

30 June 2021 at 10 am.

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

PRESENT

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

CHAIR

Councillor Watson (Convener) presided.

IN ATTENDANCE

The Executive Director (Education and Families), Head of Financial Solutions, Head of Children, Families and Justice Social Work Services, Audit and Risk Manager, Business Strategy Manager, Strategy and Performance Manager, Technology Solutions Manager, Information Risk Manager, Principal Auditor and Democratic Services Manager.

ALSO IN ATTENDANCE

A. Craik (Senior Audit Manager) and G. McCreadie (Audit Manager), Audit Scotland.

APOLOGIES

Councillors Douglas and Graham.

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

1. No declarations were made.

AUDIT SCOTLAND REPORT: IMPROVING OUTCOMES FOR YOUNG PEOPLE THROUGH SCHOOL EDUCATION

2. There was submitted a report by the Audit and Risk Manager informing the Panel of the Audit Scotland Report "Improving Outcomes for Young People Through School Education" which had been published in March 2021 and the report by the Audit and Risk Manager provided an overview of the issues and recommendations raised in the Audit Scotland report and how these were being addressed by Management (1) explaining that the Audit Scotland report examined how effectively the Scottish Government, local authorities and partners were improving outcomes for young people through school education; (2) highlighting that the Audit Scotland report noted that the poverty related attainment gap remained wide and that inequalities had been exacerbated by Covid-19 and had concluded that progress on closing the gap had been limited and fell short of the Scottish Government's aims in that improvement needs to happen more quickly and their needs to be greater consistency across the country; (3) indicating that the report by Audit Scotland recognises the need for the Scottish Government, councils and Education Scotland to work together to take forward the recommendations, where appropriate, within the context of what is described as a "Collaborative System"; (4) detailing a number of recommendations made by Audit Scotland within its report which have been directed at all stakeholders, and (5) attaching, as Appendices to the report, details of the Audit Scotland recommendations together with management responses.

D. Brown provided a detailed summary of the findings outlined in the report by Audit Scotland and of the response by management in respect of the recommendations made. Thereafter, D. Brown answered a number of questions raised by Members of the Panel.

K. Adamson, in response to a question, confirmed that this matter was contained within the Council's Corporate Risk Register and that the Panel would therefore continue to receive, as part of its oversight of risk management arrangements, reports on progress and, additionally, that appropriate reports would be considered by the Education and Families Committee.

Decided:

- (1) that the key findings of the Audit Scotland report and the Management response including suggested action to the issues and recommendations raised in the report be noted, and
- (2) that it be noted that this matter was contained within the Council's Corporate Risk Register and that the Panel would receive reports at appropriate times and that, also, reports would be considered by the Education and Families Committee.

The Convener used his discretion to vary the Order of Business as hereinafter Minuted.

RISK MANAGEMENT UPDATE: KEY CORPORATE RISK - PUBLIC PROTECTION

3. There was submitted a report by the Head of Children, Families and Justice Social Work/Chief Social Work Officer which had previously been considered by the Council's Corporate Management Team and which had advised it that a number of key corporate risks had been identified which are subject to periodic review by management to ensure that risk is well understood and that adequate control measures are in place (1) providing an overview to the Corporate Management Team of the current assessment of the "Public Protection" risk with particular reference on how arrangements have performed and how this risk had been managed through the period of the pandemic; (2) highlighting to the Corporate Management Team the key management processes and controls designed to mitigate the risk and, in particular, additional actions which have been taken or are planned to take place to enhance and strengthen controls and to respond to the evolving landscape in the recovery period; (3) providing assurance to the Corporate Management Team in regards to management of the risk around a number of areas, in particular (a) public protection arrangements, (b) external scrutiny, (c) the impact of the Covid-19 pandemic, and (d) improvement activity, and (4) providing further details, as an Appendix to the report, of the most recent deep dive review of this corporate risk.

K. Adamson in response to a question, confirmed that this matter was contained within the Council's Corporate Risk Register and that the Panel would continue to receive, as part of its oversight of risk management arrangements, reports on progress.

Decided:

- (1) that it be noted that this matter is contained within the Council's Corporate Risk Register and that the Panel would receive reports at appropriate times, and
- (2) that, otherwise, the contents of the report be noted.

AUDIT AND RISK RELATED ITEMS: ACTION LOG

4. 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.

INTERNAL AUDIT PROGRESS REPORT

5. 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 March 2021; (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 together with a supplementary pack containing copies of those reports.

K. Adamson informed the Panel that within the Appendix to the report there had been two typographical errors made in respect of the gradings identified against each Internal Audit activity, however, the correct gradings were shown at Table 1 in the body of the report.

Decided:

- (1) that the findings, conclusions and recommendations of completed Internal Audit reports, together with associated management responses, be noted;
- (2) that Internal Audit provide a report to future meetings of the Panel on progress made 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.

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

6. There was submitted a report by the Audit and Risk Manager (1) detailing the extent to which management had implemented actions previously committed to in response to recommendations in Internal Audit reports, where those actions were due to be completed by the end of the period March 2021; (2) advising that Internal Audit had concluded that 13 of the 37 actions agreed in response to relevant Internal Audit recommendations had been completed with 24 partially implemented; (3) indicating that Internal Audit had concluded that, in respect of External Audit outputs, 11 out of the 17 actions agreed had been completed, with 2 having being partially completed, 1 not yet due and 3 which are deemed as no longer relevant, and (4) attaching, as an Appendix to the report, details of Internal Audit recommendations together with their current status and commentary by Internal Audit.

K. Adamson, in response to comments made by the Panel, agreed that the format of future reports would be reviewed to include narrative from relevant management to explain, where appropriate, the reason why original dates for completion of tasks had required to be extended.

Discussion took place in respect of the Council’s Carbon Management Plan and whether plans were in place to enable the timescale set by the Council to achieve Carbon Net Zero to be achieved.

Decided:

- (1) that a report be brought to a future meeting of the Panel providing information on actions planned by the Council to achieve Carbon Net Zero by the timescale agreed by Council, and
- (2) that, otherwise, the contents of the report be noted.

PROPOSED INTERNAL AUDIT ANNUAL PLAN 2021-22

7. There was submitted a report by the Audit and Risk Manager presenting the proposed Internal Audit Plan 2021-22 for consideration and approval (1) setting out the background and context within which the Internal Audit planning process is undertaken and providing a high level overview of how it is proposed that Internal Audit resources would be allocated during the year; (2) explaining that the Plan follows a well established planning methodology which was designed to ensure cyclical Internal Audit coverage of key corporate risks, key corporate priorities, key governance arrangements and key financial systems, and that, for 2021-22, this also incorporates, as appropriate, the impact of the Council's ongoing response to the Covid-19 pandemic.

Following a request by the Panel with regards to audit work planned in the area of procurement, K. Adamson agreed that planned work in respect of procurement would consider the use and prevalence of single tender contract awards.

Decided:

- (1) that the approach to produce the 2021-22 Internal Audit Annual Plan be noted;
- (2) that the detailed list of proposed Internal Audit assignments for the 2021-22 Plan, attached as Appendix 1 to the report, be endorsed, and
- (3) that, within the area of Internal Audit activity related to procurement, the planned scope would include contract awards where a single tender had been received.

NATIONAL FRAUD INITIATIVE - UPDATE

8. There was submitted a report by the Audit and Risk Manager informing the Panel of the progress made to date by the Council in response to the 2020 National Fraud Initiative (NFI) data matching exercise and to highlight where further action was required by relevant services (1) explaining that the NFI is a data matching exercise, organised by Audit Scotland, which is undertaken every two years and is widely recognised as an important tool in detecting and preventing fraud by comparing datasets using criteria which allow for the identification of inconsistencies and anomalies which may be indicative of possible fraud and/or error; (2) providing details of data matches undertaken and illustrating where either fraud and/or error had been identified and whether there was a corresponding financial implication, and (3) providing an explanation as to how various data matches, and the outcomes of the matching exercise, were being dealt with within the Council.

Decided: that the contents of the report and the progress made, and planned, to date in relation to the follow up of matches be noted.

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 last meeting of the Panel in respect of the audit for the Council for the year ending 31 March 2021; (2) providing, in the Appendix to the report, a copy of the External Auditors' Interim Management Report for 2020/21, 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.

G. McCreadie, Audit Scotland, spoke to the External Auditors' Interim Management Report for 2020/21.

Decided: that the Audit Scotland Interim Management Report for 2020/21 be noted.

PCI - DSS COMPLIANCE - PROGRESS REPORT

10. In reference to paragraph 3 of the Minute of the meeting of the Audit and Scrutiny Panel held on 3 September 2020 there was submitted a report by the Head of Business Solutions providing the Panel with an update on the Council's progress in achieving compliance with the Payment Card Industry Data Security Standard (PCI DSS) by the indicative date of September 2021 (1) summarising the positive actions completed to date to achieve compliance; (2) outlining the complexities of achieving compliance for Mail Order/Telephone Order (MOTO) transactions in particular; (3) illustrating further activity necessary for the Council to achieve PCI DSS compliance; (4) summarising, in Table 1 of the report, the Self Assessment Questionnaires (SAQ) which required to be completed for each system and channel together with information on the relative complexity of each; (5) reporting that the former CultureNL and NL Leisure organisations had operated independent arrangements involving multiple systems, with the Council being ultimately responsible for achieving compliance for all which has resulted in a complex card payment landscape requiring to be addressed by the Council; (6) informing the Panel that the Council had contracted the services of Compliance 3 (C3), a Qualified Security Assessor to assist the Council to achieve compliance and outlining work undertaken by C3 with and on behalf of the Council; (7) outlining the next steps and planned actions requiring to be completed to achieve compliance with particular emphasis being provided in the report regarding compliance being achieved for the MOTO channel; (8) intimating that although an ambitious target of September 2021 had been set for achieving PCI DSS compliance, it had become clear, through the work progressed so far, that this indicative date cannot be achieved across all payment channels, particularly MOTO and explaining, in Appendix 1 to the report, a projected timeline for the compliance of the MOTO payment channel with a revised completion date of March 2022, and (9) outlining the number of risk factors which are impacting upon project completion.

R. Leitch provided a detailed summary of the report and confirmed that the Council's payment card provider, Lloyds Cardnet, had confirmed to him that the Council was not facing suspension of payment services due to non compliance.

Decided:

- (1) that the contents of the report, including the significant developments completed to date in progressing the Council towards compliance, be noted;
- (2) that it be noted that a substantial level of work remained, particularly regarding MOTO transactions, to achieve compliance with these complex requirements, and that such needs required to be considered alongside the procurement and resourcing requirements of several other high priority programmes, and
- (3) that the revised timeframe of March 2022 to achieve full compliance with all strands of the PCI DSS security requirements be noted.

CORPORATE RISK REGISTER 2021-22

11. There was submitted a report by the Audit and Risk Manager (1) reminding the Panel that all corporate risks identified and agreed as meriting inclusion in the Corporate Risk Register are subject to regular monitoring and review by relevant senior management and that, each year, the Register is formally reviewed for completeness and continuing relevance in alignment to the Council's strategic objectives, The Plan for North Lanarkshire and the annual Programme of Work; (2) indicating that consideration, during monitoring and review by Senior Management, also required to be given as to whether any risks within Service Level Risk Registers needed to be escalated; (3) indicating that informal comparisons with other local authorities' Corporate Risk Registers were also made in order to inform the review process; (4) informing the Panel that, in March 2021, the Corporate Management Team had agreed four priority workstreams to give effect to the recommendations of the "Delivering for Communities" report which had been approved by the Policy and Strategy Committee in December 2020 and providing an outline of the proposed and current approaches and activity regarding the identification and management of associated risks in respect of (a) Health and Social Care Review

and Alignment; (b) Heads of Service as Community Champions; (c) Future Structures/Communities Team and Linked Functions, and (d) Future Structures/Culture and Leisure Integration and Model; (5) detailing that the Corporate Management Team had also previously agreed that, although not previously finalised, a risk relating to “Asset Management” should remain on the Corporate Risk Register but that there had been some challenge in agreeing exactly how this risk should be framed and therefore proposing a revised risk scope in relation to Asset Management; (6) providing an update on the results of the process for monitoring and review and presenting the Corporate Risk Register for 2021/22, recently approved by the Corporate Management Team, for consideration by the Panel; (7) reporting that, although there are some changes in risk scores as a result of ongoing events, the Corporate Risk Register for 2021-22 is substantially unchanged from the previous year although two risks were no longer considered necessary and/or appropriate for inclusion in the register, namely in respect of 1140 Hours and the UK Leaving the European Union; (8) explaining that a new corporate risk relating to the increased focus required on the poverty related educational attainment gap which had been exacerbated by the impact of the Covid-19 pandemic had been added to the register, and (9) attaching, as an Appendix to the report, the Corporate Risk Register Summary 2021/22 together with current residual risk ratings for each risk.

Decided:

- (1) that the proposed reframing of the Health and Social Care Integration and Asset Rationalisation Risks, as noted at paragraphs 2.4.1 and 2.7.2 of the report, be noted;
- (2) that the removal of 1140 Hours, as noted at paragraph 2.7.1 of the report, be noted;
- (3) that the removal of the EU Exit Risk, as noted at paragraph 2.7.3 of the report, be noted;
- (4) that the creation of a new corporate risk in relation to inequality in education attainment, as proposed at paragraphs 2.8 to 2.10, be noted, and
- (5) that the revised Corporate Risk Register for 2021-22, as attached at Appendix 1 to the report, and the reporting scheduled attached at Appendix 2 to the report, be noted.

INFORMATION SECURITY AND INFORMATION GOVERNANCE RISK

12. There was submitted a report by the Head of Business Solutions informing the Panel that the Council, in mitigating risks and uncertainty, requires all Services to operate risk management arrangements that identify, evaluate, manage and control a range of key corporate risks; (2) providing an update on measures to address this corporate risk, and reminding the Panel that it carries a high residual score; (3) providing an overview of existing controls and actions taken to date, and (4) illustrating further actions planned to continue to manage this risk.

R. Leitch spoke to the report and, following a question from the Panel, provided clarification on the current status of training and development of Council staff in the area of information security.

Decided:

- (1) that the actions taken to date to manage the Information Security and Information Governance Corporate Risk be noted;
- (2) that the ongoing actions to manage this risk, as detailed in paragraphs 2.5 to 2.9 in the report, be noted, and
- (3) that the next actions proposed as detailed in paragraphs 2.10 to 2.16 in the report, be approved.

INTERNAL AUDIT ANNUAL REPORT 2020/21

13. There was submitted a report by the Audit and Risk Manager (1) informing the Panel that the Public Sector Internal Audit Standards and the Council's Internal Audit Charter require the Audit and Risk Manager to provide the Panel (and the Chief Executive and Corporate Management Team) 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; (2) explaining that the report fulfilled that requirement by providing an overview of the activities of the Internal Audit Section for the year 2020/21 by highlighting a number of the more significant issues which arose from the work undertaken during the year; (3) presenting, as Appendix 1 to the report, the annual Internal Audit opinion, and (4) indicating that the annual opinion is unqualified and that the report offers a generally positive view of the Council's governance and internal control arrangements.

Decided: that the 2020-21 Internal Audit Annual Report, and the associated annual opinion of the Audit and Risk Manger, be noted.

PO75.1: ANNUAL GOVERNANCE STATEMENT 2020/21

14. There was submitted a report by the Head of Business Solutions (1) reminding the Panel that the Council is required to produce an Annual Governance Statement in line with the Local Authority Accounts (Scotland) Regulations 2014, which requires to be included within the Council's annual accounts and is subject to review by External Auditors as part of their year-end annual audit report process; (2) attaching, as Appendix 1 to the report, the Annual Governance Statement for 2020/21, which 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)" and that it also supports the Council's Best Value duty in terms of demonstrating continuous improvement; (3) indicating that, included in the Annual Governance Statement, is the Audit and Risk Manger'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 ending 31 March 2021", and (4) indicating that, following approval, the Annual Governance Statement would be reported publically through the Council's website to demonstrate the Council's compliance with the principles of Good Governance.

Decided:

- (1) that the contents of the report be noted, and
- (2) that the Annual Governance Statement, which requires to be included in the Un-Audited Annual Accounts for 2020/21, be noted.

ANNUAL ACCOUNTS UPDATE

15. There was submitted a report by the Head of Financial Solutions providing an update on the Annual Accounts for Financial Year 2020/21, which will be presented to the Panel at its meeting in September 2021 following the submission to the Council's External Auditor by the deadline of 30 June 2021 (1) outlining the obligations and duties upon the Council in terms of its annual accounts as required by the Local Authority Accounts (Scotland) Regulations 2014; (2) reporting that there have been significant additional challenges and uncertainty during the financial year as a result of the Council's initial response and latterly recovery from the Covid-19 pandemic; (3) explaining that, in order to permit officers time to prepare the financial statements and to ensure that they are accurate, the un-audited annual accounts will be presented at the meeting of the Audit and Scrutiny Panel on 2 September 2021, and (4) indicating that, as per practice established in 2020, Members of the Panel will be issued with a copy of the Un-Audited Annual Accounts following submission to External Audit on 30 June 2021.

Decided:

- (1) that the contents of the report be noted, and
- (2) that it be noted that the draft accounts would be presented to the Panel at its next planned meeting.