

RISK AND AUDIT SCRUTINY FORUM

Minutes of meeting held in Committee Room 2, Council Offices, Almada Street, Hamilton on 18 February 2014

Chair:

Councillor Lesley McDonald

Councillors Present:

Ralph Barker, Walter Brogan, Archie Buchanan, Graeme Campbell, Isobel Dorman, Susan Kerr, Gerard Killen, Brian McKenna

Attending:

Finance and Corporate Resources

P Manning, Executive Director; H Black, Improvement and Community Planning Manager; Y Douglas, Audit and Compliance Manager; S Dunsmore, Finance Manager (Risk Management); P MacRae, Administration Officer; C McGhee, Audit Adviser; A Norris, Administration Assistant; J Taylor, Head of Finance

Housing and Technical Resources

J McGowan, Benefits and Revenue Support Manager

Also Attending:

PricewaterhouseCoopers

M Kerr and M Pitt, 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 Forum held on 26 November 2013 were submitted for approval as a correct record.

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

3 Internal Audit Activity as at 29 January 2014

A report dated 29 January 2014 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 1 November 2013 to 29 January 2014.

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

- ◆ 74% of assignments had been delivered within budget against a target of 80%
- ◆ 95% of assignments had been concluded to a signed action plan within the target of 7 weeks against a target of 80%
- ◆ 88% of draft reports had been delivered within 21 days of field work completion against a target of 80%

- ◆ 43% of the 2013/2014 Internal Audit Plan had been completed to a draft stage against an annual target of 100% with a Workplan in place to deliver all draft reports by 30 April 2014
- ◆ 86% of audit recommendations had been delivered on time against a target of 90%

The findings from assignments completed in the period 1 November 2013 to 29 January 2014 were detailed in Appendix 2 to the report. Significant assignments completed in the period were detailed in Appendix 3 to the report.

Following a recent review of the 2013/2014 Audit Plan, work was no longer required during 2013/2014 on the following 4 assignments:-

- ◆ public performance reporting
- ◆ social care (iproc)
- ◆ procedural review under occupancy
- ◆ advice and guidance trading services' review

It was also proposed that follow-up work within 4 separate areas be deferred until 2014/2015. A further 5 assignments were no longer considered to be high priority and, as a result, planned follow up work on those assignments would not be undertaken. The deferral of assignments within the 2013/2014 Audit Plan, together with those which no longer required to be delivered, had allowed 97 days to be reallocated to work which provided coverage of areas of emerging risk or to assignments where further time had been required to test controls.

The Forum decided:

- (1) that the report be noted; and
- (2) that the amendments to the 2013/2014 Audit Plan be endorsed.

[Reference: Minutes of 26 November 2013 (Paragraph 3)]

4 Internal Audit Plan 2014/2015

A report dated 29 January 2014 by the Executive Director (Finance and Corporate Resources) was submitted on the Internal Audit Plan 2014/2015.

A total of 2,000 audit days had been provided for in the Plan. The outline scope of assignments contained in the Plan was detailed in Appendix 1 to the report.

All proposed assignments had been risk assessed prior to inclusion in the Plan. A contingency list of audit assignments had been prepared to allow further risk related work to be carried out during the year if time permitted. The contingency list was attached as Appendix 2 to the report.

The Forum decided:

- (1) that the Internal Audit Plan 2014/2015 be endorsed and submitted to a future meeting of the Executive Committee for formal approval; and
- (2) that the contingency list of audit assignments be noted.

5 Fraud Statistics and National Fraud Initiative 6 Monthly Update

A report dated 22 January 2014 by the Executive Director (Finance and Corporate Resources) was submitted on:-

- ◆ fraud statistics for the 6 month period to 30 September 2013
- ◆ progress on the 2012 National Fraud Initiative (NFI) exercise

The fraud statistics for the 6 month period to September 2013, together with a comparison against the statistics for the same period in 2012, were detailed in Appendix 1 to the report. 38 investigations had been completed in the 6 month period, with a total value of £74,000. The majority related to benefit fraud or fraud committed by a third party.

The 2012 NFI exercise had involved a council-wide comparison of benefits, payroll, creditors, licences, insurance claims, blue badge holders and private nursing home residents. The Council had been provided with 12,544 matches for potential fraud. Of the 2,604 matches which the Council had targeted for investigation, 1,672 had been completed at 30 September 2013. Details of investigation targets were given in Appendix 2 to the report. It was anticipated that all investigations would be completed by 31 March 2014.

Officers responded to questions on:-

- ◆ fraud referrals from the Department for Work and Pensions
- ◆ payroll fraud

The Forum decided: that the report be noted.

[Reference: Minutes of 17 September 2013 (Paragraph 8)]

6 Insurance Claims from 1 April to 30 September 2013

A report dated 22 January 2014 by the Executive Director (Finance and Corporate Resources) was submitted on the Council's insurance claims from 1 April to 30 September 2013 for the following 4 main classes of insurance:-

- ◆ employer's liability
- ◆ public liability
- ◆ motor insurance
- ◆ property insurance

The overall number of claims received for the 4 main classes of insurance in the period between 1 April and 30 September 2013 was 592 which was in line with figures for the same period in the previous year. The estimated value of those claims was £869,300, a reduction of £7,700 on the value of claims intimated for the same period in 2012.

Officers responded to members' questions on:-

- ◆ claims relating to incidents on land within the housing account as a result of work carried out by external contractors
- ◆ house fire claims

Information would be circulated to members on:-

- ◆ procedures in place to record instances where external contractors had undertaken work and carried out repairs on Council owned land
- ◆ previous claims which had successfully been passed to external contractors

The Forum decided: that the report be noted.

[Reference: Minutes of 26 November 2013 (Paragraph 4)]

7 Public Sector Internal Audit Standards (PSIAS)

A report dated 29 January 2014 by the Executive Director (Finance and Corporate Resources) was submitted on the introduction of Public Sector Internal Audit Standards (PSIAS) which became effective on 1 April 2013.

The PSIAS were mandatory, applied to all public sector organisations and assessed compliance against the following 4 main areas:-

- ◆ definition of internal auditing
- ◆ code of ethics
- ◆ attribute standards
- ◆ performance standards

An interim assessment had indicated that the Council's Internal Audit Service was fully compliant in 83.9% of those areas and partially compliant in a further 9.7%. Where the internal audit function was found to be partially compliant or non-compliant with the PSIAS, an action was noted in the action plan, attached as an appendix to the report, together with a proposal indicating how compliance would be achieved.

The PSIAS required the internal audit function to be assessed externally every five years. To satisfy this requirement, the Scottish Local Authority Chief Internal Auditors' Group (SLACIAG) had developed a reciprocal arrangement proposal where each authority would undertake a self-assessment exercise which would then be externally validated by a SLACIAG member. Local authorities had expressed an interest in participating in this arrangement.

The Forum decided: that the report be noted.

8 Performance and Review Scrutiny Forum Annual Update

A report dated 28 January 2014 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 2013.

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

The Forum decided: that the report be noted.

9 External Audit Plan for Year Ending 31 March 2014

The Forum considered the South Lanarkshire Council Audit Plan for 2013/2014 submitted by the Council's external auditor, PricewaterhouseCoopers.

Details were given on the following key areas:-

- ◆ overview of PricewaterhouseCoopers' audit approach
- ◆ risk of fraud

- ♦ reporting and timetable
- ♦ areas of particular audit risk

The Forum decided: that the report be noted.

10 Forward Programme for Future Meetings

A report dated 5 February 2014 by the Executive Director (Finance and Corporate Resources) was submitted on the outline forward programme for meetings of the Risk and Audit Scrutiny Forum to July 2014.

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

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

11 Urgent Business

There were no items of urgent business.