

22 September 2021 at 1 pm.

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

PRESENT

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

CHAIR

Councillor Watson (Convener) presided.

IN ATTENDANCE

The Head of Financial Solutions; Head of Business Solutions; Head of Asset and Procurement Solutions; Audit and Risk Manager; Business Strategy Manager; Strategy and Performance Manager; Assurance and Development Manager; Service Delivery Manager; Principal Auditor, and Democratic Services Manager.

ALSO IN ATTENDANCE

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

APOLOGIES

Councillor Burrows.

Prior to the commencement of business, the Convener advised that the item at agenda item 7 – Corporate Risk – Deep Dive: ICT Operational Capability, had been withdrawn and would be considered at a future meeting.

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

1. Councillor Douglas, by virtue of being a Director of North Lanarkshire Properties, Councillor Hume, by virtue of being a Director of the NL Municipal Bank and Councillor Watson by virtue of being a Director of NL Municipal Bank and a Director of Fusion Assets, each declared an interest in paragraph 10 and further declared that they considered the interest was so sufficiently remote that it did not preclude their participation in consideration of that matter.

AUDIT AND RISK RELATED ITEMS: ACTION LOG

2. 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.

CLIMATE CHANGE TARGET: NET ZERO BY 2030

3. There was submitted a report by the Head of Asset and Procurement Solutions providing an overview of progress to date of the Council's performance in reducing its carbon footprint as well as providing details of the new Climate Plan which would continue to be developed over the following months to incorporate Service specific actions (1) explaining that, within the draft Climate Plan, targets had been set for buildings, waste and fleet based on specific requirements and intended action such as the electrification of the Council's fleet by 2030; (2) indicating that the target for buildings was in line with the requirements of the Paris Agreement, attached at Appendix 2 to the report; (3) outlining how it was intended to achieve the challenging targets for buildings; (4) advising that Council housing energy emissions lay outwith the Council's direct or indirect control and, therefore, does not form part of the defined boundary; (5) indicating that, whilst Housing and Property will focus on the achievement of the Energy Efficient Standard for Social Housing, as the vehicle for reducing the emissions of the Council's residential stock, it was not yet apparent whether action will be accelerated in advance of the 2032 target and to what level the stock will achieve; (6) reporting that progress on actions would continue to be monitored via annual data collection, and (7) emphasising the role of the financing of actions, as well as the affordability of delivering necessary actions on an unprecedented scale.

Decided:

- (1) that the progress made since 24 June 2016 be recognised;
- (2) that it be noted that the draft Climate Plan (ACT 2030), following approval at the Environment and Transportation Committee, will be consulted on during September 2021, and
- (3) that it be recognised that net zero is a target which the Council must strive to achieve against the challenging financial background and demanding timescales.

INTERNAL AUDIT PROGRESS REPORT

4. 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 June 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.

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

5. 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 June 2021; (2) advising that Internal Audit had concluded that 16 of the 33 actions agreed in response to relevant

Internal Audit recommendations had been completed with 15 partially being implemented and 2 being considered no longer relevant; (3) indicating that Internal Audit had concluded that, in respect of External Audit reports, 4 of the 11 actions had been completed, with 2 having been partially implemented, 3 which were not yet due and 2 that were no longer considered relevant, and (4) attaching, as an Appendix to the report, details of Internal Audit recommendations together with a current status and commentary by Internal Audit.

Discussion took place in respect of the report, attached at Appendix 1 to the report, specifically in relation to business continuity and disaster recovery.

Decided:

- (1) that a report be brought to a future meeting of the Panel providing information on actions progressed and planned by the Council regarding business continuity and disaster recovery, and
- (2) that, otherwise, the contents of the report be noted.

INTERNAL AUDIT CHARTER

6. There was submitted a report by the Audit and Risk Manager (1) explaining that the Internal Audit Charter is an important document which sets out the purpose, authority and principal responsibilities of the Council's Internal Audit Section; (2) seeking approval for the Internal Audit Charter, attached at Appendix 1 to the report, which had recently been reviewed and revised in line with best practice to ensure that it remained up to date and reflected the Council's current arrangements and expectations and that it was consistent with the requirements of the Public Sector Internal Audit Standards (PSIAS) and the associated Local Government Application Note (LGAN); (3) advising that there were no material changes to the proposed Charter for the purpose, authority and principal responsibilities of the Council's Internal Audit Section from that approved by the Panel in 2018, and (4) highlighting that an opportunity had been taken to update job titles and to make some minor amendments to the narrative to ensure that the Charter remained consistent with the PSIAS and LGAN, both of which had been revised since 2018.

Decided: that the Internal Audit Charter, attached at Appendix 1 to the report, be approved.

P075.1: UPDATE ON THE FIVE FRAMEWORKS SUPPORTING THE PLAN FOR NORTH LANARKSHIRE AND PROGRAMME OF WORK

7. There was submitted a report by the Head of Business Solutions (1) reporting that, with all five of the corporate inter-related Frameworks (Policy, Performance, Self-Evaluation, Programme and Project Management and Governance) being stood back up in accordance with Council and Service recovery plans, it set out a current position statement for each Framework so as to provide a composite update in support of the Audit and Scrutiny Panel strategic oversight and governance role; (2) advising that the report followed on from the annual update reported to the Panel in September 2020, and advising of the work undertaken to reconfigure and realign the Frameworks in line with the environment within which the Council was now operating; (3) highlighting that the five Frameworks are key to assessing the success of The Plan for North Lanarkshire and monitoring delivery of the Programme of Work; (4) explaining that the ongoing effectiveness of the five Frameworks was vital to not only support delivery of the long-term vision and business as usual activities of the Council, but also to ensure that this was undertaken within the appropriate governance, performance and control frameworks, and (5) reporting on a number of next steps to be taken for the Frameworks to ensure that each remains aligned to The Plan for North Lanarkshire and the Programme of Work.

Decided:

- (1) that the contents of the report be noted, and
- (2) that the progress update and next steps, including the ongoing review programme for the five Frameworks to ensure that each remains aligned to The Plan for North Lanarkshire and the programme of work, be noted.

P075.1: REVIEW AND REFRESH OF THE STRATEGIC SELF EVALUATION FRAMEWORK

8. There was submitted a report by the Head of Business Solutions (1) recalling that, in order to meet its best value duty, the Council must ensure that arrangements are in place to secure continuous improvement in performance for all the functions and activities undertaken to deliver services and to improve outcomes; (2) reminding the Panel that a 12 week programme to assess the 25 ambition statements in The Plan for North Lanarkshire had been underway in March 2020 when the Covid-19 pandemic hit and the subsequent impact on the implementation of the Council and Service recovery plans meant that the Strategic Self Evaluation Framework had been assessed and had been assigned a timescale for recovery for the end of March 2021; (3) the consequence of the pandemic meant that the 12 week programme therefore became impractical and unable to be resourced and did not progress further; (4) advising that a review and refresh of the Framework provided an opportunity to reframe self-evaluation within the context of the updated programme of work, the changes to the Council's operating model and the ongoing challenges and complexities within the current local government environment; (5) presenting the updated Framework, along with the rolling review programme for 2021 and 2022 which included specific self-evaluation exercises recommended through Internal Audit work, and (6) highlighting the challenge and scrutiny role of the Panel, as part of the assessment process, in line with its responsibility to provide an independent review of the Council's governance, risk management, performance and control frameworks.

Decided:

- (1) that the content of the report, and accompanying Appendices, be noted;
- (2) that the refreshed Strategic Self Evaluation Framework and rolling review programme, and the requirement therein to ensure that self-evaluation identifies areas for improvement which are focussed on, and contribute to, the delivery of the Programme of Work and achievement of the ambitions set out in The Plan for North Lanarkshire, be noted;
- (3) that the challenge and scrutiny role of the Audit and Scrutiny Panel, in line with its responsibility to provide an independent review of the Council's governance, risk management, performance and control frameworks, be noted, and
- (4) that the next steps, as detailed in the report, be noted.

THE PLAN FOR NORTH LANARKSHIRE - PERFORMANCE BENCHMARKING

9. There was submitted a report by the Head of Business Solutions (1) recalling that the Strategic Performance Framework is one of five inter-related corporate frameworks which are key to assessing the success of The Plan for North Lanarkshire and monitoring delivery of the Programme of Work; (2) explaining that, to ensure that these frameworks remain aligned to The Plan for North Lanarkshire and the Programme of Work, all five are on an annual review and refresh programme which also helps the Council to ensure that it is proactive in responding to social, economic and environmental trends and changes in legislation and governance; (3) indicating that the review of the Strategic Performance Framework has included assessing the range of performance and benchmarking measures contained therein to determine if they remain fit for purpose and are effective in contributing to the Council's performance monitoring, management and scrutiny processes; (4) reporting that arrangements have

also been reviewed and that a Strategic Performance Framework reporting schedule has been established for 2021/2022, as noted by the Panel at its meeting in March 2021, which included arrangements for reporting to Service Committees and the Panel; (4) advising that an ongoing programme of Performance Benchmarking Scrutiny was under development and will look at specific themes in that respect; (5) providing background contextual information, and setting the scene, for a presentation to be provided to the Panel by the Improvement Service, and (6) indicating that any feedback received, and any improvements identified that require to be made to the approach, will be incorporated into the final development of the Performance Benchmarking Programme of Scrutiny moving forward.

Thereon, E. Lynch provided a presentation on benchmarking data to the Panel.

Decided:

- (1) that the contents of the report be noted;
- (2) that it be recognised that the presentation by the Improvement Service establishes the model that will form the Performance Benchmarking Programme of Scrutiny moving forward, and
- (3) that the next steps be noted.

Prior to consideration of the following item of business, Councillor Douglas, by virtue of being a Director of North Lanarkshire Properties, Councillor Hume, by virtue of being a Director of the NL Municipal Bank and Councillor Watson, by virtue of being a Director of NL Municipal Bank and a Director of Fusion Assets, had each declared an interest and had further declared that they considered the interests were so sufficiently remote that they did not preclude their participation in consideration of the matter.

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

10. There was submitted a report by the Head of Business Solutions (1) providing an overview of governance, financial governance and risk management within the Council's arm's length external organisation (ALEOs) and strategic partnership vehicles; (2) describing the monitoring and scrutiny arrangements to the relevant Service Committees which provides the mechanism by which the Council may ascertain that ALEOs are operating effectively, delivering high quality public services, achieving value for money and minimising the threat of potential operational, financial and reputational risks to the Council; (3) providing an update on the insourcing of Cultural, Leisure and Sports Services from Culture and Leisure NL Limited to the Council on 1 April 2021; (4) confirming that the transfer of assets and undertaking from the Campsie's Centre (Cumbernauld) Limited to the Council took place on 30 June 2021, which was slightly later than the previously targeted date of 31 March 2021; (5) providing an overview of ALEOs' stewardship over the previous six months and summarising the measures and recovery strategies that were being put in place by individual companies to resume service delivery as Covid-19 restrictions were lifted, and (6) reporting on the top five risks identified for each company.

Decided:

- (1) that it be noted that the governance and risk management arrangements within the Council's arm's length service delivery providers remain sufficiently robust, and provide assurance to the Council that the entities delivering services on its behalf are effectively managed;
- (2) that the assessment by the Head of Financial Solutions in relation to those ALEOs where the coronavirus pandemic continues to have a material impact on company trading and financial statements be noted;

AUDIT AND SCRUTINY PANEL - 22 SEPTEMBER 2021

- (3) that relevant Boards or Management Committees should continue to monitor financial performance closely, along with ongoing, separate, oversight by Financial Solutions;
- (4) that the measures and recovery strategies that have been put in place by individual companies to resume service delivery as the Covid-19 restrictions were lifted, alongside managing risks and maintaining business continuity arrangements, be noted, and
- (5) that the top five risks identified by each ALEO, and included within individual company risk registers, be noted.