



Council Offices, Almada Street
Hamilton, ML3 0AA

Wednesday, 09 September 2020

Dear Councillor

Risk and Audit Scrutiny Committee

The Members listed below are requested to attend a meeting of the Committee to be held as follows:-

Date: Monday, 21 September 2020
Time: 14:00
Venue: By Microsoft Teams and Committee Room 1,

The business to be considered at the meeting is listed overleaf.

Yours sincerely

Cleland Sneddon
Chief Executive

Members

Graeme Campbell (Chair), Walter Brogan, Mary Donnelly, Grant Ferguson, Martin Lennon, Julia Marrs, Davie McLachlan, Carol Nugent, Jared Wark

Substitutes

Janine Calikes, Margaret Cowie, Ian Harrow, Eric Holford, Bert Thomson

BUSINESS

1 Declaration of Interests

- 2 Minutes of Previous Meeting** 3 - 8
Minutes of the meeting of the Risk and Audit Scrutiny Committee held on 18 June 2020 submitted for approval as a correct record. (Copy attached)

Item(s) for Decision

- 3 2020/2021 Internal Audit Plan** 9 - 24
Report dated 1 September 2020 by the Executive Director (Finance and Corporate Resources). (Copy attached)

Item(s) for Noting

- 4 Internal Audit Activity as at 28 August 2020** 25 - 30
Report dated 28 August 2020 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 5 2019/2020 Year End Insured Risks Report** 31 - 42
Report dated 24 August 2020 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 6 2018 National Fraud Initiative Exercise** 43 - 50
Report dated 31 August 2020 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 7 The National Fraud Initiative 2018/2019** 51 - 64
Report dated 28 August 2020 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 8 Fraud Statistics Annual Report 2020** 65 - 70
Report dated 31 August 2020 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 9 Forward Programme for Future Meetings** 71 - 74
Report dated 1 September 2020 by the Executive Director (Finance and Corporate Resources). (Copy attached)

Urgent Business

- 10 Urgent Business**
Any other items of business which the Chair decides are urgent.

Clerk Name: Pauline MacRae
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Clerk Email: pauline.macrae@southlanarkshire.gov.uk

RISK AND AUDIT SCRUTINY COMMITTEE

2

Minutes of meeting held via Microsoft Teams on 18 June 2020

Chair:

Councillor Graeme Campbell

Councillors Present:

Councillor Walter Brogan, Councillor Grant Ferguson, Councillor Julia Marrs, Councillor Davie McLachlan, Councillor Carol Nugent, Councillor Jared Wark

Councillor Also Present:

Councillor John Ross (for items 3 and 4)

Councillors' Apologies:

Councillor Mary Donnelly, Councillor Martin Lennon, Councillor Jim Wardhaugh

Attending:

Chief Executive's Service

C Sneddon, Chief Executive (for items 3 and 4)

Finance and Corporate Resources

P Manning, Executive Director (Finance and Corporate Resources); Y Douglas, Audit and Compliance Manager; S Dunsmore, Insurance and Risk Manager; T Little, Head of Corporate Communications and Strategy; P MacRae, Administration Officer; G McCann, Head of Administration and Legal Services; S Somerville, Administration Manager; J Taylor, Head of Finance (Strategy)

Also Attending:

Audit Scotland

A Kerr and D Richardson, External Auditors

1 Declaration of Interests

No interests were declared.

2 Minutes of Previous Meeting

The minutes of the meeting of the Risk and Audit Scrutiny Committee held on 19 February 2020 were submitted for approval as a correct record.

The Committee decided: that the minutes be approved as a correct record.

3 Internal Audit Annual Assurance Report 2019/2020

A report dated 3 June 2020 by the Audit and Compliance Manager (Finance and Corporate Resources) was submitted providing:-

- ◆ a summary of progress and performance of Internal Audit for the financial year 2019/2020
- ◆ an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control systems based on audit work undertaken in 2019/2020

Details were given on:-

- ◆ Internal Audit performance
- ◆ Council-wide performance in relation to the delivery of audit actions
- ◆ workload analysis
- ◆ links to the Council's objectives and top risks
- ◆ management of fraud risks
- ◆ areas of assurance
- ◆ areas of external reliance

The overall opinion expressed on the Council's control environment was that a reasonable level of assurance could be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ended 31 March 2020. The Internal Audit findings would inform the Council's 2019/2020 Governance Statement.

The Committee decided:

- (1) that the performance of Internal Audit during 2019/2020 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 would inform the Council's 2019/2020 Annual Governance Statement.

[Reference: Minutes of 19 June 2019 (Paragraph 3)]

4 Annual Governance Statement for 2019/2020 and Significant Governance Areas Quarter 4 Progress Report

A report dated 1 June 2020 by the Executive Director (Finance and Corporate Resources) was submitted on the Governance Statement for 2019/2020 and progress against significant governance areas identified within the Good Governance Action Plan at Quarter 4.

Each year, the Council undertook a review of the governance arrangements required to support its financial and operational controls. This review provided the basis for the Annual Governance Statement which was included in the Council's Annual Report and Statement of Accounts.

The annual review for 2019/2020 had been undertaken using an assessment framework which was attached as Appendix 1 to the report. The resulting Annual Governance Statement for 2019/2020, attached as Appendix 2 to the report, provided information on the Council's compliance during 2019/2020. The annual review of governance arrangements across the Council demonstrated sufficient evidence that the principles of delivering good governance in local government, contained in the Local Code of Corporate Governance, operated effectively and that the Council complied with its Code.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Better Governance Forum Audit Committee Update on "Developing an Effective Annual Governance Statement" was attached as Appendix 3 to the report. This guidance aimed to provide advice and support to Audit Committees in relation to their role in considering how effective the governance arrangements had been in the year and in reviewing the Annual Governance Statement prior to approval and publication.

Progress on the significant governance areas highlighted within the Annual Governance Statement 2018/2019 was attached as Appendix 4 to the report.

In response to a member's question, officers advised of the impact of the Coronavirus pandemic on the Council's governance arrangements together with measures in place to provide updates on this issue.

The Committee decided:

- (1) that the Annual Governance Statement, attached as Appendix 2 to the report, which would be included in the 2019/2020 Annual Report and Statement of Accounts, be approved;
- (2) that the CIPFA Better Governance Forum Audit Committee Update on Developing an Effective Governance Statement, attached as Appendix 3 to the report, be noted; and
- (3) that progress on the significant governance areas, highlighted within the Annual Governance Statement 2018/2019, be noted.

[Reference: Minutes of 19 June 2019 (Paragraph 5)]

5 Unaudited Annual Accounts 2019/2020

A report dated 3 June 2020 by the Executive Director (Finance and Corporate Resources) was submitted on the requirement for members to consider the Unaudited Annual Accounts of the Council and related Charitable Trusts by 30 June 2020.

The Council's Unaudited Annual Accounts detailed key information on the Council's expenditure and income for the financial year ended 31 March 2020. The accounts also covered 3 Charitable Trusts managed by the Council, namely South Lanarkshire Council Educational Trust, South Lanarkshire Council Charitable Trust and the East Kilbride Information Technology Trust.

Due to the workload arising from the Coronavirus pandemic, only the main statements in relation to the unaudited accounts had been presented to the Committee. The full unaudited accounts would be circulated to members following their submission to the auditor on 30 June 2020. In addition, a revised balance sheet in respect of the Council's unaudited accounts would be circulated to members of the Committee.

The Unaudited Annual Accounts would be advertised as being available for public inspection on the Council's website from 1 July 2020.

Costs incurred in 2019/2020 in relation to the Coronavirus pandemic were not substantial, however, the full costs of the lockdown exercise, the additional costs for services implemented by the Council during the lockdown and the costs of the recovery process would likely place a significant financial burden on the Council.

The Committee decided:

- (1) that the Unaudited Annual Accounts of the Council and related Charitable Trusts, to be submitted to Audit Scotland by the deadline of 30 June 2020, be noted; and
- (2) that the financial risk due to the Coronavirus pandemic be noted.

6 Internal Audit Activity as at 29 May 2020

A report dated 3 June 2020 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 25 January to 29 May 2020.

As a result of a change of working arrangements for the Internal Audit function in light of the Coronavirus pandemic, a work programme, attached as Appendix 1 to the report, had been developed which allowed Internal Audit time to:-

- ◆ complete 2019/2020 assignments
- ◆ undertake routine financial year end tasks
- ◆ prepare for proposed audit assignments to be undertaken later in 2020/2021

Details were given on the progress of audit assignments and the performance of Internal Audit for the year ended 31 March 2020 which highlighted that:-

- ◆ 82% of assignments had been delivered within budget against a target of 80%
- ◆ the target of 100% of draft reports delivered on time had been achieved
- ◆ 90% of the 2019/2020 Internal Audit Plan had been completed to draft report stage by 31 March 2020
- ◆ 97% of audit assignments had been concluded to a signed action plan within 4 weeks of the issue of a draft report against a target of 80%

The findings from assignments completed in the period 25 January to 29 May 2020 were detailed in Appendix 3 to the report.

The Committee decided: that the report be noted.

[Reference: Minutes of 19 February 2020 (Paragraph 4)]

7 Interim Management Letter 2019/2020

A letter dated 27 May 2020 by Audit Scotland, the Council's External Auditor, was submitted on the External Auditor's assessment of the adequacy of the Council's internal controls in financial systems 2019/2020.

The objectives of the assessment were to gain assurance that the Council:-

- ◆ had systems for recording and processing transactions which provided a sound basis for the preparation of financial statements and the effective management of its assets and interests
- ◆ had systems of internal control which provided an adequate means of preventing or detecting misstatement, error, fraud or corruption
- ◆ complied with established policies, procedures, laws and regulation

The management responses in relation to the External Auditor's findings on each of those areas of work were detailed in the letter.

As result of the Coronavirus pandemic and the suppression measures put in place by the UK and Scottish Governments, Audit Scotland had been unable to complete its audit testing or wider dimension work at the interim stage. A shorter version of the interim reporting options, in the form of a management letter, had, therefore, been provided.

The External Auditor also advised of wider developments in relation to the impact of the Coronavirus pandemic in respect of:-

- ◆ the extension of current External Audit appointments
- ◆ the timetable for the preparation and approval of the Annual Accounts

The Committee decided: that the information be noted.

8 Risk Management Strategy

A report dated 15 April 2020 by the Executive Director (Finance and Corporate Resources) was submitted on the review of the Council's Risk Management Strategy and associated documents.

The Council's Risk Management Strategy was last subject to a full review in 2016. To comply with best practice, one of the actions included in the Council's Risk Management Work Plan for 2019/2020 was to ensure that the Strategy was up to date and fit for purpose. The review of the Strategy had been undertaken by the Council's Risk Management team, with input from the Council's Risk Sponsors.

The main changes to the Strategy, as a result of the review, included:-

- ◆ review and update of content to reflect best practice, in line with Association of Local Authority Risk Managers (ALARM) guidance
- ◆ updated policy statement, including Chief Executive comment
- ◆ revision to risk management application, noting importance of risk management as part of procurement exercises and during service reviews
- ◆ updated roles and responsibilities
- ◆ updated risk tolerance levels
- ◆ updated risk methodology, including a move from 3x3 risk matrix to a 5x5 risk matrix, providing a wider overall scoring mechanism and better means of prioritisation
- ◆ updated monitoring arrangements, including addition of Red; Amber; Green (RAG) reporting for risk control actions
- ◆ improved general presentation and layout

The updated Risk Management Strategy was attached as an appendix to the report.

The Committee decided: that the report be noted.

9 Audit Scotland – Financial Overview 2018/2019

A report dated 3 April 2020 by the Executive Director (Finance and Corporate Resources) was submitted on the Audit Scotland report entitled 'Financial Overview 2018/2019' which had been published in December 2019.

The report had been structured around the following 4 headings:-

- ◆ councils' income in 2018/2019
- ◆ financial position
- ◆ financial outlook
- ◆ Integration Joint Boards' overview 2018/2019

Details were given on key points contained in the Audit Scotland report. The report also included a number of questions which Audit Scotland had intimated should be considered by elected members. The questions, which covered a variety of issues, together with the Council's position on each of the areas identified, were detailed in Appendix 1 to the Executive Director's report.

The Committee decided:

- (1) that the key points and recommendations contained in the Audit Scotland report entitled 'Financial Overview 2018/2019' be noted; and
- (2) that the Council's position on those key points and recommendations, as detailed in section 8 of the report, be noted.

[Reference: Minutes of 24 April 2019 (Paragraph 5)]

10 Financial Resources Scrutiny Forum Activity

A report dated 1 June 2020 by the Executive Director (Finance and Corporate Resources) was submitted on reports considered by the Financial Resources Scrutiny Forum in the period from August 2019 to March 2020.

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

The Committee decided: that the report be noted.

11 Forward Programme for Future Meetings

A report dated 2 June 2020 by the Executive Director (Finance and Corporate Resources) was submitted on the outline forward programme for the meetings of the Risk and Audit Scrutiny Committee to 9 December 2020.

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

The Committee decided: that the outline forward programme for the meetings of the Risk and Audit Scrutiny Committee to 9 December 2020 be noted.

12 Urgent Business

There were no items of urgent business.

Report

3

Report to: **Risk and Audit Scrutiny Committee**
 Date of Meeting: **21 September 2020**
 Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **2020/2021 Internal Audit Plan**

1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ seek approval for the proposed Internal Audit Plan for 2020/2021 (period 1 September 2020 to 31 March 2021)

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the proposed Internal Audit Plan for 2020/2021 (period 1 September 2020 to 31 March 2021) is approved

3. Background

- 3.1. In March 2020, to support Internal Audit's move to remote working, a plan of work was presented to the Chair in April 2020 and to the Risk and Audit Scrutiny Committee (RASC) in June 2020 that represented an extract from the 2020/2021 Internal Audit Plan. The interim Audit Plan was augmented by a number of tasks to develop a programme of work that could be completed remotely by Internal Audit over a three month period to 30 June 2020 (that was subsequently extended to 31 August 2020). A copy of this work programme is attached at Appendix 1 together with an update on progress as at 28 August 2020.
- 3.2. In practice, the function was also re-deployed during this period, at times to a significant extent as the pandemic unfolded, to help to deliver key finance tasks. By September 2020, most of these additional tasks have concluded and a formal Audit Plan setting out a programme of audit work for the period 1 September 2020 to 31 March 2021 has now been prepared and is attached at Appendix 2.
- 3.3. Public Sector Internal Auditing Standards (PSIAS) require a specific risk based approach to be taken when preparing audit plans and the consultation exercise that was undertaken in preparation of the Plan in late 2019/2020 reflected this requirement. The Plan presented has been aligned to both corporate and strategic risks and also reflects the pressures of the ongoing pandemic and the requirement to respond to risks that are both evolving and complex.

3.4. The content of the Audit Plan also aims to reflect the key objective of the Service to deliver a programme of work that will inform the annual audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control arrangements. The preparation of the Audit Plan has, therefore, focussed on the delivery of this objective and an unchanged strategy that aims to:

- ◆ Link to the organisation's objectives and priorities providing assurance in relation to top risks that have been identified by the Council
- ◆ Undertake a balanced programme of work delivered in compliance with PSIAS that maximises resources available
- ◆ Commit resources to support corporate activity
- ◆ Prioritise assignments to ensure key areas of work are completed in the remainder of 2020/2021

4. Internal Audit Plan 2020/2021

4.1. The proposed audits will be conducted in accordance with the revised PSIAS and within the context of the Internal Audit Charter, which sets out the role and remit of Internal Audit and is attached at Appendix 3. As with all Council Services, there will be a requirement to review how the service is delivered safely, and practical changes will be required to the process of auditing to ensure compliance with national and local guidance around COVID-19. A separate memo will be issued to Executive Directors in due course setting out these amended approaches with an expectation that information will, in the main, be shared electronically and that most meetings will be conducted on Microsoft Teams.

4.2. A copy of the proposed Internal Audit Plan for 2020/2021 is attached at Appendix Two. This shows the name of the proposed assignment, the lead Resource (if relevant) and a brief outline scope for each proposed assignment. Objectives and scopes will be refined by auditors prior to the commencement of work and when a full risk analysis has been completed and key controls identified. Clients will be involved in this initial risk and control assessment and will be consulted prior to the preparation of the audit remit for each assignment.

4.3. The Plan will remain under review during the remainder of the year and may require amendment should resources be limited through absence or through a requirement to deliver a range of re-deployed tasks. Any changes to the Plan will be presented to the Risk and Audit Scrutiny Committee (RASC) for approval. Key performance indicators will be reported to the Committee within routine activity and annual assurance reports.

4.4. The Committee is asked to approve the draft Plan.

5. Employee Implications

5.1. An employee capacity plan was prepared at the commencement of the audit planning process and has been updated as at 1 September 2020. This has determined that 748 audit days are available from 1 September through to 31 March 2021 (inclusive of days to deliver an internal audit service to external clients).

6. Financial Implications

6.1. Capacity planning has been based on a prudent projected budget and a break even position at the end of the financial year is forecast for the Internal Audit section. This is considered to provide sufficient resources to deliver the proposed Audit Plan.

7. Climate Change, Sustainability and Environmental Implications

- 7.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

8 Other Implications

- 8.1. In advance of preparing the 2021/2022 Plan, it is intended to map all sources of assurance throughout the Council. This will be used to assess the content and coverage of the interim work plan and the subsequent abbreviated Audit Plan for the remainder of 2020/2021 with the 2021/2022 Plan reflecting the outcome of this review as well as the Council's top risks as these continue to evolve.

- 8.2. The main risks to the non-delivery of the Audit Plan are, generally, vacancies and team up-skilling requirements, unforeseen service demands and delays with client sign-off. Normally, these would be mitigated by coaching and training, regular meetings and escalation processes as well as inclusion of contingency time within the annual plan. However, given the ongoing pandemic, these risks require particular consideration and the proposed Audit Plan for the remainder of 2020/2021 recognises the bearing these may have on the completion of an approved plan of work.

- 8.3. To assist with this ongoing assessment, progress of every assignment will continue to be monitored using the Council's risk management software, Figtree. Audit performance requires co-operation from Services and delivery of the Plan remains dependent on this continuing. The Internal Audit Service recognises the constraints within which Council Services are currently operating but it would be helpful if Resource Management Teams could be reminded that:

- ◆ Heads of Service will be invited to opening and closing meetings. Should this responsibility be delegated, this may impact on the Head of Service's ability to influence the scope of the assignment
- ◆ A senior officer should be nominated to liaise with auditors during the field work
- ◆ A closing discussion meeting should be accepted within four weeks of completion of the fieldwork
- ◆ Draft reports should be reviewed for factual accuracy
- ◆ Action plans should be signed within three weeks of closing meetings

- 8.4. In terms of delivery of the Plan, target commencement and completion dates will be fixed shortly and will be communicated to Resources in advance of each audit commencing. Executive Directors have been asked, by 30 September 2020, to intimate to the Audit and Compliance Manager any particular periods of time which should be avoided. Every effort will be made to accommodate timing concerns within the constraints of the need to deliver the Plan by 31 March 2021.

9. Equality Impact Assessment and Consultation Arrangements

- 9.2. There is no requirement to conduct an equality impact assessment on the proposed Audit Plan. As part of the process, there has been extensive consultation during preparation of the Plan and all returned suggestions have been included within the initial "audit universe" for risk evaluation.

Paul Manning

Executive Director Finance and Corporate Resources

1 September 2020

Link(s) to Council Objectives/Values/Ambitions

- Achieve results through leadership, good governance and organisational effectiveness

Previous References

- Internal Audit Activity as at 29 May 2020 – RASC, 18 June 2020

List of Background Papers

- Internal Audit planning documentation

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

Yvonne Douglas

Audit and Compliance Manager

Ext: 2618 (Tel: 01698 45(2618))

E-mail: yvonne.douglas@southlanarkshire.gov.uk

Lead Resource	Audit assignment	Outline Scope	Current Status
Finance and Corporate	General Ledger Data	Provide 2019/2020 general ledger entry data to External Audit for the audit of the financial accounts for the year ended 31 March 2020.	Complete – information supplied to External Audit.
All	Audit Plan Reporting	Prepare activity reports.	Ongoing – reports continue to be prepared as required for reporting to the RASC.
All	Informal Follow Up	Prompt Resources on a quarterly and monthly basis of actions due within that period. Collate responses for reporting.	Ongoing – continuing to request feedback from Resources as audit actions fall due. Programme of formal follow-up audits included in the Audit Plan from 1 September 2020 to 31 March 2021.
All	National Fraud Initiative (NFI)	Conclude and report on 2018/2019 exercise.	Complete – 2018/2019 exercise has concluded and reports prepared. Planning for the 2020/2021 exercise has commenced.
All	Fraud Alerts	React to fraud alerts through internal and external sources and disseminate information as appropriate.	Ongoing – continues to be managed through established processes. Fraud alerts specifically relating to COVID 19 grants has been circulated and used to match to South Lanarkshire Council data ahead of payments being processed.
All	Continuous Control Monitoring (CCM)	Continue to download data in current CCM areas. Use data for analysis and to inform internal and external audit testing. Prepare formal reports to allow exceptions and unusual trends in financial controls to be reported to Resources for further investigation.	Ongoing – CCM data is continuing to be downloaded on a periodic basis in line with established processes.

Lead Resource	Audit assignment	Outline Scope	Current Status
Finance and Corporate Community and Enterprise	City Deal – Governance Statement	Provision of Governance Statement to Glasgow City Council for 2019/2020.	Complete – Governance Statement supplied to Glasgow City Council for 2019/2020.
Finance and Corporate	BACs Reconciliation	Assistance to undertake routine reconciliations.	Ongoing – completion of the assignment has been impacted by absence. Work has restarted and will now be concluded by 30 September 2020.
Finance and Corporate	Debtors reconciliation	Assistance with year-end reconciliation.	Ongoing – review of 31 March 2020 reconciliation has been completed. Memo is being prepared to conclude the assignment and output will be included in the next activity report presented to the RASC.
Social Work	Self Directed Support	Provision of position statement and assessment of progress with delivering Self Directed Support.	On hold – resources were redeployed within Internal Audit to deliver COVID 19 tasks and the assignment was placed on hold. Assignment now included in the Audit Plan 1 September 2020 to 31 March 2021.
Community and Enterprise	Procurement	Collate management information for purposes of follow up work planned in 2020/2021.	Ongoing – completion of assignment has been impacted by absences and redeployment. Some progress has been made and assignment has now been prioritised for completion ahead of the start of planned 2020/2021 follow up work.

Lead Resource	Audit assignment	Outline Scope	Expected days
All	Contract Scrutiny Groups	Participate in Contract Scrutiny Groups as required.	10
All	Attend SLACIAG and SLAIG groups, computer audit sub-group and IDEA user group	Attend as required, respond to requests, participate in consultations and provide updates.	8
All	Internal Working Groups	Attend and participate in internal working groups, including, Learning and Development Board; Information Governance Board; Good Governance Group; Serious and Organised Crime Group and Historic Abuse Working Group.	11
All	Audit plan 2021/2022	Undertake consultation, risk assessment, Resource and Section planning, set scopes and objectives and seek approval through preparation of reports.	10
All	Informal Follow Up	Prompt Resources on a quarterly and monthly basis of actions due within that period. Collate responses for reporting.	15
All	Provision of reports to Committee	Write and present monitoring and annual reports to Committee.	15
All	Continuous Control Monitoring (CCM)	Continue to download data in current CCM areas. Use data for analysis and to inform internal and	35

Lead Resource	Audit assignment	Outline Scope	Expected days
		external audit testing. Prepare formal reports to allow exceptions and unusual trends in financial controls to be reported to Resources for further investigation.	
All	Follow Up	For all Council Resources, identify audit recommendations due in the period April 2019 to March 2020. Risk assess and follow-up to ensure implementation of all high risk actions including testing to confirm all actions full implemented.	100
Community and Enterprise	LEADER grant	Provision of annual audit certificate.	10
Social Work Resources	Self-Directed Support	Provide assurance of compliance with Social Care (Self-directed Support) (Scotland) Act 2013.	5
Social Work Resources	Justice Services	Conclude review of management information to ensure timely and accurate.	5
Education Resources	Additional Support Needs Transport	Test effectiveness of new procedures and implementation of agreed actions.	35
Finance and Corporate Resources	Bank Change procedures	Review current process for amending bank details and develop briefings for Resources.	5
All	Conflict of Interest	Review current process for declaring conflicts of interest and confirm compliance with revised procedure.	5

Lead Resource	Audit assignment	Outline Scope	Expected days
South Lanarkshire Leisure and Culture	External Client	Provision an internal audit service in 2020/2021.	45
Lanarkshire Valuation Joint Board	External Client	Provision an internal audit service in 2020/2021.	30
Integrated Joint Board	External Client	Provision an internal audit service in 2020/2021.	50
SEEMIS	External Client	Provision an internal audit service in 2020/2021.	25
All	National Fraud Initiative (NFI)	Plan, administer and provide NFI data. Facilitate the investigation of 2020/2021 matches. Review use of current NFI tools to ensure efficient investigation of matches.	40
All	Fraud Alerts	React to fraud alerts through internal and external sources and disseminate information as appropriate.	2
All	Anti-Fraud Review	Review Audit Scotland report (Emerging Fraud Risks – July 2020). Assess risks specific to South Lanarkshire Council and test check controls in place to mitigate.	30
Finance and Corporate Community and Enterprise	Blue Badge	Review existing procedures around detecting potential fraudulent use of blue badges.	10
All	Best Practice Analysis	Review and update fraud policies and procedures. Review current process for collation of fraud statistics and revise fraud reporting format.	5

Lead Resource	Audit assignment	Outline Scope	Expected days
All	Inventory Checks/Procedures	Undertake full review of inventory procedures, prepare formal guidance and test check operation in practice.	30
All	Procurement Checks	Develop and implement a programme of spot checks on contract award and monitoring in compliance with the Council's Procurement Strategy.	70
All	Cash Checks	Develop and implement a programme of spot checks.	20
All	COVID 19	Complete redeployed tasks and undertake any post assurance work if required.	55
All	Contingency	Conclude all 2019/2020 audits. Respond to requests for unplanned work during the remainder of 2020/2021, including advice and guidance to Resources. Undertake investigations as required.	67
TOTAL			748

South Lanarkshire Council Internal Audit Charter

Purpose

Internal Audit is an in-house, independent assurance function that provides an objective opinion and consultative guidance to South Lanarkshire Council and external clients on how well risks are controlled within their operations.

Internal Audit provides managers and elected members with assurance on how well processes and procedures in place are controlling the associated risks and recommends actions for improvements to ensure controls are effectively managed.

This complies with the definition of Internal Audit included within the Public Sector Internal Audit Standards (PSIAS):

“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

Compliance with PSIAS is mandatory from 1 April 2013.

The Standards were revised from 1 April 2017 to incorporate new and revised international standards resulting in additional public sector requirements and interpretations.

The Internal Audit service reports to the Risk and Audit Scrutiny Committee (RASC) who for the purposes of PSIAS are defined as the Board. This Committee serves as the Audit Committee for SLC and independently provides assurance on the soundness of the Council’s control environment and the adequacy of the risk management framework. It also delivers scrutiny and oversees external financial reporting processes. The Committee is made up of ten members of the Council. Membership changes with each new Council to ensure political balance and the Committee is chaired by a member of the opposition party.

An Annual Statement of Assurance is provided to this Committee and elected members by the Audit and Compliance Manager, to report on the adequacy and effectiveness of the governance, risk management and control arrangements in place. Assurance is based on the professional practices outlined within Internal Audit’s Audit Manual.

The authority to deliver an internal audit service is contained within SLC’s Financial Regulations, Standing Orders and Scheme of Delegation (all of which are available on the intranet) as well as in the Council’s Counter Fraud, Bribery and Corruption Policy Statement and Strategy.

For internal audit work delivered to external bodies, authority is provided by the Accounts Commission’s ‘Code of Guidance on Following the Public Pound’ as well as Service Level Statements agreed with clients.

As well as professional standards Internal Audit will be bound by SLC local standards including the Employee Code of Conduct and the Code of Corporate Governance.

Relationship with the Risk and Audit Scrutiny Committee

The Executive Director Finance and Corporate Resources and the Audit and Compliance Manager should seek to maintain sound working relationships with appropriate elected members and ensure that good channels of communication are maintained. Within South Lanarkshire Council, the Audit and Compliance Manager is considered to be the Chief Internal Auditor. The Chair of the RASC and the Audit and Compliance Manager may meet privately from time to time to discuss audit findings, the performance of the Committee and other related matters. Internal Audit report all findings from concluded assignments via progress reports to the RASC. Lines of communication between the Chairs of all Committees and the Audit and Compliance Manager will be open at all times.

All elected members are free to raise concerns directly with the Audit and Compliance Manager and input to the audit plan but these will be assessed in terms of risk prior to any audit work being undertaken.

Enquiries from elected members will follow the Council's protocols and guidance.

Objective

Internal Audit's objectives are to:

- improve internal control through provision of advice and guidance on preventative measures and good governance
- safeguard public expenditure and ensure control over Council capital, revenue and project expenditure and minimise loss through a programme of routine and contract audits
- promote compliance with all corporate standards and frameworks, ensure that management information is produced accurately and safeguard the Council's computer and on-line transactions with particular emphasis on security, efficiency and sustainable service delivery
- deliver objective assurance over controls within operational and financial systems and governance arrangements
- contribute to efficiency by identifying opportunities and leading the management of the fraud risk
- promote risk awareness and plan risk-based audit work within available resources
- meet agreed targets directing all efforts towards sound performance in all areas

In delivering the above objectives, Council values and Performance and Development requirements will be adhered to.

Role and Scope of Work

To provide the assurance of controls in place within processes and procedures across the entire control environment of the organisation, Internal Audit work will:

- independently review and appraise all systems of financial and operational control in terms of their adequacy and application;
- ascertain the extent of compliance with financial and operational procedures, policies, regulations and legislation and their impact on operations;
- advise on control implications for new and modified IT systems;
- provide advice and guidance and contribute to working groups and ad-hoc strategic exercises;

- provide consultancy services (which is defined for the purposes on PSIAS as pertaining to the provision of advice and guidance to Council Resources) on a secondment or group representation basis, provided this does not compromise independence and that a sufficient period elapses before auditors formally review those services where consultancy has been provided (usually one year);
- perform periodic governance checks;
- provide written assurance in selected areas as well as an overall opinion at least once per annum;
- recommend improvements in control, performance and productivity in achieving corporate objectives;
- follow-up the extent to which earlier recommendations have been implemented;
- work in partnership with the external auditors;
- detect, prevent and investigate fraud and crime in accordance with approved anti-fraud strategies and policies.
- Internal Audit undertakes investigative work in respect of potential fraud, irregularity and serious breaches of governance and as such, is required to be notified of all suspected or detected fraud, corruption or impropriety. It also monitors devolved responsibility for investigation by Resources.

Internal audit testing may go beyond the records and adopt a more direct approach, including interviews, fact finding and on site surveys.

The existence of Internal Audit does not diminish the responsibility of management to exercise sound systems of internal control. It is clearly and solely a management responsibility to ensure that activities are conducted in a secure, efficient and well-ordered manner and that finances are safeguarded and used to maximum effect. This includes identifying and managing risks including fraud.

Managers are expected to provide requested information within a reasonable timescale and earlier than the equivalent timescale for Freedom of Information (FOI) Requests. Managers are expected to respond to assignment feedback requests, usually within seven days and to draft reports within fourteen days.

Internal Audit charges a fee for work performed for external clients, subject to agreed Service Level Statements. In addition, Internal Audit may undertake work relating to external bodies funded by the Council or partners, as authorised by the Following the Public Pound guidance.

Internal Audit may work jointly with neighbouring authorities, local health boards, Scottish Government departments and external auditors on a variety of projects, aimed at improving the control and/or efficiency environment of public sector bodies.

Independence

Internal Audit is located within Audit and Compliance Services, under the direction of the Proper Officer, the Executive Director Finance and Corporate Resources.

In addition, general management duties will be delegated from the Executive Director Finance and Corporate Resources to the Audit and Compliance Manager and will cover audit matters as well as general management duties, including participation in the Senior Management Team.

The Audit and Compliance Manager has management responsibilities outwith Internal Audit for Funding and Compliance Services. It is recognised that arrangements are required to

be in place for any audit work in this area to allow this to be managed independently of the Audit and Compliance Manager. The specific nature of these arrangements will be reported to the RASC when audit activity in this area is planned.

The establishment structure will comprise qualified and technician posts with a mix of professional specialisms. Structural reviews may take place from time to time and regular resource monitoring is reported to the RASC. Any reduction in resources which might jeopardise the delivery of assurance will be immediately reported to the Executive Director Finance and Corporate Resources in the first instance.

As far as is practicable, Internal Audit should not participate in the day-to-day operation of any internal systems of financial or operational control.

Plans will be formed to reflect organisational audit needs but within available resources.

Upon request from the Executive Director Finance and Corporate Resources, appropriate specialists from other departments should be made available to take part in any audit requiring specialist knowledge.

Within SLC, the Employee Code of Conduct provides guidance on the type and nature of interests that should be declared (including paid employment outside the Council and personal interests in contracts). Auditors must declare their interests in accordance with the Code of Conduct and with regard to the audit principle of independence, and notify the Audit and Compliance Manager of any conflicts of interest which may arise. This formal declaration is renewed on an annual basis as part of the performance development review process but can be revisited should any conflicts arise.

Auditors will not be assigned to review or be involved in any activity where they have previously had operational or other involvement, usually within a period of one year. This includes instances where Internal Audit employees have been consulted during system, policy or procedural developments.

Access

Internal Auditors have authorisation from the Council to examine all council records, IT systems, cash, stores and other property, to obtain explanations and to enter Council property or land.

Access is unrestricted and shall be granted on demand and not necessarily be subject to prior notice.

Reporting

All planned audit assignments will formally be reported and every assignment will be closed after review by audit management. All Internal Audit reports will be submitted to the Executive Director Finance and Corporate Resources, and to recipients within the Resource being audited, including the Executive Director, Head of Service and the auditee. Circulation to the Chair of the Resource Committee is the responsibility of the Executive Director. Copies of reports relating to routine planned assignments will also be forwarded to external auditors.

The Audit Manager will plan for regular formal consultations with Heads of Service and Executive Directors, especially when preparing the formal audit plan. Feedback on performance and value of work undertaken will be sought. Heads of Service will be copied

on every report affecting their area of responsibility. Effective relationships will be maintained by both parties and confidentiality of information will be protected, unless this would prevent the delivery of audit assurance. Timing of work is subject to consultation but this will not preclude unannounced visits when necessary or requested by Executive Officers or Members.

Best practice dictates that the Head of Internal Audit must report to those charged with governance. In SLC this means that the Audit and Compliance Manager reports to the Corporate Management Team (CMT) and the RASC.

The CMT is made up of Executive Directors covering all Council Resources, who for the purposes of PSIAS are defined as Senior Management. The CMT endorses, as a minimum the Internal Audit Plan and the Internal Audit Annual Report, which provides the opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements.

Internal Audit also reports plans, annual assurance and all findings to the RASC. For external clients, reports and opinions will also be offered to audit committees, where these exist, or to client Boards and senior management teams.

Escalation

The Audit and Compliance Manager has direct access, reports and is accountable to the Executive Director Finance and Corporate Resources, the Proper Officer, as defined in Section 95, Local Government Act 1973 and meets with this officer on a regular one to one basis.

This relationship will be the escalation route for issues arising within Internal Audit and for those matters where it is appropriate for the Chair of the RASC to be briefed. The Audit and Compliance Manager's relationship with the Chair of the RASC and elected members is detailed above within the section 'Relationship with the Risk and Audit Scrutiny Committee'.

Auditors will use escalation processes so that slippage in relation to the delivery of audit assignments can be dealt with swiftly.

Responsibilities

In delivering assurance, Internal Audit adopts a predominantly systems-based approach to audit. In discharge of this duty, the Audit and Compliance Manager will:

- prepare an annual plan for formal agreement
- deliver a range of audit assignments, resulting in reports for management. Occasionally, letters or memos, rather than full reports will be issued. This usually occurs where few concerns are raised during the audit or where work is of a rolling nature, for example spot cash counts
- make recommendations for improvements
- provide Committee reports and other briefings to provide advice or raise awareness of performance or risk issues
- ensure a system of close supervision of audit work, and maintain a review of audit files through the supervisory structure
- maintain a skill level within the section specifically for the investigation of fraud

- provide an annual opinion within a full annual audit assurance statement, for agreement with the Chief Executive and Executive Director Finance and Corporate Resources and onward presentation to the RASC.

Report

4

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	21 September 2020
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Internal Audit Activity as at 28 August 2020
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ update the Risk and Audit Scrutiny Committee on progress by, and performance of, the Internal Audit service in the period to 28 August 2020

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that progress and performance is noted

3. Background and progress report

- 3.1. Findings from internal audit assignments are reported to the Committee throughout the year. The last progress report to the Committee was in June 2020 and reported on work completed in the period 25 January to 29 May 2020. This report covers all work completed in the period 30 May to 28 August 2020.
- 3.2. As at the end of March 2020, the Council's internal audit function moved to remote working and this continues at the date of writing this report. To facilitate this move, a work programme was developed and presented to the Chair of this Committee in April 2020 and to the Committee in June 2020. A copy of this work programme is attached at Appendix 1 together with an update on progress as at 28 August 2020.
- 3.3. In practice, since March 2020, the internal audit function has also been re-deployed, at times to a significant extent as the pandemic unfolded, to help to deliver key finance tasks. A formal Audit Plan for the period 1 September 2020 to 31 March 2021 is the subject of a separate item on this agenda and, if approved, will provide a programme of routine audit activity that will inform the audit opinion which will be expressed in the annual Internal Audit assurance report for 2020/2021.

4. Performance

- 4.1. Standard performance management processes have been suspended since the start of 2020/2021, with individual tasks, instead, having specific target dates for completion agreed at the outset and then used for monitoring purposes.
- 4.2. Allocated assignments have changed on a regular basis to accommodate redeployed tasks that have been required to facilitate daily payment runs of COVID 19 support grants and to undertake routine checks on payments for goods and services received by South Lanarkshire Council.
- 4.3. Members are asked to note the temporary performance management arrangements that have been put in place but that standard performance indicators will now be used to monitor delivery of the Audit Plan which will be delivered in the period September 2020 to March 2021.

5. Progress against Strategy

- 5.1. The Public Sector Internal Audit Standards (PSIAS) requires progress against the audit strategy to be monitored and reported to the Committee as part of regular monitoring reports that are presented at each meeting. Generally, delivery of the strategy would be evidenced by the completion of an approved Audit Plan.
- 5.2. From 1 April to 31 August 2020, Internal Audit has delivered an element of planned audit work in addition to specific COVID 19 related tasks across various Council Resources. Some assistance continues to be provided around the payment of grants and various support mechanisms, but this commitment is significantly less than that of preceding months.
- 5.3. Delivery of the strategy will now be aligned to completion of the 2020/2021 Audit Plan and updates will be reported to each meeting of the Committee.

6. Employee Implications

- 6.1. There are no employee issues.

7. Financial Implications

- 7.1. A breakeven position is forecast at the end of the financial year for the Internal Audit section.

8. Climate Change, Sustainability and Environmental Implications

- 8.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

9 Other Implications

- 9.1. The main risks to the delivery of the Audit Plan are, generally, vacancies and team up-skilling requirements, unforeseen service demands and delays with client sign-off. Normally these would be mitigated by coaching and training, regular meetings and escalation processes as well as inclusion of contingency time within the annual plan. However, given the ongoing pandemic, these risks require particular consideration and the proposed Audit Plan for the remainder of 2020/2021 recognises the bearing these may have on the completion of an approved plan of work.

10. Equality Impact Assessment and Consultation Arrangements

10.1. There is no requirement to equality assess the contents of this report.

10.2. Heads of Service are consulted on each and every audit assignment.

Paul Manning

Executive Director Finance and Corporate Resources

28 August 2020

Link(s) to Council Objectives/Values/Ambitions

- Achieve results through leadership, good governance and organisational effectiveness

Previous References

- ♦ Internal Audit Activity as at 29 May 2020 – Risk and Audit Scrutiny Committee, 18 June 2020

List of Background Papers

- ♦ Figtree extracts of Action Plans

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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E-mail: yvonne.douglas@southlanarkshire.gov.uk

Lead Resource	Audit assignment	Outline Scope	Current Status
Finance and Corporate	General Ledger Data	Provide 2019/2020 general ledger entry data to External Audit for the audit of the financial accounts for the year ended 31 March 2020.	Complete – information supplied to External Audit.
All	Audit Plan Reporting	Prepare activity reports.	Ongoing – reports continue to be prepared as required for reporting to the RASC.
All	Informal Follow Up	Prompt Resources on a quarterly and monthly basis of actions due within that period. Collate responses for reporting.	Ongoing – continuing to request feedback from Resources as audit actions fall due. Programme of formal follow-up audits included in the Audit Plan from 1 September 2020 to 31 March 2021.
All	National Fraud Initiative (NFI)	Conclude and report on 2018/2019 exercise.	Complete – 2018/2019 exercise has concluded and reports prepared. Planning for the 2020/2021 exercise has commenced.
All	Fraud Alerts	React to fraud alerts through internal and external sources and disseminate information as appropriate.	Ongoing – continues to be managed through established processes. Fraud alerts specifically relating to COVID 19 grants has been circulated and used to match to South Lanarkshire Council data ahead of payments being processed.
All	Continuous Control Monitoring (CCM)	Continue to download data in current CCM areas. Use data for analysis and to inform internal and external audit testing. Prepare formal reports to allow exceptions and unusual trends in financial controls to be reported to Resources for further investigation.	Ongoing – CCM data is continuing to be downloaded on a periodic basis in line with established processes.

Lead Resource	Audit assignment	Outline Scope	Current Status
Finance and Corporate Community and Enterprise	City Deal – Governance Statement	Provision of Governance Statement to Glasgow City Council for 2019/2020.	Complete – Governance Statement supplied to Glasgow City Council for 2019/2020.
Finance and Corporate	BACs Reconciliation	Assistance to undertake routine reconciliations.	Ongoing – completion of the assignment has been impacted by absence. Work has restarted and will now be concluded by 30 September 2020.
Finance and Corporate	Debtors reconciliation	Assistance with year-end reconciliation.	Ongoing – review of 31 March 2020 reconciliation has been completed. Memo is being prepared to conclude the assignment and output will be included in the next activity report presented to the RASC.
Social Work	Self Directed Support	Provision of position statement and assessment of progress with delivering Self Directed Support.	On hold – resources were redeployed within Internal Audit to deliver COVID 19 tasks and the assignment was placed on hold. Assignment now included in the Audit Plan 1 September 2020 to 31 March 2021.
Community and Enterprise	Procurement	Collate management information for purposes of follow up work planned in 2020/2021.	Ongoing – completion of assignment has been impacted by absences and redeployment. Some progress has been made and assignment has now been prioritised for completion ahead of the start of planned 2020/2021 follow up work.

Report

5

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	21 September 2020
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	2019/2020 Year End Insured Risks Report
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ highlight trends on an annual basis, for insurance claims against the Council.

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the Insured Risks Report for year ended 31 March 2020 is noted
- (2) that ongoing work to identify and mitigate insurance hotspots is noted

3. Background

- 3.1. The Council has in place insurance policies for employers' liability, public liability, motor, property and other miscellaneous risks.
- 3.2. The Council's employers' liability (EL) policy covers employee injury, disease and death, where the Council is deemed to be negligent. The current self-insured excess for this policy is £0.250million.
- 3.3. The public liability (PL) policy covers the Council's legal liability to pay claims for death, injury and disease to third parties, as well as third party property damage, where the Council is found to be responsible for such losses. The current self-insured excess for this policy is £0.250m.
- 3.4. Motor insurance provides comprehensive cover for all Council vehicles and injuries resulting from motor incidents. The current self-insured excess for this policy is £0.150m.
- 3.5. The property insurance policy covers damage/loss to Council buildings and assets. The current self-insured excess for this policy is £0.100m.

4. Overview and analysis of data

- 4.1. Claims which fall under the main policies are handled by the Council's Risk Management section and external claims handlers, Gallagher Bassett for EL and PL claims, and TopMark for motor claims. The number and cost of these claims form the basis of this report which compares like years.
- 4.2. Claims will continue to be intimated beyond the financial year end, with numbers increasing by approximately 20 per cent on average. Up to date annual comparisons for the last five years are included at Appendix 1. The comparison shows an overall

downward trend in claims numbers, with 2019/2020 being the lowest number of claims received during the last five years. Claims costs have fluctuated over the last five years. On average, over that period, the self-insured cost of claims per annum is £2.012m, with 2019/2020 costs below average at £1.947m.

- 4.3. In addition, to allow comparison of the position as at the year-end for the last two years, Appendix 2 compares the claim numbers and costs for incidents reported in 2018/2019 as at 31 March 2019 against incidents reported in 2019/2020, as at 31 March 2020. In effect, this compares the equivalent position and removes the impact of late claims notification for both years.

5. Insurance – Total Losses Reported as at 31 March Each Year

- 5.1. Based on the comparisons in Appendix 2, the overall number of claims received, to date, for incidents occurring during 2019/2020 is 996. This is a reduction of 36 claims (3.49 per cent) on the numbers reported last year for 2018/2019.
- 5.2. The number of claims received for 2019/2020 is below the average for the last five years (1,108).
- 5.3. The total self-insured estimated cost of claims for 2019/2020 is £1.947m. At the same time last year, estimated claims costs for 2018/2019 was £2.113m. This is a reduction of £0.167m (7.89 per cent).
- 5.4. The number of claims intimated during 2019/2020 for motor and property claims have reduced; employers' liability has remained the same; and public liability has increased when compared to the previous year. The estimated cost of public liability and property claims has increased, however, estimated costs have fallen for motor and employers' claims.
- 5.5. Based upon Appendix 2, sections six to nine detail some of the key findings from the analysis of 2019/2020 claims.

6. Public Liability Claims

- 6.1. Five hundred and eighteen claims have been received for 2019/2020, with an estimated value of £0.662m
- 6.2. The number of claims received for 2018/2019 was 490, and the estimated settlement value of these claims was £0.642m. The 2019/2020 figures represent a six per cent increase in claims numbers and a three per cent increase in claims costs.
- 6.3. The main area where an increase in claims has been seen is in Community and Enterprise Resources where an additional 44 claims have been received, mainly for alleged footway and carriageway defects.

7. Motor Claims

- 7.1. Three hundred and eighty one claims have been received for 2019/2020, with an estimated value of £0.568m.
- 7.2. At the same time last year, 434 motor claims had been received for incidents during 2018/2019, with an estimated settlement value of £0.649m. This equates to a 12 per cent reduction in numbers and a 12 per cent reduction in costs.
- 7.3. The Driver Safety Group set a target of a five per cent reduction in the number of "at fault" incidents, when compared to the average for the three previous years. Table One compares the number and cost of "at fault" incidents for the last five years.

Table One – Comparison of “at fault” incidents

	Number of vehicles on fleet	Number of incidents	Cost of incidents	Number of Accidents per vehicle	Average cost per incident
2015/2016	1,774	231	£360,588	0.13	£1,561
2016/2017	1,644	182	£324,152	0.11	£1,781
2017/2018	1,697	183	£341,220	0.11	£1,865
2018/2019	1,556	180	£347,275	0.12	£1,929
2019/2020	1,588	145	£367,909	0.09	£2,537

- 7.4. The number of “at fault” incidents has improved significantly on the previous year, with 35 fewer, when compared to the previous year. With 145 “at fault” incidents having occurred during 2019/2020, this is the lowest level reported over the last five years.
- 7.5. The number of “at fault” incidents per vehicle for 2019/2020 has reduced from 0.12 to 0.09. This is an 18 per cent reduction compared to the average for the previous three years, at 0.12 incidents per vehicle. The target of a five per cent improvement has, therefore, been exceeded.
- 7.6. Measures to enhance current occupational road risk arrangements were rolled out in March 2020. The key changes are summarised below:
- Updated driving at work guidance based around a set of golden rules on the main responsibilities for drivers
 - A group has been established to review motor incidents
 - Fact finding investigations being undertaken for serious incidents, multiple incidents and incidents where road safety has been compromised.
 - Development of ‘Changing Driver Behaviour’ training
 - Better use of telematics systems to improve road safety and locate stolen vehicles
- 7.7. The roll out of the Changing Driver Behaviour training programme has been affected by the Covid-19 pandemic. A revised programme for the delivery of this training will now be developed in conjunction with Employee Development.

8. Employers’ Liability Claims

- 8.1. Eighteen claims have been received for 2019/2020, with an estimated value of £0.189m.
- 8.2. At the same time last year, the same number of claims, 18, had been received for 2018/2019 with an estimated value of £0.409m.
- 8.3. The main reason for the reduction in value of estimated claims is due to less serious incidents having occurred in 2019/20 when compared to the previous year.
- 8.4. Slips trips and falls continue to be the main cause of claims, with eight claims intimated this year.

9. Property Claims

- 9.1. Seventy nine claims have been received for 2019/2020, with an estimated value of £0.527m.
- 9.2. The overall number of claims intimated for 2019/2020 has reduced by 11 from the previous year. This equates to a 12 per cent reduction. The value of claims intimated during 2018/2019 was £0.413m, which represents a 28 per cent increase.
- 9.3. The reason for the increase in costs is that more significant house fire claims have occurred in the last year.
- 9.4. The overall number of house fires resulting in insurance claims has increased by nine, from 26 incidents in 2018/2019 to 35 in 2019/2020.
- 9.5. As detailed in Appendix 3, two bids have been supported by the risk management fund to mitigate the risk of fire and improve security at higher risk housing properties through the installation of fire doors and controlled entry systems.

10. Risk Management Fund

- 10.1. A central fund is held by Risk Management to assist Resources in funding for specific risk management initiatives. A bidding process is in place for the limited funds. All bids are considered on their individual merits against set criteria.
- 10.2. Examples of successful bids over the last 12 months, are summarised below, with full details of these and the resultant positive effects covered in Appendix 3:-
 - Burnbank community safety project
 - Installation of metal doors and screens for Council flats at various locations
 - Vehicle telematics (Social Work Resources)
 - Relocation of bin stores (children's units)
 - Welders fume extraction equipment
 - Property CCTV IT integration
- 10.3. Resources are encouraged to implement spend to save initiatives where potential savings are likely to outweigh initial outlay costs.

11. Insurance Hotspots

- 11.1. The council's insurers were recently asked to carry out an analysis of the Council's claims experience for the last five years for PL, EL, motor and property claims, with a view to identifying areas where a number of similar types of claim or high value claims were originating, through claims leakage reports.
- 11.2. The first stage of the analysis has been completed, and insurers have now been asked to provide their opinion on mitigating measures that can be implemented by the council to prevent future reoccurrence of the identified insurance hotspot areas.

12. Employee Implications

- 12.1. Time and effort will continue to be required by Resource personnel to implement initiatives to mitigate insurance hotspots.

13. Financial Implications

- 13.1. Claims received to date, for incidents which occurred during 2019/2020 have an estimated self-insured cost of £1.947m. It is reasonable to expect this value to increase due to incidents that have taken place but claims have not yet been received.
- 13.2. Currently, two 2019/2020 claims have estimated reserves which are likely to breach the Council's uninsured excess limits. Therefore, based on claims intimated to date for incidents which occurred during 2019/2020, it is forecast that the current estimated cost of claims of £1.947m will require to be met from the Council's self-insurance fund, with insurers picking up any costs above the uninsured excess limits. It is currently estimated that insurers will require to meet costs of £0.060m.
- 13.3. During 2019/2020, a total of £2.124m was paid out by the Council on all claims, irrespective of their incident date. For claims which occurred between 1 April 2019 and 31 March 2020, £0.458m was paid out by the Council. These costs include claims payments and other associated costs.
- 13.4. The total cost of loss for 2019/2020 was £3.494m. This covers claims costs, insurance premiums, and other costs for contracted insurance services. For 2018/2019, the total cost of loss was £3.930m.
- 13.5. As at 31 March 2020, the balance in the insurance fund was £2.053m with current contributions from Resources at £2.556m per annum.
- 13.6. The balance in the insurance fund will require to be closely monitored to ensure adequate funds are available to meet known liabilities.
- 13.7. The next Actuarial Review of the Council's insurance fund is due to be undertaken as at 31 March 2021. The outcome this review will be reported to Committee in due course.

14. Climate Change, Sustainability and Environmental Implications

- 14.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

15. Other Implications

- 15.1. The cost of insurance claims and premiums is linked to the Council top risk 'Reduction in Council funding/income, as well as increased service demands, results in difficulties achieving savings and maintaining frontline services'.
- 15.2. Failure to adequately manage insurance hotspots is likely to lead to increased claims numbers, self-insurance costs and insurance premiums. This risk is mitigated through insurance hotspots work and other risk management initiatives implemented by Resources and through the risk management bidding process.

16. Equality Impact Assessment and Consultation Arrangements

- 16.1. There is no requirement to carry out an impact assessment in terms of the proposals contained within this report.
- 16.2. Consultation has taken place with Resource risk representatives.

Paul Manning
Executive Director (Finance and Corporate Resources)

24 August 2020

Link(s) to Council Values/Ambitions/Objectives

- ◆ Values: Accountable, Effective, Efficient and Transparent

Previous References

- ◆ Report to the Risk and Audit Scrutiny Committee – 2018/2019 Year End Insured Risks - 27 November 2019

List of Background Papers

- ◆ None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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E-mail: craig.fergusson@southlanarkshire.gov.uk

Appendix One

Full year claims numbers and values by Resource as at 31 March 2020

All claim types

Number of claims	15/16	16/17	17/18	18/19	19/20
Community and Enterprise	761	521	762	575	562
Education	42	33	34	40	30
Finance and Corporate	3	5	4	0	2
Housing and Technical	486	479	468	400	344
Social Work	76	84	70	79	58
Total	1,368	1,122	1,338	1,094	996
Reported at individual year end	1,257	1,001	1,252	1,031	996

Cost of claims	15/16	16/17	17/18	18/19	19/20
Community and Enterprise	£841,026	£877,149	£916,117	£810,759	£807,528
Education	£204,905	£231,484	£129,667	£121,765	£98,264
Finance and Corporate	£1,993	£445	£5,023	£0	£50
Housing and Technical	£985,565	£512,708	£585,411	£650,137	£955,150
Social Work	£96,759	£151,934	£92,814	£256,281	£85,641
Total	£2,130,249	£1,773,719	£1,729,032	£1,838,942	£1,946,633
Reported at individual year end	£2,374,025	£1,662,027	£1,962,638	£2,113,302	£1,946,633

Public Liability

Number of claims	15/16	16/17	17/18	18/19	19/20
Community and Enterprise	422	260	471	308	331
Education	13	9	14	13	12
Finance and Corporate	0	0	1	0	1
Housing and Technical	281	241	245	218	173
Social Work	6	4	6	6	1
Total	722	514	737	545	518

Cost of claims	15/16	16/17	17/18	18/19	19/20
Community and Enterprise	£264,525	£387,937	£278,636	£187,985	£382,170
Education	£42,015	£19,469	£28,054	£28,029	£50,375
Finance and Corporate	£0	£0	£1,428	£0	£50
Housing and Technical	£91,448	£192,265	£169,725	£155,981	£229,517
Social Work	£3,000	£386	£12,263	£165	£0
Total	£400,988	£600,056	£490,106	£372,160	£662,112

Motor

Number of claims	15/16	16/17	17/18	18/19	19/20
Community and Enterprise	283	226	239	225	200
Education	18	9	4	6	6
Finance and Corporate	3	4	1	0	1
Housing and Technical	149	193	167	138	121
Social Work	66	73	56	65	53
Total	519	505	467	434	381

Cost of claims	15/16	16/17	17/18	18/19	19/20
Community and Enterprise	£273,100	£235,775	£376,978	£297,753	£319,570
Education	£15,982	£9,046	£2,716	£6,946	£4,895
Finance and Corporate	£1,993	£445	£0	£0	£0
Housing and Technical	£178,331	£142,553	£161,220	£110,264	£185,433
Social Work	£68,057	£94,952	£51,140	£211,247	£58,547
Total	£537,463	£482,771	£592,054	£626,210	£568,445

Employer's Liability

Number of claims	15/16	16/17	17/18	18/19	19/20
Community and Enterprise	22	10	15	6	6
Education	4	7	7	10	3
Finance and Corporate	0	0	2	0	0
Housing and Technical	3	4	2	3	6
Social Work	2	5	6	7	3
Total	31	26	32	26	18

Cost of claims	15/16	16/17	17/18	18/19	19/20
Community and Enterprise	£244,952	£240,471	£229,896	£300,273	£58,225
Education	£118,222	£149,157	£85,597	£74,411	£28,455
Finance and Corporate	£0	£0	£3,595	£0	£0
Housing and Technical	£93,880	£42,027	£37,559	£19,999	£75,116
Social Work	£12,920	£48,282	£27,230	£41,808	£27,094
Total	£469,974	£479,937	£383,876	£436,491	£188,890

Property

Number of claims	15/16	16/17	17/18	18/19	19/20
Community and Enterprise	34	25	37	36	25
Education	7	8	9	11	9
Finance and Corporate	0	1	0	0	0
Housing and Technical	53	41	54	41	44
Social Work	2	2	2	1	1
Total	96	77	102	89	79

Cost of claims	15/16	16/17	17/18	18/19	19/20
Community and Enterprise	£58,450	£12,966	£30,607	£24,748	£47,563
Education	£28,686	£53,812	£13,301	£12,379	£14,539
Finance and Corporate	£0	£0	£0	£0	£0
Housing and Technical	£621,906	£135,863	£216,907	£363,893	£465,084
Social Work	£12,782	£8,314	£2,181	£3,061	£0
Total	£721,824	£210,955	£262,996	£404,081	£527,186

Appendix Two

Comparison of claims costs and numbers for claims occurring during the last two years as at their respective year ends

All claim types

Number of claims	2018/19 as at 31 March 2019	2019/20 as at 31 March 2020	Difference	Difference Percentage
Community and Enterprise	553	562	9	1.63%
Education	35	30	-5	-14.29%
Finance and Corporate	0	2	2	-
Housing and Technical	369	344	-25	-6.78%
Social Work	75	58	-17	-22.67%
Total	1032	996	-36	-3.49%

Cost of claims	2018/19 as at 31 March 2019	2019/20 as at 31 March 2020	Difference	Difference Percentage
Community and Enterprise	£971,075	£807,528	-£163,547	-16.84%
Education	£142,871	£98,264	-£44,607	-31.22%
Finance and Corporate	£0	£50	£50	-
Housing and Technical	£753,642	£955,160	£201,518	26.74%
Social Work	£245,714	£85,641	-£160,073	-65.15%
Total	£2,113,302	£1,946,633	-£166,669	-7.89%

Public liability

Number of claims	2018/19 as at 31 March 2019	2019/20 as at 31 March 2020	Difference	Difference Percentage
Community and Enterprise	287	331	44	15.33%
Education	11	12	1	9.09%
Finance and Corporate	0	1	1	-
Housing and Technical	188	173	-15	-7.98%
Social Work	4	1	-3	-75.00%
Total	490	518	28	5.71%

Cost of claims	2018/19 as at 31 March 2019	2019/20 as at 31 March 2020	Difference	Difference Percentage
Community and Enterprise	£370,579	£382,170	£11,591	3.13%
Education	£39,069	£50,375	£11,306	28.94%
Finance and Corporate	£0	£50	£50	-
Housing and Technical	£232,265	£229,517	-£2,748	-1.18%
Social Work	£340	£0	-£340	-100.00%
Total	£642,253	£662,112	£19,859	3.09%

Employer's liability

Number of claims	2018/19 as at 31 March 2019	2019/20 as at 31 March 2020	Difference	Difference Percentage
Community and Enterprise	4	6	2	50.00%
Education	7	3	-4	-57.14%
Finance and Corporate	0	0	0	-
Housing and Technical	2	6	4	200.00%
Social Work	5	3	-2	-40.00%
Total	18	18	0	0.00%

Cost of claims	2018/19 as at 31 March 2019	2019/20 as at 31 March 2020	Difference	Difference Percentage
Community and Enterprise	£271,388	£58,225	-£213,163	-78.55%
Education	£83,151	£28,455	-£54,696	-65.78%
Finance and Corporate	£0	£0	£0	-
Housing and Technical	£11,687	£75,116	£63,429	542.73%
Social Work	£42,611	£27,094	-£15,517	-36.42%
Total	£408,837	£188,890	-£219,947	-53.80%

Motor

Number of claims	2018/19 as at 31 March 2019	2019/20 as at 31 March 2020	Difference	Difference Percentage
Community and Enterprise	225	200	-25	-11.11%
Education	6	6	0	-
Finance and Corporate	0	1	1	-
Housing and Technical	138	121	-17	-12.32%
Social Work	65	53	-12	-18.46%
Total	434	381	-53	-12.21%

Cost of claims	2018/19 as at 31 March 2019	2019/20 as at 31 March 2020	Difference	Difference Percentage
Community and Enterprise	£299,024	£319,570	£20,546	6.87%
Education	£7,446	£4,895	-£2,551	-34.26%
Finance and Corporate	£0	£0	£0	-
Housing and Technical	£143,085	£185,443	£42,358	29.60%
Social Work	£199,263	£58,547	-£140,716	-70.62%
Total	£648,818	£568,456	-£80,362	-12.39%

Property

Number of claims	2018/19 as at 31 March 2019	2019/20 as at 31 March 2020	Difference	Difference Percentage
Community and Enterprise	37	25	-12	-32.43%
Education	11	9	-2	-18.18%
Finance and Corporate	0	0	0	-
Housing and Technical	41	44	3	7.32%
Social Work	1	1	0	-
Total	90	79	-11	-12.22%

Cost of claims	2018/19 as at 31 March 2019	2019/20 as at 31 March 2020	Difference	Difference Percentage
Community and Enterprise	£30,084	£47,563	£17,479	58.10%
Education	£13,205	£14,539	£1,334	10.10%
Finance and Corporate	0	£0	£0	-
Housing and Technical	£366,605	£465,084	£98,479	26.86%
Social Work	£3,500	£0	£-3,500	-100.00%
Total	£413,394	£527,186	£113,792	27.53%

Appendix Three - Successful risk management fund bids

Initiative implemented	Contribution from Risk Management fund	Details/Positive effect
Property CCTV Systems Integration	£9,500	Completion of this initiative allow 206 Council properties CCTV systems to be integrated to the one system, and therefore allow these to be connected to the 24 hour control centre for monitoring. This will help maintain the low level of criminality currently being seen at council buildings.
Fume Extraction - Welders	£4,700	The funding allowed purchase of equipment to comply with new health & safety legislation regarding protection of welding operatives from carcinogenic fumes from welding rods.
Installation of metal doors and screens – Housing - Various locations	£20,000	The installation of door entry systems in all of these blocks has offered security and peace of mind to the residents, reduction of ASB behaviour, more secure and safe environment for residents in relation to reduction of vandalism, increased security, less risk of loitering and fire raising and a general feeling for tenants and resident of feeling safe in their homes. In some blocks there were incidents of fire raising, therefore to reduce this risk has had a positive impact on the health and wellbeing of the residents, as well as increasing our ability to let the properties in these blocks as they are more attractive to prospective tenants as they note the security and improved appearance of the block.
Burnbank - Community Safety Initiative	£17,800	
Langlands Grounds Depot – Security Gates	£6,500	This site has been subject to a number of thefts. This initiative is to install a sliding security gate operated by fobs that ensures that access to the depot is prevented during the working day. It is hoped that this will reduce the number of incidents seen at this location.
Telematics (Social Work)	£15,200	The council recently invested heavily in a new vehicle telematics contract. By providing funding to Social Work Resources this ensured that all of their vehicles had this system installed. The benefits include improved service and fuel efficiency, tracking driving hours, improved safety habits and enhanced vehicle security. The vast majority of the council's fleet now have telematics installed.
Hillhouse children's unit - Relocation of Bins	£1,900	The bins at these locations were stored next to the building which created a fire risk. Funding allowed new bin stores to be erected 10 metres away from the building therefore eliminating the risk of fire spreading from the bin store to the building.
Bardykes children's unit - Relocation of bins	£2,000	

Report

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	21 September 2020
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	2018 National Fraud Initiative Exercise
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise the Risk and Audit Scrutiny Committee of the outcome of investigations undertaken as part of the 2018 National Fraud Initiative (NFI) exercise that were completed in 2019/2020.

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendations:-

- (1) that the results of the 2018 NFI Exercise are noted

3. Background

- 3.1. The NFI is a counter fraud exercise, which cross matches data from councils and other public bodies. These bodies then investigate the matches. The Cabinet Office is responsible for the delivery of the NFI exercise. Audit Scotland co-ordinates the exercise in Scotland.
- 3.2. South Lanarkshire Council (SLC) has taken part in NFI exercises since 2004/2005. Until 2014, the NFI alternated annually between a limited exercise and a full exercise. The limited exercise compares the electoral register to council tax to detect where single person discount (SPD) is claimed despite there being more than one person over 18 in the household. The full exercise involves Council wide comparisons including benefits, payroll, creditors, licences, blue badge holders, recipients of direct funding and private nursing home residents. In addition to matching to other benefits and payroll data, records are also matched to DWP deceased persons' records and to Home Office immigration records.
- 3.3. The full exercise is undertaken every two years with an option to participate in the SPD exercise annually. SLC exercised this option and the 2018 exercise included both the full data set and SPD matches.
- 3.4. Internal Audit co-ordinates the delivery of the NFI exercise within SLC. However, each Resource is responsible for investigating matches relevant to them. Internal Audit reports progress to the Council's External Auditors throughout the year.

4. 2018 NFI Exercise Results

- 4.1. There were 12 match areas covered in the current NFI exercise. These are listed in Appendix 1.
- 4.2. In September 2019, the Risk and Audit Scrutiny Committee (RASC) was advised that there were 22,926 matches within the 2018 NFI exercise. Following further data refreshes and a subsequent release of additional matches, the final number of matches for SLC from the exercise was 22,942 (see Appendix 2).
- 4.3. From the list of matches, a target number of investigations is determined on a risk basis and passed to Resources. There is no obligation to investigate every match, but the decision to restrict investigations must be risk based. The NFI website provides risk scoring against matches which allows Resources to prioritise high risk matches for investigation.
- 4.4. The Benefits and Revenue Section undertakes a rolling programme of external reviews through Datatank to confirm ongoing eligibility around SPD. These are screened using the Electoral Register and other financial information. For the purposes of determining NFI matches for investigation, data from the NFI exercise was reviewed to remove cases that had already been included in datasets passed to Datatank for review.
- 4.5. As the Housing Benefit Fraud Section transferred to the DWP Fraud and Error Service (FES), housing benefit fraud is no longer investigated by the Council. Initial NFI investigations are undertaken by the Council. If this indicates a potential fraud, the case is passed to FES. The Council has to wait until the conclusion of the FES investigation and for a fraud to be confirmed before an outcome can be recorded on the NFI website. This delays closing some investigations.
- 4.6. It was intended that the Council would investigate a minimum of 2,099 matches (see Appendix 3). All matches have been cleared with the exception of 56 Creditor records that are still in progress. These will be concluded shortly.
- 4.7. 29 errors have been detected through the NFI exercise to date with an estimated amount to be recovered of £29,846. These errors were in relation to Housing Benefit (22 errors, £22,064); Council Tax Reduction Scheme (3 errors, £6,268), Creditors (3 errors, £1,430) and Private Care Home Residents (1 error, £84).
- 4.8. Audit Scotland prepares a report on national NFI outcomes on a biennial basis. In addition to the actual financial outcomes above, this also includes notional outcomes. For SLC, there have been notional outcomes attached to the non-cancellation of blue badges (calculated at £575 per Blue Badge, £83,375 in total) and an additional £26,829 estimated as being the notional cost of the errors (that were discovered by the NFI exercise) going undetected for a further period of time.

5. Employee Implications

- 5.1. One Auditor within Internal Audit is responsible for co-ordinating the SLC exercise which includes facilitating the issue and receipt of information requests from other public bodies in relation to NFI cases, undertaking Procurement investigations and reporting on employee benefit fraud cases, if required. A total of 40 days was allocated in the 2019/2020 Internal Audit plan.
- 5.2. In addition to the time allocated by Internal Audit, Resources are also required to allocate time to the investigations.

6. Financial Implications

- 6.1. Other than employee time, there is no cost associated with participating in the NFI exercise.

- 6.2. The NFI exercise is a valuable counter fraud exercise which has continued to identify error within the Council. Although the return on participating in the exercise is becoming more marginal, it does continue to act as a deterrent to fraud.

7. Climate Change, Sustainability and Environmental Implications

- 7.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

8. Other Implications

- 8.1. Fraud Risk is recognised as one of the top risks facing SLC. This risk is significant as it can adversely affect the delivery of Council objectives and erode valuable resources. It is, therefore, important that the risk of fraud is soundly managed.
- 8.2. When a fraud or overpayment occurs, steps will usually be taken to recover the loss. Services are expected to examine why the loss was able to occur and demonstrate a change in their processes and procedures accordingly. Internal Audit will routinely check if these intended improvements have been implemented.

9. Equality Impact Assessment and Consultation Arrangements

- 9.1. As the risks associated with the NFI are carried by the Cabinet Office and the Council is bound by statute to participate, there is no need to undertake a separate equality impact assessment.
- 9.2. Employees and SLC residents are informed of the commencement of the NFI exercise through a variety of sources. There is no requirement to undertake any further consultation in terms of the content of this report.

Paul Manning

Executive Director Finance and Corporate Resources

31 August 2020

Link(s) to Council Values/Objectives/Ambitions

- ◆ Achieve results through leadership, good governance and organisational effectiveness

Previous References

- ◆ 2018 National Fraud Initiative Exercise , RASC, 18 September 2019

List of Background Papers

- ◆ None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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Match area	Match between	Purpose of Match/Fraud risk
Housing Benefits (HB)	HB to Student Loans	To identify individuals claiming benefits, whose student loan eligibility results in them being ineligible for Housing Benefit.
	HB to Payroll (within SLC and between other bodies) ¹	To identify HB claimants who failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	HB to pensions	To identify where HB claimants have failed to declare pension income that might remove entitlement to benefit or reduce benefit payable.
	HB to HB	To identify an individual that is claiming HB from one or more local authority at the same time.
	HB to Housing Tenants, and to the Housing Waiting List	To identify possible HB fraud where an individual appears to be resident at two different addresses.
	HB to Personal Alcohol Licences	To identify where HB claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	HB to Taxi Drivers	To identify where HB claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	HB to CTRS	To identify anyone claiming HB and CTRS from one or more local authority at the same time.
	HB to Deceased Persons	To identify if HB is being paid to a deceased person.
Council Tax Reduction Scheme (CTRS)	CTRS to Payroll	To identify where CTRS claimants have failed to declare income that may remove entitlement (to CTRS).
	CTRS to Pensions	To identify where CTRS claimants have failed to declare pension income
	CTRS to CTRS	To identify an individual claiming CTRS from one or more local authority.
	CTRS to HB	To identify where an individual is in receipt of CTRS and HB from one or more local authority simultaneously that may remove or reduce entitlement to the reduction.
	CTRS to HT and WL	To identify possible cases of tenancy fraud and/or CTRS fraud where an individual appears to be resident at two different addresses.
	CTRS to Market Traders	To identify where CTRS claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	CTRS to Personal Alcohol Licences	To identify where CTRS claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	CTRS to Taxi Drivers	To identify where CTRS claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
Payroll	Payroll to Payroll	To identify individuals who may be committing employment fraud by failing to work their

¹ Matches are generally made both within SLC and to other Bodies

Match area	Match between	Purpose of Match/Fraud risk
		contracted hours because they are employed elsewhere or are taking long-term sickness absence from one employer and working for another employer at the same time.
	Payroll to Creditors	To identify employees who are also creditors where there may be a conflict of interests or corruption.
	Payroll to Pensions	To identify employees who have gone back into employment after drawing a pension that could result in an abatement of pension.
Procurement	Payroll to Companies House	To identify potential undeclared interests that have given a pecuniary advantage.
Housing Tenants (HT)	HT to HT	To identify where an individual appears to be resident at two different addresses suggesting possible cases of subletting or dual tenancies.
	HT to HB	To identify possible cases of tenancy fraud and/or housing benefit fraud, where an individual appears to be resident at two different addresses.
	HT to CTRS	To identify possible cases of tenancy fraud and/or incorrect claims for council tax reduction, where an individual appears to be resident at two different addresses
	HT to State Benefits	To identify possible cases of tenancy fraud where an individual appears to be resident at two different addresses.
	HT to Deceased Persons	To identify where the tenant has died, but the Council has not been informed.
Waiting List (WL)	WL to WL	To identify where an individual appears to have registered on the waiting list using two different addresses.
	WL to HB	To identify where an individual appears to have registered on the waiting list using a different address to the one on the housing benefit system.
	WL HT	To identify where an individual appears to have registered on the waiting list using a different address to the one on the housing rents system suggesting possible undisclosed changes in circumstances or that false information has been provided.
Blue Badges (BB)	BB to Deceased person	To identify cases where a permit holder has died, but the local authority may not have been notified.
	BB to BB	To identify individuals who hold more than one Blue Badge from different authorities
Private Residents in Care Homes (PRCH)	PRCH to Deceased Persons	To identify where a resident has died, but the local authority may not have been notified so potentially continues to make payments.
Personal Budgets	Personal Budgets to Deceased Persons	To identify instances where the recipient has died and the payment is still being made.

Match area	Match between	Purpose of Match/Fraud risk
	Personal Budgets to Pensions	PB are allocated based on need not on ability to pay. Therefore this match was not looked at.
Travel Passes and Parking Permits	Concessionary Travel Passes to Deceased Persons	Concessionary travel passes are administered by SPTE, therefore this match was not looked at.
	Resident Parking Permits to deceased persons	To identify where/if residents parking permits are being used fraudulently
Creditors	Duplicate Creditors	To identify where the same supplier has been recorded against more than one reference number on the system thus increasing the potential for creditors to obscure fraudulent activity.
	Duplicate Payments	To identify possible duplicate payments.
	VAT overpaid	This test identifies instances where VAT may have been overpaid.
Council Tax Single Person Discount	Council Tax to Electoral Register	To identify where Single Persons Discount is being claimed and there is more than one person aged 18 or over registered within the property on the Electoral Register.

Area/Matches	Matches Reported to RASC September 2019	Additional Matches	Final Number of Matches
Housing Benefits	1,120	3	1,123
CTRS	1,796	2	1,798
Payroll	213	6	219
Housing Tenants	506	0	506
Waiting List	1,513	3	1,516
Blue Badge	441	0	441
Residents Parking Permits	46	0	46
Concessionary Travel	547	0	547
Private Care Home Residents	121	0	121
Personal Budget	25	0	25
Creditor	4,788	0	4,788
Procurement	161	0	161
Single Persons Discount	11,649	2	11,651
Overall matches	22,926	16	22,942

Area	Total	Target No.	Cleared	Errors	Value £
Housing Benefits	1,123	250	250	22	22,064
CTRS	1,798	122	122	3	6,268
Payroll	219	202	202	0	0
Housing Tenants	506	125	125	0	0
Waiting List	1,516	249	249	0	0
Blue Badge	441	46	46	145 ²	0
Residents Parking Permits	46	46	46	0	0
Concessionary Travel	547	0 ³	0	0	0
Private Care Home Residents	121	121	121	1	84
Personal Budget	25	3	3	0	0
Creditor ⁴	4,788	774	718	3	1,430
Procurement	161	161	161	0	0
Single Persons Discount	11,651	0	0	0	0
Total	22,942	2,099⁵	2,043	174	29,846

² From a full review of 441 blue badge matches

³ Concessionary Travel Passes were investigated by Strathclyde Passenger Transport.

⁴ At the end of March there were 56 Creditors records to check.

⁵ Target number of investigations reported to RASC September 2019

Report

7

Report to: **Risk and Audit Scrutiny Committee**
 Date of Meeting: **21 September 2020**
 Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **The National Fraud Initiative 2018/2019**

1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ provide a summary of Audit Scotland's report – The National Fraud Initiative in Scotland 2018/2019 (July 2020).
- ◆ highlight key points specifically in relation to South Lanarkshire Council
- ◆ identify further action where required.

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the contents of this report are noted; and
- (2) that the action plans at Appendices Four and Five are endorsed.

3. Background

- 3.1. The National Fraud Initiative (NFI) is a counter-fraud exercise whereby data is taken from councils and other public bodies and cross matched to identify the potential for fraud. Councils are then informed of the resulting indicative matches and are responsible for investigating a proportion of these matches using a risk- based approach. Audit Scotland have responsibility for co-ordinating the exercise across Scotland.
- 3.2. The 2018/2019 exercise matched data across a wide range of data groups. Target investigations and outcomes specific to South Lanarkshire Council (SLC) are the subject of a separate report on the agenda for this meeting and an extract from this report is included at Appendix 1 summarising the final position for SLC.
- 3.3. At the conclusion of each main NFI exercise, Audit Scotland publish an overview report that sets out NFI outcomes across Scotland, draws conclusions from these results and makes a number of recommendations for consideration ahead of participation in the next NFI exercise.
- 3.4. Within the Audit Scotland report, outcomes are expressed in terms of fraud, overpayment or error that have been detected by the NFI exercise as well as notional future losses that detection has prevented from being incurred (see Appendix Two).
- 3.5. As an exercise, the NFI is continually reviewed to identify further areas where data-matching would be beneficial. The current exercise included a pilot of businesses inappropriately claiming Small Business Bonus Scheme relief. £412,974 incorrect

records were identified across seven local authorities participating in the pilot¹ and the Scottish Government is now considering a national roll-out across all Scottish councils as part of future NFI exercises.

4. Results

- 4.1. 124 Scottish public bodies including central government, local authorities and NHS took part in the 2018/2019 NFI exercise. This is an increase from the previous exercise where 113 bodies took part.
- 4.2. Despite an increase in the number of bodies participating in the exercise, the overall number of matches across Scotland fell to 580,393 (a decrease of around 11.6%) and overall financial outcomes to £15.3m (a decrease of around 13.6%). Within South Lanarkshire, matches increased marginally by 643 (2.9%) and outcomes decreased by £15,154 (33.7%).
- 4.3. Audit Scotland conclude within their report that the reduction in matches may be due to immigration data that was excluded from the exercise by the Home Office and that the reduction in outcomes potentially reflects that there is less fraud and error, that stronger internal controls exist or that there has been a less effective detection of fraud and error. The report does, however, note that, irrespective of outcomes, the exercise continues to act as a deterrent to fraud.
- 4.4. Detailed analysis of the outcomes across Scotland are set out in Audit Scotland's report and are summarised in the table below alongside the outcomes within South Lanarkshire:

	Scotland		SLC	
Data	Number	Outcome	Number	Outcome
Council Tax discounts	4,588	£4.9m	N/A ²	N/A ²
Pensions	98	£3.2m	N/A	N/A
Housing Benefits	1,238	£2.8m	22	£0.02m
Blue Badges	3,215	£1.8m ³	145	£0.08m ³
Housing Waiting List	230	£0.7m	0	0
Creditors	147	£0.6m	3	£0.001m
Private Care Home Residents	35	£0.4m	1	<£100
Council Tax Reduction	280	£0.3m	3	£0.006m
Payroll	8	£0.02m	0	0
Student Awards	2	£0.05m	N/A	N/A
Balance ⁴		£0.53m	N/A	N/A
TOTAL		£15.3m		£0.107m

Table 1: Outcomes from 2018/2019 NFI exercise

¹ South Lanarkshire Council was not included in this pilot.

² The Benefits and Revenue Section undertake a rolling programme of external reviews through Datatank to confirm ongoing eligibility around SPD. These are screened using the Electoral Register and other financial information. For the purposes of determining NFI matches for investigation, data from the NFI exercise was reviewed to remove cases that had already been included in datasets passed to Datatank for review.

³ This is the notional loss attributed to the fraudulent misuse of blue badges.

⁴ Areas where outcomes were less significant

- 4.5. It is South Lanarkshire Council's policy to pursue and recover all overpayments in line with the Council's debt recovery procedures. Overpayments are assessed in relation to their value and the information available before proceeding with the recovery. Each case is assessed individually and various factors are considered before recovery is progressed, including the age and health of the debtor and whether it is economical to pursue the debt.
- 4.6. It is not mandatory for councils to investigate matches resulting from the NFI exercise. However, Audit Scotland carry out checks within councils to ensure that, where they are not investigating NFI matches, they have alternative arrangements in place. South Lanarkshire Council's external auditors have reviewed our approach and were satisfied that adequate arrangements were in place, with no further action required.
- 4.7. The Committee is asked to note the national outcomes of the 2018/2019 NFI exercise, that preparation for the 2020/2021 NFI exercise has commenced and that Internal Audit will continue to lead on delivery of this across SLC.

5. COVID-19

- 5.1. Given the timing of this report, in addition to setting out NFI outcomes, Audit Scotland also referenced the impact of COVID-19 on the fraud risk faced by the public sector.
- 5.2. The report notes that the challenges of delivering public services within the context of a pandemic have increased the risk of fraud and error linked to the extreme pressures faced and the necessity to revise controls and governance arrangements. Specific risks were identified around remote working, increase in cyber-crime, employees working under pressure, increase in phishing emails and scams and the pressure to deliver government emergency support packages within short timescales.
- 5.3. The recommendation within the report is that organisations should be aware of emerging fraud risks and take appropriate preventative and detective action. South Lanarkshire Council has given full consideration to the impact of COVID-19 on its top risks and the mitigating actions that require to be taken.
- 5.4. To support this response, Audit Scotland has been working with the Cabinet Office to identify, develop and promote data matching facilities to help address some of the increased fraud risk and to embed this within future NFI exercises.

6. Audit Scotland Recommendations

- 6.1. As is common practice, the Audit Scotland Report also includes recommendations for consideration ahead of participation in the next NFI exercise as well as some commentary around how to complete NFI investigations more efficiently.
- 6.2. The two-part checklist provided is designed to assist audit committee members when reviewing, seeking assurance over or challenging the effectiveness of their body's participation in the NFI (Part A – Appendix Three). Part B is for officers involved in planning and managing the NFI exercise and has been completed and is attached at Appendix Four. Recommendations and responses in relation to how to work more efficiently is attached at Appendix Five.
- 6.3. Participating bodies are encouraged to maximise benefits of participation, complete self-appraisal checklists in preparation for the 2020/2021 NFI exercise and address any actions raised by local auditors.

7 Employee Implications

- 7.1. One Auditor within Internal Audit was responsible for co-ordinating the SLC exercise which included facilitating the issue and receipt of information requests from other public bodies in relation to NFI cases, undertaking Procurement investigations and reporting on employee benefit fraud cases if required. A total of 40 days was allocated in the 2019/2020 Internal Audit plan.
- 7.2. In addition to the time allocated by Internal Audit, Resources are also required to allocate time to the investigations. Efforts continue to be made to ensure that resources are allocated to investigate matches in an efficient and effective manner.

8 Financial Implications

- 8.1. The cost of the NFI exercise and the biennial data matching for Scottish public bodies is funded by Audit Scotland. Participating bodies incur costs gathering data for upload and investigating the matches that are produced once national data-matching has been completed. Within South Lanarkshire Council, other than employee time, there is no cost associated with participating in the NFI exercise.
- 8.2. Although the return on participating in the exercise is becoming more marginal, it does continue to act as a deterrent to fraud. Arrangements will be put in place within Resources to record the time spent on investigating matches as part of the 2020/2021 exercise to provide an accurate comparison of the costs and benefits arising from participation.

9. Climate Change, Sustainability and Environmental Implications

- 9.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

10. Other Implications

- 10.1. NFI is an invaluable counter fraud exercise. A key benefit of NFI is that by identifying fraud and error, the Council is able to establish why these instances occurred and make improvements where necessary thereby preventing future financial losses.
- 10.2. Failure to participate in this exercise would increase the risk of fraudulent activities committed against the Council not being identified. In addition, the Council's External Auditors' work includes a review of our governance and financial arrangements including action to prevent and detect fraud. Active participation in the NFI is one way the Council can demonstrate good governance and sound financial management. External Audit will also review and conclude on the effectiveness of local NFI arrangements and provide assurances on the progress of NFI investigations with failure to embrace investigative work under the NFI adversely affecting the Council's reputation.
- 10.3. Audit Scotland's report also highlights, for those public bodies taking part in the NFI exercise that do not always identify significant outcomes from their own matches, that other bodies and sectors may do so by matching against the data supplied. Audit Scotland's report sets out a national picture that helps to provide context around the outcomes specific to individual bodies.

11. Equality Impact Assessment and Consultation Arrangements

- 11.1. Prior to the start of each NFI exercise, the Council is required to ensure privacy notices are available to the individuals on whom we are sharing information. The notices should clearly set out an explanation that their data may be disclosed for the purpose of preventing and detecting fraud. It should also state that their data will be provided to Audit Scotland for this purpose and it should contain details of how individuals can find out more information about the processing of their data.
- 11.2. There is no requirement to carry out an impact assessment in terms of the proposals contained within this report.

Paul Manning
Executive Director (Finance and Corporate Resources)

28 August 2020

Link(s) to Council Objectives/Values/Ambitions

- Achieve results through leadership, good governance and organisational effectiveness

Previous References

- ◆ 2018/2019 National Fraud Initiative exercise – RASC 21 September 2020

List of Background Papers

- ◆ Audit Scotland Report: The National Fraud Initiative in Scotland 2018/2019 (July 2020)

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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Extract from 2018 National Fraud Initiative Exercise, RASC 21 September 2020

Area	Total	Target No.	Cleared	Errors	Value £
Housing Benefits	1,123	250	250	22	22,064
CTRS	1,798	122	122	3	6,268
Payroll	219	202	202	0	0
Housing Tenants	506	125	125	0	0
Waiting List	1,516	249	249	0	0
Blue Badge	441	46	46	145 ⁵	0
Residents Parking Permits	46	46	46	0	0
Concessionary Travel	547	0 ⁶	0	0	0
Private Care Home Residents	121	121	121	1	84
Personal Budget	25	3	3	0	0
Creditor ⁷	4,788	774	718	3SL	1,430
Procurement	161	161	161	0	0
Single Persons Discount	11,651	0	0	0	0
Total	22,942	2,099⁸	2,043	174	29,846

⁵ From a full review of 441 blue badge matches.⁶ Concessionary Travel Passes were investigated by Strathclyde Passenger Transport.⁷ At the end of March there were 56 Creditors records to check.⁸ Target number of investigations reported to RASC September 2019.

Estimation bases

Appendix Two

Extract from Audit Scotland Report: National Fraud Initiative 2018/2019 (July 2020)

Data match	Basis of calculation of estimated outcomes
Council tax single person discount	Annual value of the discount cancelled multiplied by two years.
Housing	£93,000 per property recovered, based on average four-year fraudulent tenancy. Includes: temporary accommodation for genuine applicants; legal costs to recover property; re-let cost; and rent foregone during the void period between tenancies.
Housing benefit	Weekly benefit reduction multiplied by 21 weeks.
Pensions	Annual pension multiplied by the number of years until the pensioner would have reached the age of 85.
Payroll	£5,000 for each employee who is dismissed or resigns as a result of NFI matching, or £10,000 for each resignation or dismissal for employees who have no right to work in the UK.
Council tax reduction scheme	Weekly change in council tax discount multiplied by 21 weeks.
Housing waiting lists	£3,240 for each case based on the annual estimated cost of housing a family in temporary accommodation and the likelihood a waiting list applicant would be provided a property.
Residential care homes	Weekly cost of residential care multiplied by 14 weeks.
Social care/personal budgets	Monthly social care payment multiplied by three months. Monthly reduction in personal budget payment multiplied by three months.
Blue badges	Number of badge holders confirmed as having died multiplied by £575 to reflect lost parking and congestion charge revenue.
Other immigration	£50,000 for someone removed from the UK.

Are we aware of emerging fraud risks, eg due to Covid-19, and taken appropriate preventative and detective action?
Are we committed to NFI? Has the council/board, audit committee and senior management expressed support for the exercise and has this been communicated to relevant staff?
Is the NFI an integral part of our corporate policies and strategies for preventing and detecting fraud and error?
Have we considered using the point of application data matching service offered by the NFI team, to enhance assurances over internal controls and improve our approach to risk management?
Are NFI progress and outcomes reported regularly to senior management and elected/board members (eg, the audit committee or equivalent)?
Where we have not submitted data or used the matches returned to us, eg council tax single person discounts, are we satisfied that alternative fraud detection arrangements are in place and that we know how successful they are?
Does internal audit, or equivalent, monitor our approach to NFI and our main outcomes, ensuring that any weaknesses are addressed in relevant cases?
Do we review how frauds and errors arose and use this information to improve our internal controls?
Do we publish, as a deterrent, internally and externally the achievements of our fraud investigators (eg, successful prosecutions)?

(actions to be taken are noted in **bold** font)

Question	Yes, No or Partly	Is action required?	Who, By and When?
Are we aware of emerging fraud risks, eg due to Covid-19, and taken appropriate preventative and detective action?	Yes, reviewed on annual basis and reassessed as part of the Council's review of top risks. Amended risks have been reflected in the audit planning process.	No	N/A
Are we investing sufficient resources in the NFI exercise?	Yes, exercise is coordinated by Internal Audit and individual Resources allocate time and resources to review high priority matches within their Service area.	No	N/A
Do we plan properly for NFI exercises, both before submitting data and prior to matches becoming available? This includes considering the quality of data.	Yes, formal plan in place to gather data that involves Resources and sets out approach to be taken when matches are returned. Any issues with data quality are addressed by house-keeping undertaken by Internal Audit in advance of data being uploaded. We also take steps to address any reported issues with the quality of data uploaded in previous exercises.	No	N/A
Is our NFI Key Contact (KC) the appropriate officer for that role and do they oversee the exercise properly?	Yes, Executive Director Finance and Corporate Resources and Audit Manager.	No	N/A
Do KCs have the time to devote to the exercise and sufficient authority to seek action across the organisation?	Yes, Audit Manager coordinates and is supported by Internal Audit team. Role of Internal Audit within the organisation provides sufficient authority to ensure appropriate action is taken across the Council. Reports to the Risk and Audit	No	N/A

	Scrutiny Committee evidence appropriate support of exercise at a Member level within the Council.		
Where NFI outcomes have been low in the past, do we recognise that this may not be the case the next time, that NFI can deter fraud and that there is value in the assurances that we can take from low outcomes?	Yes, recent exercises have resulted in diminishing returns but the Council remain committed to the exercise and recognise the benefits around deterrence.	No	N/A
Do we confirm promptly (using the online facility on the secure website) that we have met the fair processing notice requirements?	Yes, NFI website updated promptly and included as a task in the NFI plan.	No	N/A
Do we plan to provide all NFI data on time using the secure data file upload facility properly?	Yes, arrangements are being put in place to ensure timeous upload.	No	N/A
Have we considered using the the point of application data matching service offered by the NFI team to enhance assurances over internal controls and improve our approach to risk management?	Yes, a review of this is underway.	Completion of review and reporting of outcome.	Audit and Compliance Manager, 31 March 2021.
Do all departments involved in NFI start the follow-up of matches promptly after they become available?	Yes, there may be some minor delays but no significant delay and not such to prevent completion of investigations within target timescales.	No	N/A
Do we give priority to following up high-risk matches, those that become quickly out-of-date and those that could cause reputational damage if a fraud is not stopped quickly?	Yes, advice and guidance is provided to Resources to identify and investigate high priority matches. There is no evidence that current approach is compromising the outcomes from the exercise.	No	N/A
Are we investigating the circumstances of matches adequately before reaching a 'no issue' outcome, in particular?	Yes, employees involved in investigations are experienced and guidance continues to be provided by Internal Audit to	No	N/A

	ensure the correct outcome is reached and recorded.		
(In health bodies) Are we drawing appropriately on the help and expertise available from NHS Scotland Counter Fraud Services?	N/A	N/A	N/A
Are we taking appropriate action in cases where fraud is alleged (whether disciplinary action, penalties/cautions or reporting to the Procurator Fiscal)? Are we recovering funds effectively?	Yes, disciplinary action would be considered for any case involving an employee. Continue to work with the Department of Work and Pensions for any cases of suspected benefit fraud. Action is taken as appropriate, including penalties, cautions and reporting to the Procurator Fiscal.	No	N/A
Do we avoid deploying excessive resources on match reports where early work (eg, on high-risk matches) has not found any fraud or error?	Yes, target investigation numbers are kept under review and are amended if there are no outcomes or the outcomes are insignificant. Continue to keep approach under review to ensure that we are using resources as efficiently as possible.	No	N/A
Where the number of high-risk matches is very low, are we adequately considering the medium and low-risk matches before we cease our follow-up work?	Yes, test checks of medium and low risk matches are also undertaken to provide assurance that these (or a sample of these) should not be included in target investigations.	No	N/A
Overall, are we deploying appropriate resources on managing the NFI exercise?	Yes, no significant concerns. Review by External Auditors confirmed that adequate arrangements were in place.	No	N/A
Are we recording outcomes properly in the secure website and keeping it up-to-date?	Yes, input by Resources and reviewed by Internal Audit. Only those	No	N/A

	outcomes directly attributable to the NFI exercise are recorded on the website.		
Do staff use the online training modules and guidance on the secure website, and do they consult the NFI team if they are unsure about how to record outcomes (to be encouraged)?	Yes, this is included in the NFI Plan.	Review NFI users and ensure all complete refresher training ahead of the 2020/2021 NFI exercise.	Audit and Compliance Manager, 31 December 2020.
If, out of preference, we record some or all outcomes outside the secure website, have we made arrangements to inform the NFI team about these outcomes?	All relevant outcomes are recorded on the NFI website.	No	N/A

(actions to be taken are noted in **bold** font)

Efficient working practice	Action required?
Ensure staff within the organisations that take part in the NFI keep up-to-date with new features of the web application and good practice by reading the guidance notes and watching the online training modules before they begin work on the matches.	Yes, review NFI users and ensure all complete refresher training ahead of the 2020/2021 NFI exercise. (Audit Manager, 31 December 2020)
Key contacts should schedule staff resources so that time-critical matches, such as housing benefit to students and payroll to immigration, can be dealt with as soon as they are received.	Instructions around this are already included in the NFI Plan and conveyed to Resources.
Key contacts should coordinate investigations across internal departments and, for example, organise joint investigation of single person discount matches involving housing benefit, to ensure all relevant issues are actioned.	Internal Audit fulfil this role and no amendment to approach is required.
Use the tools within the web application to help prioritise matches that are the highest risk. This will save time and free up staff for the most important investigations.	Internal Audit utilise this tool and no amendment to approach is required.

Report

8

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	21 September 2020
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Fraud Statistics Annual Report 2020
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ provide a summary of the fraud statistics for year to 31 March 2020 and a comparison to the same period in 2019.

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the contents of this report are noted

3. Background

- 3.1. Collating and reporting fraud statistics and setting targets for improvement are considered best practice by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Association of Local Authority Risk Managers (ALARM).
- 3.2. This report provides information on the number, types and outcomes of fraud investigations within South Lanarkshire Council for the year to 31 March 2020, together with a comparison to the statistics for the same period in 2019. It includes all frauds reported to Internal Audit, benefit frauds during this period investigated by the Department for Work and Pensions (DWP) and insurance losses resulting from a failure in internal controls or which have been investigated by Internal Audit.
- 3.3. Although the responsibility for housing benefit fraud investigations has transferred to the DWP Fraud and Error Service (FES), South Lanarkshire Council retains responsibility for the recovery of fraud overpayments. Therefore, housing benefit fraud statistics will continue to be included within the fraud statistics reported. As it will be necessary to rely on FES providing details on proven South Lanarkshire Council fraud cases, this may result in a delay in reporting.
- 3.4. The roll out of Universal Credit to all new benefits applicants from October 2017 will have an impact on the number of Housing Benefit claimants. It is, therefore, expected that the number of fraud cases will gradually decrease over future years. The Council will continue to pursue all Housing Benefit fraud overpayments, where appropriate.
- 3.5. The Revenues and Benefit Section continues to deliver an annual programme of rolling reviews on housing benefit claimants with reviews based on risk-profiling to establish the most likely areas of benefit fraud or overpayment. Information is also

obtained from HMRC through Real Time Information (RTI) and DWP through the Housing Benefit Matching Service (HBMS). Where fraud is suspected, the case will be passed to FES for investigation and, if proven, the case returned to South Lanarkshire Council to pursue recovery. Irrespective of whether a fraud is proven or not, the Council takes steps immediately to recover any overpayment.

4. Results

- 4.1. All concerns reported to Internal Audit are risk assessed and all cases are investigated, as appropriate. Internal Audit may undertake joint investigations with Resources and the fact-finding team within Personnel Services, depending on the nature of the fraud and the operational knowledge required.
- 4.2. Areas within the Council that inherently have a higher risk of fraud are considered for inclusion in the annual Audit Plan. There have been no specific patterns or trends identified in the year to 31 March 2020 in addition to those known already.
- 4.3. An analysis of the fraud caseload for the year to 31 March 2020 and the comparative period in 2019 is detailed in Table One.

Table One - Fraud Caseload

Status	Year to 31/03/20		Year to 31/03/19	
	Nos.	£000	Nos.	£000
Cases open as at 1 April	78	69	115	394
Concerns reported to 31 March	137	132	182	158
Caseload at 31 March	215	201	297	552
Cases closed in period (see Table Two)	(70)	(62)	(219)	(483)
Work in progress at 31 March	145	139	78	69

- 4.4. 79% of the cases reported in the period relate to benefit cases reported to and investigated by FES. A further 18% relate to thefts and break-ins. This split is similar to that of cases reported in the same period in 2019.
- 4.5. An analysis of closed cases in the year is detailed in Table Two:

Table Two - Analysis of Closed Cases

Source of fraud	Year to 31/03/20		Year to 31/03/19	
	Nos.	£000	Nos.	£000
Founded allegation (see Table Three)	46	56	158	449
Insufficient information	9	0	19	26
Unfounded allegations	15	6	42	8
Total	70	62	219	483

- 4.6. 66% of all cases, that were investigated, were founded. One of these cases involved a South Lanarkshire Council employee and appropriate disciplinary processes were invoked.
- 4.7. An analysis of founded allegations is detailed in Table Three:

Table Three – Analysis of Founded Allegations

Source of fraud	Year to 31/03/20		Year to 31/03/19	
	Nos.	£000	Nos.	£000
External	24	19	18	5
Internal	1	0	3	1
Benefits	21	37	137	443
Total	46	56	158	449

- 4.8. All except one founded case relate to Benefit Fraud cases or fraud committed by a third party.
- 4.9. In respect of all founded cases, where appropriate, South Lanarkshire Council seeks to recover financial losses. The value of both previous and current year recoveries has decreased from £140k in the year to 31 March 2019, to £54k in the same period in 2020. The 2019 level of recoveries is linked to an increased number of cases that were closed in that year following a detailed review and for which overpayments were tracked for the first time to ascertain the level of recovery. The 2020 recovery rate of £54k is, therefore, more comparable to recoveries in previous years (2018, £46k and 2017, £66k). All recoveries reported in this period relate to benefit fraud.
- 4.10. The cost of investigations concluded by Internal Audit has increased when compared to the same period in 2019 from £14k to £19k. The cost of an investigation reflects the complexity of the investigation and, therefore, the time required to conclude. 78% of costs were incurred to conclude work on procurement, respond to a Police enquiry and review a case that was the subject of a disciplinary hearing.
- 4.11. Time budgets and target completion timescales for investigations are set at the start of each audit and will vary depending on the nature of the investigation. Performance measures for investigations undertaken by Internal Audit are monitored through local Performance Indicators and are reported to each meeting of the Risk and Audit Scrutiny Committee.
- 5. Improvements**
- 5.1. On the conclusion of all internal investigations, an assessment is made on whether improvement actions are necessary. These improvement plans are agreed with the relevant Heads of Service and the actions followed up by Internal Audit to ensure implementation and that gaps in controls have been addressed. Outcomes from concluded investigations are reported to this Committee within routine activity update reports presented at each meeting and as part of Internal Audit's annual assurance report.
- 5.2. There were seven improvement plans issued by Internal Audit during the period under review with thirty seven separate actions to be taken. Follow up of all high priority actions resulting from fraud investigations will be included in future Audit Plans.
- 6. Employee Implications**
- 6.1. The Council has a zero tolerance approach to fraud. All employees have a role to play in reducing fraud within the Council and should understand the risk of fraud faced by the Council, that fraud is serious and that it diverts resources from the delivery of the Council's primary objectives. A Learn on Line (LOL) Fraud Awareness course is available to all employees with People Connect access.

- 6.2. Internal Audit will continue to coordinate future NFI exercises and collate and report fraud statistics on a six monthly basis to this Committee.
- 7. Financial Implications**
- 7.1. The investigation of fraud, participation in NFI exercises and the collection and reporting of fraud statistics was carried out within existing resources.
- 7.2. A total of 111 days was allocated within the 2019/2020 Internal Audit Plan for fraud risk work. This included an allowance for contingency time to undertake fraud investigations, where required. An additional allowance of 40 days was allocated for NFI.
- 8. Climate Change, Sustainability and Environmental Implications**
- 8.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.
- 9 Other Implications**
- 9.1. Fraud risk is recognised as one of the top risks facing South Lanarkshire Council. This risk is significant as it can adversely affect the delivery of Council objectives and erode valuable resources. It is, therefore, important that the risk of fraud is soundly managed.
- 9.2.. Under the Regulation of Investigatory Powers Act 2000, the Council can make use of surveillance powers in its investigation of fraud. During 2020 to date, South Lanarkshire Council has used these powers twice, one of which was in a joint operation with Police Scotland. Neither of these cases involved Internal Audit. The Council will continue to use these powers, in compliance with the Act, if an assessment of a case has confirmed that this is the only route to conclude an investigation.
- 9.3. Fraud Risk Registers are now in place within all Resources and are reviewed and updated annually in line with standard Risk Management procedures.
- 9.4. The collection and reporting of fraud statistics should assist in the management of fraud by identifying patterns and trends of fraud and areas of high risk where preventative controls should be concentrated. However, in order to do this effectively, fraud statistics must be complete. This remains an area where practice could be improved and it is, therefore, important that all instances of potential and actual fraud are reported to Internal Audit. Further work can be undertaken by Internal Audit to promote fraud policies, if considered appropriate.
- 9.5. In order to ensure the Council is fully aware of and prepared for emerging fraud risks, Internal Audit periodically carries out self-assessment exercises against good practice guidance in fraud management. Internal Audit will continue to include an allowance within the Internal Audit Plan to undertake such assessments. These reviews during 2019/2020 did not highlight any action that was required to be taken to address gaps in procedures.
- 10 Equality Impact Assessment and Consultation Arrangements**
- 10.1. There is no requirement to undertake an equality impact assessment.
- 10.2. Consultation was not necessary for this report.

Paul Manning

Executive Director (Finance and Corporate Resources)

31 August 2020

Link(s) to Council Values/Objectives/Ambitions

- ◆ Objective – Governance and Accountability

Previous References

- ◆ Fraud Statistics Annual Report 2019, RASC, 18 September 2019
- ◆ Fraud Statistics Six Monthly Update, RASC, 19 February 2020

List of Background Papers

None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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Report

9

Report to: **Risk and Audit Scrutiny Committee**
 Date of Meeting: **21 September 2020**
 Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **Forward Programme for Future Meetings**

1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise members of the forward programme for the meeting of the Risk and Audit Scrutiny Committee to be held on 9 December 2020
- ◆ invite members to suggest topics for inclusion in the Committee's forward programme

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the report and the outline forward programme for the meeting of the Risk and Audit Scrutiny Committee to be held on 9 December 2020, attached as an appendix to the report, be noted.

3. Background

3.1 As part of a range of improvement measures introduced as a result of Audit Scotland's report on the Audit of Best Value and Community Planning (2009), an Action Plan was prepared. One of the actions was to include, as a standard agenda item, a list of items proposed for consideration at subsequent meetings of this Committee to provide an opportunity for members to inform future agendas. The outline forward programme to December 2020 is attached, for members' information, as an appendix to the report.

4. Employee Implications

4.1. There are no employee implications.

5. Financial Implications

5.1. There are no financial implications.

6 Climate Change, Sustainability and Environmental Implications

6.1 There are no Climate Change, Sustainability or Environmental implications in terms of the information contained within this report

7 Other Implications

7.1 There are no risk implications in terms of the information contained within this report.

8 Equality Impact Assessment and Consultation Arrangements

- 8.1 The report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.
- 8.2 There was no requirement to undertake any consultation in terms of the information contained in this report.

Paul Manning

Executive Director (Finance and Corporate Resources)

1 September 2020

Link(s) to Council Values/Objectives/Ambitions

Value – Accountable, Effective, Efficient and Transparent

Previous References

Executive Committee 8 July 2009

List of Background Papers

Audit Scotland Audit of Best Value and Community Planning

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APPENDIX – RASC OUTLINE FORWARD PROGRAMME TO DECEMBER 2020

Meeting Date	Item	Responsibility
9 December 2020	1. Internal Audit Activity Report 2. Year End Risk Management Report 2019/2020 Review of Council's Top Risks	Audit and Compliance Manager Head of Finance (Transactions)

N.B:-. Audit Scotland national studies and reviews will appear as a recurring item but the frequency and subject matter will vary according to their programme.

