



Council Offices, Almada Street  
Hamilton, ML3 0AA

Dear Councillor

## **Risk and Audit Scrutiny Committee**

The Members listed below are requested to attend a meeting of the Committee to be held as follows:-

**Date:** Wednesday, 24 April 2019

**Time:** 10:00

**Venue:** Committee Room 2, Council Offices, Almada Street, Hamilton, ML3 0AA

The business to be considered at the meeting is listed overleaf.

<b>Members are reminded to bring their fully charged tablets to the meeting</b>
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Yours sincerely

**Lindsay Freeland**  
**Chief Executive**

### **Members**

Graeme Campbell (Chair), Poppy Corbett, Maureen Devlin, Mary Donnelly, Mark Horsham, Martin Lennon, Julia Marrs, Carol Nugent, Margaret B Walker, Jim Wardhaugh

### **Substitutes**

Janine Calikes, Margaret Cowie, Isobel Dorman, Eric Holford, Bert Thomson, Jared Wark

## BUSINESS

### 1 Declaration of Interests

- 2 Minutes of Previous Meeting** 3 - 8  
Minutes of the meeting of the Risk and Audit Scrutiny Committee held on 6 February 2019 submitted for approval as a correct record. (Copy attached)

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#### Item(s) for Decision

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- 3 Internal Audit Activity as at 3 April 2019** 9 - 16  
Report dated 3 April 2019 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 4 Internal Audit Plan 2019/2020** 17 - 30  
Report dated 8 April 2019 by the Executive Director (Finance and Corporate Resources). (Copy attached)

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#### Item(s) for Noting

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- 5 Audit Scotland – Financial Overview 2017/2018** 31 - 42  
Report dated 28 March 2019 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 6 Fraud Statistics and National Fraud Initiative Six Monthly Update** 43 - 48  
Report dated 8 April 2019 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 7 Annual Audit Plan 2018/2019** 49 - 64  
Report dated March 2019 by Audit Scotland, External Auditors. (Copy attached)
- 8 Forward Programme for Future Meetings** 65 - 68  
Report dated 8 April 2019 by the Executive Director (Finance and Corporate Resources). (Copy attached)

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#### Urgent Business

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- 9 Urgent Business**  
Any other items of business which the Chair decides are urgent.

Clerk Name: Pauline MacRae  
Clerk Telephone: 01698 454108  
Clerk Email: pauline.macrae@southlanarkshire.gov.uk

## RISK AND AUDIT SCRUTINY COMMITTEE

2

Minutes of meeting held in Committee Room 2, Council Offices, Almada Street, Hamilton on 6 February 2019

**Chair:**

Councillor Graeme Campbell

**Councillors Present:**

Councillor Poppy Corbett, Councillor Maureen Devlin, Councillor Mary Donnelly, Councillor Isobel Dorman (*substitute for Councillor Julia Marrs*), Councillor Mark Horsham, Councillor Carol Nugent, Councillor Margaret B Walker, Councillor Jim Wardhaugh

**Councillor Also Present:**

Councillor John Ross (for item 3)

**Councillors' Apologies:**

Councillor Martin Lennon, Councillor Julia Marrs

**Attending:**

**Chief Executive's Service**

L Freeland, Chief Executive (for item 3)

**Finance and Corporate Resources**

P Manning, Executive Director; Y Douglas, Audit and Compliance Manager; S Dunsmore, Insurance and Risk Management Adviser; T Little, Head of Corporate Communications and Strategy; P MacRae, Administration Officer; G McCann, Head of Administration and Legal Services

**Also Attending:**

**Audit Scotland**

D Richardson, External Auditor

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### 1 Declaration of Interests

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No interests were declared.

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### 2 Minutes of Previous Meeting

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The minutes of the meeting of the Risk and Audit Scrutiny Committee held on 14 November 2018 were submitted for approval as a correct record.

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

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### 3 Annual Review of the Local Code of Corporate Governance

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A report dated 11 December 2018 by the Executive Director (Finance and Corporate Resources) was submitted on the annual review of the Local Code of Corporate Governance.

The Council undertook, on an annual basis, a comprehensive review of the governance arrangements required to support its financial and operational controls. To achieve good governance, the Council required to:-

- ◆ demonstrate that its governance structures complied with principles contained in the governance framework established by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE)
- ◆ develop and maintain a Local Code of Governance and governance arrangements reflecting those principles

The Local Code of Corporate Governance had been reviewed and an updated document had been prepared as part of the 2018/2019 annual review of governance arrangements. Details were given on:-

- ◆ the review process and findings from the review
- ◆ key governance changes during 2017/2018
- ◆ communication of the Code

The updated Code had been attached as Appendix 1 to the report and the main changes to the Council's governance arrangements were detailed in Appendix 2.

**The Committee decided:**

- (1) that the findings from the review of the Local Code of Corporate Governance be noted; and
- (2) that the updated Local Code of Corporate Governance be approved.

*[Reference: Minutes of 13 June 2018 (Paragraph 5)]*

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#### **4 Internal Audit Activity as at 16 January 2019**

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A report dated 16 January 2019 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 25 October 2018 to 16 January 2019.

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

- ◆ 63% of assignments had been delivered within budget against a target of 80%
- ◆ 85% of draft reports had been delivered on time against a target of 80%
- ◆ 83% of the 2018/2019 Internal Audit Plan had commenced and plans were in place to deliver the programme by 31 March 2019
- ◆ 82% 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%
- ◆ 91% of Internal Audit recommendations had been delivered on time against a target of 90%

The findings from assignments completed in the period 25 October 2018 to 16 January 2019 were detailed in Appendix 2 to the report.

Following a review of the current year's Audit Plan, it was proposed not to complete the following 4 audit assignments in 2018/2019 for the reasons detailed in the Executive Director's report:-

- ◆ ICON (income management system)
- ◆ mobile working (roads)
- ◆ financial strategy
- ◆ roads follow up

**The Committee decided:**

- (1) that the performance of the Internal Audit Service and the progress of assignments in the period 25 October 2018 to 16 January 2019 be noted; and
- (2) that the proposed amendments to the Internal Audit Plan 2018/2019 be approved.

*[Reference: Minutes of 11 November 2018 (Paragraph 3)]*

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## **5 Good Governance Action Plan 2018/2019 - Quarter 2 Progress Report**

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A report dated 11 December 2018 by the Executive Director (Finance and Corporate Resources) was submitted on the 2018/2019 Good Governance Action Plan.

The 2018/2019 Good Governance Action Plan highlighted improvement areas which had been identified through the annual assessment of governance arrangements. The Action Plan had been developed in parallel with, and informed, the Governance Statement which was included in the Annual Accounts. The Quarter 2 Update of the Good Governance Action Plan 2018/2019, attached as an appendix to the report, was based on the IMPROVe performance management reporting system and provided details of the governance control measures and actions undertaken by Resources. The monitoring system was traffic light based, with red, amber, green and 'to be reported later' categories. Of the 21 control measures identified in the Plan:-

- ◆ 14 had been categorised as green, indicating that the timescale target had been met in line with expectations
- ◆ none had been categorised as amber. This category indicated that there had been minor slippage against timescale or minor shortfall against target
- ◆ 1 had been categorised as red, indicating that there had been major slippage against timescale or major shortfall against target
- ◆ 6 would be reported later. For some measures, statistics were not available to ascertain whether the target had been reached and those would be reported when available

**The Committee decided:** that the report be noted.

*[Reference: Minutes of 24 January 2018 (Paragraph 4)]*

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## **6 Review of the Council's Top Risks**

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A report dated 16 January 2019 by the Executive Director (Finance and Corporate Resources) was submitted on the outcome of a review of the Council's top risks.

Details were given on the process for, and results of, the 2018 annual review of the Council's top risks.

Details of the revised top 20 risks, with both the inherent and residual risk scores, together with examples of associated risk controls and an assessment of the adequacy of controls, were given in Appendix 1 to the report. The Council's overall risk exposure for 2018/2019 had remained the same as in 2017/2018.

In response to members' questions, the Insurance and Risk Management Adviser undertook to provide further information in relation to the following risks:-

- ◆ recruitment arrangements to prepare for the national expansion in early years education and childcare provision
- ◆ preparation of rapid rehousing transformation plans to address proposals from the Homelessness and Rough Sleeping Action Group

In response to a member's question on the impact of Brexit on the Council, the Executive Director (Finance and Corporate Resources) advised that work was ongoing, throughout a number of levels of government, to prepare for the implications of the UK leaving the European Union and confirmed that the situation would be closely monitored.

**The Committee decided:** that the report be noted.

*[Reference: Minutes of 24 January 2018 (Paragraph 5)]*

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## **7 Good Governance – Review of the Adequacy of Internal Audit**

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A letter dated 21 January 2019 by Audit Scotland, the Council's External Auditor, was submitted on the External Auditor's assessment of the adequacy of the Council's Internal Audit function for 2018/2019.

The objectives of the assessment were to:-

- ◆ establish the effectiveness of Internal Audit arrangements as part of the Council's wider governance arrangements
- ◆ identify areas of Internal Audit work on which Audit Scotland could place formal reliance

Details were given on the areas of Internal Audit's work on which Audit Scotland planned to place formal reliance as follows:-

- ◆ procurement
- ◆ information risk management
- ◆ budgetary control
- ◆ national fraud initiative
- ◆ City Deal benefit realisation

Audit Scotland had concluded that the Council's Internal Audit Service operated in accordance with the Public Sector Internal Audit Standards (PSIAS) and had sound documentation standards and reporting procedures in place. However, 2 findings and their associated risks had been recorded as follows:-

- ◆ inclusion of Internal Audit within the remit of the Executive Director (Finance and Corporate Resources)
- ◆ the potential impact of 2 unfilled posts within the Internal Audit team on the delivery of the 2018/2019 Audit Plan

Assurances had been given in relation to both issues and Audit Scotland would continue to monitor the position.

**The Committee decided:** that the information be noted.

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## **8 Performance and Review Scrutiny Forum Annual Update**

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A report dated 15 January 2019 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 2018.

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 24 January 2018 (Paragraph 6)]*

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## **9 Forward Programme for Future Meetings**

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A report dated 8 January 2019 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 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 Risk and Audit Scrutiny Committee to 27 November 2019 be noted.

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## **10 Urgent Business**

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There were no items of urgent business.





# Report

3

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>24 April 2019</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Internal Audit Activity as at 3 April 2019</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Update the Risk and Audit Scrutiny Committee (RASC) on progress by, and performance of the Internal Audit service in the period to 3 April 2019

## 2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that progress and performance is noted
- (2) that revisions to the 2018/2019 Audit Plan are approved

## 3. Background

3.1. Findings from internal audit assignments are reported to the Committee throughout the year. The last progress report to the Committee was in February 2019. This reported on work completed in the period 25 October 2018 to 16 January 2019. This report covers all work completed in the period 17 January to 3 April 2019. Performance information is also included.

## 4. Performance

4.1. As at 3 April 2019, all routine assignments within the 2018/2019 Plan have been completed to draft stage. The other key performance indicators reflecting quality, on time and within budget for the period to 28 February 2019 are summarised in Appendix One together with explanations. 82% of draft reports have been issued on time and 69% within budget against targets of 80% respectively. Quality continues to be monitored through internal quality control procedures.

4.2. Client contributions to the delivery of the audit plan take the form of responding to draft reports, agreeing to closing meetings and signing reports quickly once agreed. 94% of audit assignments were concluded to a signed action plan within four weeks of the issue of a draft report against a target set of 80%.

4.3. Members are asked to note performance.

## 5. Findings

5.1. Appendix Two lists all assignments completed in the period 17 January to 3 April 2019.

5.2. Members are asked to note findings.

## **6. Progress against Strategy**

- 6.1. The Public Sector Internal Audit Standards (PSIAS) require progress against the audit strategy to be monitored and reported to the Committee as part of regular monitoring reports that are presented at each meeting.
- 6.2. Delivery of the strategy has been evidenced by completion of the 2018/2019 Plan and has been monitored through the performance indicators regularly reported to the Committee throughout this period.

## **7. Review of 2018/2019 Audit Plan**

- 7.1. A review of the current year's Audit Plan has identified that the following two audit assignments should not now be completed in 2018/2019 for the specific reasons noted below:

<b>Assignment Number</b>	<b>Assignment Title</b>	<b>Reason</b>
I250078	Waste Contract Audit 2018/2019	Deferred to beginning of 2019/2020 to accommodate resourcing constraints within Facilities, Waste and Ground Services.
I410056	Follow Up Additional Support Needs (ASN) taxi provision	Deferred to 2019/2020 to allow processes to become embedded within Education Resources after transfer of administrative responsibilities for ASN taxi provision from Community and Enterprise Resources.

- 7.2. This released 50 days which has been utilised to complete year end tasks and undertake work on an unplanned assignment.
- 7.3. These amendments are considered to comply with the overall audit strategy and will have no impact on the ability to express an opinion within the Annual Assurance report for 2018/2019. The Risk and Audit Scrutiny Committee is asked to approve these revisions.

## **8. Employee Implications**

- 8.1. There are no employee issues.

## **9. Financial Implications**

- 9.1. A breakeven position is forecast at the end of the financial year for the Internal Audit section.

## **10. Other Implications**

- 10.1. The main risks to the delivery of the Audit Plan are vacancies and team up-skilling requirements, unforeseen service demands and delays with client sign-off. These are mainly mitigated by coaching and training, regular meetings and escalation processes as well as inclusion of contingency time within the annual plan.

10.2. There are no implications for sustainability in terms of the information contained in this report.

## **11. Equality Impact Assessment and Consultation Arrangements**

11.1. There is no requirement to equality assess the contents of this report.

11.2. Heads of Service are consulted on each and every audit assignment.

**Paul Manning**

**Executive Director Finance and Corporate Resources**

3 April 2019

### **Link(s) to Council Objectives/Values/Ambitions**

- Achieve results through leadership, good governance and organisational effectiveness

### **Previous References**

- ◆ Internal Audit Plan 2018/2019 – Risk and Audit Scrutiny Forum, 21 March 2018
- ◆ Internal Audit Activity as at 18 May 2018 – Risk and Audit Scrutiny Forum, 13 June 2018
- ◆ Internal Audit Activity as at 29 August 2018 – Risk and Audit Scrutiny Committee, 18 September 2018
- ◆ The National Fraud Initiative 2016 – Risk and Audit Scrutiny Committee, 18 September 2018
- ◆ Internal Audit Activity as at 24 October 2018 - Risk and Audit Scrutiny Committee, 14 November 2018
- ◆ Internal Audit Activity as at 16 January 2019 – Risk and Audit Scrutiny Committee, 6 February 2019

### **List of Background Papers**

- ◆ Figtree extracts of Action Plans

### **Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

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## Key audit performance indicators as at 28 February 2019

## Appendix One

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	24/35	69%	80%	Most assignments delivered outwith budget were marginally over budget. Anticipate target met at 31 March 2019.
Draft reports delivered within 6 weeks of file review	18/22	82%	80%	
2018/2019 Audit Plan completed to draft by 31 March 2019	18/65	28%	100%	All routine assignments completed to draft as at 31 March 2019.
Internal Audit recommendations delivered on time	71/78	91%	90%	
Client to agree findings and actions within 4 weeks of draft issue	17/18	94%	80%	

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
<b>2017/2018</b>				
<b>Prior Year</b>				
I211069	Payables	30/03/2018	05/02/2019	Adequate assurance was obtained that the Oracle Accounts Payable system is robust and operating effectively.
<b>2018/2019</b>				
<b>Internal Audit – Other Output</b>				
I650141	Learn On Line Course Review	18/03/2019	18/03/2019	Undertake review of fraud learn on line courses and identify areas for update.
I810021	Audit Plan 2019/2020	28/03/2019	28/03/2019	Preparation and presentation of 2019/2020 Audit Plan to RASC for approval.
I730042	Roads Scrutiny Group 2018/2019	31/03/2019	31/03/2019	Participation in Council-wide contract scrutiny groups throughout the year and provision of assurance surrounding the robustness of the process at each stage.
I411054	Informal Follow Up 2018/2019	31/03/2019	31/03/2019	Provided quarterly advance prompts of actions falling due. Collated responses monthly for reporting.
I612134	Continuous Control Monitoring (CCM) in 2018/2019	31/03/2019	31/03/2019	Completion of programme of data downloads from main financial systems during 2018/2019 to inform audit sampling and provide management reports.
I615135	Fraud Alerts in 2018/2019	31/03/2019	31/03/2019	Dissemination of fraud alert information to Council Resources.
I640136	National Fraud Initiative (NFI) 2018/2019	31/03/2019	31/03/2019	Facilitate and administer NFI exercise.
I732038	Attend Chief Internal Auditors Group, Investigators Group and Computer Audit	31/03/2019	31/03/2019	Attended meetings throughout the year and responded to queries from other

	Sub-Group 2018/2019			member Authorities.
I262081	External Audit Work	31/03/2019	31/03/2019	Provision of data extracts to External Audit.
I830022	Compliance Team Work 2018/2019	31/03/2019	31/03/2019	Supported work of Funding and Compliance.
I721039	Social Work Transition Group	31/03/2019	31/03/2019	Participation in scrutiny group tasked with assisting early identification and joint working between Services to aid the transition process to Adult Years and Adult Services for disabled young people and young people living with long term or life limiting conditions.
I650140	Complete Serious and Organised Crime Action Plan	31/03/2019	31/03/2019	Implementation of actions identified by Internal Audit assignment I617072.
I730041	Temporary Traffic Management Scrutiny Group	31/03/2019	31/03/2019	Participation in Council-wide contract scrutiny groups throughout the year and provision of assurance surrounding the robustness of the process at each stage.

2018/2019				
Internal Audit – Assurance Reviews				
I674148	Cash Theft	29/01/2019	29/01/2019	Fraud substantiated and employee dismissed.
I340065	Carbon Report	22/01/2019	06/02/2019	The 2017/2018 Climate Change Report submitted to the Scottish Government is complete and validated by evidence gathered from Council Resources.
I410063	Follow Up Anti-Fraud Review Education	29/03/2019	29/03/2019	Good assurance with 7/7 actions implemented.
I250079	Procurement Audit 2018/2019	29/03/2019	29/03/2019	Preparatory analytical work for procurement assignment to be

				undertaken in 2019/2020.
I678156	Employee - Private Work	29/03/2019	29/03/2019	Fraud not substantiated.

<b>2018/2019</b>				
<b>External Clients</b>				
I923089	LVJB Non-Domestic Rates - Logging and Process	30/01/2019	18/02/2019	Reported to LVJB
I924091	LVJB Follow-up 2018/2019	30/01/2019	18/02/2019	Reported to LVJB
I923090	LVJB Public Records Management	30/01/2019	04/03/2019	Reported to LVJB
I911097	SLLC Admin / Updates and Committee Reports	29/03/2019	29/03/2019	Reported to SLLC
I916099	SLLC Fraud Alerts Contingency 2018/2019	29/03/2019	29/03/2019	Reported to SLLC
I941110	IJB Audit Management	29/03/2019	29/03/2019	Reported to IJB
I937100	SEEMIS Advice and Guidance 2018/2019	29/03/2019	29/03/2019	Reported to SEEMIS





# Report

4

Report to: **Risk and Audit Scrutiny Committee**  
 Date of Meeting: **24 April 2019**  
 Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **Internal Audit Plan 2019/2020**

## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ seek approval for the proposed Internal Audit Plan for 2019/2020

## 2. Recommendation(s)

2.1. The Risk and Audit Scrutiny Committee is asked to approve the following recommendation(s):-

- 1) that the proposed Internal Audit Plan for 2019/2020 is approved.

## 3. Background

3.1. Public Sector Internal Auditing Standards (PSIAS) require a specific risk based approach to be taken when preparing audit plans. All requirements have been followed in preparation of the 2019/2020 Internal Audit Plan.

3.2. The content of the Audit Plan each year is determined by the requirement to deliver a programme of work that will inform the annual audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control arrangements. The preparation of the annual Audit Plan has focussed on the delivery of this objective.

3.3. For 2019/2020, this has translated into a strategy that aims to deliver the key objective of the Service to provide general assurance in relation to governance, risk management and control arrangements through:-

- ◆ linking to the organisation's objectives and priorities providing assurance in relation to top risks that have been identified by the Council
- ◆ undertaking a balanced programme of work delivered in compliance with PSIAS that maximises resources available
- ◆ committing resources to support corporate activity
- ◆ prioritising assignments to ensure key areas of work are completed in year

## 4. Internal Audit Plan 2019/2020

4.1. The Plan will inform the overall audit opinion for 2019/2020. These audits will be conducted in accordance with the revised PSIAS and within the context of the Internal Audit Charter, which is attached at Appendix One. This Charter sets out the role and remit of Internal Audit and has been revised to reflect the change in the Risk and Audit Scrutiny Forum's terms of reference in 2018/2019.

- 4.2. A copy of the proposed Internal Audit Plan for 2019/2020 is attached at Appendix Two. This shows the name of the proposed assignment, the lead Resource (if relevant) and a brief outline scope for each proposed assignment. Objectives and scopes will be refined by auditors prior to the commencement of work and once a full risk analysis has been completed and key controls identified. Clients will be involved in this initial risk and control assessment and will be consulted prior to the preparation of the audit remit for each assignment.
- 4.3. The suggested Plan provides time to deliver a range of assignments that align to corporate objectives as well as seeking to provide assurance around the general control environment of the Council. The focus of the 2019/2020 Plan is to assess how adequately the Council's top risks are mitigated together with an assessment of the management of emerging risks and whether these responses are sufficient to mitigate against loss to the Council. This is considered to provide adequate focus around the significant risks and challenges the Council faces.
- 4.4. Two of the top risks are not directly covered by the Plan:
- ◆ Failure to maintain the required pupil/teacher ratio
  - ◆ Failure to work with key partners to achieve the outcomes of the Local Outcome Improvement Plan

These risks (or related risks) have been the subject of audits in recent years and covered by follow-up work in the appropriate year.

- 4.5. A further group of risks are not covered by the Plan on the basis that assurance can be placed on the work and output of other independent groups and workstreams:

<b>Risk</b>	<b>Area of Assurance</b>
Reduction in Council funding resulting in difficulties maintaining front line services	Structured programme of efficiency/savings reviews with formal output
Potential liability arising from claims of historic abuse	Attendance at internal Working Group tasked with managing and responding to Review enquiries
The Council is significantly affected by the impact of the UK leaving the European Union	Risk Management lead within South Lanarkshire Council with formal output
Information Governance not subject to adequate control	Information Governance Group tasked with managing with formal output
The Council fails to evidence delivery of actions necessary to achieve the objectives set out in the Integrated Joint Strategic Commissioning Plan	Annual statement of assurance separately provided to the Integrated Joint Board

- 4.6. One final top risk not covered by the Plan is in relation to:

- ◆ Increasing levels of adverse weather

Audit work in this area has been excluded on the basis that it may not add significant value.

- 4.7. As the year progresses, if work is required in any of these areas, assignments within the Plan will require to be re-prioritised and a revision to the Plan presented to the Risk and Audit Scrutiny Committee (RASC) for approval.
- 4.8. Progress against the audit strategy will be monitored and reported to the RASC as part of regular monitoring reports that are presented at each meeting. Delivery of the strategy will be evidenced by the completion of the 2019/2020 Plan. Any subsequent changes to the Plan, arising from a change in the organisation's priorities or risks, will be agreed with the Executive Director (Finance and Corporate Resources) and presented to the RASC to approve. Key performance indicators will continue to be reported to the RASC within routine activity reports and as part of the annual assurance report presented to the RASC.
- 4.9. The Risk and Audit Scrutiny Committee is asked to approve the draft Plan for delivery in 2019/2020.

## **5. Employee Implications**

- 5.1. A full employee capacity plan was prepared at commencement of the audit planning process. This determined that 1,184 audit days can be delivered in 2019/2020 (inclusive of days to deliver an internal audit service to external clients). This is broadly similar to the number of days that were available in 2018/2019.
- 5.2. Target commencement and completion dates will be fixed shortly and will be communicated to Resources in advance of each audit commencing.

## **6. Financial Implications**

- 6.1. The detailed 2019/2020 budget for Internal Audit has not been finalised. Capacity planning has been based on a prudent projected budget. This is considered to provide sufficient resources to deliver the Audit Plan.

## **7. Other Implications**

- 7.1. Specific time has been allocated within the Plan to map all sources of assurance throughout the Council. This will be used in the periodic review of the Plan presented to the RASC, as required by PSIAS, and to inform the audit opinion expressed within the annual Statement of Assurance.
- 7.2. To mitigate against the risk of non delivery of the Plan, the progress of every assignment is monitored using the Council's risk management software, Figtree. In addition, Executive Directors have been asked to remind their teams of specific audit responsibilities and timescales.
- 7.3. There are no sustainability issues in terms of the information contained in this report

## **8. Equality Impact Assessment and Consultation Arrangements**

- 8.1. There is no requirement to conduct an equality impact assessment on the proposed Audit Plan. As part of the process, there has been extensive consultation during preparation of the Plan and consultation invitations were extended to the following main consultees:

- ◆ Internal Audit Team
- ◆ Finance and Corporate Resources Management Team
- ◆ Executive Directors
- ◆ Audit Scotland, the Council's external auditors
- ◆ Members of the Risk and Audit Scrutiny Committee

All returned suggestions were included within the initial “audit universe” for risk evaluation.

**Paul Manning**  
**Executive Director Finance and Corporate Resources**

8 April 2019

**Link(s) to Council Objectives/Ambitions/Values**

- Achieve results through leadership, good governance and organisational effectiveness

**Previous References**

- Internal Audit Plan 2019/2020 – 21 March 2018

**List of Background Papers**

- Internal Audit planning documentation

**Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

Yvonne Douglas

Audit and Compliance Manager

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E-mail: [yvonne.douglas@southlanarkshire.gov.uk](mailto:yvonne.douglas@southlanarkshire.gov.uk)

## South Lanarkshire Council Internal Audit Charter

### Purpose

Internal Audit is an in-house, independent assurance function that provides an objective opinion and consultative guidance to South Lanarkshire Council and external clients on how well risks are controlled within their operations.

Internal Audit provides managers and elected members with assurance on how well processes and procedures in place are controlling the associated risks and recommends actions for improvements to ensure controls are effectively managed.

This complies with the definition of Internal Audit included within the Public Sector Internal Audit Standards (PSIAS):

*“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”*

Compliance with PSIAS is mandatory from 1 April 2013.

The Standards were revised from 1 April 2017 to incorporate new and revised international standards resulting in additional public sector requirements and interpretations.

The Internal Audit service reports to the Risk and Audit Scrutiny Committee (RASC) who for the purposes of PSIAS are defined as the Board. This Committee serves as the Audit Committee for SLC and independently provides assurance on the soundness of the Council’s control environment and the adequacy of the risk management framework. It also delivers scrutiny and oversees external financial reporting processes. The Committee is made up of ten members of the Council. Membership changes with each new Council to ensure political balance and the Committee is chaired by a member of the opposition party.

An Annual Statement of Assurance is provided to this Committee and elected members by the Audit and Compliance Manager, to report on the adequacy and effectiveness of the governance, risk management and control arrangements in place. Assurance is based on the professional practices outlined within Internal Audit’s Audit Manual.

The authority to deliver an internal audit service is contained within SLC’s Financial Regulations, Standing Orders and Scheme of Delegation (all of which are available on the intranet) as well as in the Council’s Counter Fraud, Bribery and Corruption Policy Statement and Strategy.

For internal audit work delivered to external bodies, authority is provided by the Accounts Commission’s ‘Code of Guidance on Following the Public Pound’ as well as Service Level Statements agreed with clients.

As well as professional standards Internal Audit will be bound by SLC local standards including the Employee Code of Conduct and the Code of Corporate Governance.

## **Relationship with the Risk and Audit Scrutiny Committee**

The Executive Director Finance and Corporate Resources and the Audit and Compliance Manager should seek to maintain sound working relationships with appropriate elected members and ensure that good channels of communication are maintained. Within South Lanarkshire Council, the Audit and Compliance Manager is considered to be the Chief Internal Auditor. The Chair of the RASC and the Audit and Compliance Manager may meet privately from time to time to discuss audit findings, the performance of the Committee and other related matters. Internal Audit report all findings from concluded assignments via progress reports to the RASC. Lines of communication between the Chairs of all Committees and the Audit and Compliance Manager will be open at all times.

All elected members are free to raise concerns directly with the Audit and Compliance Manager and input to the audit plan but these will be assessed in terms of risk prior to any audit work being undertaken.

Enquiries from elected members will follow the Council's protocols and guidance.

## **Objective**

Internal Audit's objectives are to:

- improve internal control through provision of advice and guidance on preventative measures and good governance
- safeguard public expenditure and ensure control over Council capital, revenue and project expenditure and minimise loss through a programme of routine and contract audits
- promote compliance with all corporate standards and frameworks, ensure that management information is produced accurately and safeguard the Council's computer and on-line transactions with particular emphasis on security, efficiency and sustainable service delivery
- deliver objective assurance over controls within operational and financial systems and governance arrangements
- contribute to efficiency by identifying opportunities and leading the management of the fraud risk
- promote risk awareness and plan risk-based audit work within available resources
- meet agreed targets directing all efforts towards sound performance in all areas

In delivering the above objectives, Council values and Performance and Development requirements will be adhered to.

## **Role and Scope of Work**

To provide the assurance of controls in place within processes and procedures across the entire control environment of the organisation, Internal Audit work will:

- independently review and appraise all systems of financial and operational control in terms of their adequacy and application;
- ascertain the extent of compliance with financial and operational procedures, policies, regulations and legislation and their impact on operations;
- advise on control implications for new and modified IT systems;
- provide advice and guidance and contribute to working groups and ad-hoc strategic exercises;

- provide consultancy services (which is defined for the purposes on PSIAS as pertaining to the provision of advice and guidance to Council Resources) on a secondment or group representation basis, provided this does not compromise independence and that a sufficient period elapses before auditors formally review those services where consultancy has been provided (usually one year);
- perform periodic governance checks;
- provide written assurance in selected areas as well as an overall opinion at least once per annum;
- recommend improvements in control, performance and productivity in achieving corporate objectives;
- follow-up the extent to which earlier recommendations have been implemented;
- work in partnership with the external auditors;
- detect, prevent and investigate fraud and crime in accordance with approved anti-fraud strategies and policies.
- Internal Audit undertakes investigative work in respect of potential fraud, irregularity and serious breaches of governance and as such, is required to be notified of all suspected or detected fraud, corruption or impropriety. It also monitors devolved responsibility for investigation by Resources.

Internal audit testing may go beyond the records and adopt a more direct approach, including interviews, fact finding and on site surveys.

The existence of Internal Audit does not diminish the responsibility of management to exercise sound systems of internal control. It is clearly and solely a management responsibility to ensure that activities are conducted in a secure, efficient and well-ordered manner and that finances are safeguarded and used to maximum effect. This includes identifying and managing risks including fraud.

Managers are expected to provide requested information within a reasonable timescale and earlier than the equivalent timescale for Freedom of Information (FOI) Requests. Managers are expected to respond to assignment feedback requests, usually within seven days and to draft reports within fourteen days.

Internal Audit charges a fee for work performed for external clients, subject to agreed Service Level Statements. In addition, Internal Audit may undertake work relating to external bodies funded by the Council or partners, as authorised by the Following the Public Pound guidance.

Internal Audit may work jointly with neighbouring authorities, local health boards, Scottish Government departments and external auditors on a variety of projects, aimed at improving the control and/or efficiency environment of public sector bodies.

## **Independence**

Internal Audit is located within Audit and Compliance Services, under the direction of the Proper Officer, the Executive Director Finance and Corporate Resources.

In addition, general management duties will be delegated from the Executive Director Finance and Corporate Resources to the Audit and Compliance Manager and will cover audit matters as well as general management duties, including participation in the Senior Management Team.

The Audit and Compliance Manager has management responsibilities outwith Internal Audit for Funding and Compliance Services. It is recognised that arrangements are required to be in place for any audit work in this area to allow this to be managed independently of the

Audit and Compliance Manager. The specific nature of these arrangements will be reported to the RASC when audit activity in this area is planned.

The establishment structure will comprise qualified and technician posts with a mix of professional specialisms. Structural reviews may take place from time to time and regular resource monitoring is reported to the RASC. Any reduction in resources which might jeopardise the delivery of assurance will be immediately reported to the Executive Director Finance and Corporate Resources in the first instance.

As far as is practicable, Internal Audit should not participate in the day-to-day operation of any internal systems of financial or operational control.

Plans will be formed to reflect organisational audit needs but within available resources.

Upon request from the Executive Director Finance and Corporate Resources, appropriate specialists from other departments should be made available to take part in any audit requiring specialist knowledge.

Within SLC, the Employee Code of Conduct provides guidance on the type and nature of interests that should be declared (including paid employment outside the Council and personal interests in contracts). Auditors must declare their interests in accordance with the Code of Conduct and with regard to the audit principle of independence, and notify the Audit and Compliance Manager of any conflicts of interest which may arise. This formal declaration is renewed on an annual basis as part of the performance development review process but can be revisited should any conflicts arise.

Auditors will not be assigned to review or be involved in any activity where they have previously had operational or other involvement, usually within a period of one year. This includes instances where Internal Audit employees have been consulted during system, policy or procedural developments.

## **Access**

Internal Auditors have authorisation from the Council to examine all council records, IT systems, cash, stores and other property, to obtain explanations and to enter Council property or land.

Access is unrestricted and shall be granted on demand and not necessarily be subject to prior notice.

## **Reporting**

All planned audit assignments will formally be reported and every assignment will be closed after review by audit management. All Internal Audit reports will be submitted to the Executive Director Finance and Corporate Resources, and to recipients within the Resource being audited, including the Executive Director, Head of Service and the auditee. Circulation to the Chair of the Resource Committee is the responsibility of the Executive Director. Copies of reports relating to routine planned assignments will also be forwarded to external auditors.

The Audit Manager will plan for regular formal consultations with Heads of Service and Executive Directors, especially when preparing the formal audit plan. Feedback on performance and value of work undertaken will be sought. Heads of Service will be copied on every report affecting their area of responsibility. Effective relationships will be maintained by both parties and confidentiality of information will be protected, unless this



would prevent the delivery of audit assurance. Timing of work is subject to consultation but this will not preclude unannounced visits when necessary or requested by Executive Officers or Members.

Best practice dictates that the Head of Internal Audit must report to those charged with governance. In SLC this means that the Audit and Compliance Manager reports to the Corporate Management Team (CMT) and the RASC.

The CMT is made up of Executive Directors covering all Council Resources, who for the purposes of PSIAS are defined as Senior Management. The CMT endorses, as a minimum the Internal Audit Plan and the Internal Audit Annual Report, which provides the opinion on the adequacy and effectiveness of the Council's governance, risk management and control arrangements.

Internal Audit also reports plans, annual assurance and all findings to the RASC. For external clients, reports and opinions will also be offered to audit committees, where these exist, or to client Boards and senior management teams.

## **Escalation**

The Audit and Compliance Manager has direct access, reports and is accountable to the Executive Director Finance and Corporate Resources, the Proper Officer, as defined in Section 95, Local Government Act 1973 and meets with this officer on a regular one to one basis.

This relationship will be the escalation route for issues arising within Internal Audit and for those matters where it is appropriate for the Chair of the RASC to be briefed. The Audit and Compliance Manager's relationship with the Chair of the RASC and elected members is detailed above within the section 'Relationship with the Risk and Audit Scrutiny Committee'.

Auditors will use escalation processes so that slippage in relation to the delivery of audit assignments can be dealt with swiftly.

## **Responsibilities**

In delivering assurance, Internal Audit adopts a predominantly systems-based approach to audit. In discharge of this duty, the Audit and Compliance Manager will:

- prepare an annual plan for formal agreement
- deliver a range of audit assignments, resulting in reports for management. Occasionally, letters or memos, rather than full reports will be issued. This usually occurs where few concerns are raised during the audit or where work is of a rolling nature, for example spot cash counts
- make recommendations for improvements
- provide Committee reports and other briefings to provide advice or raise awareness of performance or risk issues
- ensure a system of close supervision of audit work, and maintain a review of audit files through the supervisory structure
- maintain a skill level within the section specifically for the investigation of fraud
- provide an annual opinion within a full annual audit assurance statement, for agreement with the Chief Executive and Executive Director Finance and Corporate Resources and onward presentation to the RASC.

Lead Resource	Audit assignment	Outline Scope	Expected days
All	Contract Scrutiny Groups	Participate in Contract Scrutiny Groups as required.	12
All	Attend SLACIAG and SLAIG groups and computer audit sub-group	Attend as required, respond to requests, participate in consultations and provide updates.	9
All	Internal Working Groups	Attend and participate in internal working groups, including, Information Governance Board; Good Governance Group; Serious and Organised Crime Group and Historic Abuse Working Group.	8
Finance and Corporate	General Ledger Data	Provide 2018/2019 general ledger entry data to External Audit for the audit of the financial accounts for the year ended 31 March 2019.	20
All	Audit plan 2020/2021	Undertake consultation, risk assessment, Resource and Section planning, set scopes and objectives and seek approval through preparation of reports.	10
All	Informal Follow Up	Prompt Resources on a quarterly and monthly basis of actions due within that period. Collate responses for reporting.	15
All	Formal Follow Up – Best Value	Prompt Resources on a quarterly and monthly basis of actions due within that period. Collate	5

Lead Resource	Audit assignment	Outline Scope	Expected days
		responses for reporting.	
All	Follow Up	For all Council Resources, identify audit recommendations due in the period April 2018 to March 2019. Risk assess and follow-up to ensure implementation of all high risk actions.	120
Housing and Technical	Procurement	Provide assurance that procurement practices are robust in areas assessed as being subject to higher risk of fraud.	50
All	National Fraud Initiative (NFI)	Facilitate the investigation of 2018/2019 matches and provision of NFI data in 2019/2020.	40
All	Fraud Alerts	React to fraud alerts through internal and external sources and disseminate information as appropriate.	1
Housing and Technical	Job Costing	Test job costing methodology to ensure robust.	35
Community and Enterprise	Waste Contract (residual waste)	Provide assurance that the contract is being delivered within the terms of the contract and adequate arrangements are in place to contract monitor and provide assurance around the correctness of charges.	40
Community and Enterprise	LEADER grant	Provision of annual audit certificate.	10

Lead Resource	Audit assignment	Outline Scope	Expected days
All	Project – Benefit Realisation	Test to assess delivery of anticipated benefits.	35
Finance and Corporate	Self Service Controls - Overtime	Test controls around self-service of personnel tasks.	35
All	Digital Maturity Assessment	Undertake an assessment of progress in delivering digital targets.	30
All	Anti-Fraud review – use of Council vehicles	Test application of consistent policy across Council Resources, robustness of controls and adequacy of monitoring arrangements.	30
Finance and Corporate	Financial System – Council Tax	Undertake programme of routine tests around controls (including External Audit testing).	40
Finance and Corporate	BACs Reconciliation	Facilitation of BACs/Oracle reconciliation.	15
Education	Purchasing Cards	Test use and control of purchasing cards by Resource.	35
Education	Nursery Admissions	Test new system to ensure operating effectively and incorporates adequate controls.	35
Finance and Corporate	Licensing	Test applications to ensure processed in compliance with documented procedures.	20
All	Continuous Control Monitoring (CCM)	Continue to download data in current CCM areas. Use data for analysis and to inform internal and external audit testing. Prepare formal reports to allow	75

Lead Resource	Audit assignment	Outline Scope	Expected days
		exceptions and unusual trends in financial controls to be reported to Resources for further investigation.	
Finance and Corporate Community and Enterprise	City Deal – Governance Statement	Provision of Governance Statement to Glasgow City Council for 2018/2019.	5
Social Work	Secure Screening	Test adequacy of procedures and effectiveness of controls.	40
All	Contingency	Conclude all 2018/2019 audits. Respond to requests for unplanned work during 2019/2020, including advice and guidance to Resources. Undertake investigations as required.	191
Finance and Corporate	Benefits	Review audit work undertaken by Revenue and Benefits during 2018/2019.	1
All	Best Practice Analysis	Testing of current fraud practices against best practice.	2
<b>Total Audit Days 2019/2020</b>			<b>964</b>



# Report

5

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>24 April 2019</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Audit Scotland – Financial Overview 2017/18</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ provide the Risk and Audit Scrutiny Committee with a summary of the information contained within the Audit Scotland Report 'Financial Overview 2017/18' published in November 2018.

## 2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the key messages and recommendations of the Audit Scotland Overview Report 2017/18, as detailed in sections 4 to 7, be noted, and
- (2) that the Council's position in relation to these messages/recommendations, as detailed in section 8, be noted

## 3. Background

3.1. In November 2018, Audit Scotland published the Financial Overview 2017/18 report on behalf of the Accounts Commission. Audit Scotland publish two overview reports each year, this one focuses on financial matters and the other, on councils' performance and outcomes, is expected be published in April 2019. A copy of the [Audit Scotland - Financial Overview 2017/18](#) report can be found on the Audit Scotland website.

3.2. The Audit Scotland report is divided into 4 parts, namely:

- Part 1: Councils' Budgets and Spending in 2017/18
- Part 2: Councils' Financial Position
- Part 3: Integration Joint Boards' Overview 2017/18
- Part 4: Councils' Financial Outlook

3.3. The key messages from each of the 4 parts of the report are outlined in sections 4, 5, 6 and 7 below.

3.4. In addition to these key messages, the report poses a number of questions for consideration by Councillors. These are highlighted in section 8, and detailed in Appendix 1 to the report, alongside the Council's position in relation to these questions.

## 4. Part 1 – Councils' Budgets and Spending in 2017/18

4.1. A number of key messages are presented in the report in relation to councils' budgets and spending in 2017/18, namely:-

- Scottish Government revenue funding to councils reduced in 2017/2018 by 0.6% in cash terms and 2.3% in real terms. Council Tax, grants and fees and charges increased, and overall council budgets grew by £0.3 billion in cash terms
- An element of Scottish Government grant was agreed late for 2017/18, limiting councils' ability to properly plan and agree their budgets
- Between 2013/2014 and 2017/2018 funding from the Scottish Government to local government decreased by 6.92%, compared to the decrease in Scottish Government budget of 1.65%
- Council Tax changes raised an additional £189m in 2017/18 - £140m due to national changes to banding and second homes. The remaining increase due to removal of the council tax freeze which saw 24 councils choosing to increase Council Tax
- Distribution of funding from the Scottish Government is based mainly on population but could be more transparent to ensure clarity about how funding distribution reflects the factors that drive demand
- In 2017/18, councils managed funding gaps of 4% in their net expenditure budgets of £12 billion, mainly through savings and planned use of reserves
- Year-end outturns were better than budgeted
- Overall increases in spending in Education (3.2%) and Social Work (2.4%) were offset by reductions in other services (2.6%)
- There is a significant variation between councils in charges for services

## **5. Part 2 – 2017/18 Councils' Financial Position**

5.1. A number of key messages are presented in the report in relation to the 2017/18 Financial Performance of councils, namely:-

- Eighteen councils drew on their useable reserves in 2017/18, overall by a relatively small amount (£18 million)
- Based on 2018/19 budgets, Audit Scotland analysis indicates there are no short-term concerns in Scottish councils
- Some councils have relatively higher levels of debt for their size
- Local policies vary on whether cash and investments are held to support reserves
- Capital expenditure in 2017/18 decreased by 5% in real terms. Housing and education were the main areas of investment. However, the number of social houses provided by councils continues to fall, although the rate of decrease has slowed
- Some councils had significant increases in their debt positions
- There were delays with the valuation of pension liabilities in councils across Scotland in 2017/18, but the net pension liability has reduced substantially in 2017/18
- Management commentaries in councils' accounts should do more to explain financial outturn against budget

## **6. Part 3 – Integrated Joint Boards' (IJBs) Overview 2017/18**

6.1. A number of key messages are presented in the report in relation to IJBs, namely:-

- Funding to the IJBs increased by 3% in 2017/2018 in cash terms. Most of the additional funding came from the NHS, including additional Scottish Government funding of £107m
- The majority of IJBs have underlying financial sustainability issues, with 11 out of 30 incurring deficits in 2017/2018. A further 8 would have incurred deficits without additional funding from their partners



- Reserve positions vary significantly between IJBs
- Medium-term financial planning is not used by most IJBs and further improvements to financial management should be introduced
- Funding gaps in 2018/2019 are significant in IJBs and many do not have balanced budgets

## **6. Part 4 – Councils’ Financial Outlook**

6.1. A number of key messages are presented in the report in relation to the Financial Outlook for councils, namely:-

- In 2018/19, Scottish Government revenue funding to local government increased by 0.2% after two years of real terms reductions
- The Scottish Government published a five-year financial strategy in May 2018, but multi-year budgets are not yet being developed
- Many councils are in the early stages of delivering transformational change
- Medium-term financial planning has been adopted by almost all councils, but less than half have significant long-term plans over five years
- Councils expect to manage smaller funding gaps in 2018/19 of £0.3 billion, with all 32 councils increasing council tax by 3% in 2018/19
- There are no councils where the budgeted use of reserves is a critical issue over the next three years
- The impact of EU withdrawal is not yet clear, but councils need to identify the risks and develop contingency plans to manage these risks as far as possible

## **7. South Lanarkshire Council – Financial Overview 2017/18**

7.1. The Audit Scotland report contains a number of tables that set out information for all councils. For the majority of indicators, South Lanarkshire Council’s results were in the main grouping of councils. However, there were two areas where results could potentially be classed as outliers, these are detailed below:

7.2. **Increase in Council Tax Income in 2017/18:** The Council is 8<sup>th</sup> lowest in terms of an increase in Council Tax income. For the majority of councils, the increase in their Council Tax income included the impact of an increase in their rate of band D. The Council is one of 8 councils who did not increase their Band D rate into 2017/18. The Council’s increase in Council Tax income was due primarily to changes in the nationally set Council Tax multiplier of Bands, as well as increases in property numbers.

7.3. **Useable Reserves Represented by Cash or Investments:** South Lanarkshire Council has the lowest percentage of useable reserves backed by cash or investments (32%). The level of cash reserves held at the end of 2017/18 was low which reflected the fact that cash balances have been used in lieu of borrowing. Given that borrowing has now been taken during 2018/19, it is anticipated that, by the end of 2018/19, more of the Council’s reserves will be backed by cash.

## **8. Questions for Councillors**

8.1. Throughout the Audit Scotland report there are a number of questions for the attention of Councillors. For each question, Audit Scotland suggests that Councillors should consider ‘What do I know?’ and ‘Do I need to ask further questions?’.

8.2. The questions, which cover a variety of issues, are listed within Appendix 1 along with the Council’s position in relation to each of the areas of questioning identified.

## **9. Employee Implications**

9.1 None.

## **10. Financial Implications**

10.1 The Audit Scotland Report raises a number of financial areas for consideration by councils, however, there are no direct financial implications as a result of the content of this report.

## **11. Other Implications**

11.1 There are no implications for risk or sustainability in terms of the information contained in this report.

## **12. Equality Impact Assessment and Consultation Arrangements**

12.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and therefore no impact assessment is required.

12.2. There is also no requirement to undertake any consultation in terms of the information contained in the report.

**Paul Manning**

**Executive Director (Finance and Corporate Resources)**

28 March 2019

### **Link(s) to Council Values/Objectives/Ambitions**

♦ Accountable, Effective and Efficient

### **Previous References**

♦ None

### **List of Background Papers**

♦ Local Government in Scotland – Financial Overview 2017/18 – Audit Scotland November 2018

### **Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

Lorraine O'Hagan, Finance Manager (Strategy)

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E-mail: [lorraine.o'hagan@southlanarkshire.gov.uk](mailto:lorraine.o'hagan@southlanarkshire.gov.uk)

Audit Scotland Questions for Elected Members	South Lanarkshire Council Perspective
<p><b>Financial Planning and Budget</b></p> <ul style="list-style-type: none"> <li>• Does your council have a long-term financial strategy (ten years or more) that reflects the anticipated changes in demographics and demands on services?</li> <li>• Do medium and long-term financial plans include a range of potential funding and financial scenarios?</li> <li>• What is your council's financial position? What particular challenges does the council face?</li> <li>• How do you engage with the budget setting process and ensure you have the opportunity to influence the development and content of a strategic budget?</li> <li>• How does annual budget setting link to medium and long-term financial planning in your council?</li> </ul>	<ul style="list-style-type: none"> <li>• A Financial Strategy for 2019/2020 to 2021/2022 and Longer Term Outlook to 2028/2029 was presented to the Executive Committee in August 2018. Similar to the previous strategies, the paper provided commentary and assumptions where possible – including assumptions about demographics, economic conditions and inflation.</li> <li>• In arriving at the expenditure assumptions within the financial strategy, a number of factors are taken into account including investments in Council Priorities, and the impact of changing demographics: the cost of social care has increased significantly in recent years and this trend is expected to continue. National pay negotiations for all employees, continue to be a significant element of the budget investments required.</li> </ul> <p>One of the main budget assumptions is the level of government grant. In recent years, scenarios have focussed on the level of funding reductions. This has formed an integral element of the medium term budget process. The Council's new longer term strategy (August 2018) expands this scenario further to reflect changes to social care demand, as well as other key areas of assumption.</p> <ul style="list-style-type: none"> <li>• For 2018/19, a Probable Outturn position was prepared and reported to Elected Members. This included previously approved Transfers to Reserves to assist in future Revenue Budget strategies.</li> <li>• Members' awareness sessions take place each year, prior to approval of the annual budget (to discuss updates the budget and proposals for savings). Elected Members have the opportunity to ask questions and obtain written responses up to the point at which the budget is approved.</li> <li>• As has been the case in previous years, the annual budget setting process serves as an update to the medium term financial plan. The Council's priorities are considered in the development of the medium term strategy, as well as the annual budget updates.</li> </ul>

Audit Scotland Questions for Elected Members	South Lanarkshire Council Perspective
<p><b>Savings and Transformation Plans</b></p> <ul style="list-style-type: none"> <li>Does your council have a savings plan? What are the options to close future funding gaps? How well are you kept informed about progress in delivering those savings?</li> <li>Which service areas are under the most pressure to make savings? What impact will savings have on the delivery of services and outcomes for service users, the wider community and the local economy? What are the potential risks?</li> <li>Does your council have a transformation plan? Does it clearly set out the aims and objectives and how and when these will be achieved? Does the transformation programme of work aim to make positive change to improve outcomes for communities? Is it about seeking opportunities to do things differently to maintain or improve performance or is the focus only on making savings? Are projects within the transformation</li> </ul>	<ul style="list-style-type: none"> <li>The 2019/20 Budget Strategy position relied on making savings, with some reduction to the requirement due to corporate solutions such as loan charges, previous year underspends and increase in council tax property numbers. The revenue budgets reported to Committee and the Financial Resources Scrutiny Forum throughout the year incorporate the reduction in budgets as a result of approved savings. Any variances that arise due to non-achievement of savings would be considered at these meetings as appropriate.</li> </ul> <p>The Annual Efficiency Statement is reported to Elected Members and highlights the levels of savings achieved in the year.</p> <ul style="list-style-type: none"> <li>Savings packages were compiled to focus, as far as possible, on efficiency and outturn savings, thus minimising the impact on front line services. In terms of service impact, every effort is made to mitigate the impact on service delivery, where possible still delivering, but perhaps in a new or more innovative way.</li> </ul> <p>Equality Impact Assessments (EQIAs) were undertaken on the savings package, and where appropriate, mitigating action considered. These were provided to members to assist in the decision making process. An assessment of the Fairer Scotland Duty has also been undertaken.</p> <p>There is a risk that non-achievement of savings will impact on the overall revenue position for the current, and future years.</p> <ul style="list-style-type: none"> <li>Over a number of years, there has been an approach where through integrated cross Resource working, real proposed efficiencies have been identified, rather than having an aspirational transformational target. Through this process, the Council focuses on looking to maintain or improve performance, and not solely focus on savings.</li> </ul> <p>The aims and objectives are detailed in the Council Plan, Connect, which sets out the Council's vision, values, ambitions and what the Council hopes to achieve over the next five years. The plan takes account of the context within which it must be delivered. Connect makes links to issues which influence the context for service delivery including: legislative changes, population changes and tackling disadvantage.</p>

Audit Scotland Questions for Elected Members	South Lanarkshire Council Perspective
<p>programme achieving their aims in terms of service quality, performance and cost?</p> <p>How effectively are you engaged and informed about the council's transformation programme and kept informed about progress?</p> <ul style="list-style-type: none"> <li>Are detailed options appraisals or business cases set out for changes to services planned within transformation activity?</li> </ul>	<p>Progress towards meeting Council objectives is the subject of regular monitoring and reports on progress towards milestones are regularly presented to committees and the public. Where measures are not on course to achieve, these will be referred to individual resource committees for consideration.</p> <ul style="list-style-type: none"> <li>Capital projects with a value greater than £1m require the full documented Options Appraisal to be completed as part of the Capital Bid process. Business Cases set out the Strategic Need and Fit with Council plans such as the Local Development Plan, Local Transport Strategy and other associated plans, priorities and visions.</li> </ul>
<p><b>Reserves</b></p> <ul style="list-style-type: none"> <li>What is the council's reserves policy?</li> <li>What have reserves been used for in recent years? Supporting services and bridging the funding gap or transforming services?</li> <li>What are the different types of usable reserves your council holds? Do you know what these can be spent on?</li> <li>What is the likely use of unearmarked reserves for 2018/19? How does the remaining unearmarked reserve compare to forecast</li> </ul>	<ul style="list-style-type: none"> <li>The Council has a Reserves Strategy which forms part of the Council's overall Budget Strategy. Annual updates on the Council's budget strategy, as reported to the Executive Committee for approval, detail the proposed use of reserves where appropriate. Updates highlight the unsustainable nature of reserves as a funding source.</li> <li>In the past, a number of the Council's specific Reserves, such as HRA, Repairs and Renewals and the Capital Fund, were used to support services by carrying forward committed sums. More recently, on a multi-year basis, reserves have formed part of the Council's medium term revenue budget strategy. This includes use of the Capital Receipts Reserve (Capital Fund) and the Earmarked General Fund.</li> <li>Members were provided with the details of the Council's useable reserves. In addition, the Council's medium term revenue budget strategy details the types of reserves held and how they can be used/are anticipated to be used moving forward.</li> </ul> <p>During 2018/19, underspends were anticipated due to reduced loan charges and increased council tax collection, these have been identified as transfers to Reserves in 2018/19. An element of these monies has been earmarked for use in future budget strategies.</p> <ul style="list-style-type: none"> <li>The balance on the uncommitted General Fund reserve at the 31 March 2018 was £13.043m. In comparison the estimated funding gaps noted in the Financial Strategy report to Executive Committee in August 2018 are £33m for 2020/21 and £28m for 2021/22.</li> </ul>

Audit Scotland Questions for Elected Members	South Lanarkshire Council Perspective
<p>funding gaps?</p> <ul style="list-style-type: none"> <li>• What are the plans for using the different reserve funds in 2019/20 and beyond? Are these plans appropriate and reasonable?</li> <li>• Is it clear that the reserves are needed for the purposes they are assigned? Are the reserves sufficient for those purposes? Could the reserves be better used for something else?</li> </ul>	<ul style="list-style-type: none"> <li>• The Financial Strategy (reported to Executive Committee in August 2018), details the Reserves Strategy. The balance on each Reserve at the end of financial year 2017/2018 is noted as well as an estimate of its year of use across the period of the medium term Strategy. The total balance of reserves currently held is considered an appropriate level in relation to the Council's financial position.</li> <li>• All reserves are held for specific purposes, as approved by members, after they have been provided with the rationale for their retention and use.</li> </ul>
<p><b>Levels of debt and affordability</b></p> <ul style="list-style-type: none"> <li>• What is the council's current debt position? Do you have clear information about the potential need for future borrowing when agreeing authorised borrowing limits?</li> <li>• What share of the council's budget is taken up with interest payments and debt repayment?</li> <li>• What proportion of the council's debt is linked to inflation or at fixed rates? What does this mean for longer-term affordability?</li> </ul>	<ul style="list-style-type: none"> <li>• Updates on the Council's budget strategy, reported to Executive Committee for approval, detail the position in relation to planned capital expenditure and the Treasury Management Strategy. The updates provide information on borrowing and debt projections. Information was also included in the recently approved long term capital strategy. In addition, quarterly updates are given to the Finance and Corporate Resources Committee on the Treasury Management function, and includes the position on debt levels.</li> <li>• The Council's loan charges budget is presented to Executive Committee on a 4 weekly basis. For 2018/19, this represents 8.4% of the total net expenditure budget.</li> <li>• As at 30 September 2018 98.1% of the council's external debt was at fixed rates, with the remaining 1.1% being variable.</li> </ul> <p>Also, the Council has a PPP arrangement for the provision of its Secondary School estate. This includes an annual payment for running the schools and for financing the build costs. Payments are index linked. The financial implications are included in the Council's Budget Strategy.</p> <p>The requirement to make debt repayments is considered as part of the overall revenue budget strategy.</p>

Audit Scotland Questions for Elected Members	South Lanarkshire Council Perspective
<p><b>Budget outturn reports and management commentaries</b></p> <ul style="list-style-type: none"> <li>Do budget monitoring reports clearly explain financial performance against plans and any changes to plans, including the reasons for change?</li> <li>Does the management commentary clearly explain the council's financial performance and the changes to plans and reasons for those changes?</li> </ul>	<ul style="list-style-type: none"> <li>Any significant variances against budgeted expenditure/income are reported to Executive Committee on a 4 weekly basis, then onwards to the Financial Resources Scrutiny Forum and the relevant Resource Committees.</li> </ul> <p>Each year, the probable outturn exercise is undertaken and the results, including any variances expected to arise before the year end, are reported to the Executive Committee and the relevant Resource Committees.</p> <ul style="list-style-type: none"> <li>At year end outturn reports, and the management commentaries, include details of the financial performance for the year, including a comparison of the planned outturn and the actual position, and reasons for the variances.</li> </ul>
<p><b>Financial scrutiny</b></p> <ul style="list-style-type: none"> <li>What additional training would you like to receive to develop your knowledge and skills for financial scrutiny?</li> </ul>	<ul style="list-style-type: none"> <li>All members were invited to attend initial financial training after the 2017 Council elections. This training was carried out by senior finance officers of the council, and covered an introduction to Local Government Finance as well as specifics about each of the functions of the Finance Service. In addition, a financial training session was also provided by CIPFA.</li> </ul> <p>There was also a specific session delivered by Internal Audit regarding the role of elected members on the Risk and Audit Scrutiny Forum. External Audit also played a part in this training session.</p> <p>A structured, tailored and relevant programme of learning and training for councillors, based upon feedback from members, and subsequent discussion/training needs analysis with group leaders has been underway since January 2018.</p> <p>In the past year, specific training sessions have included Governance and the Council's Longer Term Financial Strategy. These sessions were led by senior officers of the Council.</p> <p>Future members training sessions are planned with members being able to input into the agenda.</p> <p>At all Committees and Forums, senior Finance officers talk through any financial papers and are available to answer any questions.</p>

Audit Scotland Questions for Elected Members	South Lanarkshire Council Perspective
<p><b>Charging for services</b></p> <ul style="list-style-type: none"> <li>Does your council have a charging policy? Is this in line with corporate plans and objectives? When was this last reviewed?</li> <li>Do you receive sufficient information about the potential impact on the service and the wider community when making decisions about changing fees and charges?</li> <li>What information do you need to be able to explain increases in fees and charges to your constituents?</li> </ul>	<ul style="list-style-type: none"> <li>A Council-wide charging policy was approved by the Executive Committee on 21 November 2018.</li> <li>The Charging Policy sets out clearly the Council's approach to charging, stating what the Council charges for, and what will be considered when we make a charge. It states that every year existing charges will be subject to inflationary increases. Also, each chargeable service will review its costs and make recommendations on any additional changes to charges. New charges will also be considered on an annual basis. Consideration is made to the impact of proposed changes on service users and benchmarking with others is undertaken.</li> <li>The charging policy provides details of charges and proposed changes.</li> </ul>
<p><b>Integration Joint Boards</b></p> <ul style="list-style-type: none"> <li>What is the IJB's financial position? Is it financially sustainable?</li> <li>What are the levels of reserves held by the IJB? Are these in line with the IJB's reserve policy?</li> <li>What does the IJB's financial position mean for the council and for the delivery of services?</li> </ul>	<ul style="list-style-type: none"> <li>The year ending 31 March 2018 saw the IJB report a surplus of £2.159m, (representing 0.5% of total funding available), with an element of this underspend identified as non-recurring.</li> <li>The balance of reserves (as at end October 2018) is £7.348m, of which £6.797m is ring-fenced and earmarked and £0.551m is a contingency balance.</li> <li>The IJB is responsible for setting budgets. Through the Council's budget setting process, a contribution to the IJBs delegated services are covered.</li> </ul>
<p><b>EU Withdrawal</b></p> <ul style="list-style-type: none"> <li>What planning and measures has your council undertaken in preparation for EU withdrawal?</li> </ul>	<ul style="list-style-type: none"> <li>In recognition that Brexit is considered a strategic risk to the Council, detailed work has recently been completed to look at the potential implications for the Council. This has been added as a category two risk in the Council's top risk register.</li> </ul>



<b>Audit Scotland Questions for Elected Members</b>	<b>South Lanarkshire Council Perspective</b>
<ul style="list-style-type: none"> <li>• What are the risks and potential impacts of EU withdrawal for the function of your council and for the communities of your council area, In terms of workforce, regulation and funding?</li> </ul>	<ul style="list-style-type: none"> <li>• The work undertaken to date has considered issues associated with:               <ul style="list-style-type: none"> <li>• Funding and finance</li> <li>• Workforce and employment</li> <li>• Procurement and trade</li> <li>• Legislation, and,</li> <li>• Support to businesses located within the South Lanarkshire area</li> </ul> </li> </ul> <p>The Council will continue to closely monitor Brexit negotiations with contingency arrangements being implemented where required.</p>



# Report

6

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>24 April 2019</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Fraud Statistics and National Fraud Initiative Six Monthly Update</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ provide a summary of the fraud statistics for the six month period to 30 September 2018 and a comparison to the six monthly statistics to 30 September 2017.
- ◆ provide an update on progress of the 2018 National Fraud Initiative exercise.

## 2. Recommendation(s)

2.1. The Risk and Audit Scrutiny Committee is asked to approve the following recommendation(s):-

- (1) that the contents of this report are noted

## 3. Background

- 3.1. Collating and reporting fraud statistics and setting targets for improvement are considered best practice by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Association of Local Authority Risk Managers (ALARM).
- 3.2. This report provides information on the number, types and outcomes of fraud investigations within South Lanarkshire Council for the six month period to 30 September 2018 together with a comparison to the statistics for the same period in 2017. It includes all frauds reported to Internal Audit, benefit frauds during this period investigated by the Department for Work and Pensions (DWP) and insurance losses resulting from a failure in internal controls or which have been investigated by Internal Audit.
- 3.3. Although the responsibility for housing benefit fraud investigations has transferred to the DWP Fraud and Error Service (FES), South Lanarkshire Council retains responsibility for recovery of fraud overpayments. Therefore, housing benefit fraud statistics will continue to be included within the fraud statistics reported. As it will be necessary to rely on FES to provide details on proven South Lanarkshire Council fraud cases, this may result in a delay in reporting.
- 3.4. The roll out of Universal Credit to all new benefits applicants from October 2017 will have an impact on the number of housing benefit claimants. It is, therefore, expected that the number of fraud cases will gradually decrease over future years.

The Council will continue to pursue all housing benefit fraud overpayments where appropriate. Internal Audit previously completed a procedural check on Universal Credit and were satisfied that procedures were in place to timeously identify and stop housing benefit payments to claimants who have moved to Universal Credit and, therefore, avoiding overpayments. Further audit work to obtain assurance that the procedures are working as intended has been completed in Quarter 4 of 2018/2019. This confirmed that controls are in place, procedures have been developed and processes are being followed to end housing benefit for the claimant when they move to Universal Credit.

- 3.5. The Revenues and Benefit Section continues to deliver an annual programme of rolling reviews on housing benefit claimants with reviews based on risk-profiling to establish the most likely areas of benefit fraud or overpayment. Information is also obtained from HMRC through Real Time Information (RTI) and DWP through the Housing Benefit Matching Service (HBMS). Where fraud is suspected, the case will be passed to FES for investigation and, if proven, the case returned to South Lanarkshire Council to pursue recovery. Irrespective of whether a fraud is proven or not, the Council takes steps immediately to recover any overpayment.

#### **4. Results**

- 4.1. All concerns reported to Internal Audit are recorded on the corporate risk management system, Figtree. Each concern is risk assessed with high risk areas investigated by Internal Audit, medium risks investigated by Resources and low risks registered for monitoring of trends. Internal Audit may also undertake joint investigations with Resources and the Fact-Finding team within Personnel Services depending on the nature of the fraud and the operational knowledge required.
- 4.2. Areas within the Council that inherently have a higher risk of fraud are considered for inclusion in the annual Audit Plan. There have been no specific patterns or trends identified in the period to 30 September 2018 in addition to those already considered to be of high risk.
- 4.3. The Benefits and Revenues Section continue to supply details of the number and value of benefit frauds investigated by FES, the amounts recovered by the Council and the sanctions imposed for consolidation with the information held by Internal Audit. The Risk Management Section is responsible for collecting and recording all insurance losses. Information relevant to these statistics is provided to Internal Audit on a six monthly basis.
- 4.4. An analysis of the fraud caseload for the six month period to 30 September 2018 and the comparative period in 2017 is detailed in Table One.

**Table One - Fraud Caseload**

<b>Status</b>	<b>Six Months to 30/09/18</b>		<b>Six Months to 30/09/17</b>	
	<b>Nos.</b>	<b>£000</b>	<b>Nos.</b>	<b>£000</b>
Cases open as at 1 April	115	394	119	375
Concerns reported to 30 September	81	107	54	139
Caseload at 30 September	196	501	173	514
<b>Cases closed in period (see Table Two)</b>	<b>81</b>	<b>153</b>	<b>29</b>	<b>68</b>
Work in progress at 30 September	115	348	144	446

- 4.5. The increased number of cases reported in the period relates to thefts and benefit cases reported to and investigated by FES. The residual caseload as at 30 September 2018, however, reduced as more investigations were closed in that period and cases concluded. The value of ongoing cases as at 30 September 2017 and 2018 is broadly comparable to the number of cases in progress at those dates.
- 4.6. In relation to the increase in thefts, Risk Management are working with the Council's Security Manager to improve security and are providing financial support to Council Services through the Risk Management fund to implement improvements.
- 4.7. Within cases reported in the period to 30 September 2018, there were 52 benefit fraud cases which is an increase of 27% from the same period in 2017. This includes all cases referred to FES in the six months to 30 September 2018 and cases concluded by FES where the referral originated with FES.
- 4.8. An analysis of closed cases in the year is detailed in Table Two:

**Table Two - Analysis of Closed Cases**

Source of fraud	Six Months to 30/09/18		Six Months to 30/09/17	
	Nos.	£000	Nos.	£000
<b>Founded allegation (see Table Three)</b>	<b>57</b>	<b>142</b>	<b>26</b>	<b>67</b>
Insufficient information	11	8	2	1
Unfounded allegations	13	3	1	0
<b>Total</b>	<b>81</b>	<b>153</b>	<b>29</b>	<b>68</b>

- 4.9. 70% of all cases, that were investigated, were founded and, for founded investigations involving an employee, the employee was either dismissed or resigned.
- 4.10. An analysis of founded allegations is detailed in Table Three:

**Table Three – Analysis of Founded Allegations**

Source of fraud	Six Months to 30/09/18		Six Months to 30/09/17	
	Nos.	£000	Nos.	£000
External	7	0	3	5
Internal	2	1	0	0
Benefits	48	141	23	62
<b>Total</b>	<b>57</b>	<b>142</b>	<b>26</b>	<b>67</b>

- 4.11. 96% of all founded cases relate to Benefit Fraud cases or fraud committed by a third party.
- 4.12. In respect of all founded cases, where appropriate, South Lanarkshire Council seeks to recover financial losses. The value of both previous and current year recoveries has increased from £28k in the six month period to 30 September 2017 to £36k in the same period in 2018. All recoveries reported in this period relate to benefit fraud.
- 4.13. The cost of investigations concluded by Internal Audit has decreased from the same period last year. The cost of the investigation reflects the complexity of the investigations and the time required to conclude the investigation. The majority of

the total costs of £2,000 to investigate the fraud were incurred investigating unfounded or unsubstantiated cases and the relatively low cost of investigation reflects that only limited work was undertaken to establish if a fraud had occurred.

- 4.14. Time budgets and target completion timescales for investigations are set at the start of each audit and will vary depending on the nature of the investigation. Performance measures for investigations undertaken by Internal Audit are reported and monitored together with routine audit performance measures through local Performance Indicators and to the Risk and Audit Scrutiny Committee (RASC).

## **5. Improvements**

- 5.1. On the conclusion of all internal investigations, an assessment is made on whether an improvement action is necessary. If deemed necessary, an improvement plan will be issued containing recommended actions. These improvement plans are agreed with the relevant Heads of Service and the actions followed up by Internal Audit to ensure implementation and that gaps in controls have been addressed. Outcomes for concluded investigations are reported to the RASC as part of Internal Audit's annual assurance report.
- 5.2. There was one improvement plan issued by Internal Audit during the period under review with twelve separate actions to be implemented. Follow up of all high priority actions resulting from fraud investigations will be included in future Audit Plans.

## **6. National Fraud Initiative**

- 6.1. Internal Audit continues to facilitate the Council's participation in the National Fraud Initiative exercise. Data was extracted and uploaded in early October 2018 to allow the subsequent data-matching exercise to be undertaken with the final data extract from the electoral register and Council Tax system uploaded in January 2019. Matches have been returned and plans are being developed to investigate target groups of matches during 2019/2020.

## **7. Employee Implications**

- 7.1. South Lanarkshire Council has a zero tolerance approach to fraud. All employees have a role to play in reducing fraud within the Council and should understand the risk of fraud faced by the Council, that fraud is serious and that it diverts resources from the delivery of the Council's primary objectives.
- 7.2. A Learn on Line (LOL) Fraud Awareness course is available to all employees with People Connect access. Internal Audit are currently reviewing the content and format of all fraud related LOL courses to ensure still relevant.
- 7.3. Internal Audit will continue to coordinate future NFI exercises and collate and report fraud statistics on a six monthly basis to the RASC.

## **8. Financial Implications**

- 8.1. The investigation of fraud, participation in NFI exercises and the collection and reporting of fraud statistics will be carried out within existing resources.
- 8.2. A total of 171 days has been allocated within the 2018/2019 Internal Audit Plan for fraud risk work. This includes an allowance of contingency time to undertake fraud investigations where required. An additional allowance of 40 days has been allocated for NFI.

## **9. Other Implications**

- 9.1. Fraud risk is recognised as one of the top risks facing South Lanarkshire Council. This risk is significant as it can adversely affect the delivery of Council objectives and erode valuable resources. It is, therefore, important that the risk of fraud is soundly managed.
- 9.2. Fraud Risk Registers are now in place within all Resources and are reviewed and updated annually in line with standard Risk Management Procedures.
- 9.3. The collection and reporting of fraud statistics should assist in the management of fraud by identifying patterns and trends of fraud and areas of high risk where preventative controls should be concentrated. However, in order to do this effectively, fraud statistics must be complete. This remains an area where practice could be improved and it is, therefore, important that all instances of potential and actual fraud are reported to Internal Audit. Further work will be undertaken by Internal Audit to promote all fraud policies linked to planned workshops that will be led by Police Scotland in Spring 2019.
- 9.4. In order to ensure the Council is fully aware of and prepared for emerging fraud risks, Internal Audit periodically carry out self-assessment exercises against good practice guidance in fraud management. Internal Audit will continue to include an allowance within the Internal Audit Plan to undertake such assessments.
- 9.5. There are no sustainability issues in terms of the information contained in this report.

## **10. Equality Impact Assessment and Consultation Arrangements**

- 10.1. There is no requirement to undertake an equality impact assessment.
- 10.2. Consultation was not necessary for this report.

**Paul Manning**

**Executive Director Finance and Corporate Resources**

8 April 2019

### **Link(s) to Council Values/Objectives/Ambitions**

- ◆ Objective – Governance and Accountability

### **Previous References**

- ◆ Fraud Statistics and NFI Six Monthly Update, 21 March 2018
- ◆ Fraud Statistics Annual Report 2018, 18 September 2018
- ◆ The National Fraud Initiative 2016, 18 September 2018

### **List of Background Papers**

None

### **Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

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# South Lanarkshire<sup>7</sup> Council

Annual Audit Plan 2018/19



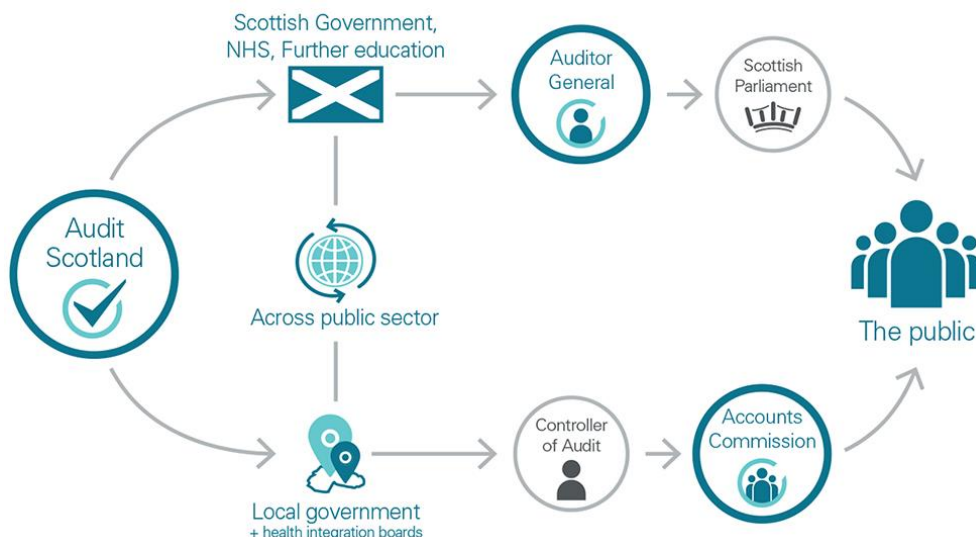
 AUDIT SCOTLAND

Prepared for South Lanarkshire Council  
March 2019

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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# Contents

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Risks and planned work	4
Audit scope and timing	10

# Risks and planned work

1. This audit plan provides an overview of the planned scope and timing of our audit of South Lanarkshire Council for 2018/19. Our audit is carried out in accordance with International Standards on Auditing (ISAs) and the [Code of Audit Practice](#) issued by Audit Scotland and endorsed by the Accounts Commission.


2. We seek to add value to the council by identifying areas of improvement and recommending and encouraging good practice on financial sustainability, governance, risk management and performance. In so doing, we aim to help the council promote improved standards, better management and decision-making, and more effective use of resources.

3. The plan sets out the audit work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit. The wider scope of public audit includes assessing arrangements for financial sustainability, governance and transparency, and value for money. We make a public report of conclusions on these matters in our annual audit report to members and the Controller of Audit.


## Audit risks

4. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for South Lanarkshire Council. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are set out at [exhibit 1](#).

## Exhibit 1 2018/19 Key audit risks

 Audit Risk	Source of management assurance	Planned audit work
<b>Financial statements issues and risks</b>		
<b>1 Risk of management override of controls</b>  ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls.	<ul style="list-style-type: none"> <li>In view of the nature of this risk, assurances from management are not appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>Detailed testing of journal entries.</li> <li>Review of accounting estimates.</li> <li>Focused testing of accruals and prepayments.</li> <li>Evaluation of significant transactions that are outside the normal course of business.</li> </ul>
<b>2 Risk of fraud over income</b>  ISA 240 requires that audit work is planned to consider the risk of fraud over income, which is presumed to be a significant risk in any audit.	<ul style="list-style-type: none"> <li>Most income is received via electronic payment.</li> <li>Robust controls over the receipt of other income.</li> </ul>	<ul style="list-style-type: none"> <li>Walk through of controls over income systems.</li> <li>Analytical procedures on income streams.</li> <li>Sample testing of revenue transactions.</li> </ul>

	Audit Risk	Source of management assurance	Planned audit work
3	<b>Risk of fraud over expenditure</b>  The Code of Audit Practice expands the ISA 240 assumption on fraud over income to aspects of expenditure. The council incurs significant expenditure in areas such as welfare benefits, grant payments and procurement expenditure, which present a risk of fraud over expenditure.	<ul style="list-style-type: none"> <li>• Involvement in National Fraud Initiative.</li> <li>• Robust controls over expenditure streams.</li> <li>• Emphasis on fraud awareness in expenditure streams</li> <li>• Review of system controls and focus on standing data</li> </ul>	<ul style="list-style-type: none"> <li>• Audit work on the National Fraud Initiative matches.</li> <li>• Audit of grants.</li> <li>• Analytical procedures on expenditure streams.</li> <li>• Sample testing of expenditure and housing benefit transactions.</li> </ul>
4	<b>Estimation and judgements</b>  There is a significant degree of subjectivity in the measurement and valuation of some material account areas which represents an increased risk of material misstatement in the financial statements. <ul style="list-style-type: none"> <li>• Valuations on non-current assets rely on expert valuations and management assumptions.</li> <li>• The value of the council's pension liability is an estimate based on information provided by management and actuarial assumptions.</li> <li>• The council's provision for doubtful debts is based on management assessments of the recoverability of debts.</li> </ul>	<ul style="list-style-type: none"> <li>• Asset valuations completed by Royal Institute of Chartered Surveyors (RICS) qualified surveyors.</li> <li>• Pension Fund valuation completed by a qualified actuary with the applicability of actuarial assumptions used reviewed by Council officers.</li> <li>• Provision for doubtful debts based on aged-debt approach, incorporating prior year experience</li> </ul>	<ul style="list-style-type: none"> <li>• Review of the work of the valuer and actuary.</li> <li>• Focused substantive testing of classification and valuation of assets.</li> <li>• Review appropriateness of actuarial assumptions.</li> <li>• Confirm pension valuations in actuarial report are correctly reflected within the 2018/19 accounts.</li> <li>• Review the provision for doubtful debts to assess whether it is reasonable and complete based on the perceived risk that the debt will not be recovered, and in line with historic experience.</li> </ul>
5	<b>Non-current asset accounting</b>  Our 2017/18 audit identified that a number of capital expenditure programmes had been added to the asset register as a single asset record. The grouping of these assets makes it difficult to account for the impact of future events on the value (disposal, replacement or impairment) of individual assets or constituent parts of an individual asset.  There is a risk that the value of grouped expenditure is incorrectly accounted for in the financial statements.	<ul style="list-style-type: none"> <li>• A review of the prior year capital expenditure programmes has identified no significant components that should have been added separately.</li> <li>• A similar review of the 2018/19 capital expenditure programmes will be carried out prior to closure of the 2018/19 Accounts.</li> </ul>	<ul style="list-style-type: none"> <li>• Focused substantive testing on non-current asset balances.</li> <li>• Review of the valuation process when an asset is disposed, replaced or impaired.</li> </ul>

	Audit Risk	Source of management assurance	Planned audit work
6	<p><b>Holiday pay accrual</b></p> <p>Our 2017/18 audit identified a number of anomalies in the data used to calculate the holiday pay accrual.</p> <p>There is a risk that the holiday pay accrual is mis-stated in the financial statements.</p>	<ul style="list-style-type: none"> <li>A new report has been written which will identify any anomalies in the system. These can then be corrected/removed as appropriate, leaving a clean sample.</li> </ul>	<ul style="list-style-type: none"> <li>Review of the 2018/19 holiday pay accrual during the financial statements audit.</li> </ul>
<b>Wider dimension issues and risks</b>			
7	<p><b>EU withdrawal</b></p> <p>There are considerable uncertainties surrounding the implications of EU withdrawal.</p> <p>There is a risk that the services delivered by the council could be adversely affected by EU withdrawal.</p>	<ul style="list-style-type: none"> <li>Consideration given to Audit Scotland Questionnaire 'Withdrawal from EU, key issues for the Scottish Public Sector'</li> <li>Participation with the Multi Agency Regional Resilience Partnership (West Region) and Local Resilience Partnership</li> <li>Contingency plans prepared for key risk areas</li> <li>Key risk areas and controls identified on the Council's Strategic and Resource Risk Registers</li> <li>Support arrangements in place for businesses within South Lanarkshire</li> </ul>	<ul style="list-style-type: none"> <li>We will use guidance produced by Audit Scotland and review the discussions and outputs of the Council to assess the extent of issues and preparations for EU withdrawal.</li> <li>Consider how the council responds to any emerging issues after March 2019.</li> </ul>
8	<p><b>Openness and transparency</b></p> <p>The council's Privacy Policy, Information Compliance Policy and Data Protection Access Request Form make reference to outdated obligations in the now superseded Data Protection Act 1998.</p> <p>There is a risk that the failure to update key policies to reflect current legislation reduces transparency to the public, while inaccurate guidance for employees could lead to non-compliance with GDPR obligations.</p>	<ul style="list-style-type: none"> <li>The Council's Privacy Policy has been updated and renamed Data Protection Policy</li> <li>Information Compliance Policy and Data Protection Accession Request Form have been updated.</li> </ul>	<ul style="list-style-type: none"> <li>We will review the updated policies when they become available.</li> </ul>

## Best Value

**5.** The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. A Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in a five-year period. During 2018/19 a Best Value review of the council was completed. The report will be published on 29 March 2019.

**6.** This work will also contribute to our conclusions on the audit dimensions and we will follow up on recommendations made as part of the Best Value review in our annual audit report.

**7.** Councils on which a BVAR will be published during the third year of the new approach are listed at [exhibit 2](#).

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## Exhibit 2

### 2018/19 Best Value Assurance Reports



South Lanarkshire Council

Highland Council

Stirling Council

Scottish Borders Council

North Lanarkshire Council

Perth and Kinross Council

Midlothian Council

Source: Audit Scotland

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## The audit of charities administered by South Lanarkshire Council

**8.** The preparation and audit of financial statements of registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. The 2006 regulations require charities to prepare annual accounts and require an accompanying auditor's report. The Local Government (Scotland) Act 1973 specifies the audit requirements for any trust fund where some or all members of a council are the sole trustees. A full and separate audit and independent auditor's report is required for each registered charity where members of the Council are sole trustees, irrespective of the size of the charity.

**9.** Members of South Lanarkshire Council are sole trustees for three registered Scottish charities, with combined assets of some £1.2 million. Based on our discussions with staff and initial planning work undertaken, we have identified the audit risk set out at [exhibit 3](#).

## Exhibit 3

Audit Risk	Source of management assurance	Planned audit work
<b>1 Governance documentation</b> Following our recommendations in previous years, the council has prepared and approved new arrangements for the administration of the three charitable trusts under its control. The new arrangements cannot be formally implemented until approval from the Office of the Scottish Charity Regulator (OSCR). There is a risk that the current arrangements do not permit distribution of funds and that governance arrangements are weak.	<ul style="list-style-type: none"> <li>Discussions with OSCR are ongoing but approval can take between 4-6 months.</li> <li>Planning around Training for Trustees and administration is underway</li> </ul>	<ul style="list-style-type: none"> <li>Liaise with officers during process of updating and replacing trust deeds.</li> <li>Review the updated documentation when available.</li> </ul>

Source: Audit Scotland

## Reporting arrangements

**10.** This annual audit plan, the outputs set out at [exhibit 4](#), and any other outputs on matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

**11.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be issued to the relevant officer(s) to confirm factual accuracy.

**12.** We will provide an independent auditor's report to the members of South Lanarkshire Council and the Accounts Commission setting out our opinions on the annual accounts. We will provide members and the Controller of Audit with an annual audit report, containing observations and recommendations on significant matters which have arisen during the audit.

## Exhibit 4 2018/19 Audit outputs

Audit Output	Target date	Risk and Audit Scrutiny Committee Date
Interim management report	24 May	19 June
Annual audit report	4 September	18 September
Independent auditor's report	18 September*	18 September

\* The independent auditor's report will be signed by the certifying auditor after the annual accounts are approved by the risk and audit scrutiny committee.



## Audit fee

**13.** The agreed fee for the 2018/19 audit of South Lanarkshire Council is £490,110 (£481,670 in 2017/18). In determining the audit fee, we have taken account of the risk exposure of the council, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package by 28 June 2019.

**14.** We have also agreed an audit fee for the audit of the three registered charities of £5,425 (£5,425 in 2017/18).

**15.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

## Responsibilities

### Risk and Audit Scrutiny Committee and Executive Director of Finance and Corporate Resources (section 95 officer)

**16.** Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

The audit of the financial statements does not relieve management or the Risk and Audit Scrutiny Committee of their responsibilities.

### Appointed auditor

**17.** Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice, and guided by the Financial Reporting Council's Ethical Standard.

Auditors in the public sector give an independent opinion on the annual accounts. We aim to support improvement and accountability by reviewing and reporting on arrangements to manage performance and use of resources.

# Audit scope and timing

## Financial Statements

**18.** The statutory financial statements audit will be the foundation and source for much of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing local government and the wider public sector. Our audit approach includes:

- understanding the business of South Lanarkshire Council and the associated risks which could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how the council will include them in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

**19.** We will give opinions on whether:

- the financial statements give a true and fair view of the state of affairs of the council and the income and expenditure for the year
- the annual accounts have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union and interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19
- the annual accounts have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, the Local Government in Scotland Act 2003.



characteristics



responsibilities



principal activities



risks



governance arrangements

## Other information in the financial statements

**20.** We also review and report on the management commentary, remuneration report and governance statement. We give an opinion on whether they have been prepared in accordance with the appropriate regulations and guidance. We also read and consider any other information in the annual accounts and report any material inconsistencies.

## Materiality

**21.** We apply the concept of materiality in planning and performing our audit. Materiality defines the maximum error that we are prepared to accept and still conclude that the financial statements present a true and fair view. It helps assist our planning of the audit and allows us to assess the impact of any potential audit adjustments on the financial statements. Our calculated materiality levels are set out at [exhibit 5](#).

## Exhibit 5

### Materiality levels

Materiality	Amount
<b>Planning materiality</b> – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2018.	£11.583 million
<b>Performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 45% of planning materiality.	£5.212 million
<b>Reporting threshold</b> – We are required to report to those charged with governance on all unadjusted misstatements in excess of a predetermined reporting threshold. This has been calculated at 1% of planning materiality (rounded up)	£0.100 million

Source: Audit Scotland

22. We set separate materiality levels for the audits of the charities accounts, [exhibit 6](#).

## Exhibit 6

### Trust materiality levels



Trust	Planning materiality*	Performance materiality	Reporting threshold**
<b>South Lanarkshire Council Charitable Trusts</b>	£11,000	£8,000	£100
<b>South Lanarkshire Council Educational Trusts</b>	£1,500	£1,100	£100
<b>East Kilbride Technology Centre Trust</b>	£300	£200	£100

\* Based on the latest audited accounts and set at 1% total funds for the year ended 31 March 2018, rounded up as considered appropriate. \*\* In view of the amounts involved, we have set the reporting threshold at £100.

## Timetable

**23.** An agreed timetable is included at [exhibit 7](#) which takes account of submission requirements and planned Risk and Audit Scrutiny Committee meeting dates:

### Exhibit 7 Financial Statements timetable

 Key stage	 Date
Consideration of unaudited financial statements by those charged with governance	19 June
Latest submission date of unaudited financial statements and working papers package	28 June
Latest date for final clearance meeting with officers	3 September
Agreement of unsigned financial statements Issue of annual audit report/ISA 260	4 September
Independent auditor's reports signed	18 September
Latest date for signing of whole of government accounts return	28 September

\* ISA 260 issues arising from the audit of charitable trusts will be reported in a separate section of the council's annual audit report, however, a separate independent auditor's report will be issued for each of the three charitable trusts..

## Internal audit

**24.** Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an assessment of the internal audit function at audited bodies.

**25.** South Lanarkshire Council's internal audit function is provided by their internal audit section led by the Audit and Compliance Manager. Our assessment of the internal audit function concluded that it has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

### Using the work of internal audit

**26.** To support our audit opinion on the financial statements we plan to place formal reliance on the following planned internal audit review:

- Procurement

In respect of our wider dimension audit responsibilities we also plan to consider other areas of internal audit work including:

- Budgetary control
- Information risk management
- NFI
- City deal benefit realisation

## Audit dimensions

**27.** Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements, [exhibit 8](#). Our conclusions on these four dimensions will contribute to an overall assessment and assurance on best value.

### Exhibit 8 Audit dimensions



Source: Code of Audit Practice

### Financial sustainability

**28.** We consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit of the financial statements. We also comment on the council's financial sustainability in the medium and longer term. We will carry out work and conclude on the following in 2018/19:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term; including the potential impact of the end of the public sector pay cap, new financial powers and EU withdrawal
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps.

### Financial management

**29.** Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review and report on:

- the effectiveness of the budgetary control system in communicating accurate and timely financial performance
- whether financial capacity and skills are adequate
- whether appropriate and effective arrangements for internal control and the prevention and detection of fraud and corruption have been established.
- the arrangements in place to receive assurances that systems of internal control are operating effectively

## Governance and transparency

**30.** Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information. We will assess:

- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting.
- whether governance arrangements are appropriate and operating effectively.
- the quality and timeliness of financial/performance reporting

## Value for money

**31.** Value for money refers to using resources effectively and continually improving services. Our Best Value Assurance Report will provide our conclusions on how effectively the council demonstrates value for money in the use of resources, it's focus on improvement and the link to the outcomes delivered.

## Contribution to national performance audits

**32.** The list below sets out the performance audit reports that Audit Scotland intends to publish during 2018/19 and 2019/20 that require local auditor input:

- Innovative financing: city deals (to be published Autumn 2019)
- Digital progress in local government (to be published Spring 2020)
- Education outcomes (to be published Winter 2019)

**33.** As part of our 2018/19 audit activity we will be carrying out some limited work to assess the local impact of recent national audit reports including:

- Early learning and childcare (published February 2018)
- Equal pay in Scottish councils (published September 2017)
- Self-directed support: 2017 progress report (published August 2017)

## Housing benefit performance audit

**34.** The Accounts Commission has responsibility for the audit of housing benefit services in Scotland and Audit Scotland carries out a programme of performance audit work on its behalf each year. The structural changes to the social security landscape, both at UK and Scottish level, are present significant challenges for councils. In this context the Commission is considering a more strategic approach to the housing benefit performance audit from 2019/20. This would change the balance between reports on the risks at individual councils to more cross-cutting thematic reviews that look at risks across councils.

**35.** We will continue to review the relative performance of all councils' housing benefit services throughout the year and will take a risk based and proportionate approach to changes in performance at individual councils. Currently there are no plans for audit work at South Lanarkshire Council. Once finalised, the change in approach will be fully communicated to councils along with planned reviews and timescales.

## Independence and objectivity

**36.** Auditors appointed by the Accounts Commission must comply with the Code of Audit Practice. When auditing financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

**37.** The engagement lead for South Lanarkshire Council is Fiona Mitchell-Knight, Assistant Director. The engagement lead for the charitable trusts is Dave Richardson, Senior Audit Manager. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of South Lanarkshire Council or the charitable trusts.

## Quality control

**38.** International Standard on Quality Control (UK and Ireland) 1 requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

**39.** The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal and external quality reviews. External quality reviews are conducted by the Institute of Chartered Accountants of Scotland.

**40.** As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

# South Lanarkshire Council

## Annual Audit Plan 2018/19

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

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# Report

8

Report to: **Risk and Audit Scrutiny Committee**  
 Date of Meeting: **24 April 2019**  
 Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **Forward Programme for Future Meetings**

## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise members of the forward programme for the meetings of the Risk and Audit Scrutiny Committee to November 2019
- ◆ invite members to suggest topics for inclusion in the Committee's forward programme

## 2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the report and the outline forward programme for the meetings of the Risk and Audit Scrutiny Committee to November 2019, attached as an appendix to the report, be noted.

## 3. Background

3.1 As part of a range of improvement measures introduced as a result of Audit Scotland's report on the Audit of Best Value and Community Planning (2009), an Action Plan was prepared. One of the actions was to include, as a standard agenda item, a list of items proposed for consideration at subsequent meetings of this Committee to provide an opportunity for members to inform future agendas. The outline forward programme to November 2019 is attached, for members' information, as an appendix to the report.

## 4. Employee Implications

4.1. There are no employee implications.

## 5. Financial Implications

5.1. There are no financial implications.

## 6. Other Implications

6.1. There are no risk or sustainability issues associated with the content of this report.

## 7. Equality Impact Assessment and Consultation Arrangements

7.1. The report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.

7.2 There was no requirement to undertake any consultation in terms of the information contained in this report.

**Paul Manning**  
**Executive Director (Finance and Corporate Resources)**

8 April 2019

**Link(s) to Council Values/Objectives/Ambitions**  
Value – Accountable, Effective, Efficient and Transparent

**Previous References**  
Executive Committee 8 July 2009

**List of Background Papers**  
Audit Scotland Audit of Best Value and Community Planning

**Contact for Further Information**  
If you would like to inspect the background papers or want further information, please contact:-  
Pauline MacRae, Administration Officer  
Ext: 4108 (Tel: 01698 454108)  
E-mail: pauline.macrae@southlanarkshire.gov.uk

## APPENDIX – RASC OUTLINE FORWARD PROGRAMME JUNE TO NOVEMBER 2019

Meeting Date	Item	Responsibility
19 June 2019	1. Internal Audit Annual Assurance Report	Audit and Compliance Manager
	2. Good Governance Statement 2018/2019 and Quarter 4 Year End Report	Head of Administration and Legal Services
	3. Internal Audit Activity Report	Audit and Compliance Manager
	4. Financial Resources Scrutiny Forum Activity	Head of Finance (Strategy)
	5. Interim Audit Report for Year Ended 31 March 2019	External Auditor
	6. 2018/2019 Annual Accounts (Unaudited)	Head of Finance (Strategy)
18 September 2019	1. External Auditor's Annual Report to South Lanarkshire Council 2018/2019	External Auditor
	2. Audited Annual Accounts 2018/2019	Head of Finance (Strategy)
	3. Internal Audit Activity Report	Audit and Compliance Manager
	4. Annual Fraud Report to 31 March 2019	Audit and Compliance Manager
	5. 2018 National Fraud Initiative Exercise - Update	Audit and Compliance Manager
27 November 2019	1. Internal Audit Activity Report	Audit and Compliance Manager
	2. Efficiency Statement 2018/2019	Head of Finance (Strategy)
	3. 2018/2019 Year End Risk Management Report	Head of Finance (Transactions)
	4. 2018/2019 Year End Insured Risks Report	Head of Finance (Transactions)

N.B:-. Audit Scotland national studies and reviews will appear as a recurring item but the frequency and subject matter will vary according to their programme.

