

## RISK AND AUDIT SCRUTINY COMMITTEE

Minutes of meeting held in Committee Room 2, Council Offices, Almada Street, Hamilton on 27 November 2019

**Chair:**

Councillor Graeme Campbell

**Councillors Present:**

Councillor Walter Brogan, Councillor Grant Ferguson, Councillor Julia Marrs, Councillor Carol Nugent, Councillor Jim Wardhaugh, Councillor Jared Wark

**Councillors' Apologies:**

Councillor Mary Donnelly, Councillor Martin Lennon, Councillor Davie McLachlan

**Attending:**

**Finance and Corporate Resources**

P Manning, Executive Director; Y Douglas, Audit and Compliance Manager; S Dunsmore, Insurance and Risk Manager; P MacRae, Administration Officer

**Also Attending:**

**Audit Scotland**

A Kerr, External Auditor

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### 1 Declaration of Interests

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No interests were declared.

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### 2 Minutes of Previous Meeting

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The minutes of the meeting of the Risk and Audit Scrutiny Committee held on 18 September 2019 were submitted for approval as a correct record.

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

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### 3 Internal Audit Activity as at 31 October 2019

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A report dated 6 November 2019 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 31 August to 31 October 2019.

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

- ◆ 78% of assignments had been delivered within budget against a target of 80%
- ◆ 100% of draft reports had been delivered on time against a target of 80%
- ◆ 88% of the 2019/2020 Internal Audit Plan had commenced
- ◆ 100% 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 31 August to 31 October 2019 were detailed in Appendix 2 to the report.

Following a review of the current year's Audit Plan, it was proposed to defer work on the following 4 audit assignments to a future year's Audit Plan for the reasons detailed in the Executive Director's report:-

- ◆ job costing – Housing and Technical Resources
- ◆ nursery admissions
- ◆ financial system – council tax
- ◆ digital maturity assessment

Work had commenced on the preparation of the 2020/2021 Internal Audit Plan and members of the Committee were invited to suggest potential areas for inclusion in the Plan. Those should focus on specific risk areas where there were known control weaknesses.

**The Committee decided:**

- (1) that the performance of the Internal Audit Service and the progress of assignments in the period 31 August to 31 October 2019 be noted; and
- (2) that the proposed amendments to the Internal Audit Plan 2019/2020 be approved.

*[Reference: Minutes of 18 September 2019 (Paragraph 5)]*

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#### **4 2018/2019 Year End Insured Risks Report**

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A report dated 6 November 2019 by the Executive Director (Finance and Corporate Resources) was submitted on the Council's insurance claims for the year to 31 March 2019 for the following main classes of insurance:-

- ◆ employer's liability
- ◆ public liability
- ◆ motor insurance
- ◆ property insurance and other miscellaneous risks

Appendix 1 provided annual comparisons of the numbers and values of claims by Resource for the years 2014/2015 to 2018/2019. The comparison showed an overall downward trend in claims numbers. Claims costs had initially reduced from 2014/2015 through to 2016/2017 but had begun to rise again over the last 2 years.

Appendix 2 compared claim numbers and costs for 2018/2019, at 31 March 2019, with the equivalent position for 2017/2018. This showed a reduction of 220 claims (18%) compared with the numbers reported in 2017/2018 and an increase in the cost of claims from £1.963 million in 2017/2018 to £2.113 million in 2018/2019.

Details were given on:-

- ◆ measures in place and mitigating actions proposed to manage insurance hotspots
- ◆ claim highlights for the year
- ◆ positive risk management activity aimed at reducing the number and cost of claims

A central fund was held to assist Resources in funding specific risk management initiatives. All bids for the limited funds were considered on their individual merits against set criteria.

Officers responded to members' questions on various aspects of the report.

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

*[Reference: Minutes of 14 November 2018 (Paragraph 5)]*

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

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A report dated 28 October 2019 by the Executive Director (Finance and Corporate Resources) was submitted providing an update on:-

- ◆ the review of the Council's top risk register
- ◆ progress with risk management activity undertaken in 2018/2019

Details were given on the process for, and results of, the 2019 annual review of the Council's top risks. The Council's revised top 20 risks, with both the inherent and residual risk score, together with an assessment of the adequacy of controls, were detailed in Appendix 1 to the report. In addition, the following areas were largely covered by existing risk descriptions but required to be monitored:-

- ◆ failure to prepare for the analogue to digital switchover telephone network
- ◆ national agenda on empowerment education

Risk Sponsors were required, on an annual basis, to assess and provide evidence of their Resource's compliance with the Risk Management Strategy. The end of year compliance statement, attached as Appendix 2 to the report, showed that Resources continued to demonstrate full compliance with the Strategy.

Performance in completing actions on the Council's top risk control plan was reported through IMPROVe, the Council's performance management system, on a quarterly basis. At 31 March 2019, 100% of actions relating to the Council's top risk register had been completed against a target of 90%.

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

*[Reference: Minutes of 14 November 2018 (Paragraph 7)]*

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## **6 Actuarial Review of the Council's Self Insurance Fund**

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A report dated 28 October 2019 by the Executive Director (Finance and Corporate Resources) was submitted on the financial health of the Council's self insurance fund following an interim 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 2017 and an interim review had been undertaken in the current year.

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 2019

- ◆ annual contribution rates required for the overall fund to ensure that the balance of the fund did not fall into deficit

The conclusions of the review focused on pre and post 1996 liabilities. The pre 1996 liabilities arose from predecessor authorities and did not originate from South Lanarkshire Council.

With regard to post 1996 liabilities, the actuary had concluded that:-

- ◆ the level of estimated future claim payments since 2005 had remained broadly stable at each review, with the amount being in the region of £3 million to £4 million
- ◆ the estimated value of future claim payments from the fund was £3.2 million
- ◆ the fund was currently in a neutral position for post 1996 claim costs which meant that the balance of the fund was currently sufficient to meet all estimated post 1996 claim liabilities
- ◆ the current level of annual Resource contributions was in line with the recommended level

In respect of pre 1996 liabilities, it was anticipated that the Council would receive a number of further claims for historic childhood abuse as a result of publicity surrounding the Scottish Child Abuse Inquiry and the introduction, on 4 October 2017, of the Limitation (Childhood Abuse) (Scotland) Act 2017 which removed the 3 year limitation period for intimate abuse claims.

It was envisaged that the fund balance would reduce on average by approximately £1.7 million a year over the next 3 years and that the fund would be in deficit by 2021/2022. This would be considered in preparation of future revenue budgets.

To facilitate a review of the cost of operating the self insurance fund, terms of reference would be prepared to assess its operation. The position regarding pre 1996 liabilities and the overall balance of the fund would be closely monitored and any additional funding required would be managed, as necessary.

**The Committee decided:**

- (1) that the conclusions of the actuarial report be noted;
- (2) that it be noted that further funding requirements would be considered as part of future revenue budgets; and
- (3) that it be noted that the position for pre 1996 liabilities would be monitored and managed, as required.

*[Reference: Minutes of 13 June 2018 (Paragraph 7)]*

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## **7 Forward Programme for Future Meetings**

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A report dated 6 November 2019 by the Executive Director (Finance and Corporate Resources) was submitted on the outline forward programme for the meetings of the Risk and Audit Scrutiny Committee to 6 May 2020.

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

**The Committee decided:** that the outline forward programme for the meetings of the Risk and Audit Scrutiny Committee to 6 May 2020 be noted.

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## **8 Urgent Business**

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There were no items of urgent business.