

# RISK AND AUDIT SCRUTINY FORUM

Minutes of meeting held in Committee Room 2, Council Offices, Almada Street, Hamilton on 18 June 2013

**Chair:**

Councillor Lesley McDonald

**Councillors Present:**

Ralph Barker, Archie Buchanan, Angela Crawley, Isobel Dorman, Susan Kerr, Gerard Killen, Brian McKenna

**Councillor's Apology:**

Graeme Campbell

**Attending:**

**Finance and Corporate Resources**

P Manning, Executive Director; H Black, Improvement and Risk Manager; Y Douglas, Audit Manager; G McCann, Head of Administration and Legal Services; H McNeil, Head of Audit and Improvement; A Norris, Administration Assistant; L Paterson, Administration Officer; S Rooney, Research Officer; J Taylor, Head of Finance

**Housing and Technical Resources**

F Morrison, Revenues and Benefits Manager; P Murphy, Head of Support Services; S Walsh, Audit and Interventions Team Leader

**Also Attending:**

**PricewaterhouseCoopers**

M Kerr, External Auditor

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## 1 Declaration of Interests

No interests were declared.

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## 2 Minutes of Previous Meeting

The minutes of the meeting of the Risk and Audit Scrutiny Forum held on 23 April 2013 were submitted for approval as a correct record.

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

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## 3 Internal Audit Activity as at 30 April 2013

A report dated 22 May 2013 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 29 March to 30 April 2013.

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

- ◆ 74% of assignments had been delivered within budget against a target of 80%
- ◆ 84% of draft reports had been delivered within 21 days of field work completion against a target of 80%
- ◆ 100% of the 2012/2013 Internal Audit Plan had been completed to a draft stage against a target of 100%

- ◆ 85% of audit recommendations had been delivered on time against a target of 85%
- ◆ 84% of audit assignments had been concluded to a signed action plan within the target of 7 weeks against a target of 80%

The findings from assignments completed in the period 29 March to 30 April 2013 were detailed in Appendix 2 to the report.

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

*[Reference: Minutes of 5 February 2013 (Paragraph 3)]*

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#### **4 Internal Audit Charter**

A report dated 22 May 2013 by the Executive Director (Finance and Corporate Resources) was submitted on the Council's draft Internal Audit Charter.

At its meeting on 13 November 2012, the Forum had considered an action plan to address gaps in compliance with CIPFA's Internal Audit Code of Practice and best practice guidance in relation to audit committees. 2 of the actions contained in the plan related to the preparation of an Audit Charter and formal terms of reference for Internal Audit.

Following the introduction, on 1 April 2013, of the Public Sector Internal Audit Standards, the terms of reference and Audit Charter required to be amalgamated into a single document. The draft Internal Audit Charter, attached as an appendix to the report:-

- ◆ reflected the requirement to amalgamate those documents
- ◆ incorporated all the elements required by the previous Code of Practice
- ◆ included further content required under the new Audit Standards

Further guidance had recently been issued on the application of the new Audit Standards and this would be reviewed as part of an interim exercise to assess compliance.

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

*[Reference: Minutes of 13 November 2012 (Paragraph 9)]*

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#### **5 2012 National Fraud Initiative**

A report dated 22 May 2013 by the Executive Director (Finance and Corporate Resources) was submitted on the 2012 National Fraud Initiative (NFI).

The NFI, undertaken annually by the Audit Commission and co-ordinated in Scotland by Audit Scotland, matched similar data in different public sector systems and identified possible inconsistencies. Those inconsistencies, known as "matches", required to be investigated by local authorities with a view to detecting fraud. The focus of the Initiative alternated annually between a limited and a full exercise. The limited exercise related to instances where single person council tax discount was being claimed and more than 1 person over 18 resided in the household. The 2012 exercise was a full exercise and involved Council wide comparisons including:-

- |             |                                  |
|-------------|----------------------------------|
| ◆ benefits  | ◆ insurance claims               |
| ◆ payroll   | ◆ blue badge holders             |
| ◆ creditors | ◆ private nursing home residents |
| ◆ licences  |                                  |

Following the 2012 exercise, the Council had been provided with a list of 12,554 matches. This represented a reduction of 14% from the 2010 exercise. Details of the 12 separate matched areas covered in the 2012 exercise were given in Appendix 1 to the report. A comparison of matches in each area for both the 2010 and 2012 NFI exercises was given in Appendix 2 to the report. The Council would investigate 2,602 cases, which was 11% higher than the number of investigations recommended by Audit Scotland. A detailed breakdown of investigation targets was given in Appendix 3 to the report.

Internal Audit prepared a project plan at the start of each new exercise and reported progress against this.

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

*[Reference: Minutes of 4 September 2012 (Paragraph 5)]*

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## **6 Shared Risk Assessment - Assurance and Improvement Plan 2013 to 2016**

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A report dated 16 May 2013 by the Executive Director (Finance and Corporate Resources) was submitted on the:-

- ♦ outcome of the annual Shared Risk Assessment process carried out by Audit Scotland and other inspection agencies
- ♦ 2013 to 2016 refresh of the Council's Assurance and Improvement Plan (AIP)

The Council's 2012/2013 submission, made as part of the Shared Risk Assessment process, had been considered by this Forum on 5 February 2013. The key points noted in the submission were detailed.

The refreshed version of the Assurance and Improvement Plan covering the period 2013 to 2016, which was attached as an appendix to the report, had been considered by the National Quality Assurance Panel. Details of the key points included in the AIP were provided together with National Risk Priorities, areas of particular significance to South Lanarkshire Council and a summary of the scrutiny activity arising from the Shared Risk Assessment.

Based on the details noted in the AIP, Executive Directors, through the Corporate Improvement Advisory Board, would ensure that progress was made both to maintain the existing risk assessment status and to mitigate any identified risk or signposted issues in advance of next year's AIP.

This report would be submitted for noting to the South Lanarkshire Partnership Board.

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

*[Reference: Minutes of 5 February 2013 (Paragraph 6)]*

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## **7 Audit Scotland Report 'Responding to Challenges and Change - An Overview of Local Government in Scotland 2013'**

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A report dated 16 May 2013 by the Executive Director (Finance and Corporate Resources) was submitted on an Audit Scotland Report entitled "Responding to Challenges and Change – An Overview of Local Government in Scotland" which had been published on 28 March 2013.

The report had been structured around the following 2 headings:-

- ◆ service challenges in 2013
- ◆ use of resources in 2012

The Audit Scotland report contained wide ranging observations and recommendations as well as an opinion on how councils currently operated. The Council had developed an Action Plan, attached as an appendix to the report, to progress the issues identified in the Audit Scotland Report. A report had been submitted to the South Lanarkshire Partnership Board on 12 June 2013 reflecting the elements of the Audit Scotland Report which were of particular relevance to the Partnership.

**The Forum decided:**

- (1) that the report be noted; and
- (2) that it be noted that relevant actions would be progressed by designated officers.

*[Reference: Minutes of Executive Committee of 29 May 2013 (Paragraph 7)]*

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## **8 Audit Scotland - Audit of Housing and Council Tax Benefits Service**

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A report dated 4 June 2013 by the Executive Director (Housing and Technical Resources) was submitted on Audit Scotland's risk assessment audit of the Council's Housing and Council Tax Benefits Service.

The audit, which had been undertaken in January 2013, examined the following 4 key areas of the Service's work:-

- ◆ business planning
- ◆ performance reporting
- ◆ delivering outcomes
- ◆ meeting the needs of the user and the community

As a result of the audit, Audit Scotland had identified 10 risks to continuous improvement which were detailed in the report. To address those issues, an Action Plan, attached as an appendix to the report, had been developed. While Audit Scotland had highlighted many positive aspects of the Service's work, an area of concern was the Council's speed of processing benefits. However, significant improvement had recently been made in this area.

Audit Scotland considered that the Council's performance in relation to Housing Benefit overpayment recovery was weaker than other Councils, however, their comparison was based on unaudited figures. The Council would continue to focus on achieving continuous improvement including benchmarking with other councils to ensure comparability and share best practice.

Audit Scotland had accepted that implementation of the Action Plan would make a positive contribution to the continuous improvement of the Council's Housing and Council Tax Benefits Service.

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

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## **9 Annual Governance Statement 2012/2013**

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A report dated 13 May 2013 by the Executive Director (Finance and Corporate Resources) was submitted on the Annual Governance Statement 2012/2013.

Each year, the Council undertook a review of the governance arrangements required to support its financial and operational controls. This review provided the Annual Governance Statement which was included in the Council's Annual Report and Accounts.

The annual review for 2012/2013 had been undertaken using the Finance Advisory Network (FAN) model. The resulting Annual Governance Statement for 2012/2013, attached as an appendix to the report, provided information on the Council's compliance during 2012/2013.

A report on the Annual Governance Statement for 2012/2013 would be submitted for approval to the Executive Committee on 26 June 2013.

The Good Governance Action Plan for 2013/2014 was currently being developed and progress reports would be submitted to the Forum during 2013/2014.

### **The Forum decided:**

- (1) that the report be noted; and
- (2) that it be noted that the Annual Governance Statement would be included in the Council's Annual Report and Accounts for 2012/2013.

*[Reference: Minutes of 23 April 2013 (Paragraph 6)]*

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## **10 Interim Management Letter for Year Ending 31 March 2013**

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The interim management letter dated 28 March 2013 from PricewaterhouseCoopers, the Council's external auditor, was submitted detailing the findings of PricewaterhouseCoopers' interim audit visit to the Council which commenced on 25 February 2013.

Of the 2 areas where the auditor had found that the control environment could be strengthened, 1 had been categorised as low risk and 1 as high risk. The auditor's recommendations were currently being addressed or had already been implemented by the Council.

**The Forum decided:** that the external auditor's interim management letter for 2012/2013 be noted.

*[Reference: Minutes of 4 September 2012 (Paragraph 12)]*

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## **11 Follow-up of Prior Year Audit Recommendations 2012/2013**

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A report dated May 2013 by PricewaterhouseCoopers, the Council's external auditor, was submitted on the auditor's follow-up of prior year recommendations which had been undertaken in March 2013. The follow-up related to recommendations contained in the following reports:-

- ♦ follow-up of 2010/2011 audit recommendations during the 2011/2012 audit
- ♦ interim management letter 2011/2012
- ♦ annual report 2011/2012

At the time of the auditor's visit, progress in implementing the 9 recommendations contained in the reports was as follows:-

- ◆ 5 fully implemented
- ◆ 4 actions in progress

Of the 4 recommendations which had been classed as action in progress, 1 was considered high risk in terms of risk assessment and 1 as medium risk. Risk assessment did not apply to the remaining recommendations. The management responses to the external auditor's recommendations were detailed in section 3 of the report.

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

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## **12 Forward Programme for Future Meetings**

A report dated 4 June 2013 by the Executive Director (Finance and Corporate Resources) was submitted on the outline forward programme for meetings of the Risk and Audit Scrutiny Forum to November 2013.

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

**The Forum decided:** that the outline forward programme for the Risk and Audit Scrutiny Forum, attached as an appendix to the report, be noted.

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## **13 Urgent Business**

There were no items of urgent business.

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