

RISK AND AUDIT SCRUTINY COMMITTEE

Minutes of meeting held via Confero and in the Council Chamber, Council Offices, Almada Street, Hamilton on 6 December 2022

Chair:

Councillor Elaine McDougall

Councillors Present:

Councillor Mary Donnelly (Depute), Councillor Alistair Fulton, Councillor Ross Gowland, Councillor Cal Johnston-Dempsey, Councillor Susan Kerr, Councillor Richard Lockhart

Councillors' Apologies:

Councillor Mathew Buchanan, Councillor Celine Handibode

Attending:

Finance and Corporate Resources

Y Douglas, Audit and Compliance Manager; T Little, Head of Communications and Strategy; C Lyon, Administration Officer; A Norris, Administration Assistant

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 27 September 2022 were submitted for approval as a correct record.

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

3 Minutes of Special Meeting

The minutes of the special meeting of the Risk and Audit Scrutiny Committee held on 25 October 2022 were submitted for approval as a correct record.

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

4 Audit Scotland: The National Fraud Initiative in Scotland 2020

A report dated 22 November 2022 by the Executive Director (Finance and Corporate Resources) was submitted on Audit Scotland's report – The National Fraud Initiative in Scotland 2020 (August 2022).

The National Fraud Initiative (NFI) was a counter-fraud exercise which took data from councils and other public bodies and cross matched to identify the potential for fraud. Participating bodies were then informed of the resulting indicative matches and were responsible for investigating a proportion of those matches using a risk-based approach. Audit Scotland had responsibility for co-ordinating the exercise across Scotland.

The 2020 exercise matched data across a wide range of data groups and information was provided on the target investigations and outcomes in Appendix 1 to the report.

Audit Scotland had published an overview report that set out NFI outcomes across Scotland, drew conclusions from those results and made recommendations for consideration ahead of participation in the next NFI exercise.

Within the Audit Scotland report, financial outcomes were expressed in terms of fraud, overpayment or error detected as a result of the NFI exercise. Figures reported also included estimated future losses avoided as a result of the exercise as well as notional losses incurred as a result of delayed detection. Information was provided on those estimation bases in Appendix 2 to the report.

Details were provided on approved and potential expansion of NFI powers.

132 Scottish public bodies including Central Government, local authorities and NHS took part in the 2020 NFI exercise. This was an increase from the previous exercise where 124 bodies took part.

Despite an increase in the number of bodies participating in the exercise, the overall number of matches across Scotland fell to 507,354, a decrease of around 12.6%. The overall financial outcomes fell to £14.9 million, a decrease of around 2.6%. Within South Lanarkshire, matches increased by 3,066 and outcomes increased by £292,033. This increase mainly related to new match areas in the 2020 exercise of Covid-19 Grants and Blue Badges.

Audit Scotland concluded within their report that the reduction in matches might be due to less fraud and error in the system, strong internal controls or some key datasets from previous years not being included in the latest exercise. Further detail was provided noting that residential care home data, direct payments and social care customers' data were not matched in the 2020 Exercise due to legal questions around the definition of patient data. Immigration data was not included in either the 2018 or 2020 exercises due to restrictions placed by the Home Office.

The Audit Scotland Report included a 2-part checklist for participating bodies to use to self-appraise their involvement in the NFI prior to and during the NFI exercise. The completed checklists were attached at Appendices 3 and 4 of the report. In addition, the report set out suggestions for improving efficiencies and effectiveness and the Council's responses against each of those points were detailed in Appendix 5 of the report.

Officers responded to a member's question on various aspects of the report.

The Chair, on behalf of the Committee, thanked the Audit and Compliance Manager and team for the extensive work undertaken on the 2020 NFI exercise.

The Committee decided:

- (1) that the contents of the report be noted; and
- (2) that the actions outlined in Appendix 5 be approved.

5 Internal Audit Activity as at 18 November 2022

A report dated 22 November 2022 by the Executive Director (Finance and Corporate Resources) was submitted:-

- ◆ providing an update on progress by, and performance of, the Internal Audit service during the period 10 September to 18 November 2022
- ◆ advising of the planned external assessment of the Council's Internal Audit Function's level of compliance with the Public Sector Internal Audit Standards (PSIAS)

Findings from internal audit assignments were reported to the Committee throughout the year and the last progress report was considered by this Committee on 27 September 2022. Key performance indicators, which reflected quality, on time and within budget for the period to 30 September 2022, were summarised in Appendix 1 to the report. 100% of draft reports were issued on time and 100% within budget against targets of 80% respectively. Quality continued to be monitored through internal quality control procedures.

As at 18 November 2022, 12% of the 2022/2023 Audit Plan was completed, with a further 12% anticipated to be concluded by 31 December 2022. Of the remaining 76%, 40% related to assignments that were planned to conclude in the period 1 January to 31 March 2023 and 36% to tasks that continued throughout the year and would be closed at financial year end.

Client contributions to the delivery of the audit plan took the form of responding to draft reports, agreeing to close meetings and signing reports timeously once agreed. 100% of audit assignments were concluded to a signed action plan within 4 weeks of the issue of a draft report against a target of 80%.

An update on all assignments completed in the period 10 September to 18 November 2022, together with a summary of overall assurances from each area of work, was provided in Appendix 2 to the report.

As part of the external Public Sector Internal Audit Standards (PSIAS) assessment, the intention had been to complete the self-assessment questionnaire and pass to East Lothian Council, the Council's external examiners for the purposes of the 2022/2023 PSIAS inspection, in December 2022. Despite a short delay in commencing the self-assessment exercise, it was anticipated that the independent inspection would be concluded by 31 March 2023.

The Committee decided:

- (1) that progress and performance of the Internal Audit service be noted; and
- (2) that the planned external assessment of the level of compliance of the Council's Internal Audit service with PSIAS be noted.

[Reference: Minutes of 27 September 2022 (Paragraph 4)]

6 Audit Scotland: Local Government in Scotland Overview 2022

A report dated 28 October 2022 by the Executive Director (Finance and Corporate Resources) was submitted on the summary of Audit Scotland's report – Local Government in Scotland in June 2022.

This 'overview' report was prepared each year and covered key areas of current and future activity relative to local government and an opinion on how those were or should be managed.

The latest Local Government Overview (LGO) was the second in a series of reports reflecting on the evolving and long-term nature of the impact of Covid-19. The 2021 report considered the initial response phase of the pandemic from March 2020 to February 2021, while this report looked at the second year of the pandemic from March 2021 to February 2022.

The 2022 report built on last year's LGO and assessed:-

- ◆ the ongoing impact of Covid-19 and councils' progress towards recovery and renewal
- ◆ how councils were positioned to address long-term priorities including climate change, inequality and public service reform
- ◆ how effectively council leadership was managing recovery and renewal

The Accounts Commission had prepared a checklist of questions for Elected Members to consider and this was attached as Appendix 1 to the report.

The report contained the following 6 key messages:-

- ◆ councils had had a very difficult year, alongside the ongoing response to the pandemic, councils had faced challenges in recovering services, dealing with increased demand and backlogs, and meeting community needs and expectations
- ◆ the challenging context meant collaborative leadership was more important than ever
- ◆ the pressure on the local government workforce continued
- ◆ the impact of the pandemic and service disruption had been felt most strongly by those already experiencing inequality
- ◆ the early response showed what could be achieved by working closely with communities and the voluntary sector
- ◆ improvements were needed in data availability, tools and skills to support performance monitoring, strategic decision-making and planning service improvements

The report was structured around the following 3 main themes on which progress towards recovery and renewal depended:-

- ◆ responding to the external environment
- ◆ organising the council
- ◆ meeting local needs

Audit Scotland's recommendations were detailed in the report, along with an assessment of the Council's position and any action considered necessary.

Officers responded to members' questions on various aspects of the report.

The Committee decided: that the key messages and recommendations contained within the report be noted.

7 Performance and Review Scrutiny Forum Annual Update

A report dated 22 November 2022 by the Executive Director (Finance and Corporate Resources) was submitted on reports considered by the Performance and Review Scrutiny Forum in the period from January to December 2022.

A report on the business considered by the Performance and Review 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.

[Reference: Minutes of 26 January 2022 (Paragraph 7)]

8 Forward Programme for Future Meetings

A report dated 11 November 2022 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 27 June 2023.

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 27 June 2023 be noted.

9 Urgent Business

There were no items of urgent business.