of the 2021/2022 Plan and will be monitored through the performance indicators regularly reported throughout the period.

7. Employee Implications

- 7.1. There are no employee issues.

8. Financial Implications

- 8.1. A breakeven position for 2021/2022 is forecast at the end of the financial year for the Internal Audit section.

9. Climate Change, Sustainability and Environmental Implications

- 9.1. There are no implications for climate change, sustainability or the environment in terms of the information contained within this report.

10. Other Implications

- 10.1. 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. Normally these would be mitigated by coaching and training, regular meetings and escalation processes as well as inclusion of contingency time within the annual plan. However, given the ongoing pandemic, these risks require particular consideration and the Audit Plan for 2021/2022 will remain under review. Any required amendments will be presented to the Committee for approval.

11. Equality Impact Assessment and Consultation Arrangements

- 11.1. There is no requirement to equality assess the contents of this report.
- 11.2. Heads of Service are consulted on each and every audit assignment.

Paul Manning
Executive Director Finance and Corporate Resources

2 November 2021

Link(s) to Council Objectives/Improvement Themes/Values

- Achieve results through leadership, good governance and organisational effectiveness

Previous References

- ◆ 2021/2022 Internal Audit Plan – Six Months to 30 September 2021 – Risk and Audit Scrutiny Committee, 3 March 2021
- ◆ Internal Audit Activity as at 4 June 2021 – Risk and Audit Scrutiny Committee, 22 June 2021
- ◆ Internal Audit Activity as at 27 August 2021, Risk and Audit Scrutiny Committee, 15 September 2021

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:-

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Key audit performance indicators as at 30 September 2021

Appendix 1

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	9/9	100%	80%	
Draft reports delivered within 6 weeks of file review	10/10	100%	80%	
2021/2022 Audit Plan completed to draft by 31 March 2022	7/30	23%	100%	95% of assignments from Phase 1 of the 2021/2022 Audit Plan have started. Time to conclude Phase 1 assignments has been included in the Phase 2 Plan.
Internal Audit recommendations delivered on time	0/0	n/a	90%	No internal audit actions fell due in the period to 30 September 2021.
Client to agree findings and actions within 4 weeks of draft issue	9/9	100%	80%	

Job Number	Assignment name	Draft Issue	Final Issue	Assurance Info
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Previous Year				
I611188	Anti-Fraud Review	31/03/2021	13/10/2021	See Appendix 3.

Current Year				
I262102	General Ledger Data for External Audit	21/07/2021	21/07/2021	Provision of data to External Audit re 2020/2021 financial year end.
I710058	Online Banking - Community Councils	16/08/2021	17/08/2021	Provision of advice and guidance regarding key internal controls.

External Clients				
I925113	LVJB Cyber Security	14/05/2020	18/05/2021	Reported to LVJB
I948168	IHSC Annual Report 2020/2021	15/06/2021	15/06/2021	Reported to IJB
I921145	LVJB 2021/2022 Audit Plan	15/06/2021	16/06/2021	Reported to LVJB
I911136	SLLC 2021/2022 Audit Plan	25/08/2021	25/08/2021	Reported to SLLC
I914137	SLLC Follow up	25/08/2021	25/08/2021	Reported to SLLC
I918172	SLLC 2020/2021 Annual Report	20/07/2021	25/08/2021	Reported to SLLC
I912164	SLLC CCM	21/06/2021	01/11/2021	Reported to SLLC

Key Messages

Background

From the outset of the COVID-19 pandemic, the public sector has been responding to the crisis with various measures to mitigate the economic and social impacts, with the government allocating billions of pounds of additional funding to support these measures. Some of this additional funding is being administered and disbursed to vulnerable business and residents by South Lanarkshire Council.

Within any crisis situation, there is an inherently high risk of fraud if new processes are designed and implemented within limited and pressured timeframes (giving limited opportunities to fully consider anti-fraud controls) or if 'business as usual' controls are weakened or suspended (for example, due to pressures, changes in working practices or reduced segregation of duties, verification or approval). Fraudsters are very likely to exploit perceived gaps or weaknesses in internal controls.

The main fraud threats that might be applicable during the pandemic (which may come from external or internal parties) include theft; claims for monies not due; attempts by fraudsters to redirect legitimate payments; cyber-enabled crime; scams; and potentially corruption, including influencing decisions out with normal protocols or being involved in decisions where conflicts exist. These fraud risks did exist pre-COVID, but the risks have potentially heightened during the pandemic.

It is essential that the Council are aware of any heightened risks and the vulnerabilities within business processes so that additional controls can be put in place to mitigate if necessary. It is key that relevant employees understand particular fraud risks and the anti-fraud controls required to mitigate.

It is also essential that fraud reporting channels are clear and open and that all sources of fraud reporting and intelligence are fully considered, with potential leads investigated, ideally prior to making payments. For any frauds detected following payment, it is essential that every effort is made to invoke clawback of monies.

If fraud risks are not sufficiently mitigated, in addition to the inevitable financial implications, the fraud may also result in reputational damage, breaches of data and associated fines and potential disruption to, or impact upon, service delivery or service users.

Objective

The objective of this audit was to assess the Council's vulnerability to key fraud risks emerging during the pandemic and to consider further audit testing for higher fraud risk areas during 2021/2022, based on the controls identified to mitigate and the assessment of residual risks.

Key Observations

Internal Audit's assessment identified that it is possible that fraud risks have heightened in all of the key 'financial' business processes during the pandemic – procurement / contracts; accounts payable; and payroll. Some further analysis to understand spend with suppliers and the award of contracts during the pandemic (in particular any awards made under 'emergency' procurement arrangements) is planned for 2021/2022; as well as some sample testing to obtain assurances that Resource controls remained robust to check and verify claims prior to submitting to corporate sections for processing and payment.

In addition, there may be particular fraud risks associated with any 'crisis' payments

disbursed during the pandemic, in particular business grants, given the volume and value of grants disbursed and some of the fraud intelligence arising via established fraud reporting channels. Further work will take place in this area, with a focus on investigation of NFI grant matches and any further fraud intelligence. The PayPoint system used to disburse education and social care payments during the pandemic will also be reviewed later in 2021/2022.

The Council's fraud reporting channels (for employee and third parties) remain open and monitored. Any intelligence from these channels, or via established 'intelligence' channels, will continue to be investigated, with recovery sought where fraud is identified.

Lastly, the move to remote working may have increased the risks of loss or theft of Council assets (particularly equipment, stock or data) given a shift away from direct supervision of employees, unoccupied premises and the potential for records to contain gaps if these could not be updated during the initial crisis response period of the pandemic. In light of these risks, work is ongoing to review inventory and stock control arrangements as the Council begins to recover from the initial crisis response periods for the pandemic. Employees have been reminded of their duties to safeguard both assets and Council data and the potential sanctions for misuse have been reiterated. Additionally, employees have been reminded of the 'scams' that they may be exposed to during the pandemic and the good practice steps that should (and should not) be taken in order to mitigate security and fraud risks. The Council's IT Security Team advise that they continue to monitor the cyber threats emerging during the pandemic and have introduced additional controls to maintain IT security controls in the face of both cyber threats and any potential security implications arising from remote connections.

In line with the fraud risk assessment pre-COVID, many of these fraud risks will continue to remain even after recovery from the pandemic given the inherent nature of some of these. The key mitigating action will be continued adherence to the established systems of internal controls and Internal Audit will continue to assess this adherence via agreed programmes of audit work.

Areas where Members should seek assurance:

- 1. Are Members satisfied that the report captures all of the key emerging fraud risks (either new or heightened) for South Lanarkshire Council?***
- 2. Are Members satisfied that there has been an appropriate and proportionate response by South Lanarkshire Council to mitigate these new and emerging risks?***
- 3. Are Members satisfied that the areas that are proposed for further review by Internal Audit are those of highest risk?***

Report

7

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	17 November 2021
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Audit Scotland Report: Local Government in Scotland Overview 2021
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ provide the Committee with a summary of the Audit Scotland Report 'Local Government in Scotland: Overview 2021' published in May 2021

2. Recommendation(s)

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

- (1) that the key messages and recommendations are noted.

3. Background

3.1. In May 2021 Audit Scotland published the above report on behalf of the Accounts Commission. This 'overview' report is prepared each year and covers key areas of current and future activity relative to local government and an opinion on how these are or should be managed.

3.2. The report notes that the COVID-19 pandemic has created an unprecedented set of issues and challenges for councils, their partners and for communities. The shape of the recovery and renewal curve is not yet clear, nor are many of the longer-term impacts on the economy, communities, and public services.

3.3. The latest Local Government Overview (LGO) is the first in a series of reports that will reflect on the evolving and long-term nature of the impact of COVID-19. The 2021 report considers the initial response of councils while future reporting will give a more detailed analysis of the impact and lessons learned from the pandemic.

3.4. This report provides a summary of the Local Government in Scotland Overview document.

4. Report content and key messages

4.1. The report considers the impact of the pandemic across 3 themes:-

- ♦ **Communities and people.** Community wellbeing and the role of communities in responding to the crisis.
- ♦ **Service delivery and partnership working.** The adaption of service provision and working with partners.
- ♦ **Service case study focussing on planning.** The financial impact of responding to COVID-19, use of resources and changes to governance arrangements.

The key messages and lessons learned are considered in turn below.

5. Communities and People

5.1. Key messages:-

- ◆ The COVID-19 pandemic is having a profound impact on all aspects of society, including the economy, jobs, and the physical and mental health of the public. The negative impacts have been greater for those already experiencing socio-economic disadvantage, and existing inequalities have intensified.
- ◆ Councils have been at the centre of the response to the pandemic, supporting communities through these difficult times. They responded quickly and put their initial focus on maintaining service delivery and protecting communities.
- ◆ Relationships with communities have been vital. Councils and communities have worked well together to manage local responses to COVID-19. These included supporting initiatives to promote wellbeing and support people who were shielding and facilitating community support hubs.
- ◆ Existing partnerships that were stronger before the pandemic made a smoother transition into the response phase, as there were fewer barriers. Moreover, some communities were able to offer a faster and more targeted response and deliver some vital services as a result of having fewer formal decision-making structures.

5.2. Lessons learned:-

- ◆ The impact of COVID-19 has been extremely detrimental for many of Scotland's most vulnerable people and communities. The impact will be long-lasting and will significantly increase inequalities. Recovering from the pandemic will require tackling inequalities to be a priority.
- ◆ As councils may look to embed longer-term changes to service provision as seen during the pandemic, it is important that they are adaptable in their approach, to ensure that services are reaching communities in the right way. Councils need to understand the needs of those experiencing digital exclusion and put a strategy in place to ensure equal access to services for all citizens and communities.
- ◆ Action taken by communities has been vital in supporting councils and their partners to deliver an emergency response. Partnerships that were well-established before the pandemic had a smoother transition into the response phase and acted more quickly than others. The importance of strengthening relationships with communities has been apparent.
- ◆ Greater flexibility in decision-making structures has been an effective tool for communities, empowering them while allowing the Council to operate more efficiently. Giving communities more scope to use initiatives like this will be important in the future but must be balanced with the return of robust governance arrangements and continued openness and transparency in decision-making.

6. Service delivery and partnership working

6.1. Key messages:-

- ◆ Councils were central to the national COVID-19 pandemic response to supporting communities and vulnerable groups, alongside partners in health and social care and voluntary sectors. They responded quickly to the pandemic, placing their initial focus on maintaining essential services and protecting communities.
- ◆ Councils proved agile in adapting service provision, by redirecting resources and using digital technology, which allowed them to rapidly change service delivery arrangements. Council workforces demonstrated versatility by adapting quickly, taking on new roles and working under pressure to maintain key services.

- ◆ Levels of service disruption have varied. Services such as education, social care and culture and leisure were badly affected, while other core services continued on a reduced basis. Services that could be delivered by people working from home were most resilient.
- ◆ The disruption to services had significant negative impacts on vital areas and on some client groups. These included carers who lacked access to respite care, people with learning disabilities who lacked access to important services and wider support, and school children, who experienced significant disruption to their education.
- ◆ Communities experienced significant service disruptions alongside the wider impact of the pandemic. This created further challenges including job losses and increased economic uncertainty, the impact on people's mental health, and increased child protection risks during lockdown.
- ◆ There will be an increased need in future for staff to be agile as services continue to evolve in line with the pandemic and the recovery phases. Councils must also manage the pressures on staff to ensure their people are not put at risk of burnout as the pandemic continues.

6.2. Lessons learned:-

- ◆ Councils must closely monitor the impacts of service changes and disruptions on people and communities. There are growing concerns about the effects of service disruptions on different groups, for example the impacts of moving school education into homes and online on disadvantaged and vulnerable children and young people, and of reduced or paused care services on people who rely on them and their carers.
- ◆ Councils must develop targeted responses to tackle both the immediate negative impacts of the pandemic and the long-term inequalities that have been exacerbated. As councils embrace longer-term digital service provision, they must balance the efficiencies digital services bring against the needs of communities and the workforce. Citizens must be at the heart of decisions about the services they rely on.
- ◆ Councils and their staff have been at the centre of unprecedented efforts to protect and support people and communities through the COVID-19 pandemic. Demands on people have been intense, and both council staff and the citizens they serve will need continued targeted support through the move to recovery and renewal. Councils' recovery and renewal efforts must be informed by comprehensive understanding of the issues that affect all those who live and work in their communities, and the positive partnerships built on during their initial response should be a core element in this.
- ◆ The impacts of the pandemic, particularly its unequal impacts on groups in society and the awareness it has raised of issues of fairness and equality, the importance of community and the value of local services are all key to deciding future priorities for public services and what 'building back better' might mean for communities.

7. Resources and governance

7.1. Key messages:-

- ◆ There were significant changes in council governance structures and processes. At the onset of the crisis, councils suspended or revised their meeting schedules, and adopted different approaches to decision-making. Virtual meetings were established in growing numbers of councils, and all councils now hold remote meetings. There is now less reliance on delegation to officers or emergency committees than in the early stage of the pandemic, but councils must continue to balance the need for urgent decision-making with transparency.

- ◆ Councils continue to face significant financial challenges, and these have been exacerbated by the pandemic. The Convention of Scottish Local Authorities (COSLA) estimated that the total net financial impact of COVID-19 in 2020/2021 would be £767 million. This includes forecast financial pressures of £855 million, with loss of income accounting for around £400 million of this total. The financial pressures have been offset slightly by estimated cost reductions of £88 million from a range of areas such as lower property costs and reduced school meal costs.
- ◆ The Scottish Government has provided substantial additional financial support, but the nature and timing of funding has created further challenges for councils. Funding announced by the Scottish Government by February 2021 is likely to support councils in covering the net financial impact of the pandemic for 2020/2021. This additional funding includes a significant element of one-off grant funding, therefore, this may present financial sustainability risks for some councils in future years.
- ◆ Furthermore, funding announcements have been frequent but not regular, and in some cases specific conditions are attached. This has created an additional administrative burden for the Scottish Government and councils arising from awarding and accepting grants and completing the related reporting requirements.
- ◆ The differential impact of COVID-19 on some groups and communities has implications for the Scottish Government's approach to the distribution of funding, which comes on top of difficult fiscal decisions about the funding of public services in the wake of the pandemic.

7.2. Lessons learned:

- ◆ The timing and nature of funding for local government is creating pressure and uncertainty for councils beyond the current financial year. Funding is being provided incrementally and the lack of certainty regarding future budgets makes effective short- and medium-term planning very difficult for councils.
- ◆ COVID-19 will have long-term impacts on councils and the communities that they serve. Councils are likely to require additional support to address the challenges of remobilising services and supporting social and economic recovery. If additional funding is provided with specific conditions or is ring-fenced for specific purposes councils will then be forced to make difficult prioritisation decisions with potential negative impacts on other services. A lack of flexibility in future funding may lead to a differential impact on service delivery and exacerbate existing financial sustainability risks.
- ◆ As reported in Local government in Scotland: Challenges and performance 2018, services such as planning, cultural services, environmental health and roads have borne the brunt of service cuts in recent years. The trend has been one of larger reductions to relatively smaller service areas with no change in real terms to social care and education spending. The increased financial constraints created by COVID-19 are likely to create a further risk to recovery should smaller services face further cuts. This will adversely affect councils' ability to provide importance services that people and communities rely on.
- ◆ Councils have reacted well to the changing environment and have acted quickly to implement new governance arrangements that are safe and flexible. Although delegation to officers and emergency committees was undertaken at some councils in the early stages, it is welcome that all 32 councils now have arrangements in place to support remote meetings. It is likely that the requirement for remote meetings will continue for some time, therefore, all councils should ensure that public participation is facilitated as soon as possible to provide openness and transparency in decision-making.
- ◆ Councils' medium-term financial plans will need to be updated to reflect the significant financial impact of the COVID-19 pandemic. Although considerable

challenge and uncertainty still exists, it is important that councils have a plan in place that identifies medium-term impacts so that steps can be taken to manage risk and plan effectively. Good medium-term financial planning, based on modelling various future scenarios and focusing on clear priorities, is more important now than ever.

8. General conclusions

- 8.1. Looking to the future, councils have started to plan for longer term recovery from the crisis. In progressing towards this, there must be recognition that a return to 'business as usual' will not be possible and that the negative impacts of the pandemic will be felt for years to come.
- 8.2. We are still learning about the significant long-term challenges, and councils' recovery and renewal plans should address the longer-term implications of the pandemic for local economies, communities and individuals. Recovery plans must also recognise the longstanding issues of inequality that exist and set out actions to address the differential impact of COVID-19 on different groups.
- 8.3. There has been some ongoing learning resulting from the emergency response to the pandemic. Councils' service delivery arrangements and working practices changed at an unprecedented pace and on a scale that would have been considered impossible in the past. The need to respond quickly with simplified procedures has allowed councils to operate more flexibly and achieve outcomes that would previously have taken much longer. It is important that councils now consolidate and build on the factors that allowed this level of change and innovation to take place so quickly.
- 8.4. Councils should also identify the positive developments to take forward into renewal planning to maintain this momentum. It is also important for councils to avoid the risk of reverting to 'business as usual' in areas where new ways of working are having positive outcomes, for example flexible working and an increase in digitally enabled services. We will consider further lessons learned in more detail in future local government overview reports.

9. Employee Implications

- 9.1. There are no direct employee implications.

10. Financial Implications

- 10.1. There are no direct financial implications.

11. Climate Change, Sustainability and Environmental Implications

- 11.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

12. Other Implications

- 12.1. Considering the detail of the report and identifying actions as appropriate contribute towards effective risk management.

13. Equality Impact Assessment and Consultation Arrangements

- 13.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.
- 13.2. There is no requirement for consultation on the content of the report.

Paul Manning
Executive Director (Finance and Corporate Resources)

20 September 2021

Link(s) to Council Objective

- Promote Performance Management and Improvement

Previous References

- None

List of Background Papers

- Audit Scotland Report 'Local Government in Scotland: Overview 2021'

Contact for Further Information

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

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Report

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Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	17 November 2021
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Forward Programme for Future Meetings
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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 January 2022
- ◆ 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 January 2022, 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 January 2022 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)

7 October 2021

Link(s) to Council Values/Objectives/Ambitions

Value – Accountable, Effective, Efficient and Transparent

Previous References

Executive Committee 8 July 2009

List of Background Papers

Audit Scotland Audit of Best Value and Community Planning

Contact for Further Information

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

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APPENDIX – RASC OUTLINE FORWARD PROGRAMME TO JANUARY 2022

Meeting Date	Item	Responsibility
26 January 2022	1. Good Governance Q2 Report 2021/2022 / Local Code of Corporate Governance Review 2021/2022	Head of Administration and Legal Services
	2. Internal Audit Activity Report	Audit and Compliance Manager
	3. Internal Six Monthly Fraud Statistics 2021/2022 report	Audit and Compliance Manager
	4. Actuarial Review of Insurance Fund	Head of Finance (Transactions)
	5. Performance and Review Scrutiny Forum Annual Update	Head of Corporate Communications
	6. Annual Audit Plan 2022/2023	Audit Scotland

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.

