

RISK AND AUDIT SCRUTINY COMMITTEE

Minutes of meeting held in Committee Room 2, Council Offices, Almada Street, Hamilton on 18 September 2019

Chair:

Councillor Graeme Campbell

Councillors Present:

Councillor Poppy Corbett, Councillor Maureen Devlin, Councillor Mary Donnelly, Councillor Mark Horsham, Councillor Julia Marrs, Councillor Carol Nugent, Councillor Margaret B Walker

Councillor Also Present:

Councillor John Ross (for items 3 and 4)

Councillors' Apologies:

Councillor Martin Lennon, Councillor Jim Wardhaugh

Attending:

Finance and Corporate Resources

P Manning, Executive Director and Depute Chief Executive; Y Douglas, Audit and Compliance Manager; P MacRae, Administration Officer; N Reid, Improvement and Community Planning Manager; J Taylor, Head of Finance (Strategy)

Also Attending:

Audit Scotland

A Kerr, F Mitchell-Knight and D Richardson, 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 19 June 2019 were submitted for approval as a correct record.

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

3 External Auditors' Annual Report to South Lanarkshire Council 2018/2019

The following documents were submitted by Audit Scotland, the Council's external auditors:-

- ◆ letter and appendices relating to the 2018/2019 Annual Audit report on South Lanarkshire Council and registered charities administered by South Lanarkshire Council
- ◆ 2018/2019 South Lanarkshire Council proposed Annual Audit report to members of the Council and the Controller of Audit

The Audit Director, Audit Scotland, introduced the report and the Senior Audit Manager, Audit Scotland, spoke on the Annual Audit report and highlighted the following:-

- ◆ the audit of the 2018/2019 Annual Accounts
- ◆ financial management
- ◆ financial sustainability
- ◆ governance and transparency
- ◆ value for money
- ◆ key messages
- ◆ 2018/2019 action plan on recommendations for improvement
- ◆ significant audit risks identified during planning of the audit

The Senior Audit Manager also referred to significant findings from the audit of financial statements in relation to:-

- ◆ pension liability
- ◆ loans fund
- ◆ holiday pay accrual
- ◆ South Lanarkshire Integration Joint Board

The external auditors' opinion on the Council's Annual Accounts 2018/2019 and those of the 3 charities administered by the Council was unqualified.

Officers responded to a member's question on pension liability.

The Committee decided: that the report be noted.

4 Audited Annual Accounts 2018/2019

A report dated 10 September 2019 by the Executive Director (Finance and Corporate Resources) was submitted on the:-

- ◆ Council's Certified Annual Accounts and Charitable Trusts' Accounts for 2018/2019, which had received a clear audit certificate from the Council's external auditors, Audit Scotland
- ◆ requirement to approve the Annual Accounts 2018/2019 for signature in terms of both the Council's accounts and related charitable trusts

The accounts covered the Council as well as 3 Charitable Trusts managed by the Council, namely South Lanarkshire Council Educational Trust, South Lanarkshire Council Charitable Trust and the East Kilbride Information Technology Trust. A clean audit certificate had been received for each and no specific actions were required.

The Annual Accounts would be advertised as being available for public inspection in Finance Services, Floor 4, Council Offices, Almada Street, Hamilton and also on the Council's website.

The Committee decided:

- (1) that the South Lanarkshire Council Annual Accounts 2018/2019 and the Charitable Trusts' Accounts, which had received a clean audit certificate from the Council's external auditors, Audit Scotland, be approved for signature; and
- (2) that it be noted that the external auditors' report would be referred to a future meeting of South Lanarkshire Council for noting.

5 Internal Audit Activity as at 30 August 2019

A report dated 30 August 2019 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 1 June to 30 August 2019.

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

- ◆ 73% of assignments had been delivered within budget against a target of 80%
- ◆ 100% of draft reports had been delivered on time against a target of 80%
- ◆ 61% of the 2019/2020 Internal Audit Plan had commenced
- ◆ 100% of audit assignments had been 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 1 June to 30 August 2019 were detailed in Appendix 2 to the report. Significant assignments completed in the period were detailed in Appendix 3 to the report.

The Committee decided: that the report be noted.

[Reference: Minutes of 13 June 2019 (Paragraph 6)]

6 Efficiency Savings 2018/2019

A report dated 7 August 2019 by the Executive Director (Finance and Corporate Resources) was submitted on the Council's Efficiency Savings for 2018/2019.

As part of the Scottish Government's efficiencies agenda, councils had been asked to return information on efficiencies generated in the year.

The level of efficiencies achieved by the Council in 2018/2019 was £32.628 million. This figure took account of the removal of any savings which were not considered to be efficiencies achieved in the year. The efficiency savings did, however, include efficiencies achieved through improved procurement practices, corporate solutions and those identified by the Lanarkshire Valuation Joint Board.

The Council continued to recognise the ongoing requirement to demonstrate efficiency, with continuous improvement remaining a key principle of Best Value.

The Efficiency Statement, which was attached as an appendix to the report, had been forwarded to COSLA by the due date of 23 August 2019.

The Committee decided: that the report be noted.

[Reference: Minutes of 14 November 2018 (Paragraph 7)]

7 2018 National Fraud Initiative Exercise

A report dated 30 August 2019 by the Executive Director (Finance and Corporate Resources) was submitted on the 2018 National Fraud Initiative (NFI).

The NFI matched similar data in different public sector systems and identified possible inconsistencies. Those inconsistencies, known as matches, required to be investigated by local authorities with a view to detecting fraud. Until 2014, the focus of the initiative had alternated annually between a limited and a full exercise. The full exercise continued to be undertaken every 2 years, however, the limited Single Person Discount (SPD) exercise, where the electoral register and council tax data were compared to detect cases where Single Person Discount was being claimed and there was more than 1 person over 18 in the household, could now be carried out annually. The 2018 NFI had been a full exercise and involved Council wide comparisons including:-

- ◆ benefits
- ◆ payroll
- ◆ creditors
- ◆ licences
- ◆ blue badge holders
- ◆ recipients of direct funding
- ◆ private nursing home residents

Records had also been matched to the Department for Work and Pensions' deceased persons' records.

Details were given on the results of the 2018 exercise which, for the Council, highlighted that:-

- ◆ at 30 August 2019, a total of 22,926 matches had been identified which represented an increase of 627 matches, compared with the previous exercise in 2016
- ◆ the greatest increase was in the number of matches relating to Creditors, both in terms of Creditors' Payments and Standing Data. The target number of investigations into Creditors' Payments had already been exceeded with 782 matches investigated and closed against a total target number of investigations of 774
- ◆ the greatest decrease was in the number of matches relating to blue badges. This decrease primarily reflected an issue during the 2016 exercise where responsibility transferred from Social Work Resources to Finance and Corporate Resources and there had been a short-term backlog in updating this database

A target number of matches to be investigated was determined on a risk basis. The Council would investigate a minimum of 2,099 matches, excluding those relating to Single Person Discount (SPD)

The following information was provided in appendices 1 to 3 of the report respectively:-

- ◆ details of the match areas covered in the 2018 exercise
- ◆ a comparison of matches across the 2016 and 2018 exercises
- ◆ a detailed breakdown of the targets by area

The Committee decided: that the report be noted.

[Reference: Minutes of 14 November 2018 (Paragraph 7)]

8 Fraud Statistics Annual Report 2019

A report dated 30 August 2019 by the Executive Director (Finance and Corporate Resources) was submitted on fraud statistics for the year to 31 March 2019 and comparing those figures with the previous year's statistics.

The number, types, outcomes and costs of fraud investigations, together with performance measures for the year to 31 March 2019, were detailed in the report. A comparison to the statistics for the same period in the previous year was also provided. Those statistics highlighted that:-

- ◆ 182 fraud investigations with a total value of £158,000 had been reported in the period, representing an increase in number and decrease in value from the previous year
- ◆ 72% of cases investigated were founded
- ◆ 98% of 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 improvement actions were necessary. 3 improvement plans had resulted from fraud investigations during the year to 31 March 2019.

The Committee decided: that the report be noted.

[Reference: Minutes of 18 September 2018 (Paragraph 7)]

9 Audit Scotland Report: Safeguarding public money: are you getting it right?

A report dated 29 August 2019 by the Executive Director (Finance and Corporate Resources) was submitted on the Audit Scotland report entitled 'Safeguarding public money: are you getting it right?'

The Audit Scotland report, which had been published in April 2019, recognised that councils faced a number of challenges, including complex and challenging financial pressures.

Details were given on the Audit Scotland report which was divided into the following 3 parts:-

- ◆ Part 1 internal controls help council to manage risks
- ◆ Part 2 weak controls can have serious consequences
- ◆ Part 3 Officers and Councilors both have important roles

A number of key messages were set out in the report relating to:-

- ◆ the requirement for an effective system of internal controls and risk management
- ◆ indications that standards of internal controls might be strained
- ◆ Councillors' accountability for scrutinising councils' use of public money
- ◆ the need for Councillors to seek assurances from officers that a rigorous system of internal controls was in place

The Audit Scotland report contained checklists for Councillors' use in evaluating their level of assurance in relation to specific areas. Those, together with the Council's response, where applicable, were contained in the appendices to the Executive Director's report.

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

The Committee decided: that the key messages in the Audit Scotland report entitled 'Safeguarding public money: are you getting it right?' be noted.

10 Audit Scotland Report: Challenges and Performance 2019

A report dated 4 September 2019 by the Executive Director (Finance and Corporate Resources) was submitted on the Audit Scotland report entitled 'Challenges and Performance 2019'.

Audit Scotland published an overview report each year, on behalf of the Accounts Commission, covering key areas of current and future activity relative to local government and providing an opinion on how those were, or should be, managed.

The Audit Scotland report was divided into the following 3 parts:-

- ◆ Part 1 the context for councils
- ◆ Part 2 how councils are responding
- ◆ Part 3 council performance and the impact on communities

A number of key messages arising from the report were highlighted. Details of Audit Scotland's recommendations for councils were provided, together with an assessment of the position in this Council.

The Committee decided: that the key messages and recommendations detailed in the Audit Scotland report entitled 'Challenges and Performance 2019' be noted.

[Reference: Minutes of 14 November 2018 (Paragraph 6)]

11 Forward Programme for Future Meetings

A report dated 29 August 2019 by the Executive Director (Finance and Corporate Resources) was submitted on the outline forward programme for the meeting of the Risk and Audit Scrutiny Committee to be held on 27 November 2019.

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 meeting of the Risk and Audit Scrutiny Committee to be held on 27 November 2019 be noted.

12 Urgent Business

There were no items of urgent business.