

RISK AND AUDIT SCRUTINY COMMITTEE

Minutes of meeting held via Confero and in the Council Chamber, Council Offices, Almada Street, Hamilton on 7 March 2023

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

Councillor Also Present:

Councillor Gerry Convery (for item 3)

Attending:

Finance and Corporate Resources

P Manning, Executive Director; Y Douglas, Audit and Compliance Manager; G McCann, Head of Administration and Legal Services; E-A McGonigle, 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 6 December 2022 were submitted for approval as a correct record.

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

3 Good Governance Update

A report dated 17 February 2023 by the Executive Director (Finance and Corporate Resources) was submitted providing an update on the Council's governance arrangements.

Each year, the Council undertook a comprehensive review of the governance arrangements required to support its financial and operational controls. The annual review of governance arrangements informed the Governance Statement which was included within the Council's Annual Accounts. As part of this annual review, the Council's Local Code of Corporate Governance was reviewed, updated and republished. Compliance with the Code was also reviewed on an annual basis and Appendix 1 to the report provided details of the Council's compliance with the Code.

Details of the amendments made to the Code, following the review, were provided and the revised Code was attached as Appendix 2 to the report. Progress on the significant governance areas, as highlighted within the Annual Governance Statement 2021/2022, was detailed in Appendix 3 to the report.

The Chair and Depute, on behalf of the Committee members, expressed appreciation of the work undertaken to prepare the update and the revised Local Code of Corporate Governance.

The Committee decided:

- (1) that the findings from the annual compliance check against the Local Code of Corporate Governance be noted;
- (2) that the updated Local Code of Corporate Governance be approved; and
- (3) that progress against the significant governance areas identified within the Annual Governance Statement 2021/2022 be noted.

[Reference: Minutes of 26 January 2022 (Paragraph 3)]

4 2023/2024 Internal Audit Plan

A report dated 16 February 2023 by the Executive Director (Finance and Corporate Resources) was submitted on the proposed Internal Audit Plan 2023/2024.

In recent years, the Internal Audit Plan had been presented as 2 separate 6-month plans so that the impact of redeployment of the Service to deliver COVID-19 related tasks could be managed. The 2023/2024 Plan had reverted to a proposed programme of work for the full financial year. The Plan included time with the Council's new External Auditor team to provide data, assist with their audit and respond to queries. A copy of the Plan would be shared with Audit Scotland so that areas where they would place reliance on output could be established.

A total of 1,220 audit days, inclusive of days which had been allocated to external clients, had been provided for in the Plan. The proposed Internal Audit Plan, which included a brief outline scope for each proposed assignment, was attached as Appendix 1 to the report. One Auditor post had been deployed full-time to the project and would be supplemented by significant additional time from an Audit Adviser. A detailed plan would be shared with the Committee at a future meeting which would set out how audit time would be used across both pre and post implementation periods.

The content of the Audit Plan each year was determined by the requirement to deliver a programme of work that would inform the annual audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control arrangements.

The 2023/2024 Audit Plan would be delivered within the context of the revised Internal Audit Charter, attached as Appendix 2 to the report, and in accordance with the Public Sector Internal Auditing Standards (PSIAS).

The Internal Audit function's compliance with PSIAS was being externally assessed by East Lothian Council in 2022/2023 and the outcome of that assessment would be presented to the Committee in June 2023.

The Chair and Depute, on behalf of the Committee members, thanked officers for the work that had been undertaken to prepare the 2023/2024 Internal Audit Plan.

The Committee decided: that the proposed Internal Audit Plan for 2023/2024 be approved.

[Reference: Minutes of 26 January 2022 (Paragraph 4)]

5 Internal Audit Activity as at 17 February 2023

A report dated 17 February 2023 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 19 November 2022 to 17 February 2023.

Findings from internal audit assignments were reported to this Committee throughout the year and the last progress report was considered by this Committee on 6 December 2022. Key performance indicators, which reflected quality, on time and within budget as at 31 January 2023, 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 17 February 2023, 33% of the 2022/2023 Audit Plan was complete. Of the remaining 67%, 34% related to assignments that were planned to conclude by 31 March 2023 and 33% related 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%.

Assignments completed in the period 19 November 2022 to 17 February 2023, together with a summary of overall assurances, were detailed in Appendix 2 to the report.

The Council formed part of the Glasgow City Region City Deal which funded a range of capital projects within South Lanarkshire. There had been no Internal Audit reports presented at the Cabinet meeting in February 2023. The next meeting of the Cabinet was in May 2023 and an update would be provided to the Committee in June 2023.

The self-assessment for the Public Sector Internal Audit Standards (PSIAS) external review had been passed to East Lothian Council for inspection. The assessment had been submitted 2 months later than intended due to other priorities. The outcome of the exercise would be reported to the Committee in June 2023.

The Committee decided:

- (1)** that the progress and performance be noted; and
- (2)** that the delay in progressing the external assessment of the Council's internal audit service level of compliance with PSIAS be noted.

[Reference: Minutes of 6 December 2022 (Paragraph 5)]

6 Fraud Statistics 6 Monthly Update 2022/2023

A report dated 16 February 2023 by the Executive Director (Finance and Corporate Resources) was submitted on fraud statistics for the 6 month period to 30 September 2022.

Details were given on the number, types, outcomes and costs of fraud investigations, together with performance measures for the 6 month period to 30 September 2022. A comparison with the statistics for the same period in 2021 was also provided. The fraud statistics for the 6 month period to September 2022 highlighted that:-

- ◆ 164 investigations, with a total value of £128,000, had either been reported in the period or carried forward from 2021/2022, representing an increase in number from the same period in 2021
- ◆ of the 164 cases, 9, valued at £5,000, had been closed within the period, representing a decrease when compared to the closed investigations for the same period in 2021
- ◆ 33% of cases closed in the period were founded and none of those involved a Council employee
- ◆ 100% of the founded cases related to fraud committed by a third party

On conclusion of all internal investigations, an assessment was made on whether an improvement action was necessary and, if required, an improvement plan would be issued containing recommended actions. Improvement plans were agreed with the relevant Heads of Service and the actions followed up by Internal Audit to ensure implementation and that gaps in controls had been addressed. Outcomes for concluded investigations would be reported to the Committee as part of Internal Audit's annual assurance report.

The Council's Serious and Organised Crime (SOC) Working Group had developed an action plan to address the impact of COVID-19 on SOC and the challenges that this had brought in the short, medium and long-term. The Group had progressed the delivery of various actions which would be revised if new or emerging threats were identified through the pan Lanarkshire Multi Agency SOC Group. Updates would be presented to the Committee periodically.

Audit Scotland had published a report in July 2022 entitled Fraud and Irregularity 2021/2022 in July 2022 which had set out a number of key messages and recommendations. The Council's Fraud Strategy had been reviewed and would be presented to the next meeting of the Committee.

The Audit and Compliance Manager responded to members' questions on various aspects of the report and, where information was not immediately available, undertook to provide this to the relevant members.

The Committee decided: that the report be noted.

[Reference: Minutes of 26 January 2022 (Paragraph 6)]

7 Update of the 2022/2023 Audit of South Lanarkshire Council and Trusts Registered as Scottish Charities

A letter dated 20 February 2023 by Audit Scotland, the Council's External Auditor, was submitted providing an update on the 2022/2023 audit of South Lanarkshire Council and trusts registered as Scottish charities.

The COVID-19 pandemic had continued to impact upon the completion of the 2021/2022 audits with ongoing statutory deadlines. This, combined with the changeover in the appointed auditor, had impacted on the timing of the planning work for the 2022/2023 audits.

Planning work for the 2022/2023 audits was at an early stage and, therefore, it had not been possible to present the Annual Audit Plan to the Committee at this meeting. The audit strategy letter highlighted key audit matters which included:-

- ◆ risks
- ◆ best value
- ◆ audit fee and timetable
- ◆ independence and objectivity

The Annual Audit Plan 2022/2023 would be circulated to members of the Committee by 31 March 2023 once the audit planning procedures had been concluded.

The Committee decided: that the information be noted.

8 Forward Programme for Future Meetings

A report dated 17 February 2023 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 30 January 2024.

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 30 January 2024 be noted.

[Reference: Minutes of 6 December 2022 (Paragraph 6)]

9 Urgent Business

There were no items of urgent business.