

AUDIT AND SCRUTINY PANEL - 25 MARCH 2021

25 March 2021 at 1 pm.

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

PRESENT

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

CHAIR

Councillor Gallacher (Convener) presided.

IN ATTENDANCE

The Head of Business Solutions; Audit and Risk Manager; Business Strategy Manager, Strategy and Performance Manager; Risk and Insurance Manager; Principal Auditor; Finance Manager; Growth Programme Manager; Employability and Resources Manager; Senior Officer, Enterprise and Communities; Business Relationship Manager, and Democratic Services Manager.

ALSO IN ATTENDANCE

E. Lynch, Improvement Service; A. Craik (Senior Audit Manager), and G. McCreadie (Senior Auditor), Audit Scotland.

APOLOGIES

Councillors Hogg 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, Councillors Burrows and Hume, by virtue of each being a member of the Board of North Lanarkshire Municipal Bank, Councillor Graham, by virtue of being appointed to the Board of North Lanarkshire Municipal Bank, Fusion Assets Limited and Campsies Centre, Cumbernauld and Councillor Watson, by virtue of his appointment to the Board of North Lanarkshire Municipal Bank and Fusion Assets Limited, each declared an interest in paragraph 4 and further declared that they considered the interest sufficiently remote that it did not preclude their participation in that item of business.

PRESENTATION ON THE LOCAL GOVERNMENT BENCHMARKING FRAMEWORK (LGBF) AND THE NORTH LANARKSHIRE CONTEXT

2. There was submitted a presentation by Emily Lynch of the Improvement Service providing details of the Local Government Benchmarking Framework (LGBF), it's role as a tool for Elected Members to review data on costs, outputs, and outcomes for all 32 Councils on a range of service areas, the latest results relevant to North Lanarkshire Council within the context of the national position as well as compared to both the Scottish average and that of its family group of Councils, and links to a range of materials and the website for further use of the framework to drive improvement activity.

Following the presentation, and a question and answer session, the Convener thanked Emily Lynch for her contribution to the meeting.

STRATEGIC PERFORMANCE FRAMEWORK REPORTING SCHEDULE

3. There was submitted a report by the Head of Business Solutions reminding the Panel that, in September 2019, it had approved the Strategic Performance Framework and that reporting arrangements had subsequently been implemented through the Panel and Service Committees (1) explaining that the framework operates at three different levels namely (a) The North Lanarkshire Context; (b) Improving Outcomes, and (c) Day to Day Operations; (2) indicating that the latest results from the Level 1 indicators had been considered by the Policy and Strategy Committee on 18 March 2021 and were presented alongside achievements from the 2020 Programme of Work; (3) advising that a tailored suite of performance indicators from Levels 2 and 3 have been provided to the Council's Corporate Management Team; (4) providing a narrative on the context in respect of the national audit, governance and Best Value; (5) providing details of the performance reporting schedule; (6) outlining the next steps, and (7) attaching, as Appendices to the report, supporting information.

Decided:

- (1) that the contents of the report and accompanying Appendices be noted, and
- (2) that the next steps be noted.

Prior to consideration of the following item of business, Councillors Anderson, Burrows, Graham, Hume and Watson each declared an interest in that matter for the reasons outlined in paragraph 1 above and had all further declared that they considered that their interests were sufficiently remote that they did not preclude their participation in this item of business.

ALEOs' GOVERNANCE AND RISK MANAGEMENT: OVERSIGHT AND ASSURANCE REPORT (PROGRAMME OF WORK NO. 75.1 - PART 6)

4. There was submitted a report by the Head of Business Solutions (1) reminding the Panel that the Council delivers a number of customer facing and strategic services through joint venture partnerships and Arms Length External Organisations (ALEOs); (2) describing that, although these companies are separate entities, the Council remains publicly accountable and has a duty under "Following the Public Pound" to ensure that service delivery reflects Best Value and that individual ALEO governance arrangements are fit for purpose and minimise the potential for any financial, service delivery or reputational risks to the Council; (3) providing a summary of governance and risk management oversight for the various ALEO organisations; (4) reporting on financial governance in respect of each company, and (5) attaching, as Appendices to the report, details of all in-scope ALEOs and strategic partnerships and an ALEO governance, risk management and business continuity update.

Decided:

- (1) that it be noted that the governance and risk management arrangements within the Council's Arms Length Service Delivery providers remain sufficiently robust and provide assurance to the Council that the entities delivering services on its behalf are being effectively managed;
- (2) that it be noted that the Head of Financial Solutions' assessment in relation to those ALEOs where the Coronavirus pandemic is having a material impact on company trading and financial statements and it be agreed that the relevant Boards or Management Committees should continue to monitor financial performance closely, along with ongoing, separate oversight by Financial Solutions;

- (3) that the wider impact of the Coronavirus pandemic on ALEO operations, and the measures put in place by individual ALEOs to recover service delivery alongside managing risks and maintaining business continuity arrangements, be noted, and
- (4) that the top five risks identified by each ALEO, and included within individual Company Risk Registers, be noted.

AUDIT AND RISK RELATED ITEMS: ACTION LOG

- 5. There was submitted a report by the Audit and Risk Manager enabling the Panel to track implementation of requests and recommendations made by it in respect of audit and risk related items in the previous 18 months, with the action log, attached at Appendix 1 to the report, recording those requests and recommendations made by the Panel and when these had been addressed and/or were expected to be addressed.

Decided: that the contents of the report be noted.

Prior to consideration of the following item of business, the Convener wished to place on record, on behalf of the Panel, her gratitude to Carole Grant, former Senior Audit Manager at Audit Scotland and thanked her on behalf of the Panel for her support during her time working with North Lanarkshire Council.

EXTERNAL AUDIT - ANNUAL PLAN 2020-21

- 6. There was submitted a report by the Audit and Risk Manager attaching, as an Appendix to the report, the Audit Scotland Annual Plan 2020-21 which set out that organisation's planned audit activities and how it intended to discharge its responsibilities, as laid out in its Code of Audit Practice and relevant international standards on auditing, for the audit of the Council for the year ending 31 March 2021.

Thereon, A. Craik and G. McCreadie, Audit Scotland, spoke to the Audit Scotland Annual Plan 2020-21.

Decided: that the Audit Scotland Annual Plan 2020-21, and the commentary provided by representatives of Audit Scotland, be noted.

CHANGES TO THE CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING 202/21

- 7. There was submitted a report by the Head of Financial Solutions explaining that the Council's Financial Statements are compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, which is based on International Financial Reporting Standards and also the requirements of Accounting and Statutory Guidance of Central Government (1) informing the Panel that Financial Solutions maintains an awareness of changes to accounting practices and assesses the impact that these may have on the Council's procedures and its reported financial position; (2) outlining the process for carrying out a review of this matter, and (3) indicating that the review of the 2020/21 edition of the Code sets out some minor updates in relation to financial disclosures and presentation, and also provides further clarification on certain accounting treatments, whilst highlighting that there are no significant changes to affect the 2020/21 closure of the accounts.

Decided:

- (1) that the contents of the report be noted, and
- (2) that the actions being taken to ensure the Council submits a fully compliant set of Annual Accounts to External Audit be noted.

INTERNAL AUDIT PROGRESS REPORT

8. There was submitted a report by the Audit and Risk Manager (1) providing an overview of Internal Audit activity; (2) reporting the results of Internal Audit outputs finalised since the last update to the Panel in December 2020; (3) highlighting the most significant issues arising from the completed audit work; (4) updating the Panel on other aspects of the work of Internal Audit, and (5) attaching, as an Appendix to the report, a brief summary of the scope and key findings of each substantive planned audit report together with a supplementary pack containing copies of those reports.

Decided:

- (1) that the findings, conclusions and recommendations of completed Internal Audit reports, together with the associated management responses, be noted;
- (2) that Internal Audit provide a report to future meetings of the Panel to report progress made by management in implementing agreed management actions in relation to all audit recommendations categorised as "red" or "amber", and
- (3) that, otherwise, the contents of the report be noted.

RISK MANAGEMENT UPDATE

9. There was submitted a report by the Audit and Risk Manager providing an update to the Panel on risk management developments in the period including progression on reviewing, assessing and managing risks contained within the Council's Corporate Risk Register (1) reminding the Panel that the approved Corporate Risk Register for 2020-21 contains 25 risks as detailed in the table at Appendix 1 attached to the report; (2) highlighting that live risks within the Register are subject to ongoing monitoring and review by senior management throughout the year, with regular risk reporting to both the Corporate Management Team and the Panel and that, currently, there were 22 risks classified as "live"; (3) reporting on key changes in the Corporate Risk Register since the last update to the Panel; (4) providing a narrative on the Internal Audit report on the Council's risk management arrangements; (5) detailing risk management key objectives for 2021; (6) summarising other developments in the area of risk management, and (7) attaching, as Appendices to the report, a summary of the status of the approved Corporate Risk Register for 2021/21 and 2020 risk management objectives – status updates and proposed objectives for 2021.

Decided:

- (1) that the status of the Corporate Risk Register be noted;
- (2) that it be noted that work was currently being progressed by Risk Management staff working with senior management leads to monitor, review and, where necessary, complete the updated documentation in relation to the corporate risks described in the report;
- (3) that the progress made in relation to recommendations raised within the recent Internal Audit report on the Council's risk management arrangements be noted;

- (4) that proposals for an upcoming review of the Corporate Risk Register, following approval of the Programme of Work for 2021/22 in March 2021, be noted;
- (5) that the proposed key risk management objectives and planned actions for 2021 be endorsed, and
- (6) that, otherwise, the contents of the report be noted.

RISK MANAGEMENT UPDATE: CORPORATE RISK - IMPLEMENTATION OF THE ERDP (ECONOMIC REGENERATION DELIVERY PLAN)

10. There was submitted a report by the Head of Planning and Regeneration providing the Panel with a summary of the Service's current assessment of the management of corporate risk – Implementation of the ERDP (1) explaining that failure to implement the ERDP had been identified as a key corporate risk as the successful delivery of this plan remains central to the Council's ambitions for ensuring inclusive economic growth across North Lanarkshire, promoting community wealth and addressing economic inequality; (2) advising that implementation of the ERDP (and associated ERDP Action Plan) is primarily governed through the ERDP Board which is chaired by the Head of Planning and Regeneration; (3) providing details of the residual risk rating following an initial deep dive review of the risk in January 2020 and indicating that management has classified the risk as to "treat"; (4) reporting that the impact of Covid-19 on the local and national economy, and the implications that this will have on the Council's ability to deliver the ERDP, had been identified as a significant risk; (5) detailing that, to mitigate the risk of Covid-19, the Council has recently prepared an Economic Recovery Plan which had been approved by the Enterprise and Growth Committee at its meeting on 4 January 2021, and (6) intimating that, although a number of control measures were in place to treat and mitigate the risk associated with the implementation of the ERDP, and the outcomes achieved from the delivery of this plan can only truly be measured over the longer term, the residual rating of identified risk is still viewed as high but would be monitored on a six monthly basis to ensure that this risk continues to be addressed.

Decided: that the contents of the report be noted.

RISK MANAGEMENT UPDATE: CORPORATE RISK - TACKLING POVERTY

11. There was submitted a report by the Head of Communities providing the Panel with a summary of senior management's current assessment of the Management of Risk in Tackling Poverty (1) reporting that this particular risk is aligned to the Tackling Poverty (Member/Officer) Task and Finish Group, Corporate Management Team and the Policy and Strategy Committee, with the Head of Communities identified as the Corporate Risk Lead; (2) highlighting that poverty is a significant feature of Scottish society and affects many people in many different ways; (3) reminding the Panel that, in June 2020, the Policy and Strategy Committee had approved the "Towards a Fairer North Lanarkshire – Tackling Poverty Strategy" which set out a planned approach to eliminate poverty or make very significant reductions in the level of poverty; (4) advising that an initial deep dive review of the Tackling Poverty risk had been completed in 2018 and that this had resulted in a residual risk rating of high; (5) indicating that, following the latest review, carried out in February 2021, the residual risk remains categorised as high due to the combination of a number of factors, namely the impact of the reforms of the welfare systems, economic factors of Covid-19 and the impact of the EU exit; (6) reporting on the Member/Officer Tackling Poverty Task and Finish Group, which had been established in October 2020.

Decided: that the contents of the report be noted.