



Council Offices, Almada Street
Hamilton, ML3 0AA

Friday, 16 September 2022

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: Tuesday, 27 September 2022
Time: 10:00
Venue: Hybrid - Council Chamber, Council Offices, Almada Street, Hamilton, ML3 0AA

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

Yours sincerely

Cleland Sneddon
Chief Executive

Members

Elaine McDougall (Chair), Mary Donnelly (Depute Chair), Mathew Buchanan, Alistair Fulton, Ross Gowland, Celine Handibode, Cal Johnston-Dempsey, Susan Kerr, Richard Lockhart

Substitutes

Colin Dewar, Gavin Keatt, Monique McAdams, Helen Toner

BUSINESS

1 Declaration of Interests

- 2 Minutes of Previous Meeting** 3 - 10
Minutes of the previous meeting of the Risk and Audit Scrutiny Committee held on 22 June 2022 submitted for approval as a correct record. (Copy attached)

Item(s) for Decision

- 3 2022/2023 Internal Audit Plan** 11 - 20
Report dated 9 September 2022 by the Executive Director (Finance and Corporate Resources). (Copy attached)

Item(s) for Noting

- 4 Internal Audit Activity as at 9 September 2022** 21 - 30
Report dated 9 September 2022 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 5 Year End Insured Risks Report – 2021/2022** 31 - 40
Report dated 13 September 2022 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 6 Fraud Statistics Annual Report 2021/2022** 41 - 46
Report dated 8 September 2022 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 7 2020 National Fraud Initiative Exercise** 47 - 56
Report dated 8 September 2022 by the Executive Director (Finance and Corporate Resources). (Copy attached)
- 8 Forward Programme for Future Meetings** 57 - 60
Report dated 13 September 2022 by the Executive Director (Finance and Corporate Resources). (Copy attached)

Urgent Business

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

Clerk Name:	Elizabeth-Anne McGonigle
Clerk Telephone:	07385403101
Clerk Email:	elizabeth-anne.mcgonigle@southlanarkshire.gov.uk

RISK AND AUDIT SCRUTINY COMMITTEE

2

Minutes of meeting held via Microsoft Teams and in the Banqueting Hall on 22 June 2022

Chair:

Councillor Elaine McDougall

Councillors Present:

Councillor Cal Dempsey, Councillor Mary Donnelly (Depute), Councillor Alistair Fulton, Councillor Gavin Keatt (*substitute for Councillor Mathew Buchanan*), Councillor Ross Gowland, Councillor Susan Kerr, Councillor Richard Lockhart

Councillors' Apologies:

Councillor Mathew Buchanan, Councillor Celine Handibode

Councillor Also Present:

Councillor Joe Fagan (for items 3 and 4)

Attending:

Chief Executive's Service

C Sneddon, Chief Executive (for items 3 and 4)

Finance and Corporate Resources

P Manning, Executive Director; Y Douglas, Audit and Compliance Manager; G McCann, Head of Administration and Legal Services; E-A McGonigle, Administration Officer; F Morrison, Revenues and Benefits Manager; A Norris, Administration Assistant; J Taylor, Head of Finance (Strategy)

Also Attending:

Audit Scotland

A Kerr and G McNally, External Auditors

1 Declaration of Interests

No interests were declared.

2 Internal Audit Annual Assurance Report 2021/2022

A report dated 7 June 2022 by the Audit and Compliance Manager (Finance and Corporate Resources) was submitted providing:-

- ◆ a summary of progress and performance of Internal Audit for the financial year 2021/2022
- ◆ an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control systems based on audit work undertaken in 2021/2022

Details were given on:-

- ◆ Internal Audit performance
- ◆ Council-wide performance in relation to the delivery of audit actions
- ◆ workload analysis
- ◆ links to the Council's objectives and top risks
- ◆ management of fraud risks
- ◆ areas of assurance
- ◆ areas of external reliance

Many of the pressures which had impacted on the Council's systems and controls due to COVID-19 had continued into 2021/2022. The UK Public Sector Internal Audit Standards Advisory Board had issued guidance around conformance with the Public Sector Standards which had shaped the Council's internal audit approach in 2021/2022 which aimed to:-

- ◆ help protect the organisation's operations by assisting management to find new ways of working
- ◆ provide real-time advice and insight in the development of new systems and controls
- ◆ ensure that core internal audit work remained risk-based and relevant and continued to inform longer term planning around risks
- ◆ allow the regular reporting of activity to this Committee

The overall opinion expressed on the Council's control environment was that a reasonable level of assurance could be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ended 31 March 2022. The Internal Audit findings would inform the Council's 2021/2022 Annual Governance Statement.

The Committee decided:

- (1) that the performance of Internal Audit during 2021/2022 be noted;
- (2) that the level of assurance on the Council's control environment be noted; and
- (3) that it be noted that the overall findings from Internal Audit work would inform the Council's 2021/2022 Annual Governance Statement.

[Reference: Minutes of 22 June 2021 (Paragraph 3)]

3 Annual Governance Statement for 2021/2022 and Significant Governance Areas Quarter 4 Progress Report

A report dated 8 June 2022 by the Executive Director (Finance and Corporate Resources) was submitted on the Annual Governance Statement for 2021/2022 and progress against significant governance areas identified within the 2020/2021 Annual Governance Statement at Quarter 4.

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

The Council's governance assurance framework was detailed in Appendix 1 to the report. The resulting Annual Governance Statement for 2021/2022, attached as Appendix 2 to the report, provided information on the Council's compliance during 2021/2022. The annual review of governance arrangements across the Council demonstrated sufficient evidence that the principles of delivering good governance in local government, contained in the Local Code of Corporate Governance, operated effectively and that the Council complied with its Code.

Progress on the significant governance areas highlighted within the Annual Governance Statement 2020/2021 was attached as Appendix 3 to the report.

The Committee decided:

- (1) that the Annual Governance Statement, attached as Appendix 2 to the report, which would be included in the 2021/2022 Annual Report and Statement of Accounts, be approved; and

- (2) that the progress on the Good Governance Statement Action Plan at Quarter 4 2020/2021, detailed in Appendix 3 to the report, be noted.

[Reference: Minutes of 22 June 2021 (Paragraph 4)]

4 Unaudited Annual Accounts 2021/2022

A report dated 7 June 2022 by the Executive Director (Finance and Corporate Resources) was submitted on the requirement for members to consider the Unaudited Annual Accounts of the Council and related Charitable Trusts, attached as appendices 1 and 3 to the report, by 30 June 2022.

The Council's Unaudited Annual Accounts detailed key information on the Council's expenditure and income for the financial year ended 31 March 2022. The accounts also covered 3 Charitable Trusts managed by the Council, namely South Lanarkshire Council Educational Trust, South Lanarkshire Council Charitable Trust and the East Kilbride Information Technology Trust.

Due to the ongoing impact of COVID-19, the Scottish Government had extended the normal audit deadline from 30 September to 30 November 2022. The Council's External Auditors would be working to a deadline of 31 October 2022. The full Unaudited Annual Accounts would be circulated to members following their submission to the auditor on 30 June 2022 and would be advertised as being available for public inspection on the Council's website from that date.

The information contained in the Unaudited Accounts took into account the final outturn position, as detailed in Appendix 2 to the report, which would be submitted to the Executive Committee on 29 June 2022 for approval. Appendix 2 also provided an Expenditure and Funding Analysis as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Accounting Practice.

The Chair and Depute, on behalf of the Committee members, expressed appreciation of the work undertaken to prepare the Unaudited Accounts.

The Committee decided: that the Unaudited Annual Accounts of the Council and related Charitable Trusts, to be submitted to Audit Scotland by the deadline of 30 June 2022, be noted.

5 Internal Audit Activity as at 3 June 2022

A report dated 7 June 2022 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 8 January to 3 June 2022.

Findings from internal audit assignments were reported to this Committee throughout the year and the last progress report was considered by this Committee on 26 January 2022. Key performance indicators, which reflected quality, on time and within budget for the period to 31 March 2022, were summarised in Appendix 1 to the report. 100% of draft reports were issued on time and 87% within budget against targets of 80% respectively. Quality continued to be monitored through internal quality control procedures. As at 30 April 2022, 92% of the 2021/2022 Audit Plan was complete.

Client contributions to the delivery of the audit plan took the form of responding to draft reports, agreeing to close meetings and signing reports timeously once agreed. 95% of audit assignments were concluded to a signed action plan within 4 weeks of the issue of a draft report against a target of 80%.

An update on progress with the delivery of the Audit Plan for 2022/2023 was provided in Appendix 2 to the report. Further information around the allocation of the remaining Audit Plan time would be presented to the Committee for approval on 27 September 2022. In the interim, Internal Audit would focus on the delivery of corporate tasks and the continuation and finalisation of audit assignments from the 2021/2022 Plan.

The findings from assignments completed in the period 8 January to 3 June 2022 were detailed in Appendix 3 to the report.

The Council formed part of the Glasgow City Region City Deal which funded a range of capital projects within South Lanarkshire. Similar to the Council's own governance arrangements, there was an Internal Audit Plan of work within the Glasgow City Region City Deal programme which was delivered by Glasgow City Council. Audit recommendations were followed up by Glasgow City Council as part of the annual audit plan and, where relevant, those actions would be added to South Lanarkshire Council's audit action database to ensure those were implemented in full and on time. Delivery on those actions would be reported within the Key Performance Indicators included in the routine activity reports to the Committee.

An update report would be submitted to a future meeting of this Committee as appropriate.

Information on the Chief Internal Auditor's Group activities during 2021 was attached as Appendix 5 to the report.

The Committee decided: that the report be noted.

[Reference: Minutes of 26 January 2022 (Paragraph 5)]

6 Audit Scotland – Financial Overview 2020/2021

A report dated 25 May 2022 by the Executive Director (Finance and Corporate Resources) was submitted on the Audit Scotland report entitled 'Financial Overview 2020/2021' which had been published in March 2022.

The report had been structured as follows:-

- ◆ Part 1 - Councils' Income in 2020/2021
- ◆ Part 2 - Financial Position
- ◆ Part 3 - Financial Outlook

The key messages from the Audit Scotland report were detailed, together with an assessment of the position in South Lanarkshire Council.

The Committee decided:

- (1) that the key messages and recommendations contained in the Audit Scotland report entitled 'Financial Overview 2020/2021', as detailed in sections 4 to 6 of the report, be noted; and
- (2) that the Council's position on those key messages and recommendations, as detailed in section 7 of the report, be noted.

[Reference: Minutes of 15 September 2021 (Paragraph 9)]

7 Financial Resources Scrutiny Forum Activity

A report dated 24 May 2022 by the Executive Director (Finance and Corporate Resources) was submitted on reports considered by the Financial Resources Scrutiny Forum in the period from July 2021 to March 2022.

A report on the business considered by the Financial Resources Scrutiny Forum would continue to be submitted to the Risk and Audit Scrutiny Committee on an annual basis.

The Committee decided: that the report be noted.

[Reference: Minutes of 22 June 2021 (Paragraph 8)]

8 Annual Audit Plan 2021/2022

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

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

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

The Plan was structured around the following areas:-

- ◆ annual accounts audit planning
- ◆ audit dimensions and best value
- ◆ reporting arrangements, timetable and audit fee
- ◆ other matters

Details were given on key aspects of those areas.

The Auditor General for Scotland, the Accounts Commission and Audit Scotland continued to assess the risks to public services and finances from COVID-19 across the full range of their audit work, including annual audits and the programme of performance audits.

A Kerr, Senior Audit Manager, informed the Committee that following the audit appointment exercise, Audit Scotland would remain as the appointed External Auditor for the Council for the next 5 years, however, there would likely be changes to the audit team. The current team would remain in place until the 2021/2022 annual accounts had been signed off.

The Committee decided: that the report be noted.

[Reference: Minutes of 3 March 2021 (Paragraph 5)]

9 Audit Scotland Report: The impact of COVID-19 on Scottish Councils' Benefit Services – A Thematic Study

A report dated 17 May 2022 by the Executive Director (Finance and Corporate Resources) was submitted providing a summary of the Audit Scotland Report 'The impact of COVID-19 on Scottish Councils' benefit services – A Thematic Study' released in October 2021.

In March 2020, in response to the COVID-19 pandemic and in line with UK and Scottish Government advice, Council buildings were closed to the public and, where possible, staff were required to work from home. As a key Council service, this presented a significant challenge for benefit services. Additionally, the Scottish Government's response to the pandemic led to the creation of local and national hardship schemes and many councils' benefit services had responsibility for administering and processing applications for support grants offered by those schemes.

Audit Scotland had issued a questionnaire to all 32 Scottish councils to measure the impact of the pandemic on benefit services in terms of:-

- ◆ Housing Benefit (HB) resources
- ◆ Information Technology
- ◆ Claims processing
- ◆ Accuracy

The data and analysis in the Audit Scotland report was based on the questionnaire responses and had not been independently validated, with the exception of claims processing performance, which was validated against Department for Work and Pensions (DWP) published data.

Information was provided on Audit Scotland's recommendations, together with an assessment of the position in South Lanarkshire Council.

The Chair and Depute, on behalf of the Committee members, welcomed the report and expressed appreciation of the work undertaken by staff throughout the COVID-19 pandemic to keep services operational.

The Committee decided: that the key messages and recommendations in the Audit Scotland report 'The impact of COVID-19 on Scottish Councils' benefit services – A Thematic Study' be noted.

10 Forward Programme for Future Meetings

A report dated 6 June 2022 by the Executive Director (Finance and Corporate Resources) was submitted on the outline forward programme for the meeting of the Risk and Audit Scrutiny Committee to 6 December 2022.

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

In response to a member's question in relation to the Scottish Government's recent announcement on a National Care Service, the Executive Director (Finance and Corporate Resources) advised that the implications of this proposal would be considered by the Council in terms of its review of top risks and their impact on service delivery. An update report of top risks would be presented to a future meeting of this Committee.

The Committee decided:

- (1) that the outline forward programme for the meetings of the Risk and Audit Scrutiny Committee to 6 December 2022 be noted; and
- (2) that an update report of top risks be presented to the 25 October 2022 meeting of this Committee.

11 Urgent Business

There were no items of urgent business.

Report

3

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	27 September 2022
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	2022/2023 Internal Audit Plan
----------	--------------------------------------

1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ seek approval of the proposed Internal Audit Plan for 2022/2023

2. Recommendation(s)

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

- (1) that the proposed Internal Audit Plan for 2022/2023 be 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 2022/2023 Internal Audit Plan. The Internal Audit function's compliance with PSIAS is due to be externally assessed by East Lothian Council in 2022/2023. The outcome of this assessment will be presented to the Risk and Audit Scrutiny Committee (RASC) in March 2023.

3.2. The first phase of the annual 2022/2023 Internal Audit Plan was presented to the Committee in January 2022 and attached at Appendix 1 is an update on progress with completing this programme of work.

3.3. The content of audit plans is determined by the requirement to deliver a programme of work that informs the annual audit opinion on the overall adequacy and effectiveness of an organisation's framework of governance, risk management and control arrangements. The Internal Audit Plans for South Lanarkshire Council in 2022/2023 support this objective by:-

- ◆ linking to the Council's objectives and priorities
- ◆ providing assurance (as part of a rolling programme of work) in relation to top risks that have been identified by the Council
- ◆ delivering a balanced plan 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.

4. Internal Audit Plan 2022/2023

4.1. The earlier presentation of the first phase of the 2022/2023 Internal Audit Plan to RASC (in January 2022) recognised some time was needed to fully assess the extent

of the function's role in the implementation of Oracle Fusion within South Lanarkshire Council, a significant new human resources and financial accounting system.

- 4.2. Two full-time posts within Internal Audit have been deployed to date in this financial year with arrangements now being put in place to release one of these posts back to the Service to deliver core internal audit assignments. An additional auditor is now being recruited for the remaining duration of the project. In year capacity has been impacted by the requirement to assist with the implementation of Oracle Fusion as well as other temporary resourcing pressures in 2022/2023. A further review of overall capacity has been undertaken ahead of drafting this final phase of the Audit Plan. Assumptions that underpinned earlier assessments have been reviewed and the number of days available to deliver the 2022/2023 Internal Audit Plan revised.
- 4.3. Once capacity had been determined, the content of the Plan was developed. This considered the assessed top risks of the Council. These risks are revised on an annual basis and, in 2022/2023, the review was ongoing at the date of this report. Discussions with Risk Management have identified some potential changes to the top risk register in relation to 'cost of living' (the risk the Council fails to support households significantly impacted by this crisis) and 'Community Wealth Building' (the risk that the Council fails to maximise the benefits of the Strategy). Over-arching all of this is the risk that the Council fails to achieve the outcomes of the Council Plan. Previous, identified risks remain valid with only 'the impact of the UK leaving the EU' deemed to be an area of lessening risk.
- 4.4. The proposed final Internal Audit Plan for 2022/2023 is attached at Appendix 2. This represents the Plan for the full year and incorporates the work included in Phase 1 of the 2022/2023 Internal Audit Plan along with a further programme of work for the remainder of the year. The Plan reflects time required to deliver a range of assignments that seek to align to corporate objectives as well as providing assurance around the general control environment of the Council. Each audit is conducted in accordance with the revised PSIAS and within the context of the Internal Audit Charter. A summary of how each assignment links to the three key assurance areas is included at Appendix 3.
- 4.5. The Plan sets out the name of the proposed assignment, the lead Resource and a brief outline scope for each proposed assignment. Objectives and scopes will be refined by auditors prior to the commencement of work and once a full risk analysis has been completed and key controls identified. Clients will be involved in this initial risk and control assessment and will be consulted prior to the preparation of the audit remit for each assignment.
- 4.6. Progress against the audit strategy will be monitored and reported to the RASC as part of regular monitoring reports that are presented at each meeting. Delivery of the strategy will be evidenced by the completion of the 2022/2023 Internal Audit Plan. The risk of significant subsequent changes to the Plan, arising from a change in the Council's priorities or risks, are reduced given the approach in 2022/2023 that has allowed capacity to be reassessed mid-year. A level of contingency time continues to be built in to provide some flexibility throughout the remainder of the year. Key performance indicators will be reported to the RASC within routine activity reports and the annual assurance report.
- 4.7. The Committee is asked to approve the final phase of the 2022/2023 Internal Audit Plan attached at Appendix 2.

5. Employee Implications

- 5.1. A full employee capacity plan was prepared at commencement of the audit planning process and has now been revised. This has determined that 1,109 audit days can be delivered in 2022/2023 (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 previous years albeit recent years have not been directly comparable given resources deployed by the Service to respond to the pandemic and in year capacity in 2022/2023 being impacted by a period of planned leave and secondments.

6. Financial Implications

- 6.1. Capacity planning has been based on available 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 implications for climate change, sustainability or the environment in terms of the information contained in this report.

8. Other Implications

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

9. Equality Impact Assessment and Consultation Arrangements

- 9.1. There is no requirement to conduct an equality impact assessment on the proposed Audit Plan. Evidence is available of a level of consultation during preparation of the Plan commensurate with the capacity to deliver in 2022/2023.

Paul Manning

Executive Director (Finance and Corporate Resources)

9 September 2022

Link(s) to Council Values/Priorities/Outcomes

- ♦ Accountable, effective, efficient and transparent

Previous References

- ♦ 2022/2023 Internal Audit Plan, Risk and Audit Scrutiny Committee - 26 January 2022

List of Background Papers

- ♦ Internal Audit planning documentation
- ♦ Internal Audit Charter

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

Lead Resource	Audit assignment	Outline Scope	Status
Key year end tasks			
FCR ¹	External Audit	Provide 2021/2022 general ledger data to External Audit for the audit of the financial accounts for the year ended 31 March 2022.	Complete
All	2021/2022 Annual Report	Prepare annual statement of assurance for 2021/2022. Present to RASC.	Complete
All	Governance Statement	Undertake review of evidence that supports SLC's Annual Governance Statement and provide 2021/2022 annual assurance statement for Glasgow City Region – City Deal.	Complete
Corporate tasks			
All	Attend internal and external working groups	Attend, respond to requests, participate in consultations and provide updates.	Ongoing
All	Committee reporting	Prepare reports to present to RASC and to External Client Committees and Boards.	Ongoing
FCR	Fusion	Support implementation of project.	Ongoing
All	2023/2024 Audit Plan	Undertake consultation, risk assessment, Resource and Section planning, set scopes and objectives and seek approval through preparation of reports.	Commence Q3
All	National Fraud Initiative (NFI)	Coordinate data uploads for new NFI exercise in 2022/2023. Develop and communicate plan for investigation of matches in 2023/2024.	Commence Q2
All	Advice and guidance	Provision of advice and guidance on online banking for school funds and on the revision of duplicate invoice checks.	Online banking – complete Duplicate invoice checks – included as part of Fusion
Core programme of audit work			
All	Informal Follow Up	Prompt Resources on a quarterly and monthly basis of actions due within that period. Collate responses for reporting.	Ongoing
All	Follow Up	For all Council Resources, identify audit recommendations due in the period April	Ongoing

¹ Finance and Corporate Resources

Lead Resource	Audit assignment	Outline Scope	Status
		2021 to March 2022. Risk assess and follow-up to ensure implementation of all high risk actions.	
CER ² /HTR ³ /FCR	Follow Up	Undertake follow up of procurement audits within Roads and Property Services and debtors review within Benefits and Revenue Services.	Commence Q3
All	Anti-fraud checks	Rolling programme of anti-fraud checks – including procurement, petty cash and purchase cards.	Commence Q3
All	Continuous Controls Monitoring (CCM)	Continue to download data in current CCM areas. Use data for analysis and to inform internal and external audit testing.	Ongoing
EDR ⁴	Optimisation software	Review of optimisation software to establish benefit of using within other Council Services.	Added to scope of ASN audit
FCR/CER	Investigative contingency	Undertake investigations as required (including COVID-19 grants).	Ongoing
All	General contingency	Conclude all 2021/2022 audits and responded to requests for unplanned work 2022/2023.	Ongoing
All	Resource audits	Deliver a programme of risk-based audits across Council Resources (to be presented June 2022)	Included in Audit Plan (see Appendix 2)
N/A	Audit Plan	Deliver internal audit service to External Clients	Ongoing

² Community and Enterprise Resources

³ Housing and Technical Resources

⁴ Education Resources

Lead Resource	Audit assignment	Outline Scope	Days
Key year end tasks			
FCR ⁵	External Audit	Provide 2021/2022 general ledger data to External Audit for the audit of the financial accounts for the year ended 31 March 2022.	11
All	2021/2022 Annual Report	Prepare annual statement of assurance for 2021/2022. Present to RASC.	10
All	Governance Statement	Undertake review of evidence that supports SLC's Annual Governance Statement and provide 2021/2022 annual assurance statement for Glasgow City Region – City Deal.	5
Corporate tasks			
All	Attend internal and external working groups	Attend, respond to requests, participate in consultations and provide updates.	39
All	Committee reporting	Prepare reports to present to RASC and to External Client Committees and Boards.	10
FCR	Fusion	Support implementation of project.	374 ⁶
All	2023/2024 Audit Plan	Undertake consultation, risk assessment, Resource and Section planning, set scopes and objectives and seek approval through preparation of reports.	10
All	National Fraud Initiative (NFI)	Coordinate data uploads for new NFI exercise in 2022/2023. Develop and communicate plan for investigation of matches in 2023/2024.	30
All	Advice and guidance	Provision of advice and guidance.	10
Core programme of audit work			
All	Informal Follow Up	Prompt Resources on a quarterly and monthly basis of actions due within that period. Collate responses for reporting.	6
All	Follow Up	For all Council Resources, identify audit recommendations due in the period April 2021 to March 2022. Risk assess and follow-up to ensure implementation of all high risk actions.	15
CER ⁷ /HTR ⁸	Follow Up	Undertake follow up of procurement audits within Roads and Property Services.	60

⁵ Finance and Corporate Resources

⁶ This includes 25 days for external clients.

⁷ Community and Enterprise Resources

⁸ Housing and Technical Resources

Lead Resource	Audit assignment	Outline Scope	Days
All	Anti-fraud checks	Rolling programme of anti-fraud checks – including procurement, petty cash, COVID-19 grants and purchase cards. Re-brief Conflict of Interest policy and develop annual process for briefing within Resources. Review and update Fraud Policies and present to Committee for approval.	123
All	Continuous Controls Monitoring (CCM)	Continue to download data in current CCM areas. Use data for analysis and to inform internal and external audit testing.	25
EDR ⁹	Equity Strategy	Provide assurance of good governance around spend and tracking of benefits deriving from spend.	25
EDR	Education Maintenance Allowance	Test systems and processes to ensure compliance with all relevant legislation and Scottish Government requirements.	10
CER	Sustainability	Provide assurance that plans are practically deliverable in the short, medium and long term and that in-year progress against targets is monitored and reported.	25
SWR ¹⁰	Self-Directed Support	Assess compliance with assessment and review timescales. Review evidence to ensure that this demonstrates that the assessed needs of users are being met.	20
FCR	Community Wealth Building Strategy	Test controls in place to mitigate the risk to the Council of the Strategy not being fully delivered.	30
EDR	Additional Support Needs Transport	Test effectiveness of new systems and procedures and implementation of agreed actions.	30
FCR	Cyber Security	Assess the Council's level of resilience and ability to use technology securely and to respond and prevent cyber crime.	30
FCR	Purchase Cards	Provision of advice and guidance regarding key controls attached to extending the use of Purchase Cards across the Council.	10
All	Investigative contingency	Undertake investigations as required.	55
All	General contingency	Respond to requests for unplanned work.	34
N/A	Audit Plan	Deliver internal audit service to External Clients.	112
TOTAL DAYS			1,109

⁹ Education Resources

¹⁰ Social Work Resources

Resource	Audit Assignment	Scope of Work	Area of Assurance
FCR	External Audit	Provide 2021/2022 general ledger data to External Audit for the audit of the financial accounts for the year ended 31 March 2022.	Other tasks
All	2021/2022 Annual Report	Prepare annual statement of assurance for 2021/2022. Present to RASC.	Governance
All	Governance Statement	Undertake review of evidence that supports SLC's Annual Governance Statement and provide 2021/2022 annual assurance statement for Glasgow City Region – City Deal.	Governance
All	Attend internal and external working groups	Attend, respond to requests, participate in consultations and provide updates.	Other tasks
All	Committee reporting	Prepare reports to present to RASC and to External Client Committees and Boards.	Governance
FCR	Fusion	Support implementation of project.	Internal Controls
All	2023/2024 Audit Plan	Undertake consultation, risk assessment, Resource and Section planning, set scopes and objectives and seek approval through preparation of reports.	Other tasks
All	National Fraud Initiative (NFI)	Coordinate data uploads for new NFI exercise in 2022/2023. Develop and communicate plan for investigation of matches in 2023/2024.	Internal Controls
All	Advice and guidance	Provision of advice and guidance.	Internal Controls
All	Informal Follow Up	Prompt Resources on a quarterly and monthly basis of actions due within that period. Collate responses for reporting.	Governance
All	Follow Up	For all Council Resources, identify audit recommendations due in the period April 2021 to March 2022. Risk assess and follow-up to ensure implementation of all high risk actions.	Internal Controls
CER /HTR	Follow Up	Undertake follow up of procurement audits within Roads and Property Services.	Internal Controls
All	Anti-fraud checks	Rolling programme of anti-fraud checks – including procurement, petty cash, COVID-19 grants and purchase cards. Re-brief Conflict of Interest policy and develop annual process for briefing within Resources.	Internal Controls

		Review and update Fraud Policies and present to Committee for approval.	
All	Continuous Controls Monitoring (CCM)	Continue to download data in current CCM areas. Use data for analysis and to inform internal and external audit testing.	Internal Controls
EDR	Equity Strategy	Provide assurance of good governance around spend and tracking of benefits deriving from spend.	Internal Controls
EDR	Education Maintenance Allowance	Test systems and processes to ensure compliance with all relevant legislation and Scottish Government requirements.	Internal Controls
CER	Sustainability	Provide assurance that plans are practically deliverable in the short, medium and long term and that in-year progress with the achieving of targets is monitored and reported.	Risk Management
SWR	Self-Directed Support	Assess compliance with assessment and review timescales. Review evidence to ensure that this demonstrates that the assessed needs of users are being met.	Internal Controls
FCR	Community Wealth Building Strategy	Test controls in place to mitigate the risk to the Council of the Strategy not being fully delivered.	Risk Management
EDR	Additional Support Needs Transport	Test effectiveness of new systems and procedures and implementation of agreed actions.	Internal Controls
FCR	Cyber Security	Assess the Council's level of resilience and ability to use technology securely and to respond and prevent cyber crime.	Internal Controls
FCR	Purchase Cards	Provision of advice and guidance regarding key controls attached to extending the use of Purchase Cards across the Council.	Internal Controls
All	Investigative contingency	Undertake investigations as required.	Internal Controls
All	General contingency	Respond to requests for unplanned work.	Internal Controls
N/A	Audit Plan	Deliver internal audit service to External Clients.	N/A

Report

4

Report to: **Risk and Audit Scrutiny Committee**
 Date of Meeting: **27 September 2022**
 Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **Internal Audit Activity as at 9 September 2022**

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 4 June to 9 September 2022
- ◆ provide a summary of audit reports presented to Glasgow City Region City Deal Cabinet (the Cabinet) during the same period
- ◆ advise of the planned external assessment of the Council's internal audit function's level of compliance with the Public Sector Internal Audit Standards (PSAIS)

2. Recommendation(s)

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

- (1) that progress and performance be noted;
- (2) that findings from the audit reports presented to the Cabinet be noted; and
- (3) that the planned external assessment of the Council's internal audit service level of compliance with PSIAS be 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 June 2022 and reported on work completed in the period 8 January to 3 June 2022. This report covers all work completed in the period 4 June to 9 September 2022. Performance information is also included.

4. Delivery of the Internal Audit Plan: Progress and Performance

4.1. In January 2022, the Committee approved the first phase of the Audit Plan for 2022/2023. An update on progress with the delivery of this Plan is set out in Appendix 1. The proposed Audit Plan for the remainder of the year is set out in a separate item on the agenda of today's meeting. As at 9 September 2022, 20% of the first phase of the 2022/2023 Audit Plan was complete.

4.2. Key performance indicators reflecting quality, on time and within budget as at 31 July 2022 are summarised in Appendix 2 together with explanations. 100% of draft reports have been issued on time and 100% within budget against targets of 80% respectively. Quality continues to be monitored through internal quality control procedures.

- 4.3. 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, where this was required, within 4 weeks of the issue of a draft report against a target set of 80%.
- 4.4. Appendix 3 lists all assignments completed in the period 4 June to 9 September 2022 together with a summary of overall assurances from each area of work.
- 4.5. Members are asked to note progress and performance.

5. Glasgow City Region City Deal

- 5.1. At the June 2022 Cabinet meeting of the Glasgow City Region City Deal, audit reports were presented on; change control and contract management; equality impact assessment and anti-bribery, corruption and fraud measures. In addition, the Internal Audit Annual Report and Draft Governance Statement for 2021/2022 was presented to Cabinet. A link to these reports can be found [here](#).
- 5.2. The first audit included South Lanarkshire's Hamilton Community Growth Area in the sample selected. Audit work confirmed that a reasonable level of assurance could be placed on the control environment. The audit did identify some scope for improvement in the existing arrangements and an action plan set out three recommendations across all sampled areas which management should address. Implementation of actions, relevant to South Lanarkshire Council, will be followed up to ensure that these are delivered in full and on time.
- 5.3. The second audit was in relation to equality impact assessments. The report presented concluded that there was assurance that the control environment around such assessments was satisfactory.
- 5.4. The final audit was in relation to anti-bribery, corruption and fraud measures within City Deal authorities which concluded that a reasonable level of assurance could be placed on the control environment. The audit, again, identified some scope for improvement in existing arrangements and an action plan set out two recommendations which management should address across City Deal authorities. Implementation of actions, relevant to South Lanarkshire Council, will be followed up to ensure that these are delivered in full and on time.
- 5.5. In a similar manner to South Lanarkshire Council, an Annual Internal Audit Report is presented to Cabinet following the end of each financial year that expresses an overall audit opinion. The Annual Report included the following opinion by the Head of Audit and Inspection, Glasgow City Council "based on the audit work undertaken and the assurances provided by the member authorities, it is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the governance and control environment which operated during 2021/0222".
- 5.6. As detailed above, actions, where relevant to South Lanarkshire Council, will be logged and followed up. Findings will be reported within activity reports to the Committee.
- 5.7. Members are asked to note audit findings and opinion for the year 2021/2022.

6. Public Sector Internal Audit Standards – External Review

- 6.1. The internal audit service is delivered within South Lanarkshire Council (SLC) within the context of the Public Sector Internal Audit Standards (PSIAS) (revised 1 April 2017), compliance with which is mandatory under Section 95 of the Local Government (Scotland Act) 1973. This sets out a series of standards to ensure a professional, independent and objective internal audit service is delivered that supports good governance within an organisation.
- 6.2. Each year, a self-assessment exercise is undertaken to assess the ongoing level of compliance with these Standards. Once, every 5 years, this assessment is required to be undertaken by an external assessor. To deliver this requirement, a group of Local Authorities undertake these assessments on a reciprocal, no-fee basis. The allocation of the reviews is undertaken by the Chief Internal Auditor's Group and care is taken to ensure that reviews rotate and are not undertaken by neighbouring Authorities. In 2017/2018, South Lanarkshire Council's review was undertaken by Stirling Council and the report on the assessment can be found [here](#).
- 6.3. The requirement for an external assessment next falls in 2022/2023 and East Lothian Council will undertake this review. Arrangements are being developed with the intention to commence the review around October 2022 and for the report on the outcome to be presented to the Committee in March 2023. Periodic updates will be provided in activity reports to the Committee in the interim.
- 6.4. Members are asked to note the process for the external assessment of compliance with PSIAS and that findings will be reported to RASC in March 2023.

7. Progress against Strategy

- 7.1. The Public Sector Internal Audit Standards (PSIAS) require progress against the audit strategy to be monitored and reported to the Committee as part of regular monitoring reports that are presented at each meeting.
- 7.2. Delivery of the strategy in 2022/2023 will be evidenced by the completion of the Internal Audit Plan in-year and will be monitored through the performance indicators regularly reported to the Committee.

8. Employee Implications

- 8.1. There are no employee issues.

9. Financial Implications

- 9.1. A breakeven position for 2022/2023 is forecast at the end of the financial year for the Internal Audit section.

10. Climate Change, Sustainability and Environmental Implications

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

11. Other Implications

- 11.1. 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. These are mitigated by coaching and training, regular meetings and escalation processes as well as inclusion of contingency time within the annual plan. The risk of significant, subsequent amendments to the Plan, arising from a change in the Council's priorities or risks, are reduced given the approach in 2022/2023 that has allowed capacity and content to be reassessed mid-year.

12. Equality Impact Assessment and Consultation Arrangements

12.1 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)

9 September 2022

Links to Council Values/Priorities/Outcomes

- ◆ Accountable, Effective, Efficient and Transparent

Previous References

- ◆ Risk and Audit Scrutiny Committee - 2022/2023 Internal Audit Plan - 26 January 2022
- ◆ Risk and Audit Scrutiny Committee - Internal Audit Activity as at 3 June 2022 - 22 June 2022

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

Lead Resource	Audit assignment	Outline Scope	Progress
Key year end tasks			
FCR	External Audit	Provide 2021/2022 general ledger data to External Audit for the audit of the financial accounts for the year ended 31 March 2022.	Complete
All	2021/2022 Annual Report	Prepare annual statement of assurance for 2021/2022. Present to RASC.	Complete
All	Governance Statement	Undertake review of evidence that supports SLC's Annual Governance Statement and provide 2021/2022 annual assurance statement for Glasgow City Region – City Deal.	Complete
Corporate tasks			
All	Attend internal and external working groups	Attend, respond to requests, participate in consultations and providing updates.	Ongoing throughout year.
All	Committee reporting	Prepare reports to present to RASC and to External Client Committees and Boards.	Ongoing throughout year.
FCR	Fusion	Support implementation of project.	Ongoing throughout year.
All	2023/2024 Audit Plan	Undertake consultation, risk assessment, Resource and Section planning, set scopes and objectives and seek approval through preparation of reports.	Commenced Quarter 3.
All	National Fraud Initiative (NFI)	Coordinate data uploads for new NFI exercise in 2022/2023. Develop and communicate plan for investigation of matches in 2023/2024.	Commenced Quarter 3.
All	Advice and guidance	Provision of advice and guidance on online banking for school funds and on the revision of duplicate invoice checks.	Online banking – complete Duplicate invoice checks – included as part of Fusion.

Lead Resource	Audit assignment	Outline Scope	Progress
Core programme of audit work			
All	Informal Follow Up	Prompt Resources on a quarterly and monthly basis of actions due within that period. Collate responses for reporting.	Ongoing throughout year.
All	Follow Up	For all Council Resources, identify audit recommendations due in the period April 2021 to March 2022. Risk assess and follow-up to ensure implementation of all high risk actions.	Ongoing throughout year.
CER/HTR/FCR	Follow Up	Undertake follow up of procurements audits within Roads and Property Services and debtors review within Benefits and Revenue Services.	Some initial work undertaken but the majority of audit testing commence Q3.
All	Anti-fraud checks	Rolling programme of anti-fraud checks – including procurement, petty cash and purchase cards.	Most significant anti-fraud work in 2022/2023 to date has been in relation to COVID-19 grants. Rolling programme of anti-fraud checks commence Q3
All	Continuous Controls Monitoring (CCM)	Continue to download data in current CCM areas. Use data for analysis and to inform internal and external audit testing.	Ongoing throughout year.
EDR	Optimisation software	Review of optimisation software to establish benefit of using within other Council Services.	Added to scope of Additional Support Needs (ASN) audit.
FCR/CER	Investigative contingency	Undertake investigations as required (including COVID-19 grants).	Ongoing throughout year.
All	General contingency	Conclude all 2021/2022 audits and responded to requests for unplanned work 2022/2023.	Ongoing throughout year.
All	Resource audits	Deliver a programme of risk-based audits across Council Resources.	Included in Audit Plan (see separate item on Agenda).

Lead Resource	Audit assignment	Outline Scope	Progress
N/A	Audit Plan	Deliver internal audit service to External Clients	Ongoing throughout year.

Key audit performance indicators as at 31 July 2022

Appendix 2

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	4/4	100%	80%	
Draft reports delivered within 6 weeks of file review	3/3	100%	80%	
2022/2023 Audit Plan completed to draft by 31 March 2023	4/15	20%	100%	This relates to first phase of the 2022/2023 Audit Plan. Many of the assignments remain ongoing throughout the year or have a planned start date of Quarter 3.
Internal Audit recommendations delivered on time	4/4	100%	90%	
Client to agree findings and actions within 4 weeks of draft issue	3/3	100%	80%	

Job Number	Assignment name	Draft Issue	Final Issue	Assurance Info
Previous Years				
I710067	Ordering Process	13/06/2022	13/06/2022	Provision of advice and guidance re process.
Current Year				
I350100	Governance Statement - City Deal	23/05/2022	27/05/2022	Provision of Statement of Assurance for City Deal 2021/2022.
I350099	Governance Statement - Resource Peer Reviews	31/05/2022	31/05/2022	Review of 2021/2022 Resource Directors' Statements of Assurance.
I821035	2021/2022 Annual Report	09/06/2022	22/06/2022	Provision of annual statement of assurance.
I222113	LEADER Grant Closure	01/08/2022	08/08/2022	Provision of LEADER audit certificate for the period to closure.
External Clients				
I924185	Lanarkshire Valuation Joint Board (LVJB) Follow Up	06/06/2022	17/06/2022	Reported to LVJB.
I929188	LVJB New houses process / recording	06/06/2022	17/06/2022	Reported to LVJB.
I929189	LVJB Conflict of Interest	06/06/2022	17/06/2022	Reported to LVJB.
I914173	South Lanarkshire Leisure and Culture (SLLC) Follow Up	07/09/2022	15/09/2022	Reported to SLLC.
I919174	SLLC Booking System	07/09/2022	15/09/2022	Reported to SLLC.
I919175	SLLC Data Protection	07/09/2022	15/09/2022	Reported to SLLC.
I913190	SLLC Governance Plan	07/09/2022	15/09/2022	Reported to SLLC.

Report

5

Report to: **Risk and Audit Scrutiny Committee**
 Date of Meeting: **27 September 2022**
 Report by: **Executive Director (Finance and Corporate Resources)**

Subject: **Year End Insured Risks Report – 2021/2022**

1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ highlight trends on an annual basis, for insurance claims against the Council

2. Recommendation(s)

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

- (1) that the Insured Risks Report for year ended 31 March 2022 be noted; and
- (2) that proposed work to mitigate insurance hotspots, as detailed in section 13, be noted.

3. Background

3.1. The Council has in place insurance policies for combined liability, motor, property and other miscellaneous risks.

3.2. The combined liability policy covers both public liability (PL) and employer's liability (EL) claims. The PL section of the policy provides indemnity for the council's legal liability to pay claims for death, injury and disease to third parties, as well as third party property damage, where the Council is found to be responsible for such losses. The EL section of the policy covers employee injury, disease, and death, where the council is deemed to be negligent. The self-insured excess for this policy was increased at renewal on 1 April 2022 from £0.250 million to £0.500 million to achieve a premium saving.

3.3. Motor insurance provides comprehensive cover for all council vehicles and injuries resulting from motor incidents. The current self-insured excess for this policy is £0.150 million.

3.4. The property insurance policy covers damage/loss to council buildings and assets. The current self-insured excess for this policy is £0.100 million for all claims, other than storm, flood and escape of water, where a £0.500 million excess applies.

4. Overview and analysis of data

4.1. Claims which fall under the main policies are handled by the Council's Risk Management section and external claims handlers, Gallagher Bassett for combined liability claims, and TopMark for motor claims. The number and cost of these claims form the basis of this report and includes comparisons with previous years.

- 4.2. Claims will continue to be intimated beyond the financial year end, with numbers increasing by approximately ten per cent due to those incidents that have taken place, but claims have not yet been reported to the Council. Up to date annual comparisons for the last 5 years are included at Appendix 1. The comparison shows an overall downward trend in claims numbers from 2017/2018 to 2021/2022. Claims costs have fluctuated over the last 5 years. On average, over that period, the self-insured cost of claims per annum is £2.056 million, with 2021/2022 costs above average at £2.242 million.
- 4.3. In addition, to allow comparison of the position as at the year end for the last 2 years, Appendix 2 compares the claim numbers and costs for incidents reported in 2020/2021 as at 31 March 2021 against incidents reported in 2021/2022, as at 31 March 2022. In effect, this compares the equivalent position and removes the impact of late claims notification for both years.
- 5. Insurance – total losses reported as at 31 March each year**
- 5.1. Based on the comparisons in Appendix 2, the overall number of claims for all classes received to date for incidents occurring during 2021/2022 is 822. This is an increase of 54 claims (seven per cent) on the numbers reported last year for 2020/2021. It should, however, be noted that an extraordinary low number of claims were intimated during 2020/2021, as a result of reduced council operations in the early stages of the pandemic.
- 5.2. The number of claims received for 2021/2022 is still substantially below the average for the last 5 years (974). This reflects the reduction in council operations as recovery was made from the pandemic.
- 5.3. The total self-insured estimated cost of claims for 2021/2022 is £2.242 million. At the same time last year estimated claims costs for 2020/2021 was £2.010 million. This is an increase of £0.232 million (12 per cent), which is a result of the estimated cost of property and motor claims increasing, with the position being offset slightly by reduced estimated costs for combined liability claims.
- 5.4. Based upon Appendix 2, sections 6 to 10 details some of the key findings from the analysis of 2021/2022 claims.
- 6. Combined liability claims**
- 6.1. The combined liability policy covers for both public liability (PL) and employer's liability (EL) claims. The PL section of the policy provides indemnity for the council's legal liability to pay claims for death, injury and disease to third parties, as well as third party property damage, where the Council is found to be responsible for such losses. The EL section of the policy covers employee injury, disease, and death, where the council is deemed to be negligent. The following sections detail the current position for 2021/2022 and makes comparisons against the position reported for 2020/2021 as at 31 March 2021.
- 6.2. 362 claims have been received for 2021/2022, with an estimated value of £0.821 million.
- 6.3. The number of claims received for 2020/2021 was 388, and the estimated settlement value of these claims was £1.094 million. The 2021/2022 figures represent a seven per cent decrease in claims numbers and a 25 per cent decrease in claims costs.

- 6.4. The main area where a decrease in claim numbers has been seen is in Community and Enterprise Resources where 22 fewer claims have been received and Housing and Technical Resources saw a reduction of 10 claims. There has been an increase of 11 claims for Education Resources related incidents, which is to be expected as schools start to return to normal following lockdown.
- 6.5. The most significant reduction in estimated claims costs is in Community and Enterprise Resources, with a fall of £0.169 million. Housing and Technical Resources has seen a reduction of £0.066 million and Social Work Resources a reduction of £0.041 million in estimated claim costs.
- 6.6. Education Resources have seen an increase in estimated costs of £0.011 million, which reflects the increased claims intimated.
- 6.7. It is anticipated that overall value of outstanding claims will reduce as further claims are repudiated and closed off.

7. Motor claims

- 7.1. The council's motor insurance policy provides comprehensive cover for all council vehicles and injuries resulting from motor incidents. The following sections detail the current position for 2021/2022 and makes comparisons against the position reported for 2020/2021 as at 31 March 2022.
- 7.2. 391 claims have been received for 2021/2022, with an estimated value of £0.591 million.
- 7.3. At the same time last year, 303 motor claims had been received for incidents during 2020/2021, with an estimated settlement value of £0.525 million. This equates to a 29 per cent increase in numbers and a 12 per cent increase in costs, this reflects a return to normal service provision, following the pandemic.
- 7.4. "At fault" incidents continue to be monitored. Table One compares the number and cost of "at fault" incidents for the last five years.

Table One – Comparison of "at fault" incidents

	Number of vehicles on fleet	Number of incidents	Cost of incidents	Number of Accidents per vehicle	Average cost per incident
2017/2018	1,697	183	£341,220	0.11	£1,865
2018/2019	1,556	180	£347,275	0.12	£1,929
2019/2020	1,588	145	£367,909	0.09	£2,537
2020/2021	1,808	127	£328,250	0.07	£2,585
2021/2022	1,834	189	£432,672	0.10	£2,289

- 7.5. The number of "at fault" incidents has worsened, with 62 more incidents during 2021/2022, when compared to the previous year. This increase is at least in part due to driving operations returning to pre-pandemic levels.
- 7.6. Despite an increase from the previous year, with 0.10 "at fault" incidents per vehicle for 2021/2022, this is on a par with the average for the 4 previous years.

- 7.7. A Changing Driver Behaviour training programme for Managers has now been rolled out via a Management Bulletin. A further course aimed at council drivers will be developed once the content has been agreed.

8. Property claims

- 8.1. The property insurance policy covers damage/loss to council buildings and assets. This section of the report details the current claim position for 2021/2022 and makes comparisons against the status reported for 2020/2021 as at 31 March 2021.
- 8.2. 69 claims have been received for 2021/2022, with an estimated value of £0.830 million.
- 8.3. The overall number of claims intimated for 2021/2022 has reduced by 8 from the previous year. This equates to a 10 per cent reduction. However, the value of estimated claims intimated during 2021/2022 is £0.830 million compared to estimated losses of £0.391 million for 2020/2021. Therefore, claim costs have more than doubled. The reason for the increase value is twofold; a significant storm damage loss was intimated during 2021/2021 and there has been an increase in the estimated cost of house fires claims, despite the number of fires remaining broadly the same.
- 8.4. The main cause of property claims during 2020/2021 continues to be fires, with 31 claims reported with an estimated cost of £0.510 million. The next most common causes of claims were accidental damage, 13 claims reported with an estimate value of £0.004 million, (mainly due to damaged laptops); water ingress/flooding, eight claims reported with an estimated value of £0.020 million; and storm, 6 claims reported with an estimated value of £0.190 million (this includes storm damage at Lanark Lifestyles valued at £0.180 million)
- 8.5. Overall the number of house fires resulting in insurance claims has increased by one, from 30 incidents in 2020/2021 to 31 in 2021/2022. Costs over this period have increased by £0.283 million, from £0.228 million in 2020/2021 to £0.511 million in 2021/2022.

9. Insurance hotspots

- 9.1. Following the completion of a claims leakage analysis report by insurers, the areas of work noted below have been identified to mitigate insured losses.

Property

- ◆ A property insurer survey programme to be agreed and implemented.
- ◆ Continued awareness raising and advice for tenants in respect of council house fires, via the Housing News and social media.
- ◆ Work to address functionality and reliability of CCTV systems across South Lanarkshire.

Motor

- ◆ Following the development and launch of a 'Challenging Driver Behaviour' learn online course for managers this year, a review to undertaken on the uptake and steps taken to ensure that all managers with responsibilities for driving at work complete the course.
- ◆ Development and roll of the same 'Challenging Driver Behaviour' learn online course for all drivers.

- ◆ Following the update and roll out of motor insurance procedures this year, managers have been asked, through a more detailed post incident interview process, to establish the root cause of motor accidents and identification of support/corrective action, where required. Continued support and monitoring of this process via the Drivers Safety Group.
- ◆ Continued factfinding investigations into accidents, as per guidance which forms part of the Council's driving at work procedures.

Combined Liability

- ◆ Health and Safety/training review to be undertaken by the Council's claims handlers, Gallagher Bassett.
- ◆ Roads and Transportation Services to trial technology associated with road safety inspections and network condition surveys.

9.2. Progress with implementation and effectiveness of actions will be reported back to the Committee, via future insured risks reports.

10. Employee Implications

10.1. Time and effort will continue to be required by Resource personnel to implement initiatives to mitigate insurance hotspots.

11. Financial Implications

11.1. Claims received to date, for incidents which occurred during 2021/2022 have an estimated self-insured cost of £2.242 million. It is reasonable to expect this value to increase due to incidents that have taken place but claims have not yet been received.

11.2. There are currently no 2021/2022 claims that have estimated reserves which are likely to breach the Council's uninsured excess limits. Therefore, based on claims intimated to date for incidents which occurred during 2020/2021, it is forecast that the current estimated cost of claims of £2.242 million will require to be met fully from the council's self-insurance fund.

11.3. During 2021/2022, a total of £2.716 million was paid out by the Council on all claims, irrespective of their incident date. For claims which occurred between 1 April 2021 and 31 March 2021, £0.254 million was paid out by the Council. These costs include claims payments and other associated costs.

11.4. The total cost of loss for 2021/2022 was £4.396 million. This covers claims costs, insurance premiums, and other costs for contracted insurance services. For 2020/2021 the total cost of loss was £3.888 million.

11.5. The balance in the insurance fund is reducing year on year and will require to be closely monitored to ensure adequate funds are available to meet known liabilities. This will be particularly important, with the increased level of self-insured risk taken on for combined liability claims this year (£500,000 uninsured excess).

12. Climate Change, Sustainability and Environmental Implications

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

13. Other Implications

- 13.1. The cost of insurance claims and premiums is linked to the Council top risk 'Reduction in external funding and fees/income received by the Council, as well as increased financial pressures/demand for services; results in savings difficulties.
- 13.2. Failure to adequately manage insurance hotspots is likely to lead to increased claims numbers, self-insurance costs and insurance premiums. This risk is mitigated through the insurance hotspots review and associated action plans and other risk management initiatives implemented by Resources.

14. Equality Impact Assessment and Consultation Arrangements

- 14.1. There is no requirement to carry out an impact assessment in terms of the proposals contained within this report.
- 14.2. Consultation has taken place with Resource risk representatives.

Paul Manning

Executive Director (Finance and Corporate Resources)

13 September 2022

Links to Council Values/Priorities/Outcomes

- ◆ Accountable, Effective, Efficient and Transparent

Previous References

- ◆ Risk and Audit Scrutiny Committee – 2020/2021 Year End Insured Risks – 15 September 2021

List of Background Papers

- ◆ None

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 (Tel: 01698 454951)

E-mail: craig.fergusson@southlanarkshire.gov.uk

Appendix 1

Full year claims numbers and values by Resource as at 31 March 2022.

All claim types

Number of claims	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Community and Enterprise	769	585	630	516	466
Education	35	40	32	23	22
Finance and Corporate	4	0	2	2	0
Housing and Technical	472	405	392	257	239
Social Work	70	81	67	84	95
Total	1,350	1,111	1,123	882	822
Reported at individual year end	1,252	1,032	996	768	

Cost of claims	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Community and Enterprise	£1,209,090	£847,097	£803,951	£913,737	£1,153,874
Education	£121,382	£133,731	£72,108	£112,101	£60,329
Finance and Corporate	£5,298	£0	£50	£0	£0
Housing and Technical	£628,664	£592,225	£1,098,494	£615,628	£944,938
Social Work	£158,521	£339,100	£276,013	£110,770	£82,480
Total	£2,122,954	£1,912,153	£2,250,617	£1,752,236	£2,241,620
Reported at individual year end	£1,962,638	£2,113,302	£1,946,633	£2,009,739	

* Reported to CMT at the respective year ends and excludes claims intimated beyond 31 March

Combined Liability

Number of claims	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Community and Enterprise	487	323	396	304	232
Education	21	23	17	12	18
Finance and Corporate	3	0	1	2	0
Housing and Technical	249	226	226	162	110
Social Work	12	15	11	11	2
Total	772	587	651	491	362

Cost of claims	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Community and Enterprise	£812,807	£522,914	£497,100	£487,021	£528,971
Education	£105,365	£113,988	£68,400	£82,919	£55,027
Finance and Corporate	£5,298	£0	£50	£0	£0
Housing and Technical	£243,980	£140,465	£429,270	£266,743	£236,695
Social Work	£83,151	£119,825	£244,685	£51,558	£545
Total	£1,250,600	£897,192	£1,239,505	£888,241	£821,237

Motor

Number of claims	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Community and Enterprise	239	225	202	189	211
Education	5	6	6	1	2
Finance and Corporate	1	0	1	0	0
Housing and Technical	167	138	121	56	94
Social Work	56	65	54	63	84
Total	468	434	384	309	391

Cost of claims	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Community and Enterprise	£358,940	£299,014	£270,646	£344,168	£413,196
Education	£2,716	£7,364	£365	£1,163	£1,297
Finance and Corporate	£0	£0	£0	£0	£0
Housing and Technical	£164,201	£95,496	£189,901	£85,481	£101,838
Social Work	£73,189	£216,214	£31,328	£58,152	£74,557
Total	£599,046	£618,088	£492,240	£488,964	£590,888

Property

Number of claims	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Community and Enterprise	43	37	32	23	23
Education	9	11	9	10	2
Finance and Corporate	0	0	0	0	0
Housing and Technical	56	41	45	39	35
Social Work	2	1	2	10	9
Total	110	90	88	82	69

Cost of claims	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Community and Enterprise	£37,343	£25,169	£36,205	£82,548	£211,707
Education	£13,301	£12,379	£3,343	£28,019	£4,005
Finance and Corporate	£0	£0	£0	£0	£0
Housing and Technical	£220,483	£356,264	£479,323	£263,404	£606,405
Social Work	£2,181	£3,061	£0	£1,060	£7,378
Total	£273,308	£396,873	£518,871	£375,031	£829,495

Appendix 2

Comparison of claims costs and numbers for claims occurring during the last 2 years as at their respective year ends

All claim types

Number of claims	2020/2021 as at 31 March 2021	2021/2022 as at 31 March 2022	Difference	Difference Percentage
Community and Enterprise	461	466	5	1%
Education	17	22	5	29%
Finance and Corporate	1	0	-1	-100%
Housing and Technical	213	239	26	12%
Social Work	76	95	19	25%
Total	768	822	54	7%

Cost of claims	2020/2021 as at 31 March 2021	2021/2022 as at 31 March 2022	Difference	Difference Percentage
Community and Enterprise	£1,151,144	£1,153,874	£2,730	0%
Education	£83,529	£60,329	£-23,201	-28%
Finance and Corporate	£7,750	£0	£-7,750	-100%
Housing and Technical	£647,504	£944,938	£297,433	46%
Social Work	£119,812	£82,480	£-37,332	-31%
Total	£2,009,739	£2,241,620	£231,881	12%

Combined liability

Number of claims	2020/2021 as at 31 March 2021	2021/2022 as at 31 March 2022	Difference	Difference Percentage
Community and Enterprise	254	232	-22	-9%
Education	7	18	11	157%
Finance and Corporate	1	0	-1	-100%
Housing and Technical	120	110	-10	-8%
Social Work	6	2	-4	-67%
Total	388	362	-26	-7%

Cost of claims	2020/2021 as at 31 March 2021	2021/2022 as at 31 March 2022	Difference	Difference Percentage
Community and Enterprise	£698,876	£528,971	£-169,905	-24%
Education	£43,589	£55,027	£11,437	26%
Finance and Corporate	£7,750	£0	£-7,750	-100%
Housing and Technical	£302,250	£236,695	£-65,556	-22%
Social Work	£41,228	£545	£-40,683	135%
Total	£1,093,693	£821,237	£-272,455	-25%

Motor

Number of claims	2020/2021 as at 31 March 2021	2021/2022 as at 31 March 2022	Difference	Difference Percentage
Community and Enterprise	185	211	26	14%
Education	1	2	1	100%
Finance and Corporate	0	0	0	0%
Housing and Technical	54	94	40	74%
Social Work	63	84	21	33%
Total	303	391	88	29%

Cost of claims	2020/2021 as at 31 March 2021	2021/2022 as at 31 March 2022	Difference	Difference Percentage
Community and Enterprise	£369,557	£413,196	£43,639	12%
Education	£750	£1,297	£547	73%
Finance and Corporate	£0	£0	£0	0%
Housing and Technical	£80,481	£101,838	£21,357	27%
Social Work	£74,704	£74,557	-£147	0%
Total	£525,492	£590,888	£65,396	12%

Property

Number of claims	2020/2021 as at 31 March 2021	2021/2022 as at 31 March 2022	Difference	Difference Percentage
Community and Enterprise	22	23	1	5%
Education	9	2	-7	-78%
Finance and Corporate	0	0	0	0%
Housing and Technical	39	35	-4	-10%
Social Work	7	9	2	29%
Total	77	69	-8	-10%

Cost of claims	2020/2021 as at 31 March 2021	2021/2022 as at 31 March 2022	Difference	Difference Percentage
Community and Enterprise	£82,711	£211,707	£128,996	156%
Education	£39,190	£4,005	-£35,185	-90%
Finance and Corporate	£0	£0	£0	0%
Housing and Technical	£264,773	£606,405	£341,632	129%
Social Work	£3,880	£7,378	£3,498	0%
Total	£390,554	£829,495	£438,941	112%

Report

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	27 September 2022
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Fraud Statistics Annual Report 2021/2022
----------	---

1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ provide a summary of the fraud statistics for the year to 31 March 2022 and a comparison to the same period in 2021

2. Recommendation(s)

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

- (1) that the contents of the report be 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 year to 31 March 2022 together with a comparison to the statistics for the same period in 2021. 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. Revenues and Benefits continue 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, 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 2021/2022 has continued to be impacted by the pandemic in terms of both the reporting of new cases and concluding investigations. Despite these delays, the processes have not been altered. All suspected, significant fraud cases continue to be investigated with timescales extended for concluding work. Steps are being taken to progress existing cases to a conclusion and to re-establish reasonable timescales in 2022/2023.

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 have an inherently higher risk of fraud are considered for inclusion in the annual Audit Plan. There have been no specific patterns or trends identified in 2021/2022 in addition to those already known.
- 4.3. An analysis of the fraud caseload for the year to 31 March 2022 and the comparative period in 2021 is detailed in Table 1.

Table 1 - Fraud Caseload

Status	Year to 31/03/22		Year to 31/03/21	
	Nos.	£000	Nos.	£000
Cases open as at 1 April	133	150	145	139
Concerns reported to 31 March	48	12	26	45
Caseload at 31 March	181	162	171	184
Cases closed in period (see Table 2)	(33)	(42)	(38)	(34)
Work in progress at 31 March	148	120	133	150

- 4.4. Although cases reported in the year remain relatively low, a pattern of these coming primarily from suspected benefit fraud and theft has started to emerge again.
- 4.5. An analysis of closed cases in the year is detailed in Table 2:-

Table 2 - Analysis of Closed Cases

Source of fraud	Year to 31/03/22		Year to 31/03/21	
	Nos.	£000	Nos.	£000
Founded allegation (see Table 3)	15	30	24	27
Insufficient information	3	0	5	3
Unfounded allegations	11	2	9	4
Time Delay	4	10	0	0
Total	33	42	38	34

- 4.6. 45% of cases closed in the period were founded. None of these cases involved a South Lanarkshire Council employee. In 2021/2022, some potential benefit fraud cases were closed by FES, with no action taken, given the considerable time delay in investigating as a result of the pandemic.
- 4.7. An analysis of founded allegations is detailed in Table 3:-

Table 3 – Analysis of Founded Allegations

Source of fraud	Year to 31/03/22		Year to 31/03/21	
	Nos.	£000	Nos.	£000
External	14	11	23	27
Internal	0	0	1	0
Benefits	1	19	0	0
Total	15	30	24	27

- 4.8. All of the founded cases relate to Benefit Fraud or fraud committed by a third party.
- 4.9. Minimal costs have been incurred by Internal Audit in the year to 31 March 2022 aligning to the continuing re-direction of resources to deliver corporate tasks in the year. This requirement is now coming to an end and progress is being made with concluding all current, open investigations by the end of Quarter 2 in 2022/2023.
- 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. These timescales have been extended to reflect other Service priorities over the last 2 years but are now being re-established to reflect a return to normal service delivery.

5. Improvements

- 5.1. On the conclusion of all internal investigations, an assessment is made on whether any improvement actions are necessary. If required, an improvement plan will be issued containing recommended actions. These improvement plans are agreed with the relevant Heads of Service and the actions followed up by Internal Audit to ensure implementation and that gaps in controls have been addressed. Outcomes for concluded investigations are reported to the Risk and Audit Scrutiny Committee (RASC) as part of Internal Audit's annual assurance report.

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 Awareness course is available to all employees with People Connect access.

7. Financial Implications

- 7.1. The investigation of fraud, participation in National Fraud Initiative (NFI) exercise and the collection and reporting of fraud statistics is carried out within existing resources.
- 7.2. One Audit Assistant (with overview and management from an Audit Adviser) within Internal Audit is responsible for co-ordinating the NFI exercise which included, for the most recent Exercise, facilitating the issue and receipt of information requests from other public bodies in relation to NFI cases, assisting with the recording of some or all Creditor, Procurement, Grants and Single Person Discount investigations and reporting on employee benefit fraud cases as required. A total of 66 days was allocated in the 2021/2022 Internal Audit Plan to take account of the increased role of Internal Audit in the current Exercise.
- 7.3. In addition, 75 days were allocated in 2021/2022 to undertake fraud investigations where required. In practice, most of those time has been used to undertake anti-fraud work on grants being disbursed by South Lanarkshire Council on behalf of the Scottish Government. Further time was allocated to conclude work within areas of

emerging public sector fraud that had been identified by Audit Scotland in their report of July 2020¹. Testing in these areas in 2021/2022 included Overtime and Paypoint with further output on testing on Purchase Cards; Invoice Authorisation and Disclosure Checks planned in quarters one and two of 2022/2023.

8. Climate Change, Sustainability and Environmental Implications

- 8.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in 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 in place within all Resources and are reviewed and updated in line with standard Risk Management procedures.
- 9.2. 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. This exercise in 2020/2021 contributed to the review of fraud policies. Work to promote the revised fraud policy has been delayed slightly and will now be undertaken by Internal Audit in 2022/2023.
- 9.3. The Council's Serious and Organised Crime (SOC) working group have developed an action plan to address the impact of COVID-19 on SOC and the challenges that this has brought to the Council in the short, medium and long term. The Group progress delivery of the various actions, revising if any new or emerging threats are identified through the pan Lanarkshire Multi Agency SOC Group. Updates on progress are presented to RASC on a periodic basis.
- 9.4. The collection and reporting of fraud statistics assists 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. Internal Audit will continue to highlight areas where practice could be improved to ensure that all instances of potential and actual fraud are reported to Internal Audit.

10. Equality Impact Assessment and Consultation Arrangements

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

Paul Manning

Executive Director Finance and Corporate Resources

8 September 2022

Link(s) to Council Values/Priorities/Outcomes

- ♦ Accountable, effective, efficient and transparent

¹ COVID 19 - Emerging Fraud Risks – Audit Scotland, July 2020

Previous References

- ◆ Fraud Statistics 2020/2021 Annual Report, 15 September 2021
- ◆ Fraud Statistics Six Monthly Update, 26 January 2022

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

Report

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	27 September 2022
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	2020 National Fraud Initiative Exercise
----------	--

1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise of the outcome of investigations that were completed in 2021/2022 as part of the 2020 National Fraud Initiative (NFI) exercise

2. Recommendation(s)

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

- (1) that the results of the 2020 NFI Exercise be noted.

3. Background

3.1. The NFI is a counter fraud exercise, which cross matches data from councils and other public bodies. These bodies then investigate the matches. The Cabinet Office is responsible for the delivery of the NFI exercise. Audit Scotland co-ordinates the exercise in Scotland.

3.2. South Lanarkshire Council (SLC) has taken part in NFI exercises since 2004/2005. Until 2014, the NFI alternated annually between a limited exercise and a full exercise. The limited exercise compared electoral register to council tax to detect where single person discount (SPD) was claimed despite there being more than one person over 18 in the household. The full exercise involved Council wide comparisons including benefits, payroll, creditors and blue badge holders. In addition to being matched to other benefits and payroll data, records were also matched to DWP deceased persons' records.

3.3. The full exercise is undertaken every two years with an option to participate in the SPD exercise annually. SLC exercised this option and the 2020 exercise included both the full data set and SPD matches.

3.4. Internal Audit co-ordinates the delivery of the NFI exercise within the Council. However, each Resource is responsible for investigating matches relevant to them. Internal Audit reports progress to the Council's External Auditors throughout the year.

4. 2020 NFI Exercise Results

4.1. There were 11 match areas covered in the current NFI exercise. These are listed in Appendix 1.

- 4.2. In September 2021, the Risk and Audit Scrutiny Committee was advised that there were 17,113 matches within the 2020 NFI exercise. Following data refreshes, a subsequent release of further matches and the inclusion of an additional area (Small Business Bonus Scheme - SBBS), the final number of matches for the Council from the exercise was 25,943 (see Appendix 2).
- 4.3. From the list of matches, a target number of investigations is determined on a risk basis and passed to Resources. There is no obligation to investigate every match but the decision to restrict investigations must be risk based. The NFI Website provides risk scoring against matches which allows Resources to prioritise high risk matches for investigation. Internal Audit also liaised with External Audit to ensure the target number included the high risk matches that they would expect to be investigated.
- 4.4. It was originally intended that the Council would investigate 9,954 matches, however, as additional matches were received, these targets were revisited, and a further risk analysis undertaken. This resulted in revised target matches of 9,446 which were agreed with External Audit (see Appendix 3).
- 4.5. Separate to the NFI data-matching exercise, Benefits and Revenue undertake a rolling programme of external reviews through Datatank to confirm ongoing eligibility around SPD. Reliance has previously been placed on the work of Datatank for the investigation of SPD matches given that there was a significant cross-over with the matches generated by the NFI exercise. For the 2020 exercise, however, further checking was undertaken to establish if the NFI exercise was capturing matches that were not within Datatank reviews. The outcome of this more detailed review suggests that there may be some benefit in participating in the SPD exercise on an annual rather than a biennial basis.
- 4.6. As the Housing Benefit Fraud Section transferred to the DWP Fraud and Error Service (FES), housing benefit fraud is no longer investigated by the Council. Initial NFI investigations are undertaken by the Council, if this indicates a potential fraud, the case is passed to FES. On conclusion of the FES investigation, all confirmed fraud cases are recorded on the NFI website.
- 4.7. A total of 184 recoverable fraud and errors have been detected through the current NFI exercise to date, with an estimated amount to be recovered of £158,004 (176 errors and 8 frauds). These were in relation to Housing Benefit (10 errors, £18,041); Council Tax Reduction Scheme (23 errors, £6,382), Creditors (2 errors, £5,676), Grants (1 fraud, £25,000), SBBS (4 errors and 7 frauds, £72,658) and SPD (137 errors, £30,247). A summary of outcomes is included at Appendix 3.
- 4.8. Audit Scotland prepare a report on national NFI outcomes at the end of each full exercise and a separate report will be presented to the Committee in due course. In addition to the actual financial outcomes above, this Audit Scotland report also captures notional outcomes. For SLC, there have been notional outcomes attached to the non-timeous cancellation of blue badges held by deceased persons (calculated at £575 per Blue Badge, £247,250 in total) and an additional £96,207.32 estimated as being the notional value of errors, that were discovered by the NFI exercise, going undetected for a further period of time.
- 4.9. A comparison of the 2020 Exercise outcomes to that of the previous exercise in 2018 is included at Appendix 4.

5. Employee Implications

- 5.1. One Audit Assistant (with overview and management from an Audit Adviser) within Internal Audit is responsible for co-ordinating the SLC exercise which includes facilitating the issue and receipt of information requests from other public bodies in relation to NFI cases, assisting with the recording of some or all Creditor, Procurement, Grants and SPD investigations and reporting on employee benefit fraud cases if required. A total of 66 days was allocated in the 2021/2022 Internal Audit Plan to take account of the increased role of Internal Audit in the current exercise.
- 5.2. In addition to the time allocated by Internal Audit, Resources were also required to allocate time to the investigations.

6. Financial Implications

- 6.1. Other than employee time, there is no cost associated with participating in the NFI exercise.
- 6.2. The NFI exercise is a valuable counter fraud exercise which has continued to identify fraud and error within the Council. As well as the financial return from participating in the exercise, involvement continues to act as a deterrent to fraud.

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. Fraud Risk is recognised as one of the top risks facing SLC. 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.
- 8.2. When a fraud or overpayment occurs, steps will usually be taken to recover the loss. Services are expected to examine why the loss occurred and demonstrate a change in their processes and procedures accordingly. Internal Audit will routinely check if these intended improvements have been implemented.

9. Equality Impact Assessment and Consultation Arrangements

- 9.1. As the risks associated with the NFI are carried by the Cabinet Office and the Council is bound by statute to participate, there is no need to undertake a separate equality impact assessment.
- 9.2. Employees and SLC residents are informed of the commencement of the NFI exercise through a variety of sources. There is no requirement to undertake any further consultation in terms of the content of this report.

Paul Manning

Executive Director (Finance and Corporate Resources)

8 September 2022

Link(s) to Council Values/Priorities/Outcomes

- ♦ Accountable, effective, efficient and transparent

Previous References

- ◆ 2020 National Fraud Initiative Exercise , Risk and Audit Scrutiny Committee, 15 September 2021

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

Match area	Match between	Purpose of Match/Fraud risk
Housing Benefits (HB)	HB to Student Loans	To identify individuals claiming benefits, whose student loan eligibility results in them being ineligible for those benefits.
	HB to HB (within SLC and between other authorities)	To identify an individual that is claiming housing benefit from one or more local authority at the same time.
	HB to Rents(within SLC and between other authorities)	To identify possible tenancy fraud and/or housing benefit fraud where an individual appears to be resident at two different addresses.
	HB to taxi drivers (within SLC and between bodies)	To identify where housing benefit claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	HB to CTRS	To identify anyone claiming housing benefit and council tax reduction from one or more local authority at the same time.
	HB to DWP Deceased	To identify where a claimant has passed away and who was in receipt of DWP benefits which would not have stopped.
	HB to Waiting List	To identify where an individual appears to be resident at two different addresses as the address on the waiting list application is different to the address on the benefit system.
Council Tax Reduction Scheme (CTRS)	CTRS to Payroll (within SLC and between other bodies)	To identify where CTRS claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.
	CTR to Right to Buy	To identify individuals in receipt of council tax reduction that are in the process of or have completed the purchase of a property under the Right to Buy (RTB) scheme, which may remove the entitled to the reduction or reduce the reduction amount.
	CTRS to pensions	To identify where CTRS claimants have failed to declare pension income that might remove entitlement to benefit or reduce benefit payable.
	CTRS to CTRS (within SLC and between other authorities)	To identify an individual claiming CTRS from one or more local authority.
	CTRS to HB (within SLC and between other authorities)	To identify where an individual is in receipt of council tax reduction and housing benefit from one or more local authority simultaneously that may remove or reduce entitlement to the reduction.
	CTRS to Housing Tenants (within SLC and between other authorities)	To identify possible cases of tenancy fraud and/or CTRS fraud where an individual appears to be resident at two different addresses.
	CTRS to taxi drivers(within SLC and between bodies)	To identify where CTRS claimants have failed to declare income that may remove entitlement to benefit or reduce benefit payable.

	CTR Scheme to DWP deceased	To identify where a person has passed away but may be in receipt of CTR after the date of death
Payroll	Payroll to payroll (within SLC and between bodies)	To identify individuals who may be committing employment fraud by failing to work their contracted hours because they are employed elsewhere or are taking long-term sickness absence from one employer and working for another employer at the same time.
	Payroll to Creditors	To identify employees who are also creditors where there may be a conflict of interests or corruption.
	Payroll to Pensions	To identify employees who have gone back into employment after drawing a pension that could result in an abatement of pension.
Housing Tenants (HT)	HT (within SLC and between bodies)	To identify where an individual appears to be resident at two different addresses suggesting possible cases of subletting or dual tenancies.
	HT to Right to Buy	To identify possible causes of subletting or individuals not entitled to a tenancy.
	HT to HB	To identify possible cases of tenancy fraud and/or housing benefit fraud, where an individual appears to be resident at two different addresses.
	HT to CTR Scheme	To identify possible causes of tenancy fraud and/or incorrect claims for CTR where an individual appears to be resident at two different addresses.
	HT to State Benefits	To identify possible cases of tenancy fraud against the organisation i.e. where an individual appears to be resident at two different addresses.
	HT to DWP Deceased	To Identify where the tenant has died, but the DWP has not been informed.
	Housing Tenants to Waiting Lists	To identify where an individual appears to be resident at two different addresses as the address on the waiting list application is different to the address on the rents system.
Waiting Lists	Housing Waiting Lists to Housing Tenants (within SLC and between bodies)	To identify where an individual appears to have registered on the waiting list using a different address to the one on the housing rents system suggesting possible undisclosed changes in circumstances or that false information has been provided.
	Housing Waiting List to Housing Waiting List (within SLC and between bodies)	To identify where an individual appears to have registered on the waiting list using two different addresses.
	Housing Waiting Lists to Housing Benefit Claimants (within SLC and between bodies)	To identify where an individual appears to have registered on the waiting list using a different address to the one on the housing benefit system.
	Waiting List to DWP deceased	To identify an applicant who has died but is still shown on the waiting list.

Blue Badges	Blue badge to blue badge	To identify individuals who hold more than one Blue Badge.
	Blue badge to DWP deceased person	To identify cases where a permit holder has died, but the local authority may not have been notified.
Procurement	Procurement – payroll to Companies House (Director)	To identify potential undeclared interests that have given a pecuniary advantage.
Creditors	Duplicate creditors by Duplicate creditor payments and details	To identify instances where the same supplier has been recorded against more than one reference number on the system thus increasing the potential for creditors to obscure fraudulent activity. To identify possible duplicate payments.
	VAT overpaid Council Tax to Electoral register	This test identifies instances where VAT may have been overpaid. To identify where Single Persons Discount is being claimed and there is more than one person aged 18 or over registered within the property on the Electoral Register.
Council Tax Single Person Discount	Single Person discount award to other government bodies	To identify individuals who have declared they are living alone but have not declared they are living with a partner or non- dependant in the household.
	Council Tax Rising 18s	To identify where the householder is claiming a Council Tax SPD on the basis that they are the only occupant over 18 years of age yet the electoral register suggests that there is somebody else in the household who is already, or is approaching, 18 years of age, which may have already, or be about to, make the SPD invalid.
SBBS	Business Rates to Business Rates, same bank account, company name (within SLC and between bodies)	To identify those claiming multiple Small Business Bonus Scheme grants, those fraudulently in receipt of SBBS.
Small Business Grant Fund (SBGF) and Retail, Hospitality and Leisure Grant Fund (RHLG)	SBGF duplicates (within SLC and between bodies)	To identify those claiming multiple Small Business Grant Fund grants or those fraudulently in receipt of SBRR.
	RHLG duplicates (within authorities)	To identify those claiming multiple Retail, Hospitality and Leisure Grants within authorities
	SBGF and RHLG duplicates (within SLC and between bodies)	To identify those claiming both Small Business Grant Funding and Retail, Hospitality and Leisure Grants which are mutually exclusive within and between authorities.
	SBGF duplication of 75% or 100%	To identify those claiming Small Business Grant Funding from multiple Councils for the full £10,000 or £25,000 grants rather than 100% for first premises and 75% for others.
	RHLG where total property rateable value >£500,000	To identify those claiming for grants whilst having a cumulative total property rateable value over the limit.

Area/Matches	Matches Reported to RASC June 2021	Additional Matches	Final Number of Matches
Housing Benefits	172	0	172
CTRS	2,005	0	2,005
Payroll	134	0	134
Housing Tenants	685	0	685
Waiting List	1,229	0	1,229
Blue Badge	1,114	0	1,114
Creditors	4,981	0	4,981
Procurement	259	0	259
Single Person Discount	6,496	8,630	15,126
Grants (SBGF and RHLG)	38	29	67
SBBS	0	171	171
Overall matches	17,113	8,830	25,943

Target Investigations and Outcomes

Appendix 3

Area	Total	Original Target	Revised Target	Cleared	Fraud and Errors	Value £
Housing Benefits	172	142	126	126	10	18,041
CTRS	2,005	1,715	368	368	23	6,382
Payroll	134	115	38	38	-	-
Housing Tenants	685	646	652	652	-	-
Waiting List	1,229	1,117	586	586	-	-
Blue Badge	1,114	859	926	926	-	-
Residents Parking Permit	254	254	-	-	-	-
Creditor	4,981	4,981	401	401	2	5,676
Procurement	259	87	259	259	-	-
Single Persons Discount	15,126	-	5,852	5,852	137	30,247
Grants (SBGF and RHLG)	67	38	67	67	1	25,000
SBBS	171	-	171	171	11	72,658
Total	25,943	9,954	9,446	9,446	184	158,004

Area	Value (2020) £	Value (2018) £
Housing Benefits	18,041	22,064
CTRS	6,382	6,268
Creditors	5,676	1,430
Private Care Home Residents	-	84
Single Persons Discount	30,247	-
Grants (SBGF and RHLG)	25,000	-
SBBS	72,658	-
Total	158,004	29,846

Blue Badges (notional loss)	247,250	83,375
-----------------------------	----------------	---------------

Report

8

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	27 September 2022
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Forward Programme for Future Meetings
----------	--

1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise members of the forward programme for the meetings of the Risk and Audit Scrutiny Committee to 7 March 2023
- ◆ invite members to suggest topics for inclusion in the Committee's forward programme

2. Recommendation(s)

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

- (1) that the report and the outline forward programme for the meetings of the Risk and Audit Scrutiny Committee to 7 March 2023, 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 7 March 2023 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)

13 September 2022

Link(s) to Council Values/Priorities/Outcomes

- ◆ 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:-

Elizabeth-Anne McGonigle, Administration Officer

Tel: 0738 5403101

E-mail:- elizabeth-anne.mcgonigle@southlanarkshire.gov.uk

APPENDIX – RASC OUTLINE FORWARD PROGRAMME TO 7 MARCH 2023

Meeting Date	Item	Responsibility
25 October 2022	External Auditor's Annual Report to South Lanarkshire Council 2021/2022	External Audit
	Audited Annual Accounts 2021/2022	Head of Finance (Strategy)
	Internal Audit Activity Report	Audit and Compliance Manager
	Year End Risk Management Report 2021/2022 and Review of Council's Top Risks 2022/2023	Head of Finance (Transactions)
6 December 2022	The National Fraud Initiative in Scotland 2020/2021	Audit and Compliance Manager
	Good Governance Update	Head of Administration and Legal Services
	Internal Audit Activity Report	Audit and Compliance Manager
	Performance and Review Scrutiny Forum Annual Update	Head of Corporate Communications
7 March 2023	Public Sector Internal Audit Standards (PSIAS) – External Assessment	Audit and Compliance Manager
	Internal Audit Activity Report	Audit and Compliance Manager
	Fraud Statistics Six Monthly Update	Audit and Compliance Manager
	Internal Audit Plan 2023/2024	Audit and Compliance Manager

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.

