

RISK AND AUDIT SCRUTINY COMMITTEE

Minutes of meeting held via Microsoft Teams on 22 June 2021

Chair:

Councillor Jared Wark

Councillors Present:

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

Councillor Also Present:

Councillor John Ross

Councillors' Apologies:

Councillor Walter Brogan, Councillor Graeme Campbell, Councillor Martin Lennon

Attending:

Chief Executive's Service

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

Finance and Corporate Resources

P Manning, Executive Director (Finance and Corporate Resources); Y Douglas, Audit and Compliance Manager; G McCann, Head of Administration and Legal Services; E-A McGonigle, Administration Officer; J Taylor, Head of Finance (Strategy)

Also Attending:

Audit Scotland

A Kerr, External Auditor

Appointment of Chair

In terms of Standing Order No 32(b), Councillor Wark was appointed Chair for this meeting.

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 3 March 2021 were submitted for approval as a correct record.

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

3 Internal Audit Annual Assurance Report 2020/2021

A report dated 4 June 2021 by the Audit and Compliance Manager (Finance and Corporate Resources) was submitted providing:-

- ♦ a summary of progress and performance of Internal Audit for the financial year 2020/2021

- ◆ an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control systems based on audit work undertaken in 2020/2021

Details were given on:-

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

During 2020/2021, the Council's systems and controls had been impacted by the COVID-19 pandemic and there was a requirement to amend governance arrangements and normal business operations in response to the unprecedented circumstances. Guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which advised that audit processes could be streamlined to increase capacity, audit scopes could be narrowed to examine key risks and advisory work that supported the annual opinion could be prioritised, was adopted by the Council to ensure the annual audit opinion for the year ended 31 March 2021 could be provided.

The overall opinion expressed on the Council's control environment was that a reasonable level of assurance could be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ended 31 March 2021. The Internal Audit findings would inform the Council's 2020/2021 Governance Statement.

The Committee decided:

- (1) that the performance of Internal Audit during 2020/2021 be noted;
- (2) that the level of assurance on the Council's control environment be noted; and
- (3) that it be noted that the overall findings from Internal Audit work would inform the Council's 2020/2021 Annual Governance Statement.

[Reference: Minutes of 18 June 2020 (Paragraph 3)]

4 Annual Governance Statement for 2020/2021 and Significant Governance Areas Quarter 4 Progress Report

A report dated 26 May 2021 by the Executive Director (Finance and Corporate Resources) was submitted on the Annual Governance Statement for 2020/2021 and progress against significant governance areas identified within the 2019/2020 Annual Governance Statement at Quarter 4.

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

The Council's governance assurance framework was detailed in Appendix 1 to the report. The resulting Annual Governance Statement for 2020/2021, attached as Appendix 2 to the report, provided information on the Council's compliance during 2020/2021. The annual review of governance arrangements across the Council demonstrated sufficient evidence that the principles of delivering good governance in local government, contained in the Local Code of Corporate Governance, operated effectively and that the Council complied with its Code.

Progress on the significant governance areas highlighted within the Annual Governance Statement 2019/2020 was attached as Appendix 3 to the report.

In response to a member's question, an officer advised that cyber resilience training was available for all staff and elected members to access via Learn on Line.

The Committee decided:

- (1) that the Annual Governance Statement, attached as Appendix 2 to the report, which would be included in the 2020/2021 Annual Report and Statement of Accounts, be approved; and
- (2) that the progress on the Good Governance Statement Action Plan at Quarter 4 2019/2020, detailed in Appendix 3 to the report, be noted.

[Reference: Minutes of 18 June 2020 (Paragraph 4)]

Councillor Ross left the meeting after consideration of this item of business

5 Unaudited Annual Accounts 2020/2021

A report dated 2 June 2021 by the Executive Director (Finance and Corporate Resources) was submitted on the requirement for members to consider the Unaudited Annual Accounts of the Council and related Charitable Trusts, attached as Appendices 1 and 3 to the report, by 30 June 2021.

The Council's Unaudited Annual Accounts detailed key information on the Council's expenditure and income for the financial year ended 31 March 2021. The accounts also covered 3 Charitable Trusts managed by the Council, namely South Lanarkshire Council Educational Trust, South Lanarkshire Council Charitable Trust and the East Kilbride Information Technology Trust.

Due to the ongoing impact of COVID-19, the Scottish Government had extended the normal audit deadline to beyond 30 June, however, the Council had chosen to complete the Unaudited Accounts submission by that date. The full unaudited accounts would be circulated to members following their submission to the auditor on 30 June 2021 and would be advertised as being available for public inspection on the Council's website from that date.

Due to the ongoing impact of COVID-19, the Scottish Government had extended the normal audit deadline from 30 September to 30 November 2021 and the audited Annual Accounts would be submitted to this Committee on 17 November 2021, together with the External Auditor Members' report for formal approval and signature.

A monitoring report on the final outturn position of the Council's Revenue Budget, attached as Appendix 2 to the report, would be presented to the Executive Committee on 23 June 2021. The information contained in the unaudited Accounts took into account the position reported in the Revenue Outturn report and was, therefore, subject to the approval of the Executive Committee.

The CIPFA Code of Accounting Practice (the Code) introduced an Expenditure and Funding Analysis which must be prepared as part of the main Accounts. Appendix 2 to the report provided a reconciliation of the final breakeven position, which would be reported to the Executive Committee on 23 June 2021, to the figures included in the Council's Accounts 2021 (in the Expenditure and Funding Analysis Statement and the Comprehensive Income and Expenditure Account) in line with the Code.

Councillor Marrs made reference to other key achievements she considered should be highlighted in Appendix 1 to the report. In response, the Executive Director (Finance and Corporate Resources) confirmed that those would be included in the final version of the accounts.

In response to a question in relation to indemnity insurance for members involved with Charitable Trusts, Officers undertook to provide clarification to members on this matter.

The Committee decided: that the unaudited Annual Accounts of the Council and related Charitable Trusts, to be submitted to Audit Scotland by the deadline of 30 June 2021, be noted.

6 Internal Audit Activity as at 4 June 2021

A report dated 4 June 2021 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 13 February to 4 June 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 3 March 2021. Performance indicators had not been reported to the Committee for most of 2020/2021 as traditional monitoring processes were not able to accurately capture data relating to the delivery of COVID-19 tasks alongside routine audit work. Annual performance data as at 31 March 2021 was gathered for the purpose of the annual assurance report and was summarised in Appendix 1 with explanations.

As at 31 March 2021, 88% of planned assignments were at final draft stage. During 2020/2021, 94% of draft reports were issued on time and 75% within budget against targets of 80% respectively. Quality continued to be monitored through internal quality control procedures.

Client contributions to the delivery of the audit plan took the form of responding to draft reports, agreeing to close meetings and signing reports timeously once agreed. In 2020/2021, 94% of audit assignments were concluded to a signed action plan within 4 weeks of the issue of a draft report against a target of 80%.

The findings from assignments completed in the period 13 February to 4 June 2021 were detailed in Appendix 2 to the report.

The Committee decided: that the report be noted.

[Reference: Minutes of 3 March 2021 (Paragraph 4)]

7 Interim Management Report 2020/2021

An interim audit report dated May 2021 by Audit Scotland, the Council's external auditor, was submitted detailing the findings of Audit Scotland's interim audit of the Council for 2020/2021.

The external auditor detailed key findings in relation to the following areas of audit work:-

- ◆ payroll validation
- ◆ approval of journal entries

The management responses in relation to the external auditor's findings on each of those areas of work were detailed in the report.

The external auditor also advised of other audit work and discussions undertaken in relation to grant claim certification work.

The ongoing impact of COVID-19 was recognised and Audit Scotland concluded it was no longer viable to continue to view 2020/2021 as a transitional audit year and that the later deadline set for 2019/2020 of 30 November remained appropriate for the Annual Audit Plan this year.

The Committee decided: that the external auditor's interim audit report for 2020/2021 be noted.

8 Financial Resources Scrutiny Forum Activity

A report dated 25 May 2021 by the Executive Director (Finance and Corporate Resources) was submitted on reports considered by the Financial Resources Scrutiny Forum in the period from August 2020 to May 2021.

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

The Committee decided: that the report be noted.

9 Forward Programme for Future Meetings

A report dated 26 May 2021 by the Executive Director (Finance and Corporate Resources) was submitted on the outline forward programme for the meeting 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 meetings of the Risk and Audit Scrutiny Committee to 26 January 2022 be noted.

10 Urgent Business

There were no items of urgent business.