

## **AUDIT AND SCRUTINY PANEL - 23 SEPTEMBER 2020**

---

---

**Via Webex, Motherwell, 23 September 2020 at 1 pm.**

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

### **PRESENT**

Councillor Gallacher, Convener; Councillors Graham, Hume, T. Johnston, Morgan, Alan Valentine and Watson.

### **CHAIR**

Councillor Gallacher (Convener) presided.

### **IN ATTENDANCE**

Head of Business Solutions; the Audit and Risk Manager; Business Manager (Performance and Resource); Assurance and Development Manager; Business Manager (Improvement), and Democratic Services Manager.

### **APOLOGIES**

Councillor Stevenson, Vice Convener; Councillors Anderson and Burrows.

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

1. Declarations of interest were received from the following Members:-

Councillor Morgan declared an interest in paragraph 3 by virtue of a family member's employment with Culture and Leisure NL and further declared that he would not participate in the consideration of that item of business.

Councillor Watson declared an interest in paragraph 3 by virtue of his membership of the Municipal Bank and Fusion Assets and further declared that he would not participate in consideration of that item of business.

Councillor Graham declared an interest in paragraph 3 by virtue of his membership of Fusion Assets, Town Centre Activities and the Campsies Board and further declared that he would not participate in consideration of that item of business.

### **THE PLAN FOR NORTH LANARKSHIRE COUNCIL: STRATEGIC OVERSIGHT AND GOVERNANCE IN A NEW ENVIRONMENT**

2. There was submitted a report by the Head of Business Solutions providing the Panel with an update on the work undertaken to date, and the next steps required, to reconfigure and realign the four frameworks, namely (a) Policy, (b) Governance, (c) Self Evaluation and (d) Performance, that support The Plan for North Lanarkshire and Programme of Work, in line with the new environment in which the Council is operating (1) reiterating the impact which Covid-19 has had upon the Council and explaining that in setting out how the Council would recover services the Recovery Plan for North Lanarkshire, and accompanying operating model, provide the foundations from which to ensure stability; (2) reminding the Panel that the vision of the Plan remains supported by a substantial Programme of Work, which outlines the activities required to underpin delivery of the Plan and provides a consistent focus for resources and working practices; (3) advising that, since being approved at Committee, work has continued to ensure that the four frameworks embedded within the Plan remain aligned to the long term vision of the Council; (4) explaining (a) that the impact of Covid-19 has had

an impact on the delivery of planned day to day service activities and the achievement of the shared ambition and (b) that work now required to be undertaken to reconfigure and realign the four frameworks in line with the new environment in which the Council finds itself operating; (5) providing an update on work in relation to each of the four frameworks together with details of future actions and next steps, and (6) attaching, as Appendices to the report, further information for the Panel in relation to performance.

Susan Lawrie spoke to the report and referred the Panel to an accompanying Spreadsheet providing Performance Data for services across the Council.

Discussion took place regarding the ability of the Council to achieve the outcomes detailed in The Plan given that a number of actions require external organisations to complete this work and the Panel also gave thought to whether benchmarking information regarding performance against comparator Councils was, at this time, of value.

The Convener intimated that she would discuss with officers the matter of benchmarking data and would request that a note be issued to Members of the Panel on the reasoning why there had been changes to the Council's position when benchmarked against comparator authorities.

Thereafter, the Panel agreed:-

- (1) that the process update and next steps for each of the four frameworks be noted;
- (2) that the performance presented in the Excel spreadsheet accompanying the report be noted, and
- (3) that otherwise, the contents of the report be noted.

**Prior to consideration of the following item of business, the following declarations of interest had been made:-**

**Councillor Morgan had declared an interest in the following item of business by virtue of the employment of a family member and did not participate in consideration of the following item of business.**

**Councillor Watson had declared an interest in the following item of business by virtue of his membership of the Municipal Bank and Fusion Assets and did not participate in consideration of the following item of business.**

**Councillor Graham had declared an interest in the following item of business by virtue of his membership of Fusion Assets, Town Centre Activities and the Campsies Board and did not participate in consideration of the following item of business.**

**SUMMARY OF ALEO LANDSCAPE AND OVERSIGHT ARRANGEMENTS (PROGRAMME OF WORK NUMBER 75.1)**

3. There was submitted a report by the Head of Business Solutions describing the monitoring and reporting arrangements that are in place to ensure that the Council maintains adequate oversight of service delivery and governance arrangements within its Arm's Length providers and presenting an overview of the Arm's Length service delivery landscape together with an update on the Coronavirus response arrangements put in place within each organisation to ensure that proper governance and risk management remains in force during the lockdown period (1) reminding the Panel that Arm's Length External Organisations (ALEOs) are separate legal entities with their own governance and financial management obligations, although the Council remains accountable for service delivery; (2) detailing that it remains essential that information on each organisation's operational and financial performance is routinely reviewed to ensure robust stewardship and quality of service delivery, whilst

also minimising financial, service delivery and reputational risks to the Council; (3) providing a summary of the various activities undertaken by the Council's ALEOs and Strategic Partnership Vehicles together with information on those which were currently in the process of dissolution following previous Council decisions; (4) attaching, at Appendix 1 to the report, companies falling within the scope of the Panel which are each responsible for delivering services or undertaking statutory responsibilities on behalf of the Council; (5) highlighting that a Service Level Agreement or Contracts Work Agreement remains in place between each ALEO and the relevant Council service; (6) reminding the Panel that, during the period 2016 to 2019, the Council had completed separate reviews into each of its ALEOs to ensure that Arm's Length provision remained the most effective service delivery model for the Council and the findings and recommendations from each review were reported separately; (7) outlining the process for ALEO Performance Monitoring and Reporting; (8) listing a number of key considerations which the Panel was recommended to consider in relation to oversight of ALEOs; (9) highlighting that the Policy and Strategy Committee remained responsible for considering the outputs from any further reviews into Arm's Length delivery arrangements, or where the Council was considering the potential merits of a new special purpose vehicle or partnership; (10) detailing the current ALEO Governance, Stewardship and Risk Management arrangements for each organisation, and (11) providing detail on the financial governance and position of each ALEO.

Jennifer Lees spoke to the report, and informed the Panel that as of 22 September 2020 Town Centre Activities had been dissolved and its listing removed from Companies House. Thereafter the Panel agreed:-

- (1) that it be noted that six monthly ALEO Performance Reports, including details of services providing support to individual programmes of work, would be submitted to the relevant Service Committees by Heads of Service in conjunction with Financial Solutions;
- (2) that the assurance in relation to ALEOs Governance, Stewardship and Risk Management arrangements be provided through the submission of a six monthly composite report to the Panel;
- (3) that the service externalisation check list provided to inform consideration of service delivery models be noted, and
- (4) that the Coronavirus response arrangements within individual Arm's Length organisations be noted and that future reports would confirm where service delivery had been resumed and would identify any revisions to governance and/or risk management arrangements as a result of the pandemic and recovery planning.

**POW-PO75.1(3) STRATEGIC GOVERNANCE FRAMEWORK AND DRAFT ANNUAL GOVERNANCE STATEMENT**

4. There was submitted a report by the Head of Business Solutions providing the Panel with a copy of the draft Annual Governance Statement, together with a progress report on work to assess the robustness of the Strategic Governance Framework (1) explaining that the Council recognises the need for corporate governance and, as such, prepares an Annual Governance Statement in compliance with the Local Authority Accounts (Scotland) Regulations 2014; (2) advising that, to support the Annual Governance Statement and to ensure excellence in governance, accountability and transparency, and in line with the Council's ambitions in the Plan for North Lanarkshire, a Strategic Governance Framework has been developed; to record the strategies, policies, plans, codes, registers and procedures that are employed to direct and control the operations of the Council, and that this framework had been approved by the Panel in February 2020; (3) explaining that work on the Strategic Governance Framework had been delayed by the onset of Covid-19 although progress had been made since with approximately a quarter of the 102 elements in the framework having been assessed as inappropriate for review, and (4) outlining the next steps which include investigating the remaining elements to ensure that the framework remains up to date and will continue until necessary details are obtained.

Alison Meenagh spoke to the report following which the Panel agreed:-

- (1) that the draft Annual Governance Statement be noted, and
- (2) that the next steps in developing the Strategic Governance Framework, as outlined in the report at paragraphs 2.13 to 2.15, be approved.

## **SPECIAL AUDIT AND SCRUTINY PANEL - 29 OCTOBER 2020**

---

---

**Via WebEx, 29 October 2020 at 1 pm.**

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

### **PRESENT**

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

### **CHAIR**

Councillor Gallacher (Convener) presided.

### **IN ATTENDANCE**

The Head of Financial Solutions, Audit and Risk Manager, Business Strategy Manager, Finance Manager, Accountant.

### **ALSO IN ATTENDANCE**

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

### **APOLOGIES**

Councillors T. Johnston and Morgan.

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

1. The following declarations of interest were made:-

Councillor Anderson, by virtue of a family member being an employee of Mears, declared an interest in paragraphs 2, 3, 4 and 5 below and further declared that she considered the interest was sufficiently remote that it did not preclude her participation in those items of business.

Councillor Gallacher, by virtue of her membership of the Integrated Joint Board (IJB), declared an interest in paragraphs 2, 3, 4 and 5 below and further declared that she considered the interest was sufficiently remote that it did not preclude her participation in those items of business.

Councillor Hume, by virtue of his membership of the Municipal Bank, declared an interest in paragraphs 2, 3, 4 and 5 below and further declared that he considered the interest was sufficiently remote that it did not preclude his participation in those items of business.

Councillor Watson, by virtue of his membership of the Municipal Bank and of Fusion Assets, declared an interest in paragraphs 2, 3, 4 and 5 below and further declared that he considered the interest was sufficiently remote that it did not preclude his participation in those items of business.

**Prior to consideration of the business of the meeting, Councillors Anderson, Gallacher, Hume and Watson each declared an interest in the following matters for the reasons outlined in paragraph 1 above and had all further declared that they considered their interests were sufficiently remote that they did not preclude their participation in these items of business.**

**ANNUAL ACCOUNTS 2019/20 LETTERS OF REPRESENTATION**

2. There was submitted a report providing the Panel with information on the Letter of Representation which was required to be submitted to Audit Scotland in respect of the Council's Annual Accounts and the Council's Charitable Trust Accounts for 2019/20 (1) explaining that International Standards on Auditing (ISA580) Written Representations requires External Audit to request a written representation from the Accountable Officer which provides written assurance on aspects of the Council's financial statements and Charitable Trust and Educational Trust accounts, including the judgements and estimates made in their preparation; (2) advising that the Letters of Representation have been signed by the Head of Financial Solutions in her capacity as the Council's Section 95 Officer; (3) informing the Panel that, as in previous years, the Letters set out the representation of management and confirm that the accounts are free from material mis-statements; (4) intimating that, during the course of the audit, the External Auditors had highlighted a number of mis-statements within the Council's financial statements, some of which have been adjusted while others have remained unadjusted due to materiality, and (5) attaching, as appendices to the report, the North Lanarkshire Council Letter of Representation and the Charitable Trust and Education Endowment's Letter of Representation.

Fiona Carney spoke to the report and the appendices to the report, following which the Panel agreed that the Letters of Representation provided to Audit Scotland be noted.

**ANNUAL ACCOUNTS 2019/20 EXTERNAL AUDITORS REPORT TO THOSE CHARGED WITH GOVERNANCE ON 2019/20 AUDIT**

3. There was submitted a report by the Head of Financial Solutions permitting the Panel to consider the External Auditor's comments on specific matters arising from its audit of the financial statements for both the Council and the Charitable Trust in Education Endowment's administered by the Council (1) providing background to the appointment of External Auditors to the Council and their role and remit; (2) explaining that, following completion of the audit, Audit Scotland had produced reports to those charged with governance on the 2019/20 audit for both the Council, and the Council's Charitable Trust in Education Endowments and (3) attaching, as appendices to the report, reports from Audit Scotland in relation to the Council and the Council's Charitable Trust in Education Endowments.

Carole Grant spoke to the report by the External Auditor, following which the Panel agreed to note the report.

**EXTERNAL AUDIT: ANNUAL AUDIT REPORT 2019-20**

4. There was submitted a report by the Audit and Risk Manager presenting to the Panel the Annual Audit Report produced by the Council's appointed External Auditors, Audit Scotland, in respect of the Audit for the Council for the year ending 31 March 2020 (1) explaining that the Accounts Commission has appointed Audit Scotland as the Council's appointed External Auditor for the five year period from 2016-17 and that Audit Scotland is required to annually prepare a report for Elected Members and the Controller of Audit, summarising the audit work and presenting the main findings arising from the audit; (2) informing the Panel that the External Auditor's report presents key matters arising from each of the main areas of work undertaken by the External Auditor including the audit of Financial Statements and issues relating to the Council's Financial Management, Financial Sustainability, Governance and Value for Money arrangements; (3) highlighting that, as outlined in the report by the External Auditor, they are able to place an unqualified audit opinion on the 2019-20 financial statements and that, although a small number of issues are highlighted by the External Auditor where scope for further improvement exists, overall the report is considered by Management to be positive in terms with no significant weaknesses identified, and (4) attaching, as an appendix to the report, the Audit Scotland Annual Audit Report 2019-20.

Carole Grant spoke to the report by Audit Scotland, noting that there were a limited number of typographical errors contained within the report which would be corrected in the final version. She wished to place on record her thanks to staff in the Council for their efforts in submitting the Annual Accounts within the appropriate time given the current circumstances surrounding Covid-19, and this statement was endorsed by the Convener.

Thereafter, reference was made to a number of questions which had been submitted by Councillor Hume prior to the meeting in respect of which it was agreed that a written response would be provided to him, and copied to all Panel members, following the meeting.

Following which, the Panel agreed:-

- (1) that the External Auditors Annual Audit Report be noted, and
- (2) that implementation by Management of actions agreed in response to External Audit's recommendations be monitored through reports from Internal Audit.

#### **ANNUAL ACCOUNTS 2019/20 (AUDITED)**

5. There was submitted a report by the Head of Financial Solutions presenting the Council's final 2019/20 annual accounts, and providing Elected Members with the background on the need to consider matters raised by Audit Scotland in respect of the examination of the accounts (1) reminding the Panel that the Local Authority Accounts (Scotland) Regulations 2014 require the Council to prepare an Annual Statement of Accounts in accordance with proper accounting practices and that the Audit Commission appoints External Auditors to local authorities in order to carry out the audit of financial statements in accordance with International Standards in Auditing; (2) explaining that the Coronavirus (Scotland) Act 2020 permits public bodies to postpone complying with a statutory duty to publish a report, if they are of the view that complying with the duty would be likely to impede their ability to take effective action to prevent, protect against, delay or otherwise control instances on transmission of coronavirus; (3) intimating that whilst it is recognised that the audited accounts are being presented to the Panel later than they would ordinarily be due to difficulties posed as a result of both Council and External Audit staff working remotely, it is expected that the Council will meet the deadline to publish its audited accounts by 31 October 2020, and (4) attaching, as an Appendix to the report, the Audited Annual Accounts 2019/20.

Veronica Roberts spoke to the report following which the Panel agreed:-

- (1) that the contents of the report be noted, and
- (2) that the final accounts, as attached to the report, be signed.