

AUDIT AND SCRUTINY PANEL – 27 June 2019

Motherwell, 27 June 2019 at 1 pm.

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

PRESENT

Councillor Gallacher, Convener; Councillor Stevenson, Vice-Convener; Councillors Anderson, Burrows, Hogg, T. Johnston, Morgan, Alan Valentine and Watson.

CHAIR

Councillor Gallacher (Convener) presided.

IN ATTENDANCE

Ken Adamson, Audit and Risk Manager; Alison Gordon, Head of Children, Families and Justice Social Work Services; Elaine Kemp, Head of Financial Solutions; Fiona Whittaker, Head of People and Organisational Development; Susan Lawrie, Business Manager (Performance and Resource Allocation), Lauren Anthony, Risk and Insurance Manager; Paula Hendry, Principal Auditor; Veronica Roberts, Finance Manager, and Kirsty Brown, Committee Officer.

ALSO IN ATTENDANCE

Carole Grant, Senior Audit Manager, and Gillian McCreadie, Auditor (both Audit Scotland).

APOLOGIES

Councillors Graham and Hume.

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

1. Councillor Anderson declared a general interest by virtue of a family member's employment with an organisation referenced at various points in the agenda, but considered the interest so remote and insignificant that it did not preclude her participation in these items.

AUDIT AND RISK RELATED ITEMS: ACTION LOG

2. There was submitted a report by the Audit and Risk Manager (1) advising that the purpose of the report was to enable Members to track the implementation of requests and recommendations made by the Panel in respect of audit and risk-related items in the previous 12 months, and (2) detailing, in the Appendix to the report, the current status of the audit and risk related requests and recommendations by the Panel, including when these had been addressed or were expected to be addressed.

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

During consideration of the following item, Councillor Morgan declared an interest by virtue of his appointment as the Convener of the Adult Health and Social Care Committee but considered the interest so remote and insignificant that it did not preclude his participation in this item.

RISK MANAGEMENT UPDATE INCLUDING DEVELOPMENT OF THE NEW CORPORATE RISK REGISTER 2019/20

3. There was submitted a report by the Audit and Risk Manager (1) advising (a) that the Council's Risk Management Strategy, in line with good practice, required that the Corporate Risk Register (CRR) be refreshed on an annual basis, and (b) that the annual review of the CRR had been undertaken, with the process informed by The Plan for North Lanarkshire and the associated Programme of Work; (2) detailing the key changes in the CRR, including (a) the remaining risks with a changed focus or which were being merged together; (b) risks being removed from the CRR and de-escalated to Services; (c) risks being removed as 'closed' and/or no longer relevant; (d) proposed new risks, and (e) highlighting the current risks unchanged from the previous CRR; (3) intimating that the Corporate Management Team (CMT) had approved the changes to the CRR; (4) outlining areas of outstanding work being progressed by the Risk Management Team, in conjunction with the CMT, to enable the preparation of future summaries of corporate risks which would facilitate oversight and scrutiny by both the CMT and the Panel; (5) indicating that future reports to the Panel would incorporate the fully revised CRR, and (6) highlighting (a) that the Risk Management Team continued to progress implementation of the Figtree risk management system; (b) that the system had gone live for Corporate, Enterprise and Housing, and Infrastructure risks on 10 June 2019, and (c) that work was continuing in the Chief Executive, and Education and Families Services to prepare risk registers for migration onto the new system, and it was anticipated that this migration would be completed by the end of August 2019.

Ken Adamson spoke to the report and answered Member's questions. Thereafter, the Panel agreed (1) to note the proposed changes to the CRR, as outlined in Appendix 1 to the report; (2) that it be noted that (a) work was currently being progressed by Risk Management staff, working alongside Senior Management, to further develop and document the risks detailed in the report, and (b) that future reports to the Panel would incorporate the fully revised CRR, and (3) that the report be otherwise noted.

EXTERNAL AUDIT - AUDIT SCOTLAND MANAGEMENT REPORT

4. There was submitted a report by the Audit and Risk Manager (1) presenting the audit output produced by the Council's external auditors, Audit Scotland, since the previous meeting of the Panel in respect of the audit for the Council for the year-ending 31 March 2019; (2) providing, in the Appendix to the report, a copy of the external auditor's Interim Management Report for 2018/19, and (3) highlighting that the Interim Management Report contained an action plan, which included audit findings and responses and planned actions that had been agreed by Management.

Carole Grant, Audit Scotland, spoke to the report and answered Member's questions, and also advised the Panel that Audit Scotland was undertaking a sample check of the exit packages detailed in the Appendix to the report, and that a verbal update on the status of this work would be provided at the next meeting of the Panel, with formal feedback to be provided in the Annual Report.

Thereafter, the Panel agreed (1) that it be noted that a verbal update would be provided by Audit Scotland at the next meeting of the Panel in relation to the sample check of exit packages, as referenced in the Appendix to the report, and (2) that the report be otherwise noted.

FOLLOW-UP OF ACTIONS PREVIOUSLY AGREED BY MANAGEMENT IN RESPONSE TO INTERNAL AND EXTERNAL AUDIT RECOMMENDATIONS

5. There was submitted a report by the Audit and Risk Manager (1) detailing the extent to which Management had implemented actions previously committed to in response to recommendations in Internal and External Audit reports, where those actions were due to be completed by the end of March 2019; (2) advising (a) that Internal Audit had concluded that 11 of the 25 agreed actions in response to Internal Audit outputs had been completed, with a further 14 partially implemented, and (b) that nine (eight related to Internal Audit recommendations and one related to External Audit outputs) of the 15 relevant issues not yet fully implemented required to be highlighted to the Panel; (3) providing, in Appendix 1 to the report, a detailed update on five of the eight previously agreed planned actions which had not yet been completed and were assessed by Internal Audit as having a 'Medium' residual risk; (4) intimating (a) that the three remaining issues assessed by Internal Audit as having a 'Medium'
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residual risk rating related to performance management and would be addressed by the new Strategic Performance Framework adopted as part of The Plan for North Lanarkshire, and (b) that there would be continued monitoring and review of progress in respect of the effective implementation of robust performance management arrangements as part of the planned work in 2019/20, and (5) highlighting that 54 of the 56 agreed actions in response to External Audit had been completed, with one further action not yet fully implemented and one remaining action being no longer relevant, further details of which were contained in Appendix 2 to the report.

Ken Adamson spoke to the report and answered Members' questions. Following discussion, the Panel requested that additional information, with a specific focus on the timescales for completion, be submitted to a future meeting of the Panel, in relation to Item 1 – Early Learning and Childcare: Extension to 1140 hours and Items 4 and 5 – Health and Social Care, as referenced in Appendix 1 to the report.

Thereafter, the Panel agreed (1) to the note the content of the report, and (2) that additional information, with a specific focus on the timescales for completion, be provided to a future meeting of the Panel, in relation to Item 1 – Early Learning and Childcare: Extension to 1140 hours and Items 4 and 5 – Health and Social Care, as referenced in Appendix 1 to the report.

LEARNING FROM CASE REVIEWS IN PUBLIC PROTECTION

6. With reference to paragraph 2 of the Minute of the meeting of the Panel held on 13 December 2018, when it was agreed that a report be submitted to a future meeting of the Panel detailing how learning from case reviews was shared and implemented locally, there was submitted a report by the Head of Children, Families and Justice Social Work Services (1) advising that the framework for case reviews varied across the individual areas of public protection and covered a broad spectrum, from single agency and multi-agency reflective practice reviews or learning sessions to Initial Case Reviews (ICRs) and Significant or Serious Case Reviews (SCRs); (2) outlining (a) that national guidance supported the ICR/SCR process in the areas of Child Protection and Multi-Agency Public Protection Arrangements (MAPPA) and informed local arrangements; (b) that there was no national guidance for SCRs in Adult Protection, although there was local multi-agency guidance contained in the local adult protection procedures, and (c) that there was currently no national or local guidance in relation to reviews related to Domestic Abuse, although this could be a feature in reviews undertaken in the other strands of public protection; (3) highlighting that decisions on the commission of SCRs were made through relevant Public Protection Committees and endorsed by the North Lanarkshire Public Protection Chief Officers Group; (4) providing, in the Appendix to the report, the criteria for undertaking SCRs in Child Protection, Adult Protection and MAPPA; (5) detailing (a) that case reviews were only part of a much wider range of activity, which supported learning and continuous improvement in public protection, and (b) the arrangements at a national and local level, which supported learning from case reviews, in the area of public protection, and (6) intimating that there were a number of ongoing developments in relation to the procedures for case reviews.

Alison Gordon spoke to the report and answered Members' questions. Thereafter, the Panel agreed to note the content of the report.

INTERNAL AUDIT PROGRESS REPORT

7. There was submitted a report by the Audit and Risk Manager (1) setting out an overview of Internal Audit activities; (2) outlining the results of Internal Audit outputs finalised since the last progress report submitted to the meeting of the Panel on 28 March 2019; (3) highlighting the most significant issues arising from recently completed audit work, and (4) providing (a) in Appendix 1 to the report, a brief summary of the scope and key findings of each substantive audit report, and (b) copies of the Internal Audit reports in relation to each substantive audit in the Executive Summaries appended to the report.
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Ken Adamson spoke to the report and answered Members' questions. Councillor Anderson, on behalf of Councillor Hume, requested that all policies and procedures in the Education and Families Service be reviewed. Following discussion, the Panel agreed that the Convener would discuss this matter with Councillor Hume to establish the specific remit/focus of the requested review and, if required, contact relevant offers to agree any necessary actions.

Thereafter, the Panel agreed (1) that Internal Audit would report to future meetings of the Panel on the progress made by management in implementing agreed management actions in relation to all audit recommendations categorised as red or amber, and (2) that the report be otherwise noted.

INTERNAL AUDIT STRATEGY 2019/20 TO 2021/22

8. There was submitted a report by the Audit and Risk Manager (1) advising that the Internal Audit Strategy had been reviewed and updated in order to reflect significant Council developments, since the Panel approved the previous Internal Audit Strategy at its meeting on 30 April 2018, and (2) seeking approval of the revised and updated Internal Audit Strategy, covering the period up to 2021/22, as detailed in the Appendix to the report.

Ken Adamson spoke to the report. Thereafter, the Panel agreed to approve the revised and updated Internal Audit Strategy, covering the period up to 2021/22, as detailed in Appendix 1 to the report.

During consideration of the following item of business, Councillor Gallacher declared an interest by virtue of her appointment as a Member of the North Lanarkshire Health and Social Care Integration Joint Board but considered the interest so remote and insignificant that it did not preclude her participation in this item.

INTERNAL AUDIT ANNUAL PLAN 2019/20

9. There was submitted a report by the Audit and Risk Manager (1) providing (a) background and context as to how the Internal Audit planning process was undertaken, and (b) a high level overview of how Internal Audit resources would be allocated in 2019/20, and (2) seeking approval of the proposed Internal Audit Plan 2019/20 and Internal Audit assignments, as set out in Appendix 1 to the report.

Ken Adamson spoke to the report. Thereafter, the Panel agreed (1) to note the approach adopted to produce the Internal Audit Annual Plan 2019/20, and (2) to approve the Internal Audit Annual Plan 2019/20 and detailed list of Internal Audit assignments for 2019/20, as detailed in Appendix 1 to the report.

ACCOUNTS COMMISSION REPORT: LOCAL GOVERNMENT IN SCOTLAND - CHALLENGES AND PERFORMANCE 2019

10. There was submitted a report by the Audit and Risk Manager (1) presenting (a) the findings of the Accounts Commission report 'Challenges and Performance 2019', and (b) the Management assessment of, and response to, the issues raised by the Accounts Commission; (2) advising (a) that, in November 2018, the Accounts Commission published a report entitled 'Financial Overview 2017/18'; which provided a high-level independent analysis of the financial performance of councils during 2017/18 and their financial position at the end of that financial year, and (b) that this was the second report in the series, which examined the performance of council services and the challenges facing councils; (3) highlighting the Accounts Commission's key findings and recommendations, and (4) detailing, in Appendix 1 to the report, Management's response to the key issues highlighted by the Accounts Commission, which was intended to provide assurance that the Council was aware of, and was responding appropriately to, the issues and risks identified by the Accounts Commission.
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Ken Adamson spoke to the report. Thereafter, the Panel agreed to note the key findings of the Accounts Commission Report and the Management response to the issues raised by the report.

INTERNAL AUDIT ANNUAL REPORT 2018/19

11. There was submitted a report by the Audit and Risk Manager (1) providing an overview of the activities of the Internal Audit section for 2018/19; (2) highlighting the more significant issues which arose from the work undertaken by Internal Audit during the year; (3) summarising, in Appendix 2 to the report, an overview of Internal Audit activity against the 2018/19 Annual Plan and details of when each assignment had been reported to the Panel; (4) detailing, in the report and Appendix 1, the Independent Annual Opinion from the Audit and Risk Manager, which intimated (a) that reasonable assurance could be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and internal control for the year ended 31 March 2019, and (b) that a qualification had been added to the Opinion that, whilst the changes made and proposals to the Council's performance management arrangements had been positive, there was a need to ensure that planned actions designed to improve the Council's performance management arrangements (the Strategic Performance Framework) were successfully implemented in 2019/20.

Ken Adamson spoke to the report and answered Members' questions. Thereafter, the Panel agreed to note the Internal Audit Annual Report and associated Annual Opinion of the Audit and Risk Manager.

ANNUAL GOVERNANCE STATEMENT 2018/19

12. There was submitted a report by the Business Solutions Manager (1) presenting, in the Appendix to the report, the Annual Governance Statement 2018/19, which was to be included in the Unaudited Annual Accounts for 2018/19; (2) intimating (a) that the Local Authority Accounting (Scotland) Regulations 2014 required that an Annual Governance Statement be included within the Council's Annual Accounts, which would be subject to review by Audit Scotland as part of its year-end audit process, and (b) that the Statement provided an opportunity for the Council to report annually on the extent to which it complied with the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) Delivering Good Governance Framework 2016, including describing relevant monitoring and evaluation arrangements for governance during the year and any planned changes and/or development in the upcoming period; (3) advising (a) that the Annual Governance Statement had been prepared following the gathering of evidence from a number of different sources to ensure that it properly reflected the Council's arrangements during 2018/19, and (b) that, during the evaluation, the Senior Management Team had a range of improvement actions and/or future planned developments in relation to key governance arrangements, which were identified and highlighted in the Annual Governance Statement, and (4) indicating (a) that the results of these processes assisted the Chief Executive and the Council Leader in signing the Annual Governance Statement, and that reasonable assurance could be placed on the adequacy and effectiveness of the corporate governance statements operating in the Council, and (b) that the Council had complied with relevant corporate governance principles in all significant respects.

Susan Lawrie spoke to the report. Thereafter, the Panel agreed to note the Annual Governance Statement, which was to be included in the Unaudited Annual Accounts for 2018/19.

DRAFT UNAUDITED ANNUAL ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2019

13. There was submitted a report by the Head of Financial Solutions (1) indicating that the Unaudited Annual Accounts for the year ending 31 March 2019 had now been completed; (2) intimating (a) that the Local Authority Accounts (Scotland) Regulations 2014 required that the Council prepare an Annual Statement of Accounts, and (b) that the Local Government (Scotland) Act 2003 also required that the Statement of Accounts be prepared in accordance with proper accounting practices, which, in the Local
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Government context, comprised of the Code of Practice on Local Authority Accounting in the United Kingdom, supported by International Financial Reporting Standards and Statutory Guidance under Section 12 of the 2003 Act; (3) highlighting that the Local Authority Accounts (Scotland) Regulations 2014 required the Council to submit a set of Unaudited Annual Accounts to the Council's external auditors, Audit Scotland, by 30 June 2019, and (5) detailing, in the Appendix to the report, the Unaudited Annual Accounts for 2018/19.

Elaine Kemp spoke to the report and highlighted a number of areas and issues contained in the report. Thereafter, the Panel agreed to (1) note the report, and (2) approve the submission of the Unaudited Annual Accounts to Audit Scotland by 30 June 2019.

Motherwell, 5 September 2019 at 1 pm.

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PRESENT

Councillor Gallacher, Convener; Councillor Stevenson, Vice-Convener; Councillors Anderson, Burrows, Graham, Hume, T. Johnston, Morgan, Alan Valentine and Watson.

CHAIR

Councillor Gallacher (Convener) presided.

IN ATTENDANCE

Des Murray, Chief Executive, Elaine Kemp, Head of Financial Solutions, Ken Adamson, Audit and Risk Manager, Linda Johnston, Business Solutions Manager, Susan Lawrie, Business Manager (Performance and Resource Allocation), and Kirsty Brown, Committee Officer.

ALSO IN ATTENDANCE

Carole Grant, Senior Audit Manager, Audit Scotland.

APOLOGY

Councillor Hogg.

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

1. There were no declarations of interest.

Councillor Alan Valentine, during consideration of the following item of business, declared an interest in paragraph 2, by virtue of his employment with an organisation detailed in the report, but considered the interest so remote and insignificant that it did not preclude his participation in this item.

THE PLAN FOR NORTH LANARKSHIRE - FOCUS ON BENCHMARKING RESULTS

2. With reference to paragraph 9 of the Minute of the meeting of the Panel held on 16 May 2019, when the findings of a review into the Council's approach to benchmarking were presented, there was submitted a report by the Business Solutions Manager (1) highlighting that the benchmarking review had identified the need (a) to ensure the future alignment of benchmarking information to The Plan for North Lanarkshire and the Programme of Work, and (b) for integration with the Supporting Policy, Performance, Self Evaluation and Governance Frameworks; (2) advising that the Local Government Benchmarking Framework (LGBF) was developed by the Improvement Service, at the request of the Society of Local Authority Chief Executives and Senior Managers (SOLACE); (3) detailing (a) that the LGBF comprised of a suite of 77 high level benchmarks, which were comparable across all 32 Councils in Scotland, and (b) that the benchmarking results were intended to act as "can openers", in order to provide initial information about a Service; (4) providing, in Appendices 2 to 18 of the report, full details of the 77 measures in the LGBF suite, and (5) intimating (a) that the results could be utilised to highlight where council performance differed, support engagement between councils in order to understand the basis of any differences, and establish areas of best practice, (b) that the benchmarking measures

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would be incorporated in the Strategic Self-Evaluation Framework to inform consideration of the evidence presented against each of the 25 ambition statements and an assessment of progress against The Plan for North Lanarkshire, and (c) that the Strategic Performance Framework would be presented for consideration to the meeting of the Policy and Strategy Committee on 26 September 2019.

Linda Johnston spoke to the report and highlighted (1) that the information provided in the LGBF results were in relation to 2017/18, with the 2018/19 results not due to be published by the Improvement Service until February 2020; (2) that due to the time lag in the results, it was anticipated that, with the pace of change the Council was undertaking, many of the results would have significantly changed since 2017/18; (3) that, of the 77 measures included within the LGBF, the Council had improved in 48 in comparison to previous years (30 had improved above the national average, and 29 had declined (19 not meeting the national average)); (4) that in terms of gathering of information the Council provided the information requested in relation to the measures within the LGBF, and (5) that the measures were at a high level, and further information would be required to ensure that results were considered in the appropriate context. The Panel were invited to identify areas where they felt further analysis was required.

Susan Lawrie presented an overview of the benchmarking results and the 17 categories of measures detailed in the Appendices to the report. During the overview process, the Panel was given the opportunity to ask questions in relation to any specific queries regarding the measures and results.

Following discussion, the Panel agreed (1) that Members would provide details to the Business Solutions Manager and the Business Manager (Performance and Resource Allocation) of any priority areas that they wished to be included in a future programme of scrutiny items; (2) that the Convener would meet separately with Members to discuss the most appropriate approach in relation to progressing the programme of scrutiny items, and (3) that a further report be submitted to the meeting of the Panel scheduled for 14 November 2019, setting out the proposed programme of scrutiny items and the approach in relation to the further review of items included in the programme.

EXTERNAL AUDIT: ANNUAL ACCOUNTS 2018/19 - REMUNERATION REPORT

3. With reference to paragraph 4 of the Minute of the Meeting of the Panel held on 27 June 2019, when Audit Scotland advised that, in relation to the content of the Remuneration Report contained in the Council's Annual Accounts 2018/19, a verbal update would be provided to the next meeting of the Panel regarding a sample check of exit packages, there was submitted a report by the Audit and Risk Manager (1) advising that the payments made to the former Chief Officer for Health and Social Care and the former Assistant Chief Executive (Education, Youth and Communities) had been the subject of considerable media interest, and (2) intimating that the purpose of the report was to allow Audit Scotland to report back to the Panel its initial findings in relation to the content of the Remuneration Report contained in the Council's Annual Accounts 2018/19, with particular focus on the payments made to former officers of the Council.

Ken Adamson then spoke to the report and invited Carole Grant, Audit Scotland to provide a verbal update in relation to this item. She advised that the Annual Audit report 2018/19 would be submitted to the meeting of the Panel scheduled for 25 September 2019 and would provide a full update in relation to this matter. In the meantime, she advised that Audit Scotland had selected a sample of payments to former officers of the Council for further review, and had determined (1) that the Council had appropriate policies and procedures in place; (2) that the Council had properly applied those procedures; (3) that there were some inconsistencies in terms of the documentation used, and it was recommended that standard documentation be implemented moving forward; (4) that a significant amount of the total payment to certain individuals was in relation to payments to the pension fund, and it was recommended that this be reclassified within the Remuneration Report to more accurately reflect the nature of this payment, and (5) that an overpayment had been made in relation to the payments made to one former staff member, for which secondary checks had not been undertaken, and as a result Audit Scotland had recommended that, in future, secondary checks be undertaken in all circumstances.

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Carole Grant answered Members' questions. Des Murray confirmed that he was confident that the Council's policies had been applied appropriately and the points raised by Audit Scotland had been addressed. Notwithstanding that the payments were made in accordance with approved Council policies the Panel expressed concerns regarding the size of exit packages given to certain staff and the overpayment made to one staff member. The Panel requested confirmation from the Chief Executive that the money which had been overpaid to the individual staff member was in the process of being recovered.

Thereafter, the Panel agreed (1) to note the report and verbal update provided by Audit Scotland, and (2) requested that the Chief Executive provide confirmation that the money which had been overpaid to the individual staff member was in the process of being recovered.