

RISK AND AUDIT SCRUTINY COMMITTEE

Minutes of meeting held via Microsoft Teams on 3 March 2021

Chair:

Councillor Graeme Campbell

Councillors Present:

Councillor Mary Donnelly, Councillor Grant Ferguson, Councillor Julia Marrs, Councillor Davie McLachlan, Councillor Carol Nugent, Councillor Bert Thomson (*substitute for Councillor Walter Brogan*), Councillor Jared Wark

Councillors' Apologies:

Councillor Walter Brogan, Councillor Martin Lennon

Attending:

Finance and Corporate Resources

P Manning, Executive Director (Finance and Corporate Resources); Y Douglas, Audit and Compliance Manager; C Fergusson, Head of Finance (Transactions); T Little, Head of Communications and Strategy; P MacRae, Administration Adviser; G McCann, Head of Administration and Legal Services; E-A McGonigle, Administration Officer

Also Attending:

Audit Scotland

A Kerr, External Auditor

1 Declaration of Interests

No interests were declared.

2 Minutes of Previous Meeting

The minutes of the meeting of the Risk and Audit Scrutiny Committee held on 9 December 2020 were submitted for approval as a correct record.

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

3 2021/2022 Internal Audit Plan – 6 Months to 30 September 2021

A report dated 16 February 2021 by the Executive Director (Finance and Corporate Resources) was submitted on the proposed first phase of the Internal Audit Plan 2021/2022 for the 6 months to 30 September 2021.

A total of 555 audit days, inclusive of days which had been allocated to external clients, had been provided for in the first phase of the Plan. The proposed Internal Audit Plan, which included a brief outline scope for each proposed assignment, was attached as Appendix 2 to the report.

The content of the Audit Plan each year was determined by the requirement to deliver a programme of work that would inform the annual audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control arrangements. To reflect the evolving risks and challenges that the Council continued to face, the Internal Audit Plan 2021/2022 would be presented to the Committee as 2 separate 6 month Plans to ensure they were current, relevant and deliverable. The Plans would include core elements of audit work, completion of key financial year end tasks and reflect the ongoing support that was being provided to Council services to disburse COVID-19 grants.

Overview of the risk coverage across both Plans would be included in the report to the Committee that set out a proposed Audit Plan from 1 October 2021 to 31 March 2022.

The 2021/2022 Audit Plan would be delivered within the context of the revised Internal Audit Charter, attached as Appendix 1 to the report, and in accordance with the Public Sector Internal Auditing Standards (PSIAS). A formal review of the internal audit function's compliance with PSIAS would be conducted in 2021/2022 in preparation for an external assessment that would be required in 2022/2023.

There followed a full discussion during which members raised issues regarding the risks around cyber security threats and the role of the Committee in the scrutiny of procurement.

Officers provided assurance that audit testing of cyber security risks was embedded within the Internal Audit Plan and that further information on planned work in this area would be circulated to members of the Committee. Members were invited to provide feedback following receipt of this further information. The scrutiny role of Finance and Corporate Resources Committee in relation to procurement was discussed and assistance was offered to Members to support their review of these reports.

The Audit and Compliance Manager advised that information would be circulated to Members regarding work planned in relation to cyber security in the 6 month period of the Plan. In addition, the key message pages of the Internal Audit Activity report had been revised to include more detailed information in relation to individual assignments. Members were invited to provide feedback following receipt of this further information.

The Committee decided: that the proposed first phase of the 2021/2022 Internal Audit Plan for the 6 months to 30 September 2021 be approved.

[Reference: Minutes of 21 September 2020 (Paragraph 3)]

Councillor Donnelly joined the meeting during consideration of this item of business

4 Internal Audit Activity as at 12 February 2021

A report dated 16 February 2021 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 21 November 2020 to 12 February 2021.

Findings from internal audit assignments were reported to the Committee throughout the year and the last progress report was given at the December 2020 meeting. Only a small number of assignments had been concluded in the period covered by the current report. The 2020/2021 Audit Plan was, however, being progressed with the intention that the programme of work would be completed by the end of March 2021.

As at 12 February 2021, 88% of planned assignments in the 2020/2021 Audit Plan were in progress. Details of assignments completed in the period were given in Appendix 2. The other key performance indicators reflecting quality, on time and within budget for the period to 31 January 2021 were also summarised in Appendix 1.

The Internal Audit function continued to deliver some redeployed tasks as a result of the COVID-19 pandemic.

The Committee decided: that the report be noted.

[Reference: Minutes of 9 December 2020 (Paragraph 5)]

5 Annual Audit Plan 2020/2021

The Committee considered the South Lanarkshire Council Audit Plan for 2020/2021 submitted by Audit Scotland, the Council's External Auditor.

The Plan set out the audit work necessary to allow Audit Scotland to provide an independent auditor's report and meet the wider scope requirements of public sector audit which included assessing arrangements for:-

- ◆ financial sustainability
- ◆ financial management
- ◆ governance and transparency
- ◆ value for money
- ◆ best value

The Plan was structured around the following areas:-

- ◆ risks on planned work
- ◆ audit scope and timing

Details were given on key aspects of those areas.

As a result of the impact of COVID-19, the following risks had been included in the significant audit risks detailed at Exhibit 1 of the report:-

- ◆ COVID-19 funding and financial flexibilities, relating to the COVID-19 grants which were vulnerable to external fraud
- ◆ financial sustainability, relating to the fundamental impact of the pandemic on how services were delivered by the Council and its partners, the additional cost burdens and changing priorities

The External Auditor referred to the forthcoming retirement of Dave Richardson, Senior Audit Manager, Audit Scotland and advised that he would be replaced by Peter Lindsay.

The Committee decided: that the report be noted.

[Reference: Minutes of 19 February 2020 (Paragraph 6)]

6 Fraud Statistics 6 Monthly Update

A report dated 16 February 2021 by the Executive Director (Finance and Corporate Resources) was submitted on fraud statistics for the 6 month period to September 2020.

Details were given on the number, types, outcomes and costs of fraud investigations, together with performance measures for the 6 month period to September 2020. A comparison with the statistics for the same period in 2019 was also provided. Progress with all types of fraud investigations during the period 1 April to 30 September 2020 had been significantly impacted by the COVID-19 pandemic.

The fraud statistics for the 6 month period to September 2020 highlighted that:-

- ◆ 159 investigations, with a total value of £178,000, had either been reported in the period or carried forward from 2019/2020, representing a slight increase in number from the same period in 2019
- ◆ the majority of cases reported in the period related to thefts and break-ins and to issues referred to Internal Audit for investigation, whereas the majority of concerns reported in the same period in 2019 related to benefit fraud. The disparity reflected the disruption to the investigative process as a result of the COVID-19 pandemic
- ◆ of the 159 cases, 21, valued at £22,000, had been closed within the period, representing a decrease when compared to the closed investigations for the same period in 2019
- ◆ 71% of cases investigated were founded and none of those involved a Council employee
- ◆ 100% of the founded cases related to benefit fraud or fraud committed by a third party

On conclusion of all internal investigations, an assessment was made on whether an improvement action was necessary. If this was required, an improvement plan would be issued containing recommended actions. An improvement plan had been issued by Internal Audit during the period under review with 7 separate actions to be taken. Follow up of all high priority actions resulting from fraud investigations would be included in future Audit Plans.

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

The Committee decided: that the report be noted.

[Reference: Minutes of 19 February 2020 (Paragraph 7)]

7 Performance and Review Scrutiny Forum Annual Update

A report dated 11 February 2021 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 2020.

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 19 February 2020 (Paragraph 8)]

8 Audit Scotland Report Housing Benefit Overpayments in Scotland – A Thematic Study

A report dated 15 February 2021 by the Executive Director (Finance and Corporate Resources) was submitted providing a summary of the Audit Scotland Report 'Housing Benefit Overpayments in Scotland – A Thematic Study' which had been released in December 2020.

The Housing Benefit (HB) scheme was administered by councils on behalf of the Department for Work and Pensions (DWP) and helped low-income households pay their rent. External scrutiny of councils' HB performance was undertaken by Audit Scotland on behalf of the Accounts Commission. The approach to delivering this function was through a combination of HB performance audits of individual councils and thematic reviews across all Scottish councils.

The Council had not been the subject of a performance audit in 2019/2020 but was one of 28 councils which had participated in a thematic review of councils' performance in managing overpayments. Audit Scotland sourced HB overpayment data from the DWP for the 4 councils that did not participate.

The review was due to be published in March 2020, however, due to the impact of the COVID-19 pandemic, the HB audit activity was suspended, and rather than the report being published, it was provided to councils to use as an improvement tool.

The report was structured around the following 3 areas:-

- ◆ Housing Benefit recovery performance
- ◆ Housing Benefit recovery options
- ◆ Housing Benefit Debt Service

A number of key messages arising from the Audit Scotland report were detailed.

The Audit Scotland report contained several recommendations for councils, together with an assessment of the position in South Lanarkshire Council.

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

The Committee decided: that the key messages and recommendations in the Audit Scotland report 'Housing Benefit Overpayments in Scotland – A Thematic Study' be noted.

9 Forward Programme for Future Meetings

A report dated 16 February 2021 by the Executive Director (Finance and Corporate Resources) was submitted on the outline forward programme for the meeting of the Risk and Audit Scrutiny Committee to be held on 22 June 2021.

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

The Committee decided: that the outline forward programme for the meeting of the Risk and Audit Scrutiny Committee to be held on 22 June 2021 be noted.

10 Urgent Business

There were no items of urgent business.