

RISK AND AUDIT SCRUTINY COMMITTEE

Minutes of meeting held via Microsoft Teams on 26 January 2022

Chair:

Councillor Eric Holford

Councillors Present:

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

Councillors' Apologies:

Councillor Mary Donnelly, Councillor Martin Lennon, Councillor Davie McLachlan

Councillor Also Present:

Councillor John Ross (for item 3)

Attending:

Finance and Corporate Resources

P Manning, Executive Director; Y Douglas, Audit and Compliance Manager; T Little, Head of Communications and Strategy; G McCann, Head of Administration and Legal Services; E-A McGonigle, Administration Officer; A Norris, Administration Assistant

Also Attending:

Audit Scotland

G McNally, 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 17 November 2021 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 11 January 2022 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 from April to September 2021, as highlighted within the Annual Governance Statement 2020/2021, was detailed in Appendix 3 to the report.

Officers were commended on the format and clarity of the report and associated appendices.

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 2020/2021 be noted.

[Reference: Minutes of 22 June 2021 (Paragraph 4)]

4 2022/2023 Internal Audit Plan

A report dated 11 January 2022 by the Executive Director (Finance and Corporate Resources) was submitted on the proposed interim Internal Audit Plan 2022/2023.

Presentation of the Internal Audit Plan 2022/2023 to the Committee had been brought forward due to the local government elections to be held in May 2022. To reflect this earlier presentation of the Plan and to allow time to fully assess resources available in 2022/2023, and the extent of the function's role within the Oracle Fusion project, areas of the Plan that detailed audit work within Resources would not be fully scoped until the first quarter of 2022/2023. The Plan would be refreshed and re-presented to the first meeting of the new Risk and Audit Scrutiny Committee following the local government elections.

The content of the Audit Plan was determined by the requirement to deliver a programme of work that informed the annual audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control arrangements. The interim Audit Plan supported this objective with an initial focus on:-

- ◆ committing resources to support corporate activity
- ◆ prioritising assignments to ensure key areas of work were completed in year

Presenting the Internal Audit Plan in this way in 2022/2023 would ensure that it was current, relevant and deliverable.

The proposed interim Internal Audit Plan for 2022/2023, which included a brief outline scope for each proposed assignment, was attached as Appendix 2 to the report. Objectives and scopes would be refined by auditors prior to the commencement of work and once a full risk analysis had been completed and key controls identified. Clients would be involved in this initial risk and control assessment and would be consulted prior to the preparation of the audit remit for each assignment.

The Council's top risks were last assessed in 2021/2022 and, as in recent years, had not significantly changed. Previously identified risks were mostly still valid, albeit the majority of the top risks had been impacted by COVID-19. An exercise to map the full Audit Plan to the Council's top risks would be completed in June 2022 and the outcome reported to the Committee.

Capacity planning had reflected the anticipated resources required to assist with the implementation of Oracle Fusion as well as other known resourcing pressures in 2022/2023 arising from planned leave and a secondment to the election office for the local government elections in May 2022.

The 2022/2023 Audit Plan would be delivered within the context of the revised Internal Audit Charter, attached as Appendix 1 to the report, and in accordance with the Public Sector Internal Auditing Standards (PSIAS).

Officers responded to members' questions in relation to Internal Audit's role in supporting the implementation of the Oracle Fusion project.

The Committee decided:

- (1) that the proposed interim Internal Audit Plan for 2022/2023 be approved; and
- (2) that it be noted that this Audit Plan would be formally reviewed in June 2022 and re-presented to the Committee setting out the proposed programme of audits within Resources, currently 326 days within the interim Audit Plan.

5 Internal Audit Activity as at 7 January 2022

A report dated 10 January 2022 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 30 October 2021 to 7 January 2022.

Findings from internal audit assignments were reported to this Committee throughout the year and the last progress report was considered by this Committee on 17 November 2021. Key performance indicators, which reflected quality, on time and within budget for the period to 30 November 2021, 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 7 January 2022, 98% of the 2021/2022 Audit Plan was in progress. 28% of assignments had been completed to the draft report stage and a further 19% of assignments related to those that were closed at the financial year end. Work to complete the remaining 53% of the 2021/2022 Plan continued and arrangements were in place to ensure those were concluded by 31 March 2022.

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%.

The findings from assignments completed in the period 30 October 2021 to 7 January 2022, together with a summary of overall assurances were detailed in Appendix 2 to the report.

It was noted that the Council formed part of the Glasgow City Region City Deal which funded a range of capital projects within South Lanarkshire. Similar to the Council's own governance arrangements, there was an Internal Audit Plan of work within the Glasgow City Region City Deal programme which was delivered by Glasgow City Council. The findings were reported to the Glasgow City Region Cabinet and reports also presented to a separate Audit Group, which representatives from South Lanarkshire Council attended. At the December 2021 meeting of the Cabinet, it was agreed that Audit Committees within member authorities should have sight of the City Deal audit reports. Accordingly, the Committee would receive periodic updates within the activity report. A link was provided in the report to the most recent audit report on Business Continuity and Resilience. Actions from the City Deal audit reports would also be added to the Council's audit action database to ensure those were implemented fully and delivered on time.

In response to a member's question, officers outlined the approach the Council would take to ensure audit actions were implemented and reported back to the Committee.

The Committee decided: that the report be noted.

[Reference: Minutes of 17 November 2021 (Paragraph 6)]

6 Fraud Statistics 6 Monthly Update

A report dated 10 January 2022 by the Executive Director (Finance and Corporate Resources) was submitted on fraud statistics for the 6 month period to 30 September 2021.

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 2021. A comparison with the statistics for the same period in 2020 was also provided. The fraud statistics for the 6 month period to September 2021 highlighted that:-

- ◆ 152 investigations, with a total value of £154,000, had either been reported in the period or carried forward from 2020/2021, representing a slight decrease in number from the same period in 2020
- ◆ of the 152 cases, 16, valued at £6,000, had been closed within the period, representing a decrease when compared to the closed investigations for the same period in 2020
- ◆ 63% of cases closed in the period were founded and none of those involved a Council employee
- ◆ 100% of the founded cases related to benefit fraud or 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.

In response to a member's question concerning fraud, officers provided details of the work undertaken by the Council in relation to the National Fraud Initiative.

The Committee decided: that the report be noted.

[Reference: Minutes of 3 March 2021 (Paragraph 6)]

7 Performance and Review Scrutiny Forum Annual Update

A report dated 11 January 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 2021.

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 3 March 2021 (Paragraph 7)]

8 Urgent Business

There were no items of urgent business.