

## **AUDIT AND SCRUTINY PANEL - 3 SEPTEMBER 2020**

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**Via Webex, 3 September 2020 at 1 pm.**

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

### **PRESENT**

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

### **CHAIR**

Councillor Gallacher (Convener) presided.

### **IN ATTENDANCE**

The Head of Financial Solutions; Head of Business Solutions; Head of People and Organisational Development; Head of Communities; Audit and Risk Manager; Business Manager (Performance and Resource); Business Strategy Manager; Finance Manager; Information Risk Manager; Occupational Safety and Wellbeing Manager; Principal Auditor, and Democratic Services Manager.

### **ALSO IN ATTENDANCE**

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

### **APOLOGIES**

Councillors Anderson and Morgan.

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

1. There were no declarations of interest.

### **AUDIT AND RISK RELATED ITEMS: ACTION LOG**

2. There was submitted a report by the Audit and Risk Manager providing details of requests and recommendations made by the Panel in respect of Audit and Risk related items in the previous 18 months which thereby permitted the Panel to track implementation of such requests and recommendations with the action log being attached to the report at Appendix 1.

Ken Adamson spoke to the report following which the Panel agreed that the contents of the report be noted.

### **PCI - DSS COMPLIANCE - PROGRESS REPORT**

3. There was submitted a report by the Head of Business Solutions providing an overview of the Council's compliance with the Payment Card Industry Data Security Standard (PCI DSS) and summarising the existing status of PCI DSS compliance, providing assessment of the current environment, outlining recommended actions to improve the nature of the technology and noting the required works to align the Council with PCI DSS to ensure ongoing compliance (1) explaining that, in 2006, those companies providing payment card banking services formed a Payment Card Industry/Security Standards Council (PCI SSC) which in turn created a set of security standards of safe payments worldwide, known as

the PCI Data Security Standard (DSS) which focuses on securing the ICT systems to support card transactions; (2) informing the Panel that as of the October 2019 PCI DSS assessment, the Council fell into a state of non-compliance which could have led to the potential termination of the contract the Council had with Lloyds Cardnet, the company which handles all card transactions for the Council; (3) detailing that remedial action had been undertaken jointly by Financial Solutions and Business Solutions, which with the aid of Lloyds Cardnet PCI DSS Compliance Team had resulted in sufficient compliance being achieved to enable card transactions to continue although this was a short-term development and further actions in the area of governance required to be implemented to maintain compliance longer term; (4) outlining standards that must be met to ensure that PCI DSS compliance is achieved; (5) informing the Panel that compliance itself is demonstrated through submitting a self-assessment questionnaire to an organisation's bank; (6) outlining the temporary corrective actions which had been taken to ensure that compliance, in the short-term, was achieved; (7) providing narrative on the future actions and recommendations required for the Council to achieve compliance on an ongoing and long-term basis; (8) outlining the risks to delivering and maintaining PCI DSS compliance, and (9) noting that obtaining PCI DSS compliance is complex and that continued compliance can only be obtained through good governance, informed risk management and appropriate service engagement to ensure progress.

Rob Leitch spoke to the report and provided detailed information on the various aspects of compliance and where compliance had not been achieved at the time of the assessment, following which discussion took place regarding the road map and timescales for the Council to achieve compliance.

Thereafter, the Panel agreed:-

- (1) that the content of the report, and planned improvement actions, be noted;
- (2) that it be noted that significant work was still required to achieve or maintain compliance, and
- (3) that a report be submitted to the next (audit) meeting of the Panel outlining the route map and timescales for the achievement of PCI DSS compliance.

#### **INTERNAL AUDIT ANNUAL REPORT 2019/20**

4. There was submitted a report by the Audit and Risk Manager fulfilling the requirement, in terms of the Public Sector Internal Audit Standards and the Council's Internal Audit Charter which requires him to provide the Panel with (a) an annual summary of the work undertaken by Internal Audit and (b) an annual independent opinion on the Council's corporate governance, risk management and internal control arrangements with the report fulfilling that requirement (1) noting that the report presented is being done later after year-end than would normally be the case because of the suspension of Council meetings due to the public health emergency; (2) providing a high level overview of internal audit activity during 2019/20; (3) reporting on any issues arising from internal audit activity during the period, and (4) advising that there was a formal requirement for the Audit and Risk Manager to prepare an annual opinion on the Council's internal control system, which was attached as Appendix 1 to the report.

Ken Adamson spoke to the report following which the Panel agreed:-

- (1) that the 2019/20 Internal Audit Annual Report, and associated annual opinion of the Audit and Risk Manager, be noted, and
- (2) that there were no issues arising from the report in respect of which it required further reports from Internal Audit and/or relevant management.

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### **INTERNAL AUDIT ANNUAL PLAN 2020-2021**

5. 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 the period, and (2) seeking approval of the proposed Internal Audit Plan 2020/21 and internal audit assignments, as set out in the appendix to the report.

Ken Adamson spoke to the report following which the Panel agreed:-

- (1) that the approach adopted to produce the 2020-21 Internal Audit Annual Plan, be noted;
- (2) that the detailed list of proposed internal audit assignments for the 2020-21 plan, attached as Appendix 1 to the report, be noted, and
- (3) that the 2020-21 Internal Audit Annual Plan, be approved.

### **INTERNAL AUDIT PROGRESS REPORT (JANUARY-MARCH 2020)**

6. There was submitted a report by the Audit and Risk Manager (1) setting out an overview of Internal Audit activities for the period January-March 2020; (2) outlining the results of internal audit outputs finalised since the previous progress report for the reporting period; (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) in Appendix 2 to the report, executive summaries in relation to each substantive audit.

Ken Adamson spoke to the report and answered Members' questions following which the Panel agreed:-

- (1) that internal audit provide a report to future meetings of the Panel reporting progress made by management implementing agreed management actions in relation to all audit recommendations categorised as "red" or "amber", and
- (2) that otherwise, the contents of the report be noted.

### **INTERNAL AUDIT PROGRESS REPORT (APRIL-JUNE 2020)**

7. There was submitted a report by the Audit and Risk Manager (1) setting out an overview of Internal Audit activities for the period April-June 2020; (2) outlining the results of internal audit outputs finalised since the previous progress report to the reporting period; (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) in Appendix 2 to the report, executive summaries in relation to each substantive audit..

Ken Adamson spoke to the report and answered Members' questions following which the Panel agreed:-

- (1) that internal audit provide a report to future meetings of the Panel reporting progress made by management implementing agreed management actions in relation to all audit recommendations categorised as "red" or "amber", and
- (2) that otherwise, the contents of the report be noted.

**DRAFT AND AUDITED ACCOUNTS FOR THE YEAR TO 31 MARCH 2020**

8. There was submitted a report by the Head of Financial Solutions (1) indicating that the unaudited annual accounts for the year ending 31 March 2020 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 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 2020, and (5) detailing, in the appendix to the report, the unaudited annual accounts for 2019/20.

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

- (1) that the contents of the report be noted, and
- (2) that it be noted that the unaudited accounts had been submitted to Audit Scotland by 30 June 2020.

**EXTERNAL AUDIT: AUDIT SCOTLAND MANAGEMENT REPORT**

9. 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 2020; (2) providing, in the appendix to the report, a copy of the External Auditor's Interim Management Report for 2019/20, 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 and Gillian McCreadie, Audit Scotland, spoke to the report and answered Members' questions following which the Panel agreed that the report by Audit Scotland be noted.

**AUDIT SCOTLAND/ACCOUNTS COMMISSION REPORT: CITY REGION AND GROWTH DEALS**

10. There was submitted a report by the Audit and Risk Manager presenting the findings of the Joint Auditor General and Accounts Commission Report "City Region and Growth Deals" and management assessment of, and responses to issues raised by, the report (1) providing a narrative on the background to, and context of, the City Deal arrangements; (2) reporting that in August 2014, the UK Government and the Scottish Government had jointly announced the first City Region Deal in Scotland for the Glasgow City Region in which the eight councils in that Region agreed to work together to manage an Infrastructure Investment Programme with the list of projects accumulating a total cost of £1 billion over 20 years to promote the growth of the local economy, and (2) reporting the key messages and findings from the Audit Scotland/Accounts Commission Report.

Ken Adamson spoke to the report and answered Members' questions following which the Panel agreed that the keys findings of the Accounts Commission Report, and the management responses to the issues raised by the report, be noted.

**RISK MANAGEMENT UPDATE**

11. There was submitted a report by the Audit and Risk Manager updating the Panel on Risk Management developments in the period including progress on reviewing, assessing and managing risks contained

within the Council's Corporate Risk Register and further considering how the Council had responded to Covid-19 in terms of Risk Management, and the resulting impacts on Key Corporate Risks and the Council's Risk Profile (1) advising 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; (2) reporting on the current status of the CRR and that good progress had been made in finalising deep dive risk assessments for new, or amended corporate risks with 21 complete and three under development; (3) attaching, as an appendix to the report, a summary of the current status of the CRR including priority for Covid-19 review; (4) reporting any relevant progress and any resulting shift in residual risk rating; (5) outlining the mechanism by which the priority rating before each risk had been identified within the CRR; (6) highlighting that Risk Management continued to be represented at both the Corporate Management Team and the Recovery Group to help ensure that there is appropriate consideration of risk in the Council's wider governance arrangements and that Risk Management was now increasingly embedded within the Council's Project Management arrangements; (7) detailing that, to ensure focus remained on the right areas, the Corporate Risk Team in collaboration with the Risk Management Corporate Working Group had prepared a set of key risk management objectives for 2020 which were attached as Appendix 2 to the report; (8) intimating that planned actions included improvements to guidance available to those officers drafting committee reports to ensure a more consistent approach to the consideration of risks and how risk information is conveyed to Elected Members, thereby helping to ensure that risk is much more effectively embedded within the organisation's decision making processes; (9) informing the Panel that significant attention continued to be given to ensure that staff have appropriate risk management tools and knowledge, proportionate to their roles and responsibilities, and (10) highlighting that the Corporate Risk Management Team continues to engage with, and support, a number of additional workstreams to ensure that risk management is embedded with other key corporate processes including Project Management, Procurement and wider Business Planning processes.

Ken Adamson spoke to the report following which the Panel agreed:-

- (1) that the current status of those risks identified as key corporate risks for 2020-2021, including ongoing work assessing such risks for impact in relation to Covid-19, be noted;
- (2) that progress being made generally and taken forward relevant to risk management, including work being progressed to improve guidance on the consideration of risk and presentation of risk information in committee reports, be noted;
- (3) that the actions outlined in the report, designed to contribute to improving management of the "Governance, Leadership and Decision Making" Corporate Risk, be endorsed, and
- (4) that, otherwise, the contents of the report be noted.

#### **KEY CORPORATE RISK UPDATE – FINANCIAL SUSTAINABILITY**

12. There was submitted a report by the Head of Financial Solutions explaining that the Council's Corporate Management Team had identified a number of key corporate risks which were subject to periodic review by Management to ensure that the risk was properly understood and was being adequately controlled and presenting to the Panel an overview of management's current assessment or corporate risk: Financial Sustainability taking account of the impact of the current health pandemic (1) reporting that the Council's response to Covid-19, and the recovery planning and implementation required as lockdown eases in accordance with the Scottish Governments' roadmap, continues to present severe financial challenges that are changing and emerging on a frequent basis; (2) recognising that the financial impact of Covid-19 has the potential to impact on the Council's finances over an extended planning period with significant uncertainty over future economic performance and the impact that this may have on public finances, and (3) advising that, given the impact of Covid-19 and the inherent risk of financial sustainability, it is scored as 25 – high.

Elaine Kemp spoke to the report following which the Panel agreed that the contents of the report, and the reviewed risk matrix for financial sustainability in the context of Covid-19 impact, be noted.

**RISK MANAGEMENT UPDATE – CORPORATE RISK L3 – HEALTH AND SAFETY**

13. There was submitted a report by the Head of People and Organisational Development highlighting that the Council's Corporate Management Team had identified a number of key corporate risks which were subject to periodic review and scrutiny by Elected Members to ensure that the risks are properly understood and being adequately controlled and, presenting to the Panel a summary of the Management of Corporate Risk L3: Health and Safety, and in particular, detailing how the effects of Covid-19 had been managed against identified risks (1) reporting that Covid-19 had brought about unprecedented circumstances requiring the Council to maintain full service provision for critical services, whilst also acting quickly to protect the safety and wellbeing of its employees, service users, school pupils and the wider community of North Lanarkshire; (2) highlighting that, under the Health and Safety at Work etc. Act 1974, the Council has a duty to ensure, so far as is reasonably practicable, the health, safety and welfare at work of all of its employees and anyone who can be affected by the activities of the Council; (3) intimating that, as Scotland moves out of the lockdown phase, the Scottish Government and Health Protection Scotland have created a clear route map to transition Scotland into the next phase, with a gradual opening of activities and workplaces, with this route map being accompanied by a raft of specific guidance for individual work, education and community settings to which the Council has fully adhered; (4) informing the Panel that the current residual risk rating is 9 – medium, reflecting the wide range of guidance, management controls and ongoing arrangements which currently ensure that this risk continues to be effectively managed; (5) outlining the most significant arrangements and controls which have already been put in place, or are ongoing, to ensure that the Council is fully managing the Covid-19 Health and Safety Risks which have arisen in the course of the pandemic; (6) reporting that further work was underway with the management planned actions detailed in the risk document attached as Appendix 1 to the report, and (7) explaining that the Health and Safety Team is also continuing to manage wider health, safety and wellbeing matters across the Council and recent improvements have been made in key areas including the management of the Council's approach to hand arm vibration issues which had been highlighted as an area of improvement by the Health and Safety Executive.

Fiona Whittaker and Fiona Duddy spoke to the report following which the Panel agreed:-

- (1) that the contents of the reviewed risk matrix for Health, Safety and Wellbeing, aligned to the Covid-19 pandemic, be noted, and
- (2) that the very good progress made in the management of this risk during the course of the pandemic, be noted.