

## RISK AND AUDIT SCRUTINY FORUM

Minutes of meeting held in Committee Room 5, Council Offices, Almada Street, Hamilton on 26 January 2012

**Chair:**

Councillor George Sutherland

**Councillors Present:**

John Anderson, Graeme Horne, Brian McKenna, Alice Marie Mitchell

**Councillors' Apologies:**

Graeme Campbell, Maureen Devlin, Jean McKeown, John Menzies

**Attending:**

**Finance and Corporate Resources**

H Black, Improvement and Risk Manager; Y Douglas, Audit Manager; P MacRae, Administration Officer; C McGhee, Audit Adviser; H McNeil, Head of Audit and Improvement

**Also Attending:**

**PricewaterhouseCoopers**

M Kerr, External Auditor

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### 1 Declaration of Interests

No interests were declared.

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### 2 Minutes of Previous Meeting

The minutes of the meeting of the Risk and Audit Scrutiny Forum held on 3 November 2011 were submitted for approval as a correct record.

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

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### 3 Internal Audit Activity - October to December 2011

A report dated 9 January 2012 by the Executive Director (Finance and Corporate Resources) was submitted on:-

- ◆ work completed by Internal Audit during the period of October to December 2011
- ◆ revisions to the Internal Audit manual

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

- ◆ 80% of assignments had been delivered within budget against a target of 80%
- ◆ 82% of draft reports had been delivered within 21 days of field work completion against a target of 80%
- ◆ 41% of the 2011/2012 Internal Audit Plan had been completed to a draft stage
- ◆ 81% of audit recommendations had been delivered on time against a target of 80%
- ◆ 79% of audit assignments had been concluded to a signed action plan within the target of 7 weeks against a target of 80%

The findings from assignments completed in the period 1 October to 15 December 2011 were detailed in Appendix 2 to the report.

Officers responded to a question on an assignment relating to an anti-social behaviour complaint.

The Internal Audit manual set out the terms of reference for Internal Audit together with the key processes and procedures for the delivery of an Internal Audit service. The manual had been updated to reflect:-

- ◆ new working practices
- ◆ a new structure
- ◆ strengthening of the ethical code governing the work of Internal Audit

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

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#### **4 Fraud Statistics and National Fraud Initiative - 6 Monthly Update**

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A report dated 6 January 2012 by the Executive Director (Finance and Corporate Resources) was submitted on:-

- ◆ fraud statistics for the 6 month period to 30 September 2011
- ◆ investigations arising from the 2010/2011 National Fraud Initiative (NFI) exercise for the 6 month period to 30 September 2011
- ◆ proposed changes to the Anti Fraud and Corruption Strategy as a result of the introduction of the new Bribery Act

The fraud statistics for the 6 month period to 30 September 2011, together with a comparison against the statistics for the same period in 2010, were detailed in Appendix 1 to the report. Fraud amounting to approximately £203,000 had been reported to Internal Audit during the 6 month period to 30 September 2011. The majority (91%) related to benefit fraud.

The 2010/2011 National Fraud Initiative exercise had involved a Council-wide comparison of benefits, payroll, creditors, licences, insurance claims, Blue Badge holders and private nursing home residents. In addition to being matched to other benefits and payroll data, records had also been matched to deceased persons, expired visas and refused asylum cases. The Council had been provided with the list of 14,631 matches requiring investigation on 25 January 2011. As at 30 September 2011, 1,411 investigations had been completed. A summary of those investigations was given in Appendix 2 to the report.

Following the introduction of a new Bribery Act in July 2011, changes had been made to the Council's Anti Fraud and Corruption Strategy. The main changes related to the inclusion of a specific reference to bribery when defining fraud. The amendments to the Strategy were detailed in Appendix 3 to the report.

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

*[Reference: Minutes of 14 July 2011 (Paragraph 4)]*

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## 5 Insurance Claims

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A report dated 6 January 2012 by the Executive Director (Finance and Corporate Resources) was submitted on the Council's insurance claims from 1 April to 30 September 2011 for the following 4 main classes of insurance:-

- ♦ employer's liability
- ♦ public liability
- ♦ motor insurance
- ♦ property insurance

The overall number of claims received for the 4 main classes of insurance in the period between 1 April and 30 September 2011 was 647. The estimated value of those claims was £1.072 million. This represented an increase of £0.361 million on the value of claims intimated in the same period in 2010 which was mainly due to the impact of storm damage in May 2011.

Officers responded to members' questions on:-

- ♦ trends in insurance claims
- ♦ the potential impact of the Pool Car Scheme on motor insurance claims
- ♦ systems in place for checking which drivers were assigned to specific vehicles and the frequency of vehicle checks for damage

A review would be undertaken of the claims intimated during the period 1 April 2010 to 31 March 2012. The Risk Control Consultant from the Council's claims handler, Gallagher Bassett, would commence this review in the 2012/2013 financial year. The resulting report would identify insurance hotspots together with recommendations to reduce the impact of those hotspot areas.

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

*[Reference: Minutes of 3 November 2011 (Paragraph 6)]*

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## 6 Annual Report to Members 2010/2011

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The external auditor's Annual Report to Members and the Controller of Audit for the year ended 31 March 2011 was submitted to the Forum.

The external auditor's report had been circulated to all members and had been considered by the Executive Committee at its meeting on 16 November 2011. It included:-

- ♦ an executive summary
- ♦ financial statement and audit opinion
- ♦ financial performance 2010/2011
- ♦ financial outlook
- ♦ governance and control

The external auditor's recommendations and the relevant management responses were detailed in the action plan attached as Appendix 1 to the external auditor's report.

The overall opinion of the external auditor was that the Council's accounts were unqualified.

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

*[Reference: Minutes of Executive Committee of 16 November 2011 (Paragraph 8)]*

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## **7 Performance and Review Scrutiny Forum Activity - January to December 2011**

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A report dated 21 December 2011 by the Executive Director (Finance and Corporate Resources) was submitted on reports considered by the Performance and Review Scrutiny Forum in the period from January to December 2011.

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

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## **8 Audit Scotland Report - Arm's-Length External Organisations (ALEOs) – Are You Getting It Right?**

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A report dated 5 January 2012 by the Executive Director (Finance and Corporate Resources) was submitted on the Audit Scotland report "Arm's Length External Organisations – Are You Getting It Right?" and the Council's response to the recommendations contained in Audit Scotland's report. The Audit Scotland report was designed to promote and encourage good practice in the way in which Arm's Length External Organisations (ALEOs) were set up and operated. The report:-

- ◆ provided information for councils considering the use of an ALEO
- ◆ indicated what required to be done on an ongoing basis to ensure that an ALEO was the best option for the Council and that governance arrangements were fit for purpose
- ◆ included a definition for an ALEO
- ◆ summarised the key points for action to be considered by councillors and officers involved with ALEOs
- ◆ provided a checklist for use in checking progress and a toolkit which would help identify any improvements on the governance of ALEOs

It was proposed that:-

- ◆ the Council's Good Governance Group review the key points for action in relation to councillors and officers involved in ALEOs
- ◆ the Good Governance Group consider the wider use of the toolkit and checklist provided in the Audit Scotland report within the Council as good practice and to support continuous improvement in the governance of ALEOs
- ◆ the information on options appraisal currently included within the Council's' service guidance document be updated to take account of the Audit Scotland recommendations in relation to ALEOs

The checklist and toolkit had been completed in respect of the Council's ALEO arrangement with South Lanarkshire Leisure and Culture Limited.

**The Forum decided:**

- (1) that the trial of the checklist and toolkit completed by Community Resources in respect of South Lanarkshire Leisure and Culture Limited be noted;
- (2) that it be noted that the information within the Council's Service Review Guidance relating to options appraisal would be updated and included in the new project management checklist document; and
- (2) that it be noted that the Good Governance Group would consider the points for action for officers and councillors and the future use of the toolkit and checklist.

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## **9 Forward Programme for Future Meetings**

A report dated 10 January 2012 by the Executive Director (Finance and Corporate Resources) was submitted on the programme for the meeting of the Risk and Audit Scrutiny Forum to be held on 23 February 2012.

### **The Forum decided:**

- (1) that the programme for the meeting of the Risk and Audit Scrutiny Forum to be held on 23 February 2012, attached as an appendix to the report, be noted; and
- (2) that the opportunity for members to suggest topics for inclusion in the Forum's forward programme be noted.

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## **10 Urgent Business**

There were no items of urgent business.

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