

# North Lanarkshire Council Report

## Audit and Scrutiny Panel

approval  noting

Ref LJ/SL

Date 30/06/21

## P075.1: Annual Governance Statement 2020/21

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### Executive Summary

Members are aware that the council is required to produce an Annual Governance Statement in line with the Local Authority Accounting (Scotland) Regulations 2014. This Statement requires to be included within the council's Annual Accounts and is subject to review by the external auditors as part of their year-end Annual Audit Report (AAR) process.

The Statement for 2020/21, attached as Appendix 1, outlines the council's governance arrangements for the last financial year and demonstrates how the council complies with the *Delivering Good Governance in Local Government: Framework (2016)*. It also supports the council's Best Value duty in terms of demonstrating continuous improvement.

Included in the Annual Governance Statement is the Audit and Risk Manager's annual Internal Audit opinion which states that "*reasonable assurance can be placed on the adequacy and effectiveness of the council's framework of governance, risk management, and internal control for the year ended 31<sup>st</sup> March 2021*".

The Statement - which has been prepared following input from Heads of Service, the Corporate Management Team, other relevant managers, and the Chief Executive or Senior Representative for each of the council's arm's length external organisations (ALEOs) - is presented herewith for Members to consider and note ahead of inclusion in the un-audited Annual Accounts.

Following approval, the Annual Governance Statement will be reported publicly through the website to demonstrate the council's compliance with the principles of good governance.

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### Recommendations

It is recommended that the Audit and Scrutiny Panel:

- (1) Note the contents of this report, and
- (2) Consider and note the Annual Governance Statement which requires to be included in the un-audited Annual Accounts for 2020/21.

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### The Plan for North Lanarkshire

Priority All priorities

Ambition statement All ambition statements

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## 1. Background

1.1 Members will recall the production of the council's Annual Governance Statement is underpinned by statute through the Local Authority Accounts (Scotland) Regulations 2014:

- Regulation 5(2) requires an authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and include a statement reporting on the review with the Annual Accounts.
- Regulation 5(4) requires that for a local authority in Scotland the statement is an annual governance statement.
- Regulation 5(5) states that the annual governance statement must be signed by the Chief Executive and Leader of the Council.

1.2 Compliance with the legislation also ensures the council demonstrates its commitment to the good governance principles as set out in the *Delivering Good Governance in Local Government: Framework (2016)* and accompanying *Guidance Notes for Scottish Local Authorities (2016)* published by CIPFA in association with the Society of Local Authority Chief Executives (SOLACE).

1.3 The essence underpinning the *Delivering Good Governance in Local Government: Framework* is that local government develops and shapes its own approach to governance, taking account of the environment within which it operates. Within this context, it is therefore up to each local authority to:

- Set out its commitment to the principles of good governance outlined in the *Delivering Good Governance in Local Government: Framework*.
- Determine its own governance arrangements, or local code, underpinned by these principles.
- Ensure that the local code operates effectively in practice.

1.4 The *Delivering Good Governance in Local Government: Framework* provides a structure to help councils set out their local code in relation to good governance. As such, all councils are required to test their governance arrangements against these principles by:

- Reviewing existing governance arrangements.
- Developing and maintaining an up to date local code of governance that takes into account the environment within which it operates and includes arrangements for ensuring ongoing effectiveness.
- Reporting publicly on compliance with the local code on an annual basis, including how the governance arrangements have been monitored for effectiveness in the year and identifying planned changes.

1.5 This report therefore provides Members of the Audit and Scrutiny Panel with the opportunity to consider the council's Annual Governance Statement for 2020/21 in line with the requirements outlined above and P075.1 for *strategic oversight and accountability* in the Programme of Work for 2021/22.

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## 2. Annual Governance Statement 2020/21

- 2.1 The Annual Governance Statement has been prepared with evidence gathered from various different sources to ensure that it properly reflects the effectiveness of the council's arrangements during 2020/21. The information gathered to inform the evidence base is detailed in paragraphs 2.1.1 to 2.1.10 below.
- 2.1.1 Heads of Service signed off the Chief Officer Certificate of Assurance to support the preparation of statements on corporate governance and internal financial control for year ending 31 March 2021 and completed the accompanying 78 point checklist covering the following 9 areas:
1. The control environment
  2. Risk management
  3. Business planning, information, and reporting
  4. Financial control processes
  5. Project management
  6. Monitoring and corrective action
  7. Human resources
  8. Arm's length bodies
  9. Assessing whether key controls have been applied during the year
- 2.1.2 Through this process Heads of Service have confirmed corporate governance arrangements and financial controls in their area of responsibility have been, or are, working well and there are no other significant matters arising which would require to be raised specifically in the Annual Governance Statement.
- 2.1.3 The Head of Financial Solutions (as the council's Section 95 Officer / Chief Financial Officer) has provided the Chief Executive with a statement of the effectiveness of the council's internal financial control systems and confirmed that the council's financial arrangements conform with the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2016.
- 2.1.4 In line with the Public Sector Internal Audit Standards (PSIAS) and the council's Internal Audit Charter, the Audit and Risk Manager is required to provide the Audit and Scrutiny Panel (and the Chief Executive and Corporate Management Team) with an annual summary of the work undertaken by Internal Audit. The Audit and Risk Manager is also required to provide an annual independent opinion on the council's corporate governance, risk management, and internal control arrangements.
- 2.1.5 In this respect, Corporate Management Team considered and noted the *Internal Audit annual report 2020/21* from the Audit and Risk Manager on 25<sup>th</sup> May 2021. This report stated that the annual Internal Audit opinion is unqualified and offers a generally positive view of the council's governance and internal control arrangements.
- 2.1.6 More specifically the *Internal Audit annual report 2020/21* states that it is the opinion of the Audit and Risk Manager that "*reasonable assurance can be placed on the adequacy and effectiveness of the council's framework of governance, risk management, and internal control for the year ended 31<sup>st</sup> March 2021*".
- 2.1.7 The council's arm's length external organisations (ALEOs) have also completed

a Certificate of Assurance to support the preparation of the council's statements on corporate governance and internal financial control for year ending 31 March 2021 and completed the accompanying 62 point checklist covering 8 of the 9 areas listed in paragraph 2.1.1 above.

2.1.8 In this respect, the Chief Executive or Senior Representative for each of the ALEOs has confirmed corporate governance arrangements and financial controls in their organisation have been, or are, working well and there are no other significant matters arising which would require to be raised specifically in the council's Annual Governance Statement.

2.1.9 Self-evaluation work undertaken by the council as part of its governance and performance management arrangements which, for 2020/21, included a review of the council's response to COVID-19. Utilising a set of independent assessment criteria, this self-evaluation exercise focused on four sections - the council's response to COVID19, governance of the council during COVID-19, support for staff during COVID-19, and new ways of working.

2.1.10 The evidence has also included a refresh and update of the council's Strategic Governance Framework. Members will recall approving this Framework in February 2020.

2.2 The results of these processes are deemed to support the Chief Executive and the Council Leader signing the Annual Governance Statement, and stating that reasonable assurance can be placed on the adequacy and effectiveness of the corporate governance systems operating within the council and that the council complies with relevant corporate governance principles in all significant respects.

### **Next steps**

2.3 As the Annual Governance Statement requires to be approved at a meeting of the council (at a committee with a remit that includes audit and governance), this report is being submitted to the Audit and Scrutiny Panel meeting of 30<sup>th</sup> June 2021. This will provide Members with the opportunity to consider and note the Annual Governance Statement prior to inclusion in the un-audited Annual Accounts for 2020/21 and prior to the Accounts being submitted to the external auditor. Regulation 8(7) of the Local Authority Accounts (Scotland) Regulations 2014 requires that the Annual Accounts are submitted to the auditor no later than 30<sup>th</sup> June immediately following the financial year to which they relate.

2.4 Following consideration by the Audit and Scrutiny Panel, the Annual Governance Statement will be reported publicly through the website to demonstrate the council's compliance with the principles of good governance. Information will also be included to demonstrate how the governance arrangements have been monitored for effectiveness in the year and planned changes will be identified.

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## **3. Public Sector Equality Duty and Fairer Scotland Duty**

3.1 The *Delivering Good Governance in Local Government: Framework (2016)* positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. As such this is reflected in the Strategic Governance Framework.

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## **4. Impact**

- 4.1 **Financial impact**  
Development and publication of the Annual Governance Statement ensures the council complies with the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2016* in terms of financial controls.
- 4.2 **HR policy / Legislative impact**  
None.
- 4.3 **Technology / Digital impact**  
None.
- 4.4 **Environmental impact**  
The *Delivering Good Governance in Local Government: Framework (2016)* positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. As such this is reflected in the Strategic Governance Framework.
- 4.5 **Communications impact**  
Through publication of the Annual Governance Statement on the website, the council will ensure it meets the requirements to report publicly on compliance with the principles of good governance.
- 4.6 **Risk impact**  
Development and publication of the Annual Governance Statement in line with the Local Authority Accounts (Scotland) Regulations 2014 and the principles set out within the *Delivering Good Governance in Local Government: Framework (2016)*, and in line with the Best Value duty, contributes towards the mitigation of the risk on the Corporate Risk Register for *Governance, Leadership, and Decision Making*.

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**5. Measures of success**

- 5.1 Measures of success include the production of an Annual Government Statement in line with the requirements of good governance that is signed off by the Chief Executive and Council Leader, approved by the Audit and Scrutiny Panel, included in the Annual Accounts, and reported publicly on the council's website.

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**6. Supporting documents**

- 6.1 Appendix 1 - Annual Governance Statement 2020/21



**Katrina Hassell**  
**Head of Business Solutions**

## **Annual Governance Statement 2020/21**

### **1. Scope of responsibility**

- 1.1 North Lanarkshire Council is committed to ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively.
- 1.2 The council also has a duty under the Local Government in Scotland Act 2003 to demonstrate Best Value by securing continuous improvement in performance. Good governance is central to meeting Best Value obligations as effective governance and accountability arrangements, with openness and transparency in decision-making, schemes of delegation, and effective reporting of performance are essential for taking informed decisions and ensuring effective scrutiny of performance and stewardship of resources.
- 1.3 To maintain compliance in terms of ensuring good governance and delivering continuous improvement, the council has adopted the principles and requirements of the *Delivering Good Governance in Local Government: Framework (2016)* and accompanying *Guidance Notes for Scottish Local Authorities (2016)* published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in association with the Society of Local Authority Chief Executives (SOLACE).
- 1.4 To ensure its good governance arrangements are sound and the highest standards are met, the council has set out its commitment to the national principles of good governance by determining its own governance structure (local code) underpinned by these principles. This local code is set out in the Strategic Governance Framework.
- 1.5 In discharging these duties Chief Officers and Elected Members are responsible for implementing the council's governance arrangements and ensuring the local code, the Strategic Governance Framework, is assessed on an annual basis to ensure ongoing effectiveness and compliance.
- 1.6 In this respect, the council has arrangements in place through the Corporate Management Team (CMT) to ensure appropriate and regular oversight, management, and reporting at a strategic level to support delivery of The Plan for North Lanarkshire and Programme of Work. A standing agenda item for governance and risk further demonstrates the commitment to ensuring effective corporate governance arrangements are in place. As part of their annual evaluation process of the Strategic Governance Framework, the CMT is also responsible for identifying improvement actions and/or future planned developments in relation to key governance arrangements and continuous improvement.
- 1.7 Independent and objective assurances are provided by Internal Audit whose function is designed to add value and improve the council's operations. This in turn helps the council accomplish its strategic ambitions by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the council's risk management, internal control, and governance processes.
- 1.8 Internal Audit activity is planned to enable an independent opinion to be given by the Audit and Risk Manager each year on the adequacy and effectiveness of internal controls within the council, including the systems designed to achieve the strategic ambitions of the council and those that manage the material risks faced by the council. It should be noted, however, that the presence of an effective internal audit function contributes towards, but is not a substitute for, effective control.
- 1.9 The responsibilities of the Audit and Scrutiny Panel, whose activities and functions comply

with relevant CIPFA standards for audit committees, are to provide independent assurance to the council and those charged with governance on the adequacy of the council's risk management framework and internal control environment. The Panel is also responsible for providing independent review of the council's governance, risk management, performance, and control frameworks, and overseeing the financial reporting and annual governance processes.

- 1.10 This statement also covers the organisations consolidated in the council's Group Accounts.

## **2. Strategic Governance Framework**

- 2.1 In February 2020, the Audit and Scrutiny Panel approved the council's Strategic Governance Framework. Along with the other four inter-related corporate frameworks, the Strategic Governance Framework is key to assessing the success of The Plan for North Lanarkshire and monitoring delivery of the Programme of Work.
- 2.2 The council recognises that a crucial aspect in delivering good governance is the way that it is applied. The ethos of good governance cannot be achieved by structures, rules, and procedures alone. Effectively, good governance needs to be embedded within the council and its culture and the need for, and value of, good governance must be explicit. As such, any references that require to be made to one of the five frameworks references them all together at all times for completeness and to raise awareness of the need for good governance.
- 2.3 The council's Strategic Governance Framework outlines the elements and mechanisms in place to ensure appropriate oversight and governance of The Plan for North Lanarkshire and supporting Programme of Work and enable the council to monitor the delivery of its ambitions while ensuring arrangements for corporate governance, risk management, and internal financial controls are sound. This is based on the following:
- Identifying and setting out the council's long-term strategic ambition and priorities in The Plan for North Lanarkshire and ensuring the vision for *inclusive growth and prosperity for all* is embedded throughout all other policy statements agreed by the council.
  - Establishing the five inter-related corporate frameworks (Policy, Governance, Programme and Project Management, Performance, and Self-Evaluation) to assess the success of The Plan for North Lanarkshire and monitor delivery of the Programme of Work, while ensuring each stage of delivery towards achieving the overall ambitions is appropriately planned, guided, implemented, and governed.
  - Ensuring these five frameworks remain aligned to The Plan for North Lanarkshire and Programme of Work through a regular review and refresh programme that also helps the council to ensure it is proactive in responding to social, economic, and environmental trends and changes in legislation and governance, as well as the broad range of national policy changes and new developments.
  - Standing Orders that allow the council to delegate decision making to committees, sub-committees, or officers and sets out the rules which apply to the running and operation of council and committee meetings.
  - A Scheme of Administration which clearly sets out functions, terms of reference, and powers of the council and its committees and sub-committees and which is aligned to the organisational structure to facilitate decision making in line with the council's strategy.
  - A Scheme of Delegation to Officers which sets out the functions delegated to the Chief Officers of the council.
  - Financial Regulations and a Scheme of Financial Delegation which, as an integral part of the council's framework of internal financial controls, are designed to ensure effective stewardship of North Lanarkshire Council funds. Compliance with these regulations will ensure that public money is safeguarded and properly accounted for,

and all council financial transactions are undertaken in a manner which demonstrates openness, transparency, and integrity. The Financial Regulations form a key part of the overarching Financial Strategy and the corporate governance arrangements of the council.

- The Financial Strategy which (as the overarching framework that establishes the financial strategies and policies to ensure effective financial governance, planning, and management) also sets out the responsibility for safeguarding public funds within the council and the role of the Section 95 Officer. The financial strategies and policies covered by the Financial Strategy include the Capital Strategy, Treasury Management Strategy, Revenue Budget Strategy, and the Medium-Term Financial Plan.
- A Risk Management Strategy with arrangements that reflect the council's strategic ambition at a corporate, service, and project level. A key part of the system of internal control, the council's risk management arrangements are designed to identify, assess, prioritise, and mitigate risks to the achievement of the council's priorities. These arrangements are designed to enable the council to perform well, to manage risk effectively, and to minimise any potential impacts on service delivery and the achievement of planned outcomes.
- Codes of Conduct for Elected Members, Chief Officers, and employees which provide frameworks within which individuals are expected to undertake their duties in a manner which meets the required standards for good governance. This includes ensuring declarations of interests, and for conflicts of interest and gifts and hospitality, are appropriately made and published.
- Ensuring legislative obligations are fulfilled through the statutory officer roles of the head of paid service, monitoring officer, chief financial officer (section 95 officer) and the chief social work officer.
- An Anti-Fraud Policy and Fraud Response Plan which sets out the council's expectations (which extend to all individuals and organisations with whom it deals) in terms of acting honestly and with integrity and in safeguarding public resources.
- Whistleblowing procedures which provide a mechanism for employees of the council, and other workers within the council, to report a concern about serious wrongdoing within the council and to do so with security and in confidence.
- A Corporate Management Team (CMT) with a supporting meetings structure comprising Service Management Team (SMT) meetings and Operational Management Team (OMT) meetings to cascade the context, deliverables, and accountabilities and ensure consistency of message in the delivery of the Programme of Work and The Plan for North Lanarkshire. All Heads of Service are members of the CMT; this includes those Heads of Service who also hold a statutory officer role.
- An Audit and Scrutiny Panel whose activities and functions comply with relevant CIPFA standards for audit committees, and whose purpose is to provide independent assurance to the council and those charged with governance on the adequacy of the council's risk management framework and internal control environment. It also provides independent review of the council's governance, risk management, performance, and control frameworks and oversees the financial reporting and annual governance processes.
- A systematic approach to managing strategic and operational performance which includes target setting and regular service / statutory and Strategic Performance Framework reporting in line with an annual schedule and the statutory direction, to allow performance against the strategic priorities to be assessed.
- Comprehensive revenue budget and capital expenditure guidelines, with well-established processes and systems to ensure regular monitoring and reporting, as well as oversight and scrutiny by management and Elected Members.
- A range of programme Boards and working groups aligned to the delivery of specific Programme of Work items, e.g. DigitalNL, Community Hubs, Enterprise Strategic Commercial Partnership, and Data Governance.
- An Information Governance Policy Framework, comprising policies in terms of records and information management, data protection, information handling and classification, information risk, and information security to ensure proper recording of

information, appropriate access to that information including by the public, and compliance with legislation.

- Publicly available complaints and freedom of information procedures with management, monitoring, and reporting arrangements.
- A range of employment and other policies and the associated guidance documents and forms which promote and support ethical behaviour and standards of conduct by employees, along with an employee Performance Review and Development (PRD) process and access to a range of employee and Elected Members' training and development programmes and opportunities through LearnNL.
- Independent and objective assurances provided by Internal Audit whose function is designed to add value and improve the council's operations. The Internal Audit function operates within the Public Sector Internal Audit Standards (PSIAS) and the council's Internal Audit Charter. The service undertakes an annual programme of work approved by the Audit and Scrutiny Panel which is based on the Internal Audit Annual Plan. This plan is risk based and is periodically updated to reflect evolving issues and changes.
- Independent and objective assurances provided by the external auditors through their Annual Audit Report (AAR) process and a range of external audit and inspection bodies.

### **3. Review of effectiveness of governance arrangements**

3.1 The Annual Governance Statement has been prepared with evidence gathered from various different sources to ensure that it properly reflects the effectiveness of the council's arrangements during 2020/21. This evidence is summarised in paragraphs 3.1.1 to 3.1.6 below.

3.1.1 Heads of Service reviewed the effectiveness of governance arrangements within their area of responsibility by completing a certificate of assurance and updating a 78 point checklist covering: the control environment, risk management, business planning / information / reporting, financial control processes, project management, monitoring and corrective action, human resources, arm's length bodies, and assessing whether key controls have been applied during the year.

- Through this process Heads of Service have confirmed corporate governance arrangements and financial controls in their area of responsibility have been, or are, working well and there are no other significant matters arising which would require to be raised specifically in the Annual Governance Statement.

3.1.2 In line with the Public Sector Internal Audit Standards (PSIAS) and the council's Internal Audit Charter, the Audit and Risk Manager is required to provide the Audit and Scrutiny Panel (and the Chief Executive and CMT) with an annual summary of the work undertaken by Internal Audit and to provide an annual independent opinion on the council's corporate governance, risk management, and internal control arrangements. This provides assurance on the effectiveness of the council's governance arrangements and systems of internal control and the extent to which the council complies with the good governance principles referred to in paragraph 1.3 above.

- In his Internal Audit annual report for 2020/21, presented to the Chief Executive and CMT in May 2021 and the Audit and Scrutiny Panel in June 2021, the Audit and Risk Manager has stated that the annual Internal Audit opinion is unqualified and offers a generally positive view of the council's governance and internal control arrangements. More specifically, it is the opinion of the Audit and Risk Manager that reasonable assurance can be placed on the adequacy and effectiveness of the council's framework of governance, risk management, and internal control for the year ended 31<sup>st</sup> March 2021.

3.1.3 Self-evaluation work undertaken by the council as part of its governance and performance management arrangements.

- For 2020/21 this included a review of the council's response to COVID-19. Utilising a set of independent assessment criteria this self-evaluation exercise focused on four

sections - the council's response to COVID19, governance of the council during COVID-19, support for staff during COVID-19, and new ways of working. This exercise also captured lessons learned from the pandemic to support the council through the recovery and renewal planning processes, and to move to a platform of stability from which available resources were able to be redirected to fulfil the ambition set out in The Plan for North Lanarkshire.

- An Internal Audit was subsequently carried out on the council's COVID-19 response in order to provide independent assurance of the adequacy and effectiveness of the council's resilience arrangements and its response to the pandemic. Based on the results of the work, this audit was categorised as offering *substantial assurance* with only one area for improvement which was implementing an action plan to record and track progress in respect of lessons learned; an action plan was subsequently implemented and is being monitored by the Silver Group.

- 3.1.4 A statement of the effectiveness of the council's internal financial control systems has been provided by the Head of Financial Solutions (the council's Section 95 Officer / Chief Financial Officer) to the Chief Executive. The Head of Financial Solutions has also confirmed that the council's financial arrangements conform with the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2016.
- 3.1.5 Comments made by the external auditors and other audit and inspection bodies, feedback from Elected Members and committees in their scrutiny role, and issues considered by the Audit and Scrutiny Panel.
- 3.1.6 The council's arm's length external organisations (ALEOs) have also completed a certificate of assurance and updated the accompanying 62 point checklist to support the preparation of the council's statements on corporate governance and internal financial control for year ending 31 March 2021.
- In this respect, the Chief Executive or Senior Representative for each of the ALEOs has confirmed corporate governance arrangements and financial controls in their organisation have been, or are, working well and there are no other significant matters arising which would require to be raised specifically in the council's Annual Governance Statement.

#### **4. Continuous improvement**

- 4.1 The Plan for North Lanarkshire is now well established and sets the long-term strategic direction for the council, partners, and other stakeholders and, most importantly, for each unique local community and the people who *Live, Learn, Work, Invest, and Visit* within North Lanarkshire. It's a Plan with a shared ambition of inclusive growth and prosperity for all and a fairer distribution of wealth across all local communities.
- 4.2 The long-term ambition established through The Plan for North Lanarkshire coupled with the fast moving, unpredictable, and increasingly challenging and complex local government environment, means planning and change are constantly evolving and ongoing visibility into all programmes of work and their interconnections is essential.
- 4.3 The Programme of Work process (established in 2019) provides a clear roadmap for work across council services and with partners. It allows for plans of action to be developed that inform the projects, activities, services, technologies, and resources that need to be harnessed in order to seize the most and best opportunities to deliver on the long-term strategy, while achieving value for money in the here and now. Directing policies and plans to support delivery of The Plan for North Lanarkshire, the Programme of Work process is instrumental in bringing together the elements that support strategic planning, local development, enterprise activities, and community investment in a cohesive manner. The third annual iteration of the Programme of Work (for 2021/22) was approved in March 2021.
- 4.4 The changes required to deliver on the long-term ambition present both opportunities and

challenges. To realise the ambition, the council must continue to engage in a broad range of innovative and transformative programmes of work and projects in order to maintain services for residents in local communities which are efficient and effective, while targeting resources towards those individuals in the most vulnerable situations and ensuring value for money.

- 4.5 The Strategic Governance Framework has been developed taking into account the local environment within which the council operates. It brings the principles of good governance together with legislative requirements and management processes by which the council is directed and controlled and through which it is accountable to, engages with, and leads the local community. This aims to ensure the council is able to effectively pursue the long-term ambition set out in The Plan for North Lanarkshire, while ensuring this is underpinned with control and the management of risk, and:
- Resources are directed in accordance with agreed policies and according to priorities and in line with corporate programme and project management procedures.
  - There is sound and inclusive decision making.
  - There is clear accountability for the use of those resources in achieving defined outcomes for service users and local communities.
- 4.6 Key to assessing the success of The Plan for North Lanarkshire and monitoring delivery of the Programme of Work (while ensuring each stage of delivery towards achieving the overall ambitions is appropriately planned, guided, implemented, and governed) are five inter-related corporate frameworks:
- Strategic Policy Framework
  - Strategic Governance Framework
  - Programme and Project Management Framework
  - Strategic Performance Framework
  - Strategic Self-Evaluation Framework
- 4.7 To ensure these frameworks remain aligned to The Plan for North Lanarkshire and Programme of Work, all five are on an annual review and refresh programme. This also helps the council to ensure it is proactive in responding to social, economic, and environmental trends and changes in legislation and governance, as well as the broad range of national policy changes and new developments.
- 4.8 Following publication of the Accounts Commission's Best Value Assurance Report (BVAR) for North Lanarkshire Council in May 2019, updates on implementation of the eight recommendations for improvement were reported to the Policy and Strategy Committee in September 2019 and again in March 2020. The report in March 2020 consolidated the eight improvement actions within the Programme of Work to strengthen a corporate and integrated approach to improvement that supports delivery of The Plan for North Lanarkshire.
- 4.9 During 2020/21, the emergence of COVID-19 began to have a significant impact on the council's delivery of planned day to day activities and achievement of strategic priorities, which was reflected in subsequent levels of performance. Following a desktop review of the performance indicators in the Strategic Performance Framework to identify those relating to services impacted by the pandemic, the CMT identified a tailored suite of measures for monthly management monitoring purposes. This included a national data dashboard through which important aspects of the local government response were monitored.
- 4.10 To conclude the COVID recovery phase and move the council's focus onto renewal of services and continuation of business as usual towards achieving the ambitions and priorities set out in The Plan for North Lanarkshire, a COVID Recovery and Renewal Plan was approved in October 2020. This highlights how the council adapted to new ways of working throughout the response and recovery phases and noted that many of the

council's services continued to operate throughout lockdown and the subsequent phases of the *Scottish Governments COVID-19 Routemap through and out of the crisis*, with many having been redesigned to fit the needs of the community.

- 4.11 With approval of Delivering for Communities in December 2020, and the Programme of Work reviewed and updated for 2021/22, the opportunity has been taken to re-evaluate aspects of the Strategic Performance Framework in light of the current local and national context and to develop and implement a Performance Reporting Schedule for 2021/22. This comprises arrangements for regular strategic performance reviews at CMT, service, statutory, and Strategic Performance Framework reporting to Committee, and a set of five non-negotiable standards to be applied when reporting performance. This allows regular reporting on progress of the Programme of Work to be reported to Service Committees and the Audit and Scrutiny Panel to enable Elected Members to monitor, assess, scrutinise, and inform areas requiring improvement and future decision making.
- 4.12 Following the decision taken by the Policy and Strategy Committee at its meeting in January 2020 to insource the delivery of culture, sport, and leisure services formerly provided by Culture and Leisure NL Limited (CLNL), progress reports to committee in December 2020 and January 2021 highlighted the plan for recovery, associated financial implication, and key considerations linked to the workforce transfer strategy.

## **5. Current year issues arising from Internal Audit activity during 2020/21**

- 5.1 In his Internal Audit annual report for 2020/21, presented to the Chief Executive and CMT in May 2021 and the Audit and Scrutiny Panel in June 2021, the Audit and Risk Manager provided an overview of the activities of the Internal Audit section for the year 2020/21. This included highlights of a number of the more significant issues which arose from the work undertaken by Internal Audit during the year. More specifically the Audit and Risk Manager commented on the following:
- A small number of audit assignments reported during 2020/21 which offered only *limited assurance*. In all cases, management committed to a range of relevant improvement actions, some of which have already been completed. In this respect Internal Audit will continue to monitor progress on these issues during 2021/22 to provide senior management and the Audit and Scrutiny Panel with further assurance that relevant key controls are operating effectively.
  - The results from detailed Internal Audit work examining the council's corporate governance arrangements which suggest that compliance with the requirements of the corporate governance framework adopted by the council continued to be positive with no significant weaknesses or areas of concern highlighted.
  - Internal Audit work which suggests that despite significant and increasing challenges, key financial controls and financial management arrangements continued to operate to a generally high standard within the council.
  - With the exception of a suspected fraud in relation to payroll, details of which will be reported to the Audit and Scrutiny Panel in June 2021, there were no other weaknesses, material frauds, or irregularities identified by Internal Audit in 2020/21 that require to be reported.
- 5.2 The Audit and Risk Manager also commented that during 2020/21 the council had to respond to unprecedented challenges arising from the public health emergency with the need to transition very quickly to significantly different ways of operating with consequential impacts on governance, internal control, and risk management arrangements. Internal Audit was involved in the council's strategic response to the pandemic, working closely with senior management to provide advice and commentary on proposals relating to new working arrangements and changes to internal controls and governance arrangements.
- 5.3 During the year Internal Audit also carried out specific unplanned work in key risk areas such as payroll, creditors payments, and COVID business support grants to provide

specific assurance on the implementation of new and/or revised financial processes.

- 5.4 Despite the challenges presented by the pandemic and notwithstanding the results of some specific individual audit assignments, overall the Audit and Risk Manager reported that he was satisfied that the council's internal control and governance arrangements remained reasonably robust throughout 2020/21.

## 6. Current year issues arising from external audit activity during 2020/21

- 6.1 As part of their annual audit process, Audit Scotland identified some financial control weaknesses which were outlined in June 2021 in their interim management report for 2020/21. In this respect, the external auditor will carry out additional work prior to publication of their final annual audit report and management have committed to addressing the improvements identified.

## 7. Previous year issues - 2019/20

- 7.1 The table below outlines issues identified during the Internal Audit programme of work for the previous year, 2019/20. An update providing details of the actions taken to address each issue has also been included.

Issue raised	Action taken
<p><b>Performance management</b> Development of reporting arrangements in line with business and legislative requirements were expected to follow but have not yet been fully integrated into the council's governance arrangements. Progress to date in this area has been slower than expected.</p>	<p>Following approval of the Strategic Performance Framework at Committee in September 2019 reporting arrangements, approved at CMT in October 2019, were subsequently implemented through Service Committees and the Audit and Scrutiny Panel. This allowed for performance in terms of day to day activities, and progress towards achieving the shared ambition articulated in The Plan for North Lanarkshire, to be regularly monitored, reported, assessed, and scrutinised.</p> <p>Since then, the emergence of the coronavirus pandemic has had a significant impact on the delivery of the council's planned day to day activities and achievement of strategic priorities. Despite this, coupled with the redeployment of resources and subsequent availability of performance information across the council, a wide range of statutory and strategic performance information has been reported to the CMT, Service Committees, and the Audit and Scrutiny Panel. A report to the CMT in March 2021 summarised the extent of reporting over the last 16 months in this respect. This included the latest progress update of the level 1 context indicators reported to the Policy and Strategy Committee in March 2021.</p> <p>Following this, a Performance Reporting Schedule was developed for 2020/21. This is outlined in further detail within paragraph 4.11 above.</p>
<p><b>Impact of the COVID-19 pandemic</b> The national public health emergency has and will continue to create significant governance and</p>	<p>Notwithstanding the unprecedented challenges presented by COVID-19, the well-established local arrangements for emergency planning enabled an extremely fast paced and flexible response by the council to support the people,</p>

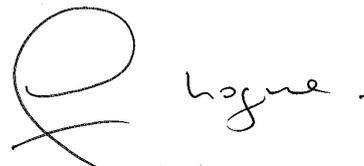
Issue raised	Action taken
operational challenges and pressures for the council.	<p>communities, and businesses of North Lanarkshire against that threat.</p> <p>Many decisions made by the Command structure (implemented in line with the council's Corporate Resilience Plan) ensured the continuity of key services and the ongoing safety and wellbeing of service users and staff.</p> <p>Decisions made were based on all known information available at the time, and were conducted within an ethical, legal, and risk proportionate framework. This allowed for the identification of increased demands and pressures being placed on services and consideration of appropriate responses, as well as ensuring effective partnership working with key stakeholders, particularly with those most directly impacted.</p> <p>The processes and structures in place also facilitated an extensive range of internal and external communications and engagement.</p> <p>To fulfil a commitment made by the Chief Executive, a self-evaluation exercise was carried out of the council's response to the COVID-19 pandemic as at September 2020. This had a focus on four areas - one of which was governance of the council during COVID-19. The self-evaluation exercise is outlined in further detail within paragraph 3.1.3 above.</p>

## 8. Certification

- 8.1 In compliance with the *Delivering Good Governance in Local Government: Framework (2016)* the council has systems in place to review and improve the governance and internal control environment throughout the year. Issues for action have been identified and implementation will be monitored and reported as part of the next annual review.
- 8.2 It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of North Lanarkshire Council and its Group systems of governance. The annual review process has demonstrated sufficient evidence that the council's corporate governance arrangements have operated effectively, and the council and its group companies comply with the relevant corporate governance principles in all significant respects.



**Des Murray**  
Chief Executive



**Councillor James Logue**