

RISK AND AUDIT SCRUTINY FORUM

Minutes of meeting held in Committee Room 2, Council Offices, Almada Street, Hamilton on 13 June 2018

Chair:

Councillor Graeme Campbell

Councillors Present:

Poppy Corbett, Mary Donnelly, Isobel Dorman (*substitute for Councillor Marrs*), Mark Horsham, Martin Lennon, Carol Nugent, Margaret B Walker

Councillors' Apologies:

Monique McAdams, Julia Marrs, Jim Wardhaugh

Attending:

Finance and Corporate Resources

P Manning, Executive Director (Finance and Corporate Resources); Y Douglas, Audit and Compliance Manager; S Dunsmore, Insurance and Risk Manager; T Little, Head of Corporate Communications and Strategy; P MacRae, Administration Officer; G McCann, Head of Administration and Legal Services; J Taylor, Head of Finance (Strategy); B Teaz, Head of Information Technology

Also Attending:

Audit Scotland

D Richardson and R Smith, External Auditors

Order of Business

The Forum decided: that the items of business be dealt with in the order minuted below.

1 Declaration of Interests

No interests were declared.

2 Minutes of Previous Meeting

The minutes of the meeting of the Risk and Audit Scrutiny Forum held on 21 March 2018 were submitted for approval as a correct record.

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

3 Internal Audit Annual Assurance Report 2017/2018

A report dated 24 May 2018 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 2017/2018
- ◆ an opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control systems based on audit work undertaken in 2017/2018

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
- ◆ financial controls and findings
- ◆ operational controls and findings
- ◆ areas of external reliance

The overall opinion expressed 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 ending 31 March 2018. The Internal Audit findings would inform the Council's 2017/2018 Governance Statement.

A summary of the report would be submitted to the meeting of the Executive Committee to be held on 27 June 2018.

The Forum decided:

- (1) that the positive Internal Audit performance during 2017/2018 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 2017/2018 Annual Governance Statement.

[Reference: Minutes of 20 September 2017 (Paragraph 5)]

4 Review - Code of Corporate Governance and Annual Governance Statement

A report dated 15 May 2018 by the Executive Director (Finance and Corporate Resources) was submitted on the evaluation of the 2016/2017 Annual Governance process including changes made to the Local Code of Corporate Governance and the Annual Governance Statement.

On completion of the 2016/2017 Annual Review of Governance Arrangements, representatives of the Governance Group undertook a full review of the process and the associated documentation.

The review had been completed in accordance with the principles and requirements contained within the new framework and took into account feedback from the Council's external auditor. Key outcomes identified by the review were detailed in the report.

To ensure that the Council's Governance Arrangements complied fully with the principles contained in the CIPFA/SOLACE framework, a new Local Code of Corporate Governance had been developed to meet those requirements.

The new Code of Governance document, which had been structured into 2 sections, was attached as Appendix 1 to the report. The document would provide the structures and guidance that elected members and employees would require to ensure effective governance across the Council.

A new Corporate Governance template had been developed for the 2017/2018 Annual Governance Statement. The new template would make clear linkages with the CIPFA/SOLACE framework and would provide an annual record of how the Council complied with its Local Code of Corporate Governance. A copy of the new Governance Statement template was attached as Appendix 2 to the report.

The Forum decided: that the outcome of the review of the Council's Code of Corporate Governance and Annual Governance Statement be noted.

[Reference: Minutes of the Executive Committee of 16 May 2018 (Paragraph 7)]

5 Annual Governance Statement for 2017/2018 and Good Governance Action Plan Quarter 4 Progress Report

A report dated 15 May 2018 by the Executive Director (Finance and Corporate Resources) was submitted on the Governance Statement for 2017/2018 and the Good Governance Action Plan Quarter 4 end of year report.

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 for 2017/2018.

The annual review for 2017/2018 had been undertaken using an assessment framework which was attached as Appendix 1 to the report. The resulting Annual Governance Statement for 2017/2018, attached as Appendix 2 to the report, provided information on the Council's compliance during 2017/2018. The opinion of Internal Audit 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 ending 31 March 2018.

Details of progress on improvement actions in 2017/2018, together with improvement actions identified for the 2018/2019 financial year, were provided in the Quarter 4 Good Governance Action Plan end of year update, included as Appendix 3 to the report.

The Governance Statement for 2017/2018 would be submitted, for approval, to a future meeting of the Executive Committee.

The Forum decided:

- (1) that it be noted that the Annual Governance Statement would be included in the Council's Annual Report and Statement of Accounts for 2017/2018; and
- (2) that progress on the Good Governance Action Plan at Quarter 4 2017/2018 be noted.

[Reference: Minutes of 14 June 2017 (Paragraph 4)]

6 Internal Audit Activity as at 18 May 2018

A report dated 24 May 2018 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 3 March to 18 May 2018.

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

- ◆ 82% of assignments had been delivered within budget against a target of 80%
- ◆ 87% of draft reports had been delivered on time against a target of 80%
- ◆ 24% of the 2018/2019 Internal Audit Plan had been started
- ◆ 97% of Internal Audit recommendations had been delivered on time against a target of 90%
- ◆ 85% of audit assignments had been concluded to a signed action plan within 4 weeks of the issue of a draft report against a target of 80%

The findings from assignments completed in the period 3 March to 18 May 2018 were detailed in Appendix 2 to the report. A significant assignment completed in the period was detailed in Appendix 3 to the report.

Officers responded to a member's question on aspects of the Community Empowerment Act (Scotland) 2015.

The Forum decided: that the report be noted.

[Reference: Minutes of 21 March 2018 (Paragraph 3)]

7 Actuarial Review of the Council's Self Insurance Fund

A report dated 16 May 2018 by the Executive Director (Finance and Corporate Resources) was submitted on the financial health of the Council's self insurance fund, following a full actuarial review.

The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) advised that regular actuarial reviews should be undertaken on insurance funds. The last full actuarial review of the Council's insurance fund took place in 2013, with an interim review completed in 2015.

The review of the self insurance fund had been undertaken to estimate:-

- ◆ future insurance claim settlement costs of known, and yet to be intimated, claims from past insurance policy years against the fund balance at 31 March 2017
- ◆ annual contributions rates required for the overall fund to ensure that the balance of the fund did not fall into deficit

In addition, in light of recent changes to legislation and case law, it was considered that a review of claims prior to 1 April 1996 against predecessor authorities was also required. The conclusions of the review, therefore, focused on pre and post 1996 liabilities. Details of each of those areas were given in the report.

With regard to post 1996 liabilities, the fund was in a neutral position. This meant that the balance of the insurance fund was sufficient to meet all estimated liabilities. In respect of pre 1996 liabilities, it was anticipated that the Council would receive a number of claims for historic childhood abuse, for children who had been abused whilst under the care of the Council's predecessor authorities. Due to the unknown financial impact, a contingent liability for historic abuse claims would be included within the Council's Annual Accounts for 2018/2019. Further funds might be required for those potential claims and other pre 1996 liabilities, such as asbestos related disease claims.

The position on pre 1996 liabilities and the overall balance of the insurance fund would be closely monitored and any additional funding requirements would be managed, as necessary.

The Forum decided: that the report be noted.

8 Audit Scotland - Principles for a Digital Future (Lessons Learned from Public Sector ICT Projects): Considerations for South Lanarkshire Council

A report dated 25 April 2018 by the Executive Director (Finance and Corporate Resources) was submitted on the Audit Scotland report entitled 'Principles for a Digital Future: Lessons Learned from Public Sector ICT Projects' together with issues for consideration for the Council as a result of the report.

The Audit Scotland report, which had been published in May 2017, highlighted common themes identified from previous audits into public sector ICT projects, including NHS24, Police Scotland i6 and Common Agricultural Policy Features Programme, all of which had encountered major difficulties. The report had been reviewed by the Council's IT service to identify learning points for the Council and how those might be applied.

Details were provided on the following 5 principles for success considered in the Audit Scotland report together with key learning points for the Council:-

- ◆ comprehensive planning
- ◆ active governance
- ◆ putting users at the heart of the project
- ◆ clear leadership that set the tone and culture and provided accountability
- ◆ individual projects set in a central framework of strategic oversight and assurance

The Council's Information Technology service was aware of and had implemented the 5 principles for success contained in the Audit Scotland report.

The Forum decided: that the report be noted.

9 Audit Scotland - Financial Overview 2016/2017

A report dated 17 April 2018 by the Executive Director (Finance and Corporate Resources) was submitted on the Audit Scotland report entitled 'Financial Overview 2016/2017' which had been published in November 2017.

The report had been structured around the following 3 headings:-

- ◆ income and budgets for 2016/2017
- ◆ financial performance 2016/2017
- ◆ financial outlook

Details were given on key points contained in the Audit Scotland report. The report also included a number of questions which Audit Scotland had intimated should be considered by elected members. The questions, which covered a variety of issues, together with the Council's position on each of the areas identified, were detailed in Appendix 1 to the Executive Director's report.

The Forum decided:

- (1) that the key points contained in the Audit Scotland report entitled 'Financial Overview 2016/2017' be noted; and
- (2) that the issues identified by Audit Scotland for consideration by elected members and the Council's position on each of those issues be noted.

[Reference: Minutes of 31 January 2017 (Paragraph 8)]

10 Interim Audit Report for Year Ended 31 March 2018

An interim audit report dated May 2018 by Audit Scotland, the Council's external auditor, was submitted detailing the findings of Audit Scotland's interim audit of the Council for 2017/2018.

The external auditor detailed key findings in relation to the following areas of audit work:-

- ◆ approval of journal entries
- ◆ confirmation of payroll standing data
- ◆ blue (disabled parking) badges
- ◆ policies and procedures

The management responses in relation to the external auditor's findings on each of those areas of work were detailed in the report.

The external auditor also advised of other audit work and discussions undertaken in relation to issues including:-

- ◆ review of internal audit accounts payable work
- ◆ housing repairs initial systems review
- ◆ cyber resilience
- ◆ performance, outcomes and improvement best value work

In relation to issues identified regarding cyber resilience, the external auditor noted that the Council had now received Public Services Network (PSN) accreditation.

The external auditor and officers responded to a member's question on disabled parking badges.

The Forum decided: that the external auditor's interim audit report for 2017/2018 be noted.

11 Local Scrutiny Plan 2018/2019

A document dated April 2018 by Audit Scotland was submitted on the South Lanarkshire Council Local Scrutiny Plan 2018/2019.

The Local Scrutiny Plan set out any scrutiny risks identified by the Local Area Network (LAN), proposed scrutiny responses and expected scrutiny activity for South Lanarkshire Council for the financial year 2018/2019. The scrutiny risks and responses were based on a shared risk assessment undertaken by the LAN, comprising representatives of all scrutiny bodies which engaged with the Council. The LAN's risk assessment of the Council had not identified any areas where specific scrutiny was required other than that which was nationally directed or part of a planned programme of work.

Key findings were detailed in the report.

In terms of scrutiny activity, the current Best Value Assurance Report programme included publication of a report for South Lanarkshire Council in 2019.

The Committee decided: that the Local Scrutiny Plan 2018/2019 for South Lanarkshire Council be noted.

[Reference: Minutes of 1 November 2017 (Paragraph 6)]

12 Financial Resources Scrutiny Forum Activity

A report dated 30 April 2018 by the Executive Director (Finance and Corporate Resources) was submitted on reports considered by the Financial Resources Scrutiny Forum in the period from October 2017 to May 2018.

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

The Forum decided: that the report be noted.

13 Forward Programme for Future Meetings

A report dated 24 May 2018 by the Executive Director (Finance and Corporate Resources) was submitted on the outline forward programme for the meetings of the Risk and Audit Scrutiny Forum to 14 November 2018.

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

The Forum decided: that the outline forward programme for the meetings of the Risk and Audit Scrutiny Forum to 14 November 2018 be noted.

14 Urgent Business

There were no items of urgent business.