

**Motherwell, 28 June 2017 at 2 pm.**

**A Special Meeting of the AUDIT AND SCRUTINY PANEL**

**PRESENT**

Councillor Gallacher, Convener; Councillors Barclay, Burrows, Graham, Hogg and McKendrick.

**ALSO PRESENT**

Councillor McManus.

**CHAIR**

Councillor Gallacher (Convener) presided.

**IN ATTENDANCE**

Isabelle Boyd Assistant Chief Executive (Education, Youth and Communities); Paul Hughes Head of Business for Financial Solutions; Susan Lawrie, Business Development Co-ordinator, Ken Adamson, Head of Audit and Inspection; Fiona Carney, Accountant, Paula Hendry, Principal Auditor, and Colin Philip, Committee Services Manager.

**ALSO IN ATTENDANCE**

Carole Grant, Audit Scotland.

**APOLOGIES**

Councillors Hume and Stevenson.

**DECLARATIONS OF INTEREST IN TERMS OF THE ETHICAL STANDARDS IN PUBLIC LIFE ETC. (SCOTLAND) ACT 2000**

1. There were no declarations of interest

**GUIDE FOR MEMBERS OF THE AUDIT AND SCRUTINY PANEL**

2. There was submitted a report by the Head of Audit and Inspection (1) providing Members with guidance on the role and work of the Audit and Scrutiny Panel which would assist them in understanding their role and enable them to effectively discharge the role of the Panel; (2) highlighting, within Appendix 1 to the report, the Guide, which contained an overview of the Panel's remit, together with more detailed background information in respect of its role and scrutiny function; (3) advising that the Panel had broad terms of reference relating to audit matters, risk management and scrutiny, and (4) intimating that, as the Panel had a wide remit, regular training and learning and development events would be arranged for Panel Members.

Ken Adamson spoke to the report and, thereafter, the Panel agreed that the report be noted.

**ANNUAL CALENDAR OF ACTIVITIES**

3. There was submitted a report by the Head of Audit and Inspection setting out an overview of the “typical” annual cycle of reports and work which would come before the Panel and which was designed to allow the Panel to effectively discharge its role (1) detailing, within Appendix 1 to the report, the annual calendar of activities, and (2) advising (a) that the Panel could expect to receive a number of different reports each year designed to enable it to effectively discharge its role, and (b) that the “annual calendar” was indicative only, and that Panel Members could, at any time, request additional reports from Management as they deem necessary and/or appropriate to enable them to discharge their remits.

Ken Adamson spoke to the report. Thereon, the Convener suggested that each subject area, put forward by Members of the Panel to be reviewed, be taken on a case by case basis.

Thereafter, the Panel agreed (1) that the report be noted, and (2) that any review requested by Members of the Panel be taken on a case by case basis.

**INTERNAL AUDIT ANNUAL REPORT 2016 – 2017**

4. There was submitted a report by the Head of Audit and Inspection regarding the Internal Audit Annual Report for 2016/17 (1) reviewing the key findings arising from Internal Audit activity during the year, as highlighted within the report entitled “Internal Audit Annual Report 2016/17” and Appendix 1 to the report; (2) advising that the attached report had been prepared when the new Council had not yet determined which body would constitute the Audit Committee function, or what its designation would be, and, following the decisions of the new Council, all references to the Audit and Governance Panel and the Annual Report could be taken as referring to the Audit and Scrutiny Panel; (3) intimating (a) that the annual report presented a high level overview of the activity undertaken by Internal Audit during the year, before highlighting a number of more significant issues which arose from the Internal Audit work and which were reflected in the Annual Opinion; (b) that reasonable assurance could be placed upon the adequacy and effectiveness of the Council’s framework of governance, risk management and internal controls for the year end 31 March 2017, and (c) that an additional qualification had been added to the Opinion in respect of four issues; (4) informing that the Annual Report had been presented to the Corporate Management Team (CMT) in May 2017, where it was agreed that specific Assistant Chief Executives would lead on the Management responses and report back to the CMT on each of the four issues highlighted in the annual opinion, and (5) indicating that follow-up work on the implementation of actions agreed in response to relevant audit recommendations would be reported regularly and would be submitted to the Panel during 2017-18.

Ken Adamson spoke to the report and answered Members questions. Thereafter the Panel agreed to note the report and the Annual Opinion of the Head of Audit and Inspection.

**ANNUAL GOVERNANCE STATEMENT 2016 – 2017**

5. There was submitted a report by the Head of Audit and Inspection (1) presenting, within the Appendix to the report, the Annual Governance Statement 2016-17 which was to be included in the unaudited Annual Accounts for 2016-17; (2) advising that the Statement set out the Corporate Governance Framework within which the Council operated, and described the means by which the Council was directed and controlled; (3) intimating (a) that the effectiveness of the Council’s Governance Arrangements and Systems of Internal Control had been reviewed and the outcome reported to the Audit and Scrutiny Panel in the annual report, and (b) that, as part of the evaluation, management had identified, and highlighted within the Annual Governance Statement, a range of improvement actions and/or future planned developments in relation to key governance arrangements, and (4) indicating (a) that the results of these processes were deemed to support the Chief Executive and the Council Leader in signing the Annual Governance Statement, and in stating that reasonable assurance could be placed on the adequacy and effectiveness of the Corporate Governance Systems operating within

the Council, and (b) that the Council had complied with relevant corporate governance principles in all significant respects.

Ken Adamson spoke to the report and the Panel agreed to note the report.

#### **UNAUDITED ANNUAL ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2017**

6. There was submitted a report by the Head of Business for Financial Solutions (1) indicating that the Unaudited Accounts for the year ending 31 March 2017 had now been completed; (2) advising that the Council had a statutory duty to submit, by 30 June 2017, a set of Annual Accounts through its external auditors, Audit Scotland, following the end of the financial year; (3) intimating that the Annual Accounts had been prepared in accordance with the Code of Practice on Local Authority Accounting, "the Code", as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee; (4) informing (a) that, as previously reported to the Audit and Governance Panel in November 2016, the 2016/17 Code required authorities to report the Comprehensive Income and Expenditure as a service analysis on the basis of organisational structure under which they operate; (b) that it had resulted in a change in how the accounts were presented but did not alter the overall net position of the Council, and (c) that the proposal previously reported, in respect of changes to the valuation methodology for Infrastructure Assets, had been indefinitely delayed until the benefits could be proven to outweigh the costs of implementation; (5) highlighting that there were no other major changes made to the Code for 2016/17; and (6) detailing, within the Appendix to the report, a copy of the Unaudited Annual Accounts for 2016/17.

Thereon, Paul Hughes spoke to the Unaudited Annual Accounts and highlighted a number of areas and issues contained within the Management Commentary of the report. He answered Members questions and, thereafter, the Panel agreed to note the report

#### **RISK MANAGEMENT**

7. There was submitted a report by the Head of Audit and Inspection providing background on the Council's Risk Management Framework, including an overview of the Council's current Risk Management arrangements and ongoing work programmes designed to further enhance those arrangements (1) advising (a) that Risk Management was a mechanism that enabled officers to identify the key risks the Council faced, and to evaluate and take steps to manage them effectively, and (b) that reviews undertaken by Internal Audit and external risk consultants had previously identified significant scope for improvements in the Council's Risk Management Arrangements which highlighted opportunities to improve consistency of approach, increase risk awareness, develop better reporting of risk management and improve the linkage between Risk Management, Business Planning and Decision Making; (2) highlighting, within the report, the response to the findings on which the Council had made significant progress across a number of areas, with the actions being captured in a comprehensive Risk Management Plan; (3) indicating (a) that arrangements were designed to provide a framework where risk registers would be in place for all the Services, Divisions and Teams, and which would capture information on key risks which could impact Service Delivery and/or the achievement of planned outcomes and/or Council priorities, and (b) that Services would be required to review, update and monitor their risks, escalating, where necessary, to the Corporate Register those risks, which potentially had the most significant impacts, and (4) highlighting, within the report, the summary of the current key corporate risks.

Ken Adamson spoke to the report and answered Members questions. Thereafter, the Panel agreed that the report be noted.

**BEST VALUE – LOCAL SCRUTINY PLAN 2017/18 AND NATIONAL SCRUTINY PLAN 2017/18**

8. There was submitted a report by the Business Transformation Manager providing the Panel with copies of the Council's 2017/18 Local Scrutiny Plan and the National Scrutiny Plan, published by Audit Scotland, which summarised all strategic scrutiny activity planned for 2017/18 (1) advising that Local Authorities in Scotland were subject to an annual Shared Risk Assessment undertaken by a Local Area Network (LAN), with each Council's assessment being published by Audit Scotland in a Local Scrutiny Plan; (2) highlighting, within the Appendices to the report, the Local Scrutiny Plan 2017/18, the National Scrutiny Plan 2017/18, and a Map of Activities; (3) indicating that, overall, the assessment was generally positive with no scrutiny risks identified which required specific activity in the coming year, although there were a few areas where the Local Area Network would carry out ongoing oversight and monitoring, as summarised within the report; (4) intimating, within the report, two areas of activity identified for the Council – Inspection of Community Learning and Development, which was now complete, and Joint Adult Services Inspection, which was expected to commence on 24 July 2017, with a local inspection of fire services also scheduled for December 2017, and (5) informing of the next steps, with regard to best value of the Local Scrutiny Plan 2017/18 and the programme of Best Value Audits.

Susan Lawrie spoke to the report and, thereafter, the Panel agreed that the report be noted.

**RE-EXAMINING HOW WE MEASURE SUCCESS: OVERVIEW OF THE IMPROVEMENT AND ACCOUNTABILITY FRAMEWORK**

9. Susan Lawrie advised of the Council's new Improvement and Accountability Framework which aimed to ensure a composite overview of performance, planning and improvement and of the role of Scrutiny within it. Thereon, she tabled the overview document for the Audit and Scrutiny Panel, for sight of the Scrutiny element.

She explained why there was a requirement to scrutinise performance and the role of performance measures. She also provided examples of how this was achieved and suggested prompts that Members could use to challenge performance, and advised that full training would be provided to Members.

Thereon, Susan answered Members questions, and the Panel agreed (1) that the oral update be noted, and (2) that full training be given to Panel Members in this regard.