

RISK AND AUDIT SCRUTINY FORUM

Minutes of meeting held in Committee Room 2, Council Offices, Almada Street, Hamilton on 4 September 2012

Chair:

Councillor Lesley McDonald

Councillors Present:

Ralph Barker, Isobel Dorman, Anne Kegg, Susan Kerr, Pat Lee, Brian McKenna, Alice Marie Mitchell

Councillor's Apology:

Lynn Adams

Attending:

Finance and Corporate Resources

P Manning, Executive Director; H Black, Improvement and Risk Manager; Y Douglas, Audit Manager; P MacRae, Administration Officer; C McGhee, Audit Adviser; H McNeil, Head of Audit and Improvement; J Taylor, Head of Finance

Housing and Technical Resources

J McGowan, Benefits and Revenue Support Manager

Also Attending:

PricewaterhouseCoopers

A Campbell and C Revie, External Auditors

1 Declaration of Interests

No interests were declared.

2 Dates for Future Meetings

A report dated 8 August 2012 by the Executive Director (Finance and Corporate Resources) was submitted on the proposed timetable of meetings for the Forum to the end of 2013. It was proposed that the meetings be held at 11.00am on the following dates:-

- ◆ Tuesday 13 November 2012
- ◆ Tuesday 5 February 2013
- ◆ Tuesday 23 April 2013
- ◆ Tuesday 18 June 2013
- ◆ Tuesday 17 September 2013
- ◆ Tuesday 26 November 2013

The Forum decided:

that the arrangements for future meetings of the Forum to the end of 2013 be endorsed.

3 Internal Audit Activity - February to July 2012

A report dated 23 August 2012 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 1 February to 31 July 2012.

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

- ◆ 61% of assignments had been delivered within budget against a target of 80%
- ◆ 93% of draft reports had been delivered within 21 days of field work completion against a target of 80%
- ◆ 10% of the 2012/2013 Internal Audit Plan had been completed to a draft stage, although additional jobs, not included in the 2012/2013 Plan, had also been delivered in the period to 31 July 2012
- ◆ 85% of audit recommendations had been delivered on time against a target of 80%
- ◆ 87% of audit assignments had been concluded to a signed action plan within the target of seven weeks against a target of 80%

The findings from assignments completed in the period 1 February to 31 July 2012 were detailed in Appendix 2 to the report.

Officers responded to members' questions on the following assignments:-

- ◆ primary school meal income
- ◆ review of roads costing system

The Forum would be advised of progress in implementing the audit recommendations on the roads costing system.

The Forum decided: that the report be noted.

4 Internal Audit Annual Assurance Report 2011/2012

A report dated 27 August 2012 by the Executive Director (Finance and Corporate Resources) was submitted on:-

- ◆ the progress and performance of Internal Audit for the financial year 2011/2012
- ◆ the opinion of Internal Audit on the strength of the Council's control environment

Details were given on:-

- ◆ Internal Audit performance
- ◆ Council-wide performance
- ◆ workload analysis
- ◆ management of fraud risks
- ◆ financial controls and findings
- ◆ operational controls and findings

It was considered that there was adequate assurance over the reasonableness and effectiveness of the Council's internal control system for the financial year 2011/2012. The Internal Audit findings had informed the Council's 2011/2012 Governance Statement.

Officers responded to members' questions on operational controls in relation to:-

- ◆ contracts and procurement
- ◆ roads costing system

The Forum decided:

- (1) that the positive Internal Audit performance during 2011/2012 be noted;

- (2) that the adequate level of assurance on the Council's control environment be noted; and
- (3) that it be noted that the overall findings from Internal Audit work had been incorporated into the Council's 2011/2012 Annual Governance Statement.

[Reference: Minutes of Executive Committee of 11 July 2012 (Paragraph 17)]

5 The National Fraud Initiative 2010/2011

A report dated 23 August 2012 by the Executive Director (Finance and Corporate Resources) was submitted on the 2010/2011 National Fraud Initiative (NFI).

The NFI exercise in Scotland was co-ordinated by Audit Scotland. In 2010/2011, 81 public bodies including local authorities, the National Health Service and pension administering bodies had taken part in the exercise.

The 2010/2011 exercise had involved a Council-wide comparison of benefits, payroll, creditors, licences, insurance claims, blue badge holders and private nursing home residents. In addition to being matched to other benefits and payroll data, records had also been matched to deceased persons, expired visas and refused asylum cases. The 2010/2011 exercise had also been extended to include concessionary travel passes and residents' parking permits.

The Council's external auditor, PricewaterhouseCoopers, had concluded that the Council's arrangements for the 2010/2011 National Fraud Initiative exercise were satisfactory.

The Forum decided: that the report be noted.

6 Fraud Statistics Annual Update – 2011/2012

A report dated 27 August 2012 by the Executive Director (Finance and Corporate Resources) was submitted on fraud statistics for the year to 31 March 2012 and comparing those figures with the previous year's statistics.

Details were given on the number, types and outcomes of fraud investigations together with a comparison to the statistics for the same period in 2011. The fraud statistics for 2011/2012 highlighted that:-

- ◆ fraud amounting to approximately £365,000 had been reported to Internal Audit during the year to 31 March 2012, representing a 55% reduction from 2010/2011 figures
- ◆ 73% of all concerns reported related to benefit fraud
- ◆ there had been a decrease of 11% in the number of fraud concerns as at 31 March 2012 when compared to the same period in 2011
- ◆ 64% of investigations had been completed within the 8 week target, representing an increase of 13% from the same period in the previous year
- ◆ 79% of allegations investigated were founded
- ◆ current year recoveries were down from the same period last year
- ◆ 98% of amounts recovered in 2011/2012 related to benefit fraud

Details of fraud statistics for the financial years ending 31 March 2011 and 31 March 2012 respectively were given in Appendix 1 to the report. Actions recommended by Internal Audit to reduce the risk of fraud included:-

- ◆ introducing and updating procedures
- ◆ ensuring there was adequate security over Council assets

- ♦ introducing anti-fraud measures within operational services

The Forum decided: that the report be noted.

[Reference: Minutes of 14 July 2011 (Paragraph 4)]

7 Risk Management Year End Report 2011/2012

A report dated 26 July 2012 by the Executive Director (Finance and Corporate Resources) was submitted on:-

- ♦ risk management activity undertaken during 2011/2012
- ♦ planned work for 2012/2013
- ♦ the outcome of the review of the Risk Management Strategy

The actions highlighted in the Risk Management Work Plan had been included as a result of:-

- ♦ suggestions from the Risk Sponsors Group
- ♦ gaps identified from an assessment of risk management compliance with best practice standards
- ♦ actions identified during an Internal Audit assessment of the Council's risk management arrangements

The 2011/2012 Work Plan was attached as Appendix 1 to the report and assessed delivery of risk management actions. At the end of March 2012, 25 actions (83%) had been completed or were nearing completion. 5 actions had been carried forward to the 2012/2013 Work Plan and 1 further action was no longer applicable. The Risk Management Work Plan for 2012/2013 had been agreed by the Risk Sponsors Group and was detailed at Appendix 2 to the report.

Appendix 3 to the report gave details of Resources' compliance with the Risk Management Strategy. There had been an overall improvement in compliance of 17% since the year end risk management report for 2010/2011.

The 2011/2012 Risk Management Work Plan had included an action to review the Risk Management Strategy. The review had been undertaken in consultation with key stakeholders and had resulted in a number of amendments to the Strategy. Details of the main changes to the Strategy were given in the report and a copy of the updated Risk Management Strategy was attached as Appendix 4 to the report.

The review had also identified a requirement to produce a separate Risk Management Policy Statement which would:-

- ♦ provide a short, focused statement relating to the Council's approach to risk management
- ♦ highlight the commitment from all levels within the Council to manage risk effectively

The Policy Statement was attached as Appendix 5 to the report.

The opportunity had also been taken to review the Risk Management Methodology and a number of minor amendments had been made to that document. The updated methodology document was attached as Appendix 6 to the report.

The Forum decided: that the report be noted.

8 Audit Scotland - Annual Overview of Local Government in Scotland 2011

A report dated 24 July 2012 by the Executive Director (Finance and Corporate Resources) was submitted on the key points arising from the Annual Overview of Local Government in Scotland 2011 produced by Audit Scotland.

Having considered the performance of and the challenges faced by local authorities, Audit Scotland had identified a number of top priorities which were detailed in Appendix 1 to the report and summarised as:-

- ◆ best value, governance and equality
- ◆ preventative spend and organisational capacity
- ◆ budget setting and long term sustainability
- ◆ retaining workforce capacity and effective asset management and procurement
- ◆ leadership and governance
- ◆ working in partnership
- ◆ options for service delivery
- ◆ performance information

The Annual Overview contained a wide range of observations and recommendations. The Council's response to the issues raised was detailed in Appendix 2 to the report.

The Forum decided: that the report be noted.

[Reference: Minutes of Executive Committee of 11 July 2012 (Paragraph 11)]

9 Audit Scotland: Scotland's Public Finances - Addressing the Challenge

A report dated 25 July 2012 by the Executive Director (Finance and Corporate Resources) was submitted on the Audit Scotland report "Scotland's Public Finances – Addressing the Challenge". The Audit Scotland report was designed to provide an overview of the financial environment facing the public sector in Scotland as well as specific cost pressures.

The report outlined measures taken by the public sector to respond to current and future budget reductions and highlighted a number of key risks and issues that required to be managed in order to respond to those challenges.

The report comprised 3 sections as follows:-

- ◆ consideration of the financial environment relating to the 2011/2012 Scottish Government Budget
- ◆ review of the main cost pressures facing the public sector
- ◆ summary of the way in which public sector organisations aimed to reduce costs and make savings

The report included a checklist for long term financial sustainability for public sector leaders and elected members which covered the following 4 key areas:-

- ◆ the future of public services
- ◆ workforce planning
- ◆ financial sustainability
- ◆ leadership and governance

Consideration of the checklist confirmed that the Council already had in place a wide variety of arrangements to address the points raised. A summary of this activity was contained in Appendix 1 to the report.

The Forum decided: that the report be noted.

10 Shared Risk Assessment - Assurance and Improvement Plan 2012 to 2015

A report dated 23 July 2012 by the Executive Director (Finance and Corporate Resources) was submitted on:-

- ◆ the outcomes from the annual Shared Risk Assessment (SRA) process
- ◆ the 2012 to 2015 refresh of the Assurance and Improvement Plan (AIP)
- ◆ the publication of the National Scrutiny Plan for Local Government

Assurance and Improvement Plans for all 32 local authorities had been published following consideration by the National Quality Assurance Panel. The Council's AIP was attached as an appendix to the report.

The key points included within the Council's AIP were provided together with details of activity under the following 3 headings:-

- ◆ outcomes
- ◆ national risk priorities
- ◆ scrutiny plan changes

The National Scrutiny Plan for Local Government had been prepared by the Local Government Scrutiny Coordination Group which included representation from a range of scrutiny/inspection bodies. The Plan included information on a range of scrutiny development work being progressed by scrutiny bodies. Areas of particular relevance to the Council were noted together with confirmation that the status of the Scottish Housing Regulator had changed from an executive agency to a non-ministerial department from 1 April 2012.

Based on the details noted in the AIP, Executive Directors, through the Corporate Improvement Advisory Board, would:-

- ◆ consider the areas of uncertainty with a view to addressing them in the coming year
- ◆ ensure adequate progress in maintaining the existing risk assessment status
- ◆ note the changes made to the Scrutiny Plan and the footnotes of significant interest to the Council

The Forum decided:

- (1) that the Assurance and Improvement Plan 2012 to 2015 be noted;
- (2) that the content of the National Scrutiny Plan be noted; and
- (3) that it be noted that the report would be referred to the South Lanarkshire Partnership Board for consideration

[Reference: Minutes of Executive Committee of 11 July 2012 (Paragraph 16)]

11 Financial Resources Scrutiny Forum Activity

A report dated 9 August 2012 by the Executive Director (Finance and Corporate Resources) was submitted on reports considered by the Financial Resources Scrutiny Forum in the period from October 2011 to February 2012.

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

The Forum decided: that the report be noted.

12 Interim Management Letter 2011/2012 – Internal Audit

The interim management letter dated May 2012 from PricewaterhouseCoopers, the Council's external auditor, was submitted detailing the findings of PricewaterhouseCoopers' interim audit visit to the Council during March and April 2012. The review had focused on the following areas:-

- ◆ financial statements
- ◆ governance arrangements
- ◆ performance management

The approach taken by the external auditor involved:-

- ◆ gaining an understanding of the Council's strategy, business objectives and associated risks to focus the audit on risks which impacted on financial reporting
- ◆ understanding the controls which management had in place around the key areas of audit risk
- ◆ validation of those key controls

Of the 2 action points identified by the external auditor, 1 had been categorised as medium risk and 1 as low risk. The auditor's recommendations were currently being addressed or had already been implemented by the Council.

The Forum decided: that the external auditor's interim management letter for 2011/2012 be noted.

[Reference: Minutes of 14 July 2011 (Paragraph 7)]

13 Follow-up Report – May 2012

A report dated May 2012 by PricewaterhouseCoopers, the Council's external auditor, was submitted on the auditor's follow-up of prior year recommendations which had been undertaken during March and April 2012. The follow-up related to recommendations contained in the following reports:-

- ◆ 2010/2011 follow-up of best value and community planning
- ◆ follow-up of 2009/2010 audit recommendations during the 2010/2011 audit
- ◆ interim management letter 2010/2011

At the time of the auditor's visit, progress in implementing the 16 recommendations contained in the reports was as follows:-

- ◆ 12 fully implemented
- ◆ 3 actions in progress
- ◆ 1 no longer applicable

Of the 3 recommendations which had been classed as action in progress, 1 was considered high risk in terms of risk assessment, 1 was considered medium risk and 1 had been categorised as low risk. The management responses to the external auditor's recommendations were detailed in section 3 of the report.

The Forum decided: that the report be noted.

14 Forward Programme for Future Meetings

A report dated 27 August 2012 by the Executive Director (Finance and Corporate Resources) was submitted on the outline forward programme for the meetings of the Risk and Audit Scrutiny Forum to June 2013.

The Forum decided:

- (1) that the outline forward programme for the Risk and Audit Scrutiny Forum, attached as an appendix to the report, be noted; and
- (2) that the opportunity for members to suggest topics for inclusion in the Forum's forward programme be noted.

15 Urgent Business

There were no items of urgent business.