



Council Offices, Almada Street  
Hamilton, ML3 0AA

Tuesday, 23 February 2021

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, 03 March 2021**  
**Time: 10:00**  
**Venue: By Microsoft Teams,**

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

Yours sincerely

**Cleland Sneddon**  
**Chief Executive**

### **Members**

Graeme Campbell (Chair), Walter Brogan, Mary Donnelly, Grant Ferguson, Martin Lennon, Julia Marrs, Davie McLachlan, Carol Nugent, Jared Wark

### **Substitutes**

Janine Calikes, Margaret Cowie, Eric Holford, Bert Thomson

## BUSINESS

- 1 Declaration of Interests
- 2 Minutes of Previous Meeting 3 - 6  
Minutes of the meeting of the Risk and Audit Scrutiny Committee held on 9 December 2020 submitted for approval as a correct record. (Copy attached)

---

### Item(s) for Decision

---

- 3 **2021/2022 Internal Audit Plan – Six Months to 30 September 2021** 7 - 16  
Report dated 16 February 2021 by the Executive Director (Finance and Corporate Resources). (Copy attached)

---

### Item(s) for Noting

---

- 4 **Internal Audit Activity as at 12 February 2021** 17 - 22  
Report dated 16 February 2021 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 5 **Annual Audit Plan 2020/2021** 23 - 38  
Report dated February 2021 by Audit Scotland, External Auditors. (Copy attached)
- 6 **Fraud Statistics Six Monthly Update** 39 - 42  
Report dated 16 February 2021 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 7 **Performance and Review Scrutiny Forum Annual Update** 43 - 44  
Report dated 11 February 2021 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 8 **Audit Scotland Report Housing Benefit Overpayments in Scotland – A Thematic Study** 45 - 50  
Report dated 15 February 2021 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 9 **Forward Programme for Future Meetings** 51 - 54  
Report dated 16 February 2021 by the Executive Director (Finance and Corporate Resources). (Copy attached)

---

### Urgent Business

---

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

Clerk Name: Elizabeth-Anne McGonigle  
Clerk Telephone: 01698 454521  
Clerk Email: elizabeth-anne.mcgonigle@southlanarkshire.gov.uk

## RISK AND AUDIT SCRUTINY COMMITTEE

Minutes of meeting held via Microsoft Teams on 9 December 2020

**Chair:**

Councillor Graeme Campbell

**Councillors Present:**

Councillor Mary Donnelly, Councillor Grant Ferguson, Councillor Julia Marrs, Councillor Carol Nugent, Councillor Jared Wark

**Councillor Also Present:**

Councillor John Ross (for item 4)

**Councillors' Apologies:**

Councillor Walter Brogan, Councillor Martin Lennon, Councillor Davie McLachlan

**Attending:**

**Chief Executive's Service**

C Sneddon, Chief Executive (for item 4)

**Finance and Corporate Resources**

P Manning, Executive Director (Finance and Corporate Resources); Y Douglas, Audit and Compliance Manager; S Dunsmore, Insurance and Risk Manager; 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**

D Richardson, 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 21 September 2020 were submitted for approval as a correct record.

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

---

### 3 Minutes of Special Meeting

The minutes of the special meeting of the Risk and Audit Scrutiny Committee held on 16 November 2020 were submitted for approval as a correct record.

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

---

## **4 Good Governance Update**

---

A report dated 11 November 2020 by the Executive Director (Finance and Corporate Resources) was submitted providing an update on the Council's governance arrangements.

Each year, the Council undertook a comprehensive review of the governance arrangements required to support its financial and operational controls. The annual review of governance arrangements informed the Governance Statement which was included within the Council's Annual Accounts. As part of this annual review, the Council's Local Code of Corporate Governance was reviewed, updated and republished. Compliance with the Code was also reviewed on an annual basis. Appendix 1 to the report provided details of the Council's compliance with the Code.

An annual review of the Code had also been undertaken and the amendments to the Code following the review were detailed in the report. The revised Code was attached as Appendix 2 to the report. Progress on the significant governance areas from April to September 2020 was detailed in Appendix 3 to the report.

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

### **The Committee decided:**

- (1) that the findings from the annual compliance check against the Local Code of Corporate Governance be noted;
- (2) that the updated Local Code of Corporate Governance be approved; and
- (3) that progress against the significant governance areas identified within the Annual Governance Statement 2019/2020 be noted.

*[Reference: Minutes of 18 June 2020 (Paragraph 4)]*

---

## **5 Internal Audit Activity as at 20 November 2020**

---

A report dated 24 November 2020 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 29 August to 20 November 2020.

Standard performance management processes had been suspended since the start of 2020/2021 with individual tasks having specific target dates for completion, agreed at the outset and then used for monitoring purposes. At its meeting on 21 September 2020, the Committee noted the temporary performance management arrangements that had been put in place and that standard performance indicators would be used to monitor delivery of the Audit Plan through to 31 March 2021.

As at 20 November 2020, 57% of planned assignments in the 2020/2021 Audit Plan were in progress. Details of assignments completed in the period were given in Appendix 1 to the report. Work plans were in place to conclude those and the remainder of the assignments in the Plan by 31 March 2021. In conjunction with delivering allocated assignments, Internal Audit would continue to check and facilitate payment of COVID-19 support grants.

It was noted that future activity reports would set out 'key messages' for a larger number of completed assignments and add further detail on the context and nature of findings that were being reported. For relevant audit assignments, the activity report would also set out key areas of assurance that members should consider alongside a summary of the extent to which highlighted risks were being managed and mitigated.

Work to prepare the 2021/2022 Internal Audit Plan would commence in early course and members of the Committee were invited to offer ideas and suggestions for inclusion in the Plan. Those should focus on specific risk areas where there were known control weaknesses.

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

*[Reference: Minutes of 21 September 2020 (Paragraph 4)]*

---

## **6 Review of Council's Top Risks/Year End Risk Management Report**

---

A report dated 9 November 2020 by the Executive Director (Finance and Corporate Resources) was submitted providing an update on:-

- ◆ the Council's top risk register following the annual review and consultation process
- ◆ progress with risk management activity undertaken during 2019/2020

Details were given on the process for and results of the 2020 review of the Council's top risks. On the whole, the risks from the previous year's review, as detailed in the report to this Committee on 27 November 2019, were still deemed to be valid, however, the majority of those risks had been impacted by the COVID-19 pandemic.

Details were given on the main changes to the top risks as follows:-

- ◆ the addition of a new risk in respect of COVID-19
- ◆ the addition of a new risk in respect of failure to evidence progress against Social Work Care Inspectorate Requirements
- ◆ the rescoring of risks in line with the 5x5 scoring matrix
- ◆ updated risk descriptions, controls and actions, as required, on individual risks

The revised 5x5 scoring matrix was attached as Appendix 1 to the report. The Council's revised top risks, with both the inherent and residual risk score, together with an assessment of the adequacy of controls, were detailed in Appendix 2 to the report.

Details were also given on top risk developments in relation to:-

- ◆ Brexit/concurrent risks
- ◆ IT service delivery

Risk Sponsors were required, on an annual basis, to assess and provide evidence of their Resource's compliance with the Risk Management Strategy. The end of year compliance statement, attached as Appendix 3 to the report, showed that Resources continued to demonstrate full compliance with the Strategy.

Performance in completing actions on the Council's top risk control plan was monitored on a quarterly basis. At 31 March 2020, 100% of actions relating to the Council's top risk register had been completed against a target of 90%.

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

*[Reference: Minutes of 27 November 2019 (Paragraph 5)]*

---

## **7 Audit Scotland Report – Local Government in Scotland Overview 2020**

---

A report dated 4 November 2020 by the Executive Director (Finance and Corporate Resources) was submitted on the Audit Scotland Report entitled 'Local Government in Scotland: Overview 2020' which had been published in June 2020.

The report was structured around the following 3 areas:-

- ◆ the challenges facing local government across a number of issues
- ◆ “doing things differently” where councils required to plan and implement changes to allow them to meet and improve outcomes for their communities
- ◆ Planning Services as an example of a service which had been significantly affected by reduced budgets and staffing but which provided an important service.

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

The Audit Scotland report outlined several recommendations for councils and those, together with an assessment of the position in South Lanarkshire Council, were detailed in the Executive Director's report.

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

---

## **8 Forward Programme for Future Meetings**

---

A report dated 25 November 2020 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 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 meetings of the Risk and Audit Scrutiny Committee to 22 June 2021 be noted.

---

## **9 Urgent Business**

---

There were no items of urgent business.

# Report

3

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>3 March 2021</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>2021/2022 Internal Audit Plan – Six Months to 30 September 2021</b>
----------	--

## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ seek approval for the proposed first phase of the 2021/2022 Internal Audit Plan for the six months to 30 September 2021

## 2. Recommendation(s)

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

- (1) that the proposed first phase of the 2021/2022 Internal Audit Plan for the six months to 30 September 2021 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 2021/2022 Internal Audit Plan.

3.2. To reflect the evolving risks and challenges that the Council continues to face, it is proposed that the Audit Plan for 2021/2022 is presented to the Risk and Audit Scrutiny Committee (RASC) as two, separate six month plans. The first of these six month plans, for the period to 30 September 2021, is set out within this report, with the second of these Plans intended to be presented in September 2021. Presenting the Audit Plan in this way in 2021/2022 ensures that the Plans are current, relevant and deliverable. The proposed Plans will include core elements of audit work, completion of key financial year-end tasks and reflect ongoing support that is being provided to Council Services to disburse COVID-19 grants.

3.3. The content of both Audit Plans will deliver a programme of work that will inform the 2021/2022 annual audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements.

3.4. The over-arching strategy continues to be one that delivers the key objective of the Service to provide general assurance in relation to governance, risk management and control arrangements through:-

- ◆ linking to the Council'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 maximise resources available
- ◆ committing resources to support corporate activity
- ◆ prioritising assignments to ensure key areas of work are completed in year

3.5. Progress against the audit strategy will be monitored and reported to the Committee as part of regular monitoring reports that are presented at each meeting. Delivery of the strategy will be evidenced by the completion of the 2021/2022 Plan. Any subsequent changes to the Plan, arising from a change in the Council's priorities or risks, will be presented to the Committee and reflected in the second, six monthly report presented in September 2021. Key performance indicators will continue to be reported to the Committee within routine activity reports and as part of the annual assurance report presented to the Committee shortly after the financial year-end.

#### **4. Internal Audit Plan 2021/2022**

4.1. In 2021/2022, audits will continue to be conducted in accordance with the revised PSIAS and within the context of the Internal Audit Charter, which is attached at Appendix One. A formal review of the internal audit function's compliance with PSIAS will be undertaken in 2021/2022 in preparation for an external assessment that is required to be undertaken in 2022/2023.

4.2. A copy of the proposed Internal Audit Plan for six months to 30 September 2021 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. Resources 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 aligns to corporate objectives as well as seeking to provide assurance around the general control environment of the Council. The objective of the 2021/2022 Plan is to assess how adequately the Council's top risks are mitigated recognising that these continue to evolve as does the response to mitigate against financial or reputational loss to the Council.

4.4. The Council's top risks were reassessed in September 2020 and included in the Plan to 30 September 2021 is a mapping exercise that seeks to map out the key 'lines of defence' against each of these risks and, from this, an overview of the governance and risk management arrangements in place. The output from this exercise, as well as an overview of the risk coverage across both Plans, will be included in the report to Committee that sets out a proposed Audit Plan from 1 October 2021 to 31 March 2022.

4.5. The Committee is asked to approve the draft Plan for the six months to 30 September 2021.

#### **5. Employee Implications**

5.1. A full employee capacity plan was prepared at the commencement of the audit planning process. This determined that, on a pro-rata basis, 555 audit days can be delivered through to 30 September 2021 (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 2020/2021.



## **6. Financial Implications**

- 6.1. The detailed 2021/2022 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. Climate Change, Sustainability and Environmental Implications**

- 7.1. There are no significant implications in terms of climate change, sustainability and environmental issues associated with this report.

## **8. Other Implications**

- 8.1. To mitigate against the risk of non-delivery of this first phase of the Plan, the progress of every assignment will be monitored using the Council's risk management software, Figtree.

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

- 9.1. 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 this Committee

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

**Paul Manning**

**Executive Director Finance and Corporate Resources**

16 February 2021

### **Link(s) to Council Objectives/Improvement Themes/Values**

- Achieve results through leadership, good governance and organisational effectiveness

### **Previous References**

- 2020/2021 Internal Audit Plan– 21 September 2020

### **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

Ext: 2618 (Tel: 01698 45(2618))

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 this Committee 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 this Committee. 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 this Committee 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 Committee. 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 this Committee.

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 this Committee. 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 this Committee to be briefed. The Audit and Compliance Manager's relationship with the Chair of this Committee 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 this Committee

Lead Resource	Audit assignment	Outline Scope	Expected days
---------------	------------------	---------------	---------------

<b>Participation in and delivery of corporate tasks</b>			
All	Contract Scrutiny Groups	Participate in Contract Scrutiny Groups as required.	5
All	Provision of reports to Committee	Write and present monitoring and annual reports to Committee.	6
All	Attend internal and external working groups	Attend as required, respond to requests, participate in consultations and provide updates.	30
All	Audit plan 2021/2022	Complete analysis of 'lines of defence' against key risks. Undertake consultation, risk assessment, Resource and Section planning, set scopes and objectives and seek approval through preparation of reports.	20
All	Annual Report	Prepare annual statement of assurance for 2020/2021. Present to this Committee.	10
FCR CER	City Deal – Governance Statement	Provision of Governance Statement to Glasgow City Council for 2020/2021.	1

<b>Provision of support tasks</b>			
FCR	General Ledger Data	Provide 2020/2021 general ledger data to External Audit for the audit of the financial accounts for the year ended 31 March 2021.	5
All	COVID	Provision of COVID-19 support to Council Services. Provide advice and guidance regarding key controls within processes. Undertake investigative and data analysis work	75

<b>Delivery of an internal audit programme of core tasks and assignments</b>			
All	National Fraud Initiative (NFI)	Facilitate the investigation of 2020/2021 matches.	25
All	Fraud	React to fraud alerts through internal and external sources and disseminate information as appropriate. Review anti-fraud policies and develop Learn on Line to modules. Undertake investigations as required.	50
All	Anti-Fraud review	Follow Up Audit Scotland report (Emerging Fraud Risks – July 2020). Develop a programme of tests and test check controls in place within new or changed processes.	25
All	Informal Follow Up	Prompt Resources on a quarterly and monthly basis of actions due within that period. Collate responses for reporting.	8

All	Follow Up	For all Council Resources, identify audit recommendations due in the period to March 2021. Risk assess and follow-up to ensure implementation of all high risk actions.	75
All	Procurement	Rolling programme of testing of procurement practices in areas assessed as being subject to higher risk of fraud.	35
FCR	BACs Reconciliation	Assistance to undertake routine reconciliations.	5
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 exceptions and unusual trends in financial controls. Action as required.	10
All	Contingency	Conclude all 2020/2021 audits and respond to requests for unplanned work through to 30 September 2021. Provide advice and guidance.	50
All	Inventory/Stock	Review processes in place for the recording of inventory and stock. Provide assurance these are adequate and effective and incorporate key controls.	15
SWR	Justice Services	Conclude review of management information to ensure timely and accurate.	20

<b>Delivery of an internal audit service to external clients</b>			
N/A	Audit Plan	Delivery of internal audit service to External Clients	85

<b>Total Audit Days to 30 September 2021</b>	<b>555</b>
--	------------



# Report

4

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>3 March 2021</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Internal Audit Activity as at 12 February 2021</b>
----------	---

## 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 12 February 2021

## 2. Recommendation(s)

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

- (1) that progress and performance is noted

## 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 December 2020 and reported on work completed in the period 29 August to 20 November 2020. This report covers all work completed in the period 21 November 2020 to 12 February 2021.

3.2. Only a small number of assignments have been concluded in the period covered by this report. The 2020/2021 Audit Plan is, however, being progressed and it is intended that this programme of work will be completed by the end of March 2021. A level of support continues to be provided by Internal Audit to deliver re-deployed tasks.

## 4. Delivery of the 2020/2021 Audit Plan: Progress and Performance

4.1. 88% of planned assignments were in progress as at 12 February 2021. The other key performance indicators reflecting quality, on time and within budget for the period to 31 January 2021 are summarised in Appendix One together with explanations. 86% of draft reports have been issued on time and 78% 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. 100% 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 21 November 2020 to 12 February 2021.
- 5.2. There were no significant audit assignments finalised for South Lanarkshire Council in this period and Members are asked to note findings.

## **6. Progress against Strategy**

- 6.1. The Public Sector Internal Audit Standards (PSIAS) requires 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 will be evidenced by completion of the 2020/2021 Plan and will be monitored through the performance indicators that are regularly reported to the Committee throughout the period.

## **7. Employee Implications**

- 7.1. There are no employee issues.

## **8. Financial Implications**

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

## **9. Climate Change, Sustainability and Environmental Implications**

- 9.1. There are no implications for climate change, sustainability or the environment in terms of the information contained within this report.

## **10 Other Implications**

- 10.1. The main risks to the delivery of the Audit Plan are, generally, vacancies and team up-skilling requirements, unforeseen service demands and delays with client sign-off. Normally these would be mitigated by coaching and training, regular meetings and escalation processes as well as inclusion of contingency time within the annual plan. However, given the ongoing pandemic, these risks require particular consideration and the proposed Audit Plan for the remainder of 2020/2021 will remain under review. Any required amendments will be presented to the Committee for approval.

## **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**

16 February 2021

## **Link(s) to Council Objectives/Improvement Themes/Values**

- Achieve results through leadership, good governance and organisational effectiveness

## **Previous References**

- ◆ Internal Audit Activity as at 29 May 2020 – Risk and Audit Scrutiny Committee, 18 June 2020

- ◆ 2020/2021 Internal Audit Plan – Risk and Audit Scrutiny Committee, 21 September 2020
- ◆ Internal Audit Activity as at 28 August 2020 – Risk and Audit Scrutiny Committee, 21 September 2020
- ◆ Internal Audit Activity as at 20 November 2020 – Risk and Audit Scrutiny Committee, 9 December 2020

### **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:-

Yvonne Douglas, Audit and Compliance Manager

Ext: 2618

(Tel: 01698 452618)

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

**Key audit performance indicators as at 31 January 2021**

**Appendix One**

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	7/9	78%	80%	Only marginally below target. Anticipated that target will be met by 31 March 2021.
Draft reports delivered within 6 weeks of file review	6/7	86%	80%	
2020/2021 Audit Plan completed to draft by 31 March 2021	37/42	88%	100%	Arrangements in place to conclude programme of work by 31 March 2021.
Internal Audit recommendations delivered on time	12/17	71%	90%	All actions have been delivered though 5/17 actions were closed late.
Client to agree findings and actions within 4 weeks of draft issue	8/8	100%	80%	

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
---------	-----------------	-------------	-------------	----------------

**Current Year – Other Output**

I350082	City Deal Governance Statement	19/06/2020	31/12/2020	Provision of annual statement of assurance.
I262096	General Ledger Data for External Audit	05/08/2020	31/12/2020	Provision of information to External Audit during year.

**Current Year – Assurance Reports**

I672185	Review of Complaints and Responses	30/10/2020	31/12/2020	No fraud identified. No further action required.
I222099	LEADER – audit certificate	21/01/2021	21/01/2021	Provision of annual confirmation certificate.
I640183	2020/2021 NFI Exercise	05/02/2021	05/02/2021	Facilitate collation and upload of datasets for 2020/2021 NFI exercise.

**External Clients**

I911135	SLLC 2020/2021 Audit Plan	19/10/2020	31/12/2020	Reported to SLLC
I921144	LVJB 2020/2021 Audit Plan	14/10/2020	31/12/2020	Reported to LVJB
I918121	SLLC Annual Assurance Report 2019/2020	16/11/2020	25/11/2020	Reported to SLLC
I918134	SLLC 2019/2020 Annual Report	16/11/2020	25/11/2020	Reported to SLLC
I931151	SEEMIS 2020/2021 Audit Plan	06/12/2020	21/01/2021	Reported to SEEMIS
I931152	SEEMIS 2021/2022 Audit Plan	06/01/2021	21/01/2021	Reported to SEEMIS
I938150	SEEMIS 2019/2020 Annual Report	05/01/2021	21/01/2021	Reported to SEEMIS
I941158	IHSC 2020/2021 Audit Plan	07/09/2020	29/01/2021	Reported to IJB



# South Lanarkshire<sup>5</sup> Council

Audit Plan 2020/21



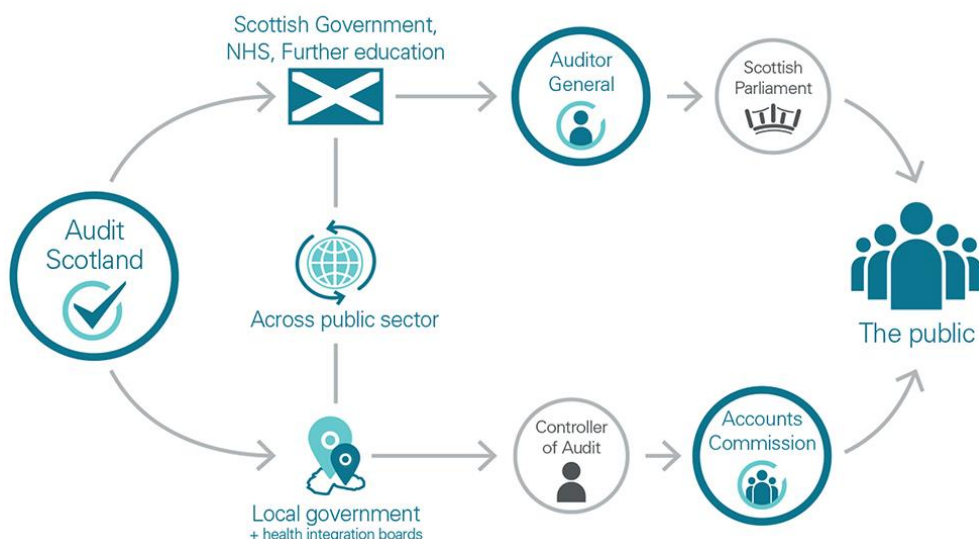
 AUDIT SCOTLAND

Prepared for South Lanarkshire Council  
February 2021

## Who we are

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

- The Auditor General is a 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.



---

# Contents

---

Risks and planned work	4
Audit scope and timing	10

---

# Risks and planned work

---

## Introduction

1. This audit plan provides an overview of the planned scope and timing of our audit of South Lanarkshire Council for 2020/21. Our audit is carried out in accordance with International Standards on Auditing and the [Code of Audit Practice](#), issued by Audit Scotland.
2. The plan sets out the 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, financial management, 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.

## Impact of Covid-19

3. Audit Scotland is responding to the risks to public services and finances from Covid-19 across the full range of audit work, including annual accounts audits and the programme of performance audits. A January 2021 paper, [Covid-19: What it Means for Public Audit in Scotland - Update](#), restates the principles and approach we are taking following the reintroduction of significant restrictions in Scotland.
4. Audit Scotland views 2020/21 as a transitional year, leading in future to audit timetables which were possible before Covid-19. The safety of audit teams and client staff and the delivery of high-quality audits remain paramount. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance. Where this impacts on annual audits, an addendum to this annual audit plan may be necessary.

## Adding value


5. 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.


## Audit risks

6. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the key audit risks for South Lanarkshire Council, [exhibit 1](#). We have categorised these risks into financial statement risks and wider dimension risks.

## Exhibit 1

### 2020/21 Significant audit risks

 Audit Risk	Source of management assurance	Planned audit work
<b>Financial statement risks</b>		
<p><b>1 Risk of management override of controls</b></p> <p>Auditing standards require that audit work is planned to consider the risk of misstatement arising from the management override of controls.</p>	<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>
<p><b>2 Risk of fraud over income</b></p> <p>Auditing standards assert that fraud over income should be presumed to be a significant risk in any audit. Residual income arises from diverse fees and charges. Taking account of controls in place, the nature of the council's income and the limited scope for the manipulation and extraction of income we assess that the risk of material misstatement arising from fraud over income is limited.</p>	<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>Most council funding is from central government, local taxation and rent receipts received via direct bank payment. These income streams are readily reconciled to underlying documentation and systems. The risk of material misstatement is not significant, and our testing will be limited.</li> <li>For other income streams we will test a sample of transactions.</li> </ul>
<p><b>3 Risk of fraud over expenditure</b></p> <p>Audit Scotland's Code of Audit Practice requires that auditors should plan to address the risk that the financial statements may be materially misstated as a result of fraud over expenditure.</p>	<ul style="list-style-type: none"> <li>Involvement in National Fraud Initiative.</li> <li>Robust controls over expenditure streams.</li> <li>Internal audit ongoing review of procurement.</li> </ul>	<ul style="list-style-type: none"> <li>Payroll expenditure is well forecast and will be reconciled to the payroll system,</li> <li>For other non-pay expenditure, we will test a sample of transactions.</li> </ul>
<p><b>4 Covid-19 funding and financial flexibilities</b></p> <p>Councils are receiving additional funding to cover Covid-19 costs. The council is responsible for approving and distributing various grants relating to the Covid-19 disruption from this funding.</p> <p>In addition, councils have been given the option to apply some financial flexibility options to</p>	<ul style="list-style-type: none"> <li>Processes have been developed to ensure that robust eligibility checks were undertaken ahead of Covid-19 grant payments.</li> <li>All reasonable internal controls have been applied within the constraints of the need to pay grants</li> </ul>	<ul style="list-style-type: none"> <li>Review of any Scottish Government and CIPFA/LASAAC guidance.</li> <li>Discussions with management during the year to consider the accounting treatment.</li> <li>Review of disclosures in annual accounts and ensure that this is</li> </ul>

 <b>Audit Risk</b>	<b>Source of management assurance</b>	<b>Planned audit work</b>
<p>mitigate some of the impact of Covid-19.</p> <p>As yet, no clear guidance has been issued as to how all of these items should be presented in the council's annual accounts.</p> <p><b>Risk:</b> The grant funds are vulnerable to fraud by external parties.</p> <p>Presentation in the annual accounts is not consistent with (expected) guidance.</p>	<p>within a very short timeframe.</p> <ul style="list-style-type: none"> <li>Internal Audit have supported the development of processes and assisted with the ongoing review of Covid-19 grant payments.</li> <li>The 2020/2021 NFI exercise contains some Covid-19 datasets and will provide a further level of assurance around controls in place to mitigate fraud.</li> </ul>	<p>consistent with any guidance issued.</p> <ul style="list-style-type: none"> <li>Review of the controls in place for the payment of grants, with emphasis on the business support stream.</li> <li>Review of the work of internal audit on grant payments and possible reliance thereon.</li> </ul>
<p><b>5 Estimation and judgments</b></p> <p>There is a significant degree of subjectivity in the measurement and valuation of some material balance sheet assets/liabilities.</p> <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> <p><b>Risk:</b> Valuations of assets /liabilities are materially misstated.</p>	<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 2020/21 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> <li>Review actual experience of significant estimates made in the prior year.</li> </ul>
<p><b>6 Accounting for non-current assets</b></p> <p>Over the course of our audit appointment we have identified several issues with the council's accounting treatment for non-current assets.</p> <p><b>Risk:</b> The asset register is inaccurate.</p> <p>Assets are materially misstated in the annual accounts.</p>	<ul style="list-style-type: none"> <li>A review of the Fixed Asset Register and its accounting will take place during the year.</li> <li>Detailed guidance will also be issued across Resources and training supplied where necessary.</li> </ul>	<ul style="list-style-type: none"> <li>Detailed testing of non-current asset balances, including testing of additions, disposals and depreciation to confirm the accuracy of the asset register.</li> </ul>

**Audit Risk****Source of management assurance****Planned audit work****Wider dimension risk****7 Financial sustainability**

The Covid-19 disruption has had a fundamental impact on what and how services are delivered by the council and its partners. Inevitably there will be additional cost burdens to the council on top of the immediate response to the Covid-19 crisis. Council priorities may need to change. As the council reinstates services, this is likely to require, expenditure beyond that in the budget and financial plans will need to be revised accordingly.

- Reporting of Covid-19 spend has been made consistently to the council's Executive Committee since Summer 2020.
- The council works closely with Cosla, Scottish Government and Directors of Finance regarding the finance / funding for Covid-19. This is in relation to the current year position, but also next year.
- The potential cost of Covid-19 into 2021/22 as well as the funding/financial implications for that year have been reviewed. This includes looking at funding sources and fiscal flexibilities.

- Monitor how the council's budget is affected in 2020/21 and the impact on medium/longer term financial planning. Comment as appropriate in the annual audit report.
- Monitor the council's performance reports to establish the impact of Covid-19 on services.
- Monitor the additional funding provided to South Lanarkshire Leisure and Culture Ltd to secure its future.

Source: Audit Scotland

## The audit of charities administered by South Lanarkshire Council

**7.** 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.

**8.** Members of South Lanarkshire Council are sole trustees for three registered Scottish charities, with combined assets of some £0.982 million. 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 were approved by the Office of the Scottish Charity Regulator (OSCR) in December 2019. In early 2020, the council began the process of transferring the assets to the new charities, however, progress was interrupted by the Covid-19 disruption.

**9.** In previous audit plans we included a risk that governance arrangements were weak and inhibited the distribution of funds for public benefit. Management have advised that the new arrangements will be in place by the end of the current financial year. In view of this assurance we have not repeated this risk in the

current audit plan, however, we will consider what further progress has been made and include appropriate commentary in our annual audit report.

## Grant claims and returns

**10.** The council is required to make various grant claims and returns to UK or Scottish Government departments. Such claims and returns require to be audited prior to submission. We will perform testing and provide audit certificates in accordance with guidance issued by Audit Scotland. We have planned for the following claims and returns in 2020/21:

- Housing benefit subsidy claim
- Non-domestic rate income return
- Education maintenance allowances
- Whole of government accounts return

Where unexpected claims or returns are received or supporting working papers are not adequate, a supplementary fee may be requested.

## Reporting arrangements

**11.** This audit plan, the outputs set out at [exhibit 2](#), and any other outputs on matters of public interest will be published on Audit Scotland's website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

**12.** 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, prior to the issue and publication of final reports.

**13.** 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.

**14.** The 2020/21 audit planning guidance sets sign-off deadlines for all local government audits of the end of October 2021 and the dates included at [exhibit 2](#) are based on this deadline. If issues arise during the course of the audit that mean this is not practical (i.e. impact of Covid-19 on the production or audit of accounts), then we will communicate this to the council at the earliest opportunity available and agree a revised timetable for the completion of the audit.

---

## Exhibit 2

### 2020/21 Audit outputs

Audit Output	Target date	Risk and Audit Scrutiny Committee Date
Interim Management Report	30 June	22 June
Annual Audit Report	31 October	27 October
Independent Auditor's Report	31 October	27 October

The target dates included are those specified in Audit Scotland's Planning Guidance 2020/21.

---

## Audit fee

**15.** The agreed audit fee for the 2020/21 audit of South Lanarkshire Council is £511,150 (2019/20 fee £498,970). 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.

**16.** We have also agreed an audit fee for the audit of the three registered charities of £5,425 (2019/20 fee £5,425).

**17.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts or inadequate working papers, 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

**18.** Audited bodies are responsible for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity. In South Lanarkshire Council the Executive Director of Finance and Corporate Resources is the proper officer, with responsibility for the administration financial affairs (section 95 officer).

**19.** The council has delegated responsibility for the oversight of internal and external audit to its Risk and Audit Scrutiny Committee.

### Appointed auditor

**20.** Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice and the auditing profession's ethical guidance. Auditors appointed by the Accounts Commission give independent opinions on the financial statements and other information within the annual accounts.

# Audit scope and timing

## Annual accounts

**21.** The audit of the annual accounts 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
- assessing the key systems of internal control, and establishing how weaknesses in these systems 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 how weaknesses in the key systems of internal control could impact on 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 from material misstatement.

**22.** We will give an opinion on whether:

- the annual accounts 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 the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
- the annual accounts have been prepared in accordance with relevant legislation.

## Statutory other information in the annual accounts

**23.** We also review and report on the management commentary, governance statement and remuneration report. 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

**24.** 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 3](#).





## Exhibit 3

### 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 based on the audited accounts for the year ended 31 March 2020.	£12.660 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 50% of planning materiality.	£6.330 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.	£0.125 million

Source: Audit Scotland

25. We set separate materiality levels for the audits of the charities' annual accounts, [exhibit 4](#).

## Exhibit 4

### Charity materiality levels

Trust	Planning materiality	Performance materiality	Reporting threshold
South Lanarkshire Council Charitable Trusts	£10,000	£7,500	£500
South Lanarkshire Council Educational Trusts	£1,300	£1,000	£100
East Kilbride Technology Centre Trust	£300	£200	£100



Source: Audit Scotland

## Timetable

26. An agreed timetable is included at [exhibit 5](#) which takes account of submission requirements and planned Risk and Audit Scrutiny Committee meeting dates. While we will do our best to meet the target dates below, the dates will be subject to change if further issues arise from Covid-19 that impact on the council or the audit team.

## Exhibit 5

### Audit of annual accounts 2020/21 timetable

 Key stage	 Date
Consideration of unaudited annual accounts by the Risk and Audit Scrutiny Committee	22 June
Latest submission date of unaudited annual accounts	30 June
Latest date for final clearance meeting with officers	27 September
Agreement of unsigned financial statements	27 September
Issue of proposed Annual Audit Report	13 October
Independent Auditor's Reports (council and three charities)	27 October
Issue of Annual Audit Report	

Source: Audit Scotland planning files

## Internal audit

**27.** 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.

**28.** South Lanarkshire Council's internal audit function is provided by its internal audit section led by the Audit and Compliance Manager.

**29.** Audit Scotland's [Code of Audit Practice](#) requires external auditors to carry out an annual assessment of the adequacy of the internal audit function. Our assessment does not constitute an external assessment for the purposes of the Public Sector Internal Audit Standards (PSIAS) and should not be considered as such. The objectives of our annual assessment are:

- to establish the effectiveness of internal audit arrangements as part of the council's wider governance arrangements, and
- to identify areas of internal audit work upon which we can place formal reliance.

We concluded that the internal audit service operates in accordance with PSIAS and has sound documentation standards and reporting procedures in place.

### Using the work of internal audit

**30.** We reviewed internal audit's planned work programme for 2020/21 to identify areas where we can potentially place reliance on internal audit's work. We do not plan to place reliance on internal audit work for our audit opinion on the financial statements

**31.** In respect of our wider dimension audit responsibilities we plan to consider the following:

- Conflicts of interest
- National Fraud Initiative

- Anti-fraud
- Procurement checks

**32.** The internal audit service sits within the remit of the Executive Director of Finance and Corporate Resources. There is a risk that this could impinge upon the Audit and Compliance Manager's actual or perceived ability to operate independently from the corporate finance function and that resources could be diverted from core internal audit duties. The council recognises and accepts the risk and mitigates it through the Internal Audit Charter, which provides the Audit and Compliance Manager with access to the Corporate Management Team and Risk and Audit Scrutiny Committee.

**33.** During the Covid-19 disruption, the internal audit service has been heavily involved in performing second officer checks on business support grants and a sample of grants is checked on a four-weekly basis. While the involvement in non-audit duties would normally be deemed to be undesirable, under the current circumstances, we view this as an important element in exerting compliance controls and reducing fraud risk over grant distribution. The Audit and Compliance Manager has advised that she has not encountered any material issues in being asked to undertake this duty. We will continue to monitor this during 2020/21.

### Audit dimensions

**34.** Our audit is based on four audit dimensions which define the wider scope of public sector audit, [exhibit 6](#). Our conclusions on the four dimensions will contribute to an overall assessment and assurance on best value.

## Exhibit 6 Audit dimensions



Source: Code of Audit Practice

### Financial sustainability

**35.** We consider the appropriateness of the use of the going concern basis of accounting as part of the audit of the financial statements. We also comment on the council's financial sustainability. We will carry out work and conclude on the following in 2020/21:

- the effectiveness of financial planning
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps

- monitoring the arrangements put in place by the council to minimise any disruption occasioned by the UK's withdrawal from the European Union.

### Financial management

**36.** 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, including any changes to these controls as a result of Covid-19.

### Governance and transparency

**37.** 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, including consideration of revised governance arrangements resulting from Covid-19.

**38.** The council's committee structure and local code of corporate governance regulates how the council discharges its commitment in normal times. As the national Covid-19 restrictions came into force the council took steps to ensure continuation of good governance and accountability. The council have not yet resolved how to make council meetings available to members of the public and media via internet streaming. We will monitor the council's progress in adopting a streaming solution for its meetings.

### Value for money

**39.** Value for money refers to using resources efficiency and effectively. We will review, conclude and report on whether the council can provide evidence that it is demonstrating value for money in the use of its resources.

### Best Value

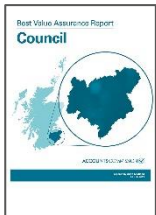
**40.** The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. A Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in a five-year period.

**41.** During 2018/19 a Best Value review of the council was completed. [The South Lanarkshire Council BVAR](#) was published March 2019. As reported in our 2019/20 Annual Audit Report we followed up on the council's progress with the recommendations raised in the BVAR. We noted that progress had been made against all ten recommendations, demonstrating the council's commitment to delivering Best Value through continuous improvement. We acknowledged that understandably progress, and reporting had been affected by Covid-19 disruption. Our work in 2020/21 will focus on following up on the recommendations noted as being ongoing from our 2019/20 review.

**42.** The four councils on which a BVAR will be published during the fifth year of the new approach are listed in [exhibit 7](#). Reports will be considered by the Accounts Commission in the 2021.

## Exhibit 7

### 2020/21 Best Value Assurance Reports

	Aberdeen City Council	Falkirk Council
	South Ayrshire Council	East Dunbartonshire Council

Source: Audit Scotland

### Shared risk assessment of the Local Area Network

**43.** As part of our planning work we held a shared risk assessment meeting with the key scrutiny bodies of the council. We discussed the range of reports, published over the past year by scrutiny bodies including Education Scotland, the Scottish Housing Regulator and the Care Inspectorate.

### Independence and objectivity

**44.** 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.

**45.** 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

**46.** International Standard on Quality Control 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.

**47.** 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. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) has been engaged to carry out an annual programme of external quality reviews.

**48.** 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 or to Audit Scotland’s Audit Quality and Appointments group.

# South Lanarkshire Council

## Audit Plan 2020/21

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)

For the latest news, reports and updates, follow us on:



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
T: 0131 625 1500 E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

# Report

6

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>3 March 2021</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Fraud Statistics Six Monthly Update</b>
----------	--

## 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 2020 and a comparison to the same period in 2019

## 2. Recommendation(s)

2.1. The 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 2020, together with a comparison to the statistics for the same period in 2019. 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 the recovery of fraud overpayments from their own Housing Benefit claimants. Housing benefit fraud data will, therefore, continue to be included within the fraud statistics reported as information is provided by FES.

3.4. The Revenues and Benefits Section continues to deliver an annual programme of rolling reviews on housing benefit claimants 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.

- 3.5. Progress with all types of fraud investigations during the period 1 April to 30 September 2020 has been significantly impacted by the pandemic. Both levels of reporting and progress with investigations has been affected as Services have been re-deployed to respond to COVID-19. Despite these delays, the processes for conducting investigations has not been altered and all suspected fraud cases will be investigated, albeit time-scales for concluding work will require to be extended.

#### 4. Results

- 4.1. All concerns reported to Internal Audit are 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 2020 in addition to those known already.
- 4.3. An analysis of the fraud caseload for the six month period to 30 September 2020 and the comparative period in 2019 is detailed in Table One.

**Table One - Fraud Caseload**

Status	Six Months to 30/09/20		Six Months to 30/09/19	
	Nos.	£000	Nos.	£000
Cases open as at 1 April	145	139	78	69
Concerns reported to 30 September	14	39	79	91
Caseload at 30 September	159	178	157	160
<b>Cases closed in period (see Table Two)</b>	<b>21</b>	<b>22</b>	<b>32</b>	<b>36</b>
Work in progress at 30 September	138	156	125	124

- 4.4. The majority of the cases reported in the period relate to thefts and break-ins and to issues referred to Internal Audit for investigation. The majority of concerns reported in the same period in 2019 relate to benefit fraud. This disparity reflects the disruption to the investigative process as a result of the ongoing pandemic.
- 4.5. 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 30/09/20		Six Months to 30/09/19	
	Nos.	£000	Nos.	£000
<b>Founded allegation (see Table Three)</b>	<b>15</b>	<b>22</b>	<b>23</b>	<b>31</b>
Insufficient information	3	0	3	0
Unfounded allegations	3	0	6	5
<b>Total</b>	<b>21</b>	<b>22</b>	<b>32</b>	<b>36</b>

- 4.6. 71% of all cases, that were investigated, were founded. None of these cases involved a South Lanarkshire Council employee.
- 4.7. An analysis of founded allegations is detailed in Table Three:



**Table Three – Analysis of Founded Allegations**

Source of fraud	Six Months to 30/09/20		Six Months to 30/09/19	
	Nos.	£000	Nos.	£000
External	15	22	17	16
Internal	0	0	0	0
Benefits	0	0	6	15
<b>Total</b>	<b>15</b>	<b>22</b>	<b>23</b>	<b>31</b>

- 4.8. All founded cases relate to Benefit Fraud cases or fraud committed by a third party.
- 4.9. Minimal costs have been incurred by Internal Audit in the six month period to 30 September 2020 aligning to the limited progress that has been made with completing investigations. Conclusion of these investigations forms part of the approved 2020/2021 Audit Plan that sets out a programme of work through to 31 March 2021.
- 4.10. 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 monitored through local Performance Indicators and are reported to each meeting of 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 this Committee 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 seven separate actions to be taken. Follow up of all high priority actions resulting from fraud investigations will be included in future Audit Plans.

## **6. Employee Implications**

- 6.1. 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. A Learn on Line Fraud (LOL) Awareness course is available to all employees with People Connect access.

## **7. Financial Implications**

- 7.1. The investigation of fraud, participation in NFI exercises and the collection and reporting of fraud statistics will be carried out within existing resources.
- 7.2. A total of 32 days has been allocated within the 2020/2021 Internal Audit Plan for fraud risk work. 67 contingency days are also available to undertake fraud investigations where required and 40 days have been allocated to administer the 2020/2021 NFI exercise for which data has been uploaded.

## **8. Climate Change, Sustainability and Environmental Implications**

- 8.1. There are no significant implications in terms of climate change, sustainability and environmental issues associated with this report.

## **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. Fraud Risk Registers are now in place within all Resources and are reviewed and updated annually in line with standard Risk Management Procedures.
- 9.2. The 2020/2021 Audit Plan includes an assignment to review emerging fraud risks that will consider changes to service delivery as this has evolved in response to the challenges and pressures of the pandemic. Where appropriate, actions will be agreed to address gaps in internal controls to mitigate the risk of fraud.
- 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 can be undertaken by Internal Audit to promote fraud policies if considered appropriate.
- 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.

## **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**

16 February 2021

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

- ◆ Objective – Governance and Accountability

### **Previous References**

- ◆ Fraud Statistics Six Monthly Update, 19 February 2020
- ◆ 2018 National Fraud Initiative Exercise, 21 September 2020
- ◆ Fraud Statistics Annual Report 2020, 21 September 2020
- ◆ The National Fraud Initiative 2018/2019, 21 September 2020

### **List of Background Papers**

None

### **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

Ext: 2618 (Tel: 01698 452618)

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

# Report

7

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>3 March 2021</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Performance and Review Scrutiny Forum Annual Update</b>
----------	--

## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ provide, for information, a summary of the reports considered by the Performance and Review Scrutiny Forum during the period January to December 2020

## 2. Recommendation(s)

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

- (1) that the content of this report is noted, and that an annual update will be provided for information

## 3. Background

3.1. The Terms of Reference and Powers and Responsibilities for the Performance and Review Scrutiny Forum includes consideration of the Council's response to Best Value, improvement and performance management.

3.2. The details within this report provide the Risk and Audit Scrutiny Committee with a summary of business reported to the Performance and Review Scrutiny Forum.

## 4. Agenda items

4.1. The table below notes the reports submitted to the Performance and Review Scrutiny Forum during 2020 under the main areas of responsibility.

Date	Improvement
18 February 29 September	<ul style="list-style-type: none"> <li>• LGBF 2018/2019 Results and Action Plan</li> <li>• Self-Assessment and Improvement Activity Annual Update 2019/2020</li> </ul>
Date	Performance Management
18 February 29 September 29 September 8 December	<ul style="list-style-type: none"> <li>• Improve Red/Amber Results (Q2 2019/2020)</li> <li>• Connect 2019/2020 Q4 progress report</li> <li>• Resource Plans, Performance and Connect Reporting</li> <li>• Connect 2020/2021 Q2 progress report</li> </ul>
Date	Best Value
18 February 29 September 29 September 8 December 8 December	<ul style="list-style-type: none"> <li>• BVAR action plan</li> <li>• Highland Council BVAR</li> <li>• Annual Performance Spotlights 2019/2020</li> <li>• Moray and North Ayrshire BVAR</li> <li>• Audit Scotland Overview Report</li> </ul>

4.2. A schedule of reporting will continue, covering the key themes noted at 4.1 above. The Risk and Audit Scrutiny Committee will be provided with an annual report for information, advising it of the business presented to the Performance and Review Scrutiny Forum.

#### **5. Employee Implications**

5.1. There are no employee implications relating to this report.

#### **6. Financial Implications**

6.1. There are no financial implications relating to this report.

#### **7. Climate Change, Sustainability and Environmental Implications**

7.1. There are no Climate Change, Sustainability and Environmental implications relating to this report.

#### **8 Other Implications**

8.1. There are no risk issues associated with the content of this report.

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

9.1. 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.

**Paul Manning**

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

11 February 2021

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

- Promote performance management and improvement

#### **Previous References**

- None

#### **List of Background Papers**

- Performance and Review Scrutiny Forum meetings – 5 February 2019, 18 June 2019, 17 September 2019 and 26 November 2019

#### **Contact for Further Information**

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

Tom Little, Head of Communications and Strategy

Ext: 4904 (Tel: 01698 454904)

Email: tom.little@southlanarkshire.gov.uk

# Report

8

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>3 March 2021</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Audit Scotland Report: Housing Benefit Overpayments in Scotland – A Thematic Study</b>
----------	---

## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ provide the Committee with a summary of the Audit Scotland Report 'Housing Benefit Overpayments in Scotland – A Thematic Study' released in December 2020

## 2. Recommendation(s)

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

- (1) that the key messages and recommendations are noted

## 3. Background

- 3.1. The Housing Benefit (HB) scheme is administered by councils on behalf of the Department for Work and Pensions (DWP) and helps low-income households pay their rent.
- 3.2. In Scotland, external scrutiny of councils' HB performance is performed by Audit Scotland on behalf of the Accounts Commission, and their approach to delivering this function is through a combination of HB performance audits of individual councils and thematic reviews across all Scottish councils.
- 3.3. South Lanarkshire Council (SLC) was not subject to a performance audit in 2019/2020 but was one of 28 councils who participated in a thematic review of councils' performance in managing overpayments, the subject of this report. For completeness, Audit Scotland sourced HB overpayment data, for the 4 councils that did not participate, from the DWP.
- 3.4. Audit Scotland's report was originally intended for publication in March 2020, however, as a result of the pressures on council services due to the COVID-19 pandemic, all HB performance audit activity was suspended. Due to the time that has elapsed since the study was concluded, this report has not been published and is instead provided to councils as an improvement tool.
- 3.5. To give some context to the significance of HB and overpayments, between 2015/2016 and 2018/2019 councils in Scotland paid out more than £6.7bn in HB and identified over £220m (3.3%) in HB overpayments.

#### **4. Report Content and Key Messages**

4.1. The report acknowledges that the recovery of HB overpayments can be difficult for councils as many customers are on a limited income and, therefore, it could take some time for a debt to be fully repaid. However, it emphasises that an effective and robust approach to HB overpayment recovery can help councils generate additional revenue through the subsidy scheme, where 40% subsidy is received on top of any amounts collected from the customer. This is designed to compensate councils for lost subsidy income through incentivising overpayment collection.

4.2. It is also acknowledged that the roll out of Universal Credit (UC) negatively affects the overpayment recovery options available to councils. When a customer's HB claim is migrated to UC, any recovery through making deductions directly from their HB award ceases. Councils must then apply to the DWP for deductions to be made from the customer's DWP benefits where an order of debt applies. Overpayments are ranked 19<sup>th</sup> out of 23 possible debts, therefore, this substantially reduces the likelihood of receiving payment.

4.3. The report is divided into 3 main sections:-

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

#### **4.4. Housing Benefit recovery performance**

This section looks at outstanding debt levels and recovery performance and highlighted that across Scotland:-

- ◆ The value of outstanding debt for the period 2015/2016 to 2018/2019 rose by 20% from £127m to £152m although there was a slight reduction in 2018/2019. Over the period, SLC debt rose from £5.115m to £5.580m, an increase of 9.1%, with a slight reduction in 2018/2019.
- ◆ Although outstanding housing benefit debt increased overall, the value of new overpayments identified in-year over the period reduced by 35% from £66m in 2015/2016 to £43m in 2018/2019. In SLC new overpayments created reduced from £2.849m to £1.716m, a reduction of 39.8%. This is due to the reduction in new claims for HB as a result of UC.
- ◆ The Scottish average for recovery of HB overpayments in 2018/2019 was 19%. SLC collected £1.518m (20.3%) and was 1 of 17 councils whose recovery rates were above the Scottish average.
- ◆ There is significant variation in the amounts written off by councils. It is considered good practice in managing HB overpayments to regularly review the outstanding debt and write off such debt as appropriate.
- ◆ The effectiveness of sundry HB debt recovery performance is insufficiently measured. This relates to cases where a council is unable to recover an overpayment from ongoing benefits, whether HB or DWP Welfare Benefits, and instead invoices the customer for payment. SLC was one of 15 councils who provided data on sundry HB debt recovery performance and one of the third of these councils who had improved their recovery performance in 2018/2019 compared to 2017/2018. In 2018/2019, SLC recovered 17.5% of sundry HB debt compared with the Scottish average of 14% as highlighted in the report. SLC performance also improved by 3.2% on the previous year.

#### **4.5. Housing Benefit recovery options**

This section highlights the different recovery options available and their utilisation by Scottish councils. Audit Scotland has provided high level figures of the significantly

varied usage of the 8 different recovery options identified expressing concern that councils are not:-

- ◆ Using all available recovery options.
- ◆ Following good practice specifically in relation to the use of all available recovery methods.
- ◆ Applying relevant legislation consistently. This was particularly applicable to the assessment of a claimant's underlying entitlement to HB during the period of the overpayment.

Issue/risk:-

- ◆ Councils are not using all available options when recovering HB debt.
- ◆ When considering the recovery of HB debt, councils are not consistently applying DWP regulations.

#### 4.6. Housing Benefit Debt Service (HBDS)

This section looks at councils' use of the DWP's HBDS, an overpayment recovery initiative launched in April 2018. The HBDS provides councils with an electronic facility to upload dormant overpayments to DWP systems for data matching against Her Majesty's Revenue and Customs (HMRC) IT systems. When a match is identified, the DWP provides councils with up-to-date employment, pension, and address information to enable recovery action to recommence. Audit Scotland highlighted that:-

- ◆ Scottish councils have not fully engaged with HBDS despite a reported 95% return rate for matched data during the pilot phase between April 2018 and August 2018. Based on the number of uploads to HBDS between April 2018 and November 2019, usage in Scotland equates to 47% compared to 79% each in England and Wales.
- ◆ Of the 28 councils who responded to the survey, although 23 had used HBDS, only 8 had recorded their involvement and were able to provide information on their outcomes. Outcomes had been positive with £541k recovered between April 2018 and September 2019 and as 1 of the 8 councils, SLC had recovered the 3<sup>rd</sup> highest amount at £122k.
- ◆ Councils advised that the main reason for not utilising HBDS was insufficient resources to deal with the outcomes from the matches. Given the recovery highlighted above, SLC believes this is a worthwhile initiative.

Issue/risk:-

- ◆ Not all councils have utilised the DWP's HBDS service to match dormant HB debt with HMRC IT systems.
- ◆ There is insufficient recording of outcomes from HBDS matches.
- ◆ HB debt is written off without being sent to HBDS for possible matching.

#### 4.7. The Audit Scotland report contains several recommendations which are listed below, together with an assessment of the position in SLC:

Audit Scotland: - Recommendations	SLC position
◆ Councils should consider recording the value of sundry debts raised, recovered, and written off to provide a better	◆ SLC records and monitors HB recovery through the sundry debt route. Section 4.4 highlights SLC recovery performance for this debt type.

<p>understanding of sundry HB debt recovery performance.</p> <ul style="list-style-type: none"> <li>◆ Councils should utilise all available options when recovering HB overpayments.</li> </ul>	<p>There are 8 options available to help councils recover HB debt. These are:-</p> <ul style="list-style-type: none"> <li>◆ Offsetting underlying entitlement</li> <li>◆ DWP Payment Deduction Programme</li> <li>◆ Rent Account Credit</li> <li>◆ External Debt Recovery Agent</li> <li>◆ Using arrears of HB</li> <li>◆ Direct Earnings Attachment</li> <li>◆ Blameless Tenant</li> <li>◆ From a Council in another area</li> </ul> <p>SLC actively uses the first 6 of these options although their effectiveness can be dependent on many factors. As an example, the DWP Payment Deduction programme is an important recovery tool which allows councils to apply to the DWP for deductions from a customer's DWP benefits. However, the DWP do not rank overpaid HB as a priority debt, therefore, if the customer has multiple debts our application is unlikely to be successful. In 2019/2020 SLC recovered £175,000 using this method.</p> <p>The 2 options SLC are not actively using are:-</p> <ul style="list-style-type: none"> <li>◆ Blameless Tenant (where a landlord fails to repay an overpayment, and has other tenants in receipt of HB, the Council can seek to recover the debt from payments made in respect of the other tenants) – Work is ongoing with our software supplier to enable this recovery option to be used when required.</li> <li>◆ From a Council in another area – This relates to HB paid by another council This is not deemed to be an effective use of resources and of limited use particularly as the move of a working age benefit claimant to another Council would prompt a transition from HB to UC. This reduces the likelihood of another Council paying HB and, therefore, the effectiveness of this method. Only 5 councils are noted in the report as using this option. This option will be kept under review.</li> </ul>
---	---



<ul style="list-style-type: none"> <li>◆ Underlying entitlement should be considered in all cases where an overpayment has been created, and councils should adhere to regulations to ensure that it is being applied consistently.</li>   <li>◆ Councils should consider regular use of HBDS as part of their strategic approach to the recovery of dormant HB debt.</li>   <li>◆ The outcomes from HBDS matches should be recorded to enable councils to determine the effectiveness of their participation in the service.</li>   <li>◆ Subject to local criteria, HB debt should not be considered for write off before it is sent to HBDS for matching.</li> </ul>	<p>Underlying entitlement is always considered where an overpayment has been created and all the information is held to assess this. Where income details for the period of an overpayment are not held, all attempts are made to establish these either by request directly from the customer or through utilising data sharing facilities.</p> <p>SLC actively uses this service to recover HB debt as highlighted in the report with 10 out of a maximum 18 monthly uploads completed during the period covered by the report (April 2018 to September 2019). At the start of 2020/2021, the DWP suspended HBDS activity due to the Coronavirus pandemic. Since recommencement, the council has submitted files to DWP in September, November, and January.</p> <p>Improvements are planned for improving the recording of outcomes from HBDS matches. Currently only outcomes which result in a Direct Earnings Attachment are recorded and not the overall effectiveness of the initiative.</p> <p>SLC exhausts all recovery options available prior to writing off an HB debt. This includes the regular submission of HB debt to HBDS for matching against HMRC records.</p>
---	---

## 5. Employee Implications

5.1. There are no direct employee implications.

## 6. Financial Implications

6.1. There are no direct financial implications.

## 7. Climate Change, Sustainability and Environmental Implications

7.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

## 8. Other Implications

8.1. There are no other implications.

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

9.1. 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.

9.2. There is no requirement for consultation on the content of the report.

**Paul Manning**

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

15 February 2021

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

- ◆ Promote Performance Management and Improvement

### **Previous References**

- ◆ None

### **List of Background Papers**

- ◆ Audit Scotland Report (December 2020) – Housing Benefit Overpayments in Scotland – A Thematic Study

### **Contact for Further Information**

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

Craig Fergusson, Head of Finance (Transactions)

Ext 4951 (01698 454951)

# Report

9

Report to:	<b>Risk and Audit Scrutiny Committee</b>
Date of Meeting:	<b>3 March 2021</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Forward Programme for Future Meetings</b>
----------	--

## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise members of the forward programme for the meeting of the Risk and Audit Scrutiny Committee to be held in June 2021
- ◆ 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 meeting of the Risk and Audit Scrutiny Committee to be held in June 2021, 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 June 2021 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 Climate Change, Sustainability and Environmental Implications

6.1. There are no Climate Change, Sustainability or Environmental implications in terms of the information contained within this report.

## 7 Other Implications

7.1. There are no risk implications in terms of the information contained within this report.

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

- 8.1. 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.
- 8.2. 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)**

16 February 2021

### **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 Adviser

Ext: 4108 (Tel: 01698 454108)

E-mail: pauline.macrae@southlanarkshire.gov.uk

## APPENDIX – RASC OUTLINE FORWARD PROGRAMME TO JUNE 2021

Meeting Date	Item	Responsibility
22 June 2021	1. Internal Audit Activity Report	Audit and Compliance Manager
	2. Internal Audit Annual Assurance Report	Audit and Compliance Manager
	3. Good Governance Statement and Q4 Year End Report	Head of Administration and Legal Services
	4. Financial Resources Scrutiny Forum Activity	Head of Finance (Strategy)
	5. Interim Audit Report	Audit Scotland
	6. Unaudited Annual Accounts	Head of Finance (Strategy)
	7. Audit Scotland Report: Digital Progress in Local Government	Head of IT

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.

