

RISK AND AUDIT SCRUTINY FORUM

Minutes of meeting held in Committee Room 2, Council Offices, Almada Street, Hamilton on 17 September 2013

Chair:

Councillor Lesley McDonald

Councillors Present:

Isobel Dorman, Susan Kerr, Gerard Killen, Brian McKenna

Councillors' Apologies:

Ralph Barker, Archie Buchanan, Graeme Campbell, Angela Crawley

Attending:

Community and Enterprise Resources

G Mackay, Head of Roads and Transportation

Finance and Corporate Resources

Y Douglas, Audit Manager; S Dunsmore, Assistant Risk Manager; P MacRae, Administration Officer; C McGhee, Audit Adviser; H McNeil, Head of Audit and Improvement; A Norris, Administration Assistant; J Taylor, Head of Finance

Housing and Technical Resources

C Drummond, Fraud Team Officer

Also Attending:

Grant Thornton

C Bailey, External Auditor

PricewaterhouseCoopers

M Kerr, External Auditor

Order of Business

The Forum decided:	that the items of business be dealt with in the order minuted below.
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1 Declaration of Interests

No interests were declared.

2 Minutes of Previous Meeting

The minutes of the meeting of the Risk and Audit Scrutiny Forum held on 18 June 2013 were submitted for approval as a correct record.

The Forum decided:	that the minutes be approved as a correct record.
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3 Strathclyde Fire and Rescue - External Audit 2012/2013 Year End Approach

A report dated 21 August 2013 by the Executive Director (Finance and Corporate Resources) was submitted on action taken in relation to Strathclyde Fire and Rescue's External Auditor's Audit Approach Memorandum for 2012/2013.

The establishment of the new Scottish Fire and Rescue Service on 1 April 2013 had resulted in the demise of Strathclyde Fire and Rescue (SFR) and its Board. Transitional reporting arrangements required to be established for the financial year 2012/2013 to allow SFR's external auditor, Grant Thornton, to discharge their reporting responsibilities.

The Risk and Audit Scrutiny Forum had been identified as an appropriate Forum to receive the audit approach and the audit findings reports from Grant Thornton. In view of the timescales involved, the Audit Approach Memorandum, detailing Grant Thornton's plan for the 2012/2013 audit of SFR, had been circulated to Forum members on 26 June 2013. No questions had subsequently been received in relation to this document.

The Forum decided: that the action taken to advise Forum members of the audit approach adopted by Strathclyde Fire and Rescue's external auditor for the year ended 31 March 2013 be noted.

4 Strathclyde Fire and Rescue - Audit Findings 2012/2013

A report dated September 2013 by Grant Thornton, External Auditor for Strathclyde Fire and Rescue (SFR), was submitted detailing the findings arising from their audit of SFR's financial statements for 2012/2013.

Details were given on the following areas:-

- ♦ executive summary
- ♦ key audit issues
- ♦ financial reporting
- ♦ internal control
- ♦ other communication
- ♦ audit adjustments
- ♦ fees, non-audit services and independence

Subject to completion of outstanding work, the external auditor's opinion on SFR's financial statements for the year ended 31 March 2013 was unqualified.

The Forum decided: that the report be noted

5 Internal Audit Activity – 1 May to 31 July 2013

A report dated 21 August 2013 by the Executive Director (Finance and Corporate Resources) was submitted on:-

- ♦ work completed by Internal Audit during the period 1 May to 31 July 2013
- ♦ the format and purpose of the Key Messages page which had been developed to improve reporting practice
- ♦ the 2012/2013 annual report from the Chair of the Scottish Local Authorities' Chief Internal Auditors' Group (SLACIAG)
- ♦ the Public Sector Internal Audit Standards

Details were given on the progress of audit assignments and the performance of Internal Audit which highlighted that:-

- ♦ 92% of assignments had been delivered within budget against a target of 80%
- ♦ 86% of draft reports had been delivered within 21 days of field work completion against a target of 80%
- ♦ 19% of the 2013/2014 Internal Audit Plan had been completed to a draft stage at 30 April 2013 against an annual target of 100%

- ◆ 83% of audit recommendations had been delivered on time against a target of 90%
- ◆ 91% of audit assignments had been concluded to a signed action plan within the target of 7 weeks against a target of 80%

The findings from assignments completed in the period 1 May to 31 July 2013 were detailed in Appendix 2 to the report.

Details were also given on the:-

- ◆ introduction of a Key Messages page in future audit activity reports to the Forum which would give better context to key audit findings and facilitate easier scrutiny
- ◆ Scottish Local Authorities' Chief Internal Auditors' Group annual report 2012/2013
- ◆ Public Sector Internal Audit Standards, referred to as the Code of Practice, which replaced the previous Code of Practice and became effective on 1 April 2013

In response to a member's question on the use of Quick Quote, examples of Quick Quote system usage would be circulated to Forum members. Information would also be provided on issues arising from the use of Quick Quote and action taken to resolve those issues.

The Forum decided: that the report be noted.

[Reference: Minutes of 18 June 2013 (Paragraph 3)]

6 Risk Management Year End Report 2012/2013

A report dated 21 August 2013 by the Executive Director (Finance and Corporate Resources) was submitted on:-

- ◆ risk management activity undertaken during 2012/2013
- ◆ planned work for 2013/2014
- ◆ progress made by Resources in complying with the Risk Management Strategy

The 2012/2013 Work Plan was attached as Appendix 1 to the report and assessed delivery of risk management actions. At the end of March 2013, 17 actions (77%) had been completed. 5 actions had been carried forward to the 2013/2014 Work Plan. Work on 4 of the outstanding actions had commenced and 1 had been delayed to secure additional benefit by involving Internal Audit in the process. The Risk Management Work Plan for 2013/2014 had been agreed by the Risk Sponsors Group and was detailed at Appendix 2 to the report.

Appendix 3 to the report provided details of Resources' compliance with the Risk Management Strategy. There had been an overall improvement in compliance of 3% since the year end risk management report for 2011/2012.

The Forum decided: that the report be noted.

[Reference: Minutes of 4 September 2012 (Paragraph 7)]

7 Internal Audit Annual Assurance Report 2012/2013

A report dated 21 August 2013 by the Executive Director (Finance and Corporate Resources) was submitted on the Audit Manager's:-

- ◆ summary of progress and performance of Internal Audit for the financial year 2012/2013
- ◆ opinion on the strength of the Council's control environment

Details were given on:-

- ◆ Internal Audit performance
- ◆ Council-wide performance
- ◆ workload analysis
- ◆ links to the Council's top risks
- ◆ management of fraud risks
- ◆ financial controls and findings
- ◆ operational controls and findings

The overall opinion expressed was that there was a good level of assurance over the financial controls in operation across the Council and an adequate level of assurance over the Council's internal operational control system for the financial year 2012/2013. The Internal Audit findings had informed the Council's 2012/2013 Governance Statement.

A summary of the report would be submitted to the meeting of the Executive Committee to be held on 6 November 2013.

The Forum decided:

- (1) that the positive Internal Audit performance during 2012/2013 be noted;
- (2) that the level of assurance on the Council's control environment be noted; and
- (3) that it be noted that the overall findings from Internal Audit work had informed the Council's 2012/2013 Annual Governance Statement.

[Reference: Minutes of 4 September 2013 (Paragraph 4)]

8 Fraud Statistics Annual Report

A report dated 21 August 2013 by the Executive Director (Finance and Corporate Resources) was submitted on fraud statistics for the year to 31 March 2013 and comparing those figures with the previous year's statistics.

Details were given on the number, types and outcomes of fraud investigations, together with a comparison to the statistics for the same period in 2012. The fraud statistics for 2012/2013 highlighted that:-

- ◆ fraud amounting to £168,000 had been identified during the year to 31 March 2013, representing a 54% decrease in value from 2011/2012
- ◆ 90% of cases investigated were founded
- ◆ 86% of founded cases related to benefit fraud or fraud committed by a third party

Details of fraud statistics for the financial years ending 31 March 2012 and 31 March 2013 respectively were given in Appendix 1 to the report. Actions recommended by Internal Audit to reduce the risk of fraud included:-

- ◆ introducing and updating procedures
- ◆ ensuring there was adequate security over Council assets
- ◆ ensuring access to keys and Council premises was adequately controlled
- ◆ undertaking independent management checks

The Forum decided: that the report be noted.

[Reference: Minutes of 4 September 2012 (Paragraph 6)]

9 Efficiency Statement 2012/2013

A report dated 28 August 2013 by the Executive Director (Finance and Corporate Resources) was submitted on the Council's Efficiency Statement for 2012/2013.

The Statement had been prepared in line with updated guidance received from the Convention of Scottish Local Authorities (COSLA). Details were given on the way in which the Efficiency Statement had been structured and the full Statement was attached as an appendix to the report.

The Statement reflected cash and non-cash efficiency savings totalling £19.390 million. Efficiency savings totalling £5.277 million had been detailed under the following headings:-

- ◆ procurement
- ◆ shared services
- ◆ asset management

The Council had submitted the Efficiency Statement to COSLA in August 2013. COSLA would, in turn, forward the Statement to the Scottish Government for consideration together with Statements from other local authorities.

The Forum decided: that the report be noted.

[Reference: Minutes of 13 November 2012 (Paragraph 4)]

10 Audit Scotland - Maintaining Scotland's Roads

A report dated 30 August 2013 by the Executive Director (Community and Enterprise Resources) was submitted on the most recent Audit Scotland report entitled "Maintaining Scotland's Roads".

Following on from reports published in November 2004 and February 2011, Audit Scotland had, on 17 May 2013, published a further report on Maintaining Scotland's Roads. The key messages contained within the Audit Scotland report were that:-

- ◆ there was a need to increase the pace of progress in improving road condition
- ◆ the condition of Council roads had improved marginally despite a 21% real terms cut in funding
- ◆ more work was required to improve the quality of performance data to facilitate meaningful benchmarking
- ◆ while acknowledging that a national review of road maintenance had been undertaken, there was concern with regard to evaluating its outcomes and looking at alternative structural models
- ◆ asset management plans required to be completed and implemented and progress monitored
- ◆ there was a need to input data to the SCOTS/APSE benchmarking exercise
- ◆ the impact of changing levels of expenditure on road conditions required to be monitored
- ◆ there was a need to respond actively to innovation, knowledge sharing and shared services initiatives

The Audit Scotland report had taken account of individual local audits for each Council which had been prepared by external auditors. South Lanarkshire Council's local follow up report had been positive and recognised good progress and innovations in many areas. 3 actions which had been identified for inclusion in an improvement Action Plan had been addressed.

Details were also given on the views of the Roads Service in relation to the Audit Scotland report.

Members commended the Roads Service on the high standard of maintenance of the Council's roads.

The Forum decided: that the report be noted.

Councillor Kerr left the meeting following consideration of this item of business

11 Financial Resources Scrutiny Forum Activity

A report dated 14 August 2013 by the Executive Director (Finance and Corporate Resources) was submitted on reports considered by the Financial Resources Scrutiny Forum in the period from September 2012 to July 2013.

A report on the business considered by the Financial Resources Scrutiny Forum would be submitted to the Risk and Audit Scrutiny Forum on an annual basis.

The Forum decided: that the report be noted.

12 External Audit Opinion and Annual Audit Findings 2012/2013

A report dated September 2013 by PricewaterhouseCoopers, the Council's external auditor, was submitted providing an overview of the audit of the 2012/2013 financial statements.

Details were given on the following areas:-

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|---|--|
| ♦ audit process and opinion | ♦ likely content of the 2012/2013 annual report to members |
| ♦ summary of key adjustments and judgements | ♦ communications to those charged with governance |
| ♦ completion timetable | |

The external auditor's opinion on the Council's financial statements for the year ended 31 March 2013 was unqualified.

The Forum decided: that the report be noted

[Reference: Minutes of 13 November 2012 (Paragraph 11)]

13 Forward Programme for Future Meetings

A report dated 29 August 2013 by the Executive Director (Finance and Corporate Resources) was submitted on the outline forward programme for the meeting of the Risk and Audit Scrutiny Forum to be held on 26 November 2013.

As part of future arrangements, members were invited to suggest topics for inclusion in the Forum's forward programme.

The Forum decided:

that the outline forward programme for the Risk and Audit Scrutiny Forum, attached as an appendix to the report, be noted.

14 Urgent Business

There were no items of urgent business.