



Council Offices, Almada Street  
Hamilton, ML3 0AA

Monday, 22 January 2024

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, 30 January 2024

**Time:** 10:00

**Venue:** Hybrid - Committee Room 1, Council Offices, Almada Street, Hamilton, ML3 0AA

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

Yours sincerely

**Paul Manning**  
**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 - 12  
Minutes of the meeting of the Risk and Audit Scrutiny Committee held on 31 October 2023 submitted for approval as a correct record. (Copy attached)

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#### Item(s) for Noting

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- 3 **Internal Audit Activity as at 12 January 2024** 13 - 16  
Report dated 14 January 2024 by the Chief Executive. (Copy attached)
- 4 **Fraud Statistics Six Monthly Update 2023/2024** 17 - 22  
Report dated 12 January 2024 by the Chief Executive. (Copy attached)
- 5 **Performance and Review Scrutiny Forum Annual Update** 23 - 26  
Report dated 20 December 2023 by the Chief Executive. (Copy attached)
- 6 **Forward Programme for Future Meetings** 27 - 30  
Report dated 18 December 2023 by the Chief Executive. (Copy attached)

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#### Urgent Business

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- 7 **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

Minutes of meeting held via Confero and in Committee Room 1, Council Offices, Almada Street, Hamilton on 31 October 2023

### Chair:

Councillor Elaine McDougall

### Councillors Present:

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

### Councillors' Apologies:

Councillor Mathew Buchanan, Councillor Mary Donnelly, Councillor Celine Handibode

### Councillor Also Present:

Councillor Joe Fagan (for items 4 and 5)

### Attending:

#### Chief Executive's Service

C Sneddon, Chief Executive (for items 4 and 5)

#### Finance and Corporate Resources

P Manning, Executive Director; Y Douglas, Audit and Compliance Manager; S Dunsmore, Insurance and Risk Adviser; E-A McGonigle, Administration Officer; A Norris, Administration Assistant; N Reid, Research and Improvement Manager; J Taylor, Head of Finance (Strategy)

### Also Attending:

#### Audit Scotland

J Boyd and M Ferris, External Auditors

#### East Lothian Council

D Stainbank, Service Manager – Internal Audit

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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 22 August 2023 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 Leadership of the Development of New Local Strategic Priorities: Best Value Thematic Work in South Lanarkshire Council 2022/2023

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A report dated October 2023 by Audit Scotland, the Council's external auditors was submitted entitled South Lanarkshire Council Leadership of the Development of New Local Strategic Priorities: Best Value Thematic Work in South Lanarkshire Council 2022/2023.

The Accounts Commission had noted that councils were operating in a complex and increasingly volatile, unprecedented and unpredictable environment. Strong leadership from councils was needed now more than ever, with new and returning councillors able and willing to make difficult decisions about where and how to spend highly pressurised resources.

This report concluded on the effectiveness of the Council's leadership of the development of the Council's strategic priorities, following the local government elections in May 2022. The coverage of the work was in line with the expectations for the Council's arrangements for the 7 Best Value themes in the Local Government in Scotland Act 2003: Best Value Statutory Guidance.

The Audit Director, Audit Scotland, highlighted the following sections of the report:-

- ◆ key messages
- ◆ scope of the audit
- ◆ Council visions and priorities
- ◆ citizen and community engagement
- ◆ reducing inequalities and tackling climate change
- ◆ alignment of delivery plans
- ◆ leadership

The report detailed the following audit recommendations:-

- ◆ the Council should continue its work to embed its Fairer Scotland duties by completing and referencing Fairer Scotland assessments in council papers, strategies and plans. It should also check that all assessments were listed online
- ◆ officers should continue to engage with elected members to support their training and development requirements, including specific training to build confidence and allow scrutiny

An improvement action plan, attached as Appendix 1 to the report, set out those audit recommendations, and the Council's planned response which included responsible officers and dates for implementation.

Progress against Best Value improvement recommendations from the 2019 Best Value Assurance Report (BVAR) was detailed at Appendix 2 to the report and those had now been addressed.

The Chair, on behalf of the Committee, thanked the Audit Scotland team for the comprehensive work that had been undertaken to prepare the report.

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

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#### **4a External Auditors' Annual Report to South Lanarkshire Council 2022/2023**

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The following documents were submitted by Audit Scotland, the Council's external auditors:-

- ◆ letter and appendices relating to the 2022/2023 Annual Audit report on South Lanarkshire Council
- ◆ 2022/2023 South Lanarkshire Council proposed Annual Audit report to members of the Council and the Controller of Audit

The Audit Director, Audit Scotland, spoke on the Annual Audit report and highlighted the following:-

- ◆ the audit of the 2022/2023 Annual Accounts
- ◆ financial management
- ◆ financial sustainability
- ◆ best value
- ◆ vision, leadership and governance
- ◆ use of resources to improve outcomes
- ◆ key messages
- ◆ significant findings and key audit matters:-
  - ◆ job evaluation: back pay for home carers
  - ◆ pension ceiling asset
- ◆ significant risks of material misstatement in the annual accounts identified during planning of the audit:-
  - ◆ risk of material misstatement due to fraud caused by management override of controls
  - ◆ estimation in the valuation of land and buildings
- ◆ 2022/2023 action plan on recommendations for improvement
- ◆ summary of corrected misstatements

One adjusted difference had not been included at the time of writing the proposed 2022/2023 Annual Audit report. This was in relation to unfunded pension benefits, which were historic pension obligations that were not offset through pension scheme assets. This was included in the Audited Annual Accounts 2022/2023 which had been presented to members and would be reflected in the final version of the 2022/2023 Annual Audit report. A verbal update was provided on some further minor changes that would be included in the final version of the Annual Audit report.

The external auditors' opinion on the Council's Annual Accounts 2022/2023 and those of the 3 charities administered by the Council was unmodified, that is, the financial statements and related reports were free from material misstatement.

Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities legislation, a separate independent auditor's report was required for the statement of accounts of each registered charity where members of the Council were sole trustees and this was irrespective of the size of the charity. The Council had made good progress in reducing or removing the number of charitable trusts where it was the sole trustee.

The Audit Director, Audit Scotland extended thanks to the Executive Director (Finance and Corporate Resources), the Head of Finance (Strategy) and the wider team for their help and support during the course of the audit.

Officers responded to a member's questions on various aspects of the report.

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

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#### **4b External Auditors' Annual Report to South Lanarkshire Council 2022/2023: South Lanarkshire Council Charitable Trusts**

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Summary letters, proposed independent auditor's reports and letters of representation (ISA 580) were submitted by Audit Scotland, the Council's external auditors for:-

- ◆ South Lanarkshire Council Educational Trust
- ◆ South Lanarkshire Council Charitable Trust
- ◆ East Kilbride Information Technology Centre Trust

The Senior Auditor, Audit Scotland advised that there were no unadjusted misstatements to be corrected for the 3 charities administered by the Council and an unqualified audit opinion was expressed for all.

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

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#### **5 Audited Annual Accounts 2022/2023**

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A report dated 12 October 2023 by the Executive Director (Finance and Corporate Resources) was submitted on the:-

- ◆ Council's Certified Annual Accounts and Charitable Trusts' Accounts for 2022/2023, which had received a clean audit certificate from the Council's external auditors, Audit Scotland
- ◆ requirement to approve the Annual Accounts 2023/2023 for signature in terms of both the Council's accounts and related charitable trusts

The accounts covered the Council as well as 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. A clean audit certificate had been received for each with no qualifications on the Council's accounts. An agreed action plan had been included in the external auditor's report and officers would work to ensure those were implemented in 2022/2023.

The Annual Accounts would be advertised as being available for public inspection on the Council's website and on request from Finance Services.

The Chief Executive commended the professional approach and collaborative working from the Audit Scotland team. There was cognisance of the current challenges of audit work around the UK, particularly around timescales. Appreciation was extended to the Internal Audit team and to colleagues in Finance and Corporate Resources for the exemplary financial stewardship. The Chair, on behalf of the Committee, echoed those remarks.

**The Committee decided:**

- (1) that it be noted that the South Lanarkshire Council Annual Accounts 2022/2023 and the Charitable Trusts' Accounts had each received a clean audit certificate from the Council's external auditors, Audit Scotland;
- (2) that the audited South Lanarkshire Council Accounts 2022/2023 and the Charitable Trusts' Accounts be approved for signature;
- (3) that it be noted that the external auditor's report would be referred to a future meeting of South Lanarkshire Council for information; and

- (4) that it be noted that the Audited Accounts 2022/2023 would be available on the Council's website, as detailed at section 3.7 of the report.

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## **6 2022/2023 External Quality Assessment of Internal Audit Service**

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A report dated 13 October 2023 by the Executive Director (Finance and Corporate Resources) was submitted on the 2022/2023 External Quality Assessment of South Lanarkshire Council's Internal Audit Service.

The Internal Audit Service was delivered within the context of the Public Sector Internal Audit Standards (PSIAS). Those standards required that a Quality Assurance and Improvement Programme (QAIP) was developed to provide assurance that Internal Audit activity:-

- ◆ operated in an efficient and effective manner
- ◆ was perceived to be adding value and improving operations
- ◆ was conducted in accordance with an Internal Audit Charter

The Programme included periodic and ongoing internal assessments as well as an external review once in every 5 year period. The Council's external review had been undertaken by East Lothian Council's Internal Audit Service Manager. The findings from the external review, which had been issued in October 2023, were detailed in the appendix to the report.

The overall assessment was that South Lanarkshire Council's Internal Audit function "fully conformed" with 7 standards and "generally conformed" with the remaining 7 areas. This was considered to be a positive outcome, with no significant areas of improvement identified.

The main areas for improvement were detailed in the Action Plan included in the appendix to the report and were summarised as follows:-

- ◆ the Chief Audit Executive (Audit and Compliance Manager) should report in their own name to the Risk and Audit Scrutiny Committee, enhancing the clarity of independence
- ◆ job profiles/descriptions should be refreshed for all Internal Audit staff to provide a clear expectation of the requirements of each role
- ◆ consideration should be given to developing a formal questionnaire or feedback mechanism from clients to obtain quantifiable client feedback
- ◆ the Audit and Compliance Manager should complete the assurance mapping exercise that was currently underway and report the findings to the Committee

Further updates would be provided to the Committee to confirm that the actions had been implemented and the recommendations were anticipated to be delivered by March 2024.

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

*[Reference: Minutes of Risk and Audit Scrutiny Forum of 21 March 2018 (Paragraph 6) and Minutes of 9 September 2022 (Paragraph 4)]*

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## **7 Internal Audit Activity as at 13 October 2023**

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A report dated 13 October 2023 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 5 August to 13 October 2023.

Findings from internal audit assignments were reported to this Committee throughout the year and the last progress report was considered by this Committee on 22 August 2023. Key performance indicators, which reflected quality, on time and within budget as at 30 September 2023, were summarised in Appendix 1 to the report.

A list of all assignments completed in the period 5 August to 13 October 2023, together with a summary of overall assurances for each area of work, was provided in Appendix 2 to the report. All of those assignments related to South Lanarkshire Leisure and Culture (SLLC) and were reported to its Audit Committee.

As at 30 September 2023, 9% of the 2023/2024 Audit Plan was completed to draft report stage and a further 26 assignments were in progress at that date. In the reporting period, all elements of the Audit Plan had been progressed with a specific focus on the National Fraud Initiative (NFI), investigative activities and external client audit plans.

Updates were also provided on:-

- ◆ the contributions Internal Audit had made to:-
  - ◆ the implementation of Oracle Fusion - the cloud based human resources and financial management system in the Council
  - ◆ a review of controls around unmasking of bank account details
- ◆ the Public Sector Internal Audit Standards (PSIAS) external review which had been concluded
- ◆ progress against the Audit Strategy which was a requirement of the PSIAS. Delivery of the 2023/2024 Strategy had been evidenced by the completion of the Internal Audit Plan in year, and monitored during the year by performance indicators which were regularly reported to the Committee

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

*[Reference: Minutes of 22 August 2023 (Paragraph 3)]*

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## **8 Year End Risk Management Report (2022/2023) and Review of Council's Top Risks (2023/2024)**

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A report dated 3 October 2023 by the Executive Director (Finance and Corporate Resources) was submitted providing an update on:-

- ◆ progress with risk management activity undertaken during 2022/2023
- ◆ the Council's top risk register following the review and consultation process

Annual reviews of the Council's top risks were undertaken, with the findings of the last review reported to the Committee on 25 October 2022. This year's full review commenced in April 2023 and the consultation had sought views from Heads of Service, elected members and trades unions on new areas of risk.

Risk Sponsors were required on an annual basis to assess their Resource's compliance with the Risk Management Strategy and provide supporting evidence. The information for 2022/2023 was summarised in the end of year compliance statement, which was detailed in Appendix 1 to the report. Resources continued to demonstrate full compliance with the Strategy, having scored 45 out of 45.

The annual review, in line with previous years, did not result in wholesale changes to the top risk register. The risks from the previous year's review, as detailed in the report to this Committee on 25 October 2022, were still deemed to be valid.



Details were given on the main changes to the Council's top risk register in section 6.2 of the report and, taking account of the revision of risk scores, the top risk register for 2023/2024 was provided in Appendix 2 to the report. The main changes to the risk profile from the previous year were:-

- ◆ 2 new very high risks had been added to the top risk register:-
  - ◆ failure to comply with or meet the expected standards, scrutiny levels or improvement as identified by regulatory bodies
  - ◆ changes in response to automatic fire alarms by the Scottish Fire and Rescue Service (SFRS) within the Council's non-domestic estate
- ◆ 3 new high risks had been added to the top risk register:-
  - ◆ failure to deliver the outcomes of the Economic Strategy
  - ◆ third and private sector market capacity
  - ◆ inability to maintain infrastructure, assets and properties in a safe and well-maintained condition due to budget constraints and failure to achieve objectives of asset and property reviews
- ◆ 3 risks had moved from being high to very high:-
  - ◆ the Council fails to meet statutory and legislative duties in respect of public protection
  - ◆ the Council does not fully deliver the strategic outcomes required of the Integration Joint Board (IJB) as outlined in its Strategic Commissioning Plan
  - ◆ inability of the Council to effectively balance the provision of accommodation and support to households who arrived in South Lanarkshire as part of refugee resettlement and the asylum seeker dispersal programmes, including those for unaccompanied children, whilst also meeting demands from other high need groups including homeless household
- ◆ one risk had moved from being very high to high:-
  - ◆ the Council is materially affected by the implications arising from the National Care Service Bill

The Council's top risk register was monitored on an ongoing basis and updates were reported annually to this Committee. Risk scores and rankings would be amended if new information came to light that allowed the position to be reassessed.

Horizon scanning was used to identify several areas that could pose potential threats and risks or emerging issues and opportunities that could affect the Council. Areas identified had included the COVID-19 National Inquiry, Martyn's Law and Health and Care (Staffing) Act 2019 (effective from 1 April 2024) and those would continue to be monitored.

A model had been developed by the Institute of Internal Auditors which aimed to provide assurance of the adequacy of control measures that were in place for strategic risks. The model aimed to ensure that top risks were mitigated through 'three lines of defence' which were:-

- ◆ Line 1 – control by operational management
- ◆ Line 2 – control and compliance by functions that had an oversight role (for example Risk Management)
- ◆ Line 3 – independent assurance

A process to categorise controls that mitigated top risks using the Three Lines model had taken place throughout 2022/2023 and would be concluded in 2023/2024.

The Insurance and Risk Adviser responded to members' questions on various aspects of the report.

**The Committee decided:**

- (1) that Resource compliance with the requirements of the Risk Management Strategy be noted;
- (2) that the progress being made in delivering actions to mitigate top Council risks be noted; and
- (3) that the updated Council's top risks be noted.

*[Reference: Minutes of 25 October 2022 (Paragraph 4)]*

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## **9 Audit Scotland: Local Government in Scotland Overview 2023**

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A report dated 15 September 2023 by the Executive Director (Finance and Corporate Resources) was submitted providing a summary of the information contained within the Audit Scotland Report entitled 'Local Government in Scotland: Overview 2023' which had been published in May 2023.

Audit Scotland published an annual overview report on behalf of the Accounts Commission, covering key areas of current and future activity relative to local government and providing an opinion on how those were, or should be, managed.

The Overview 2023 report was the third and final in a series of reports which reflected on the impact of the COVID-19 pandemic. The 2021 and 2022 reports considered the initial response phase of the pandemic and the second year of the pandemic respectively. The 2023 report built on the previous reports and examined the following:-

- ◆ how had the pandemic affected councils and their performance
- ◆ what were the current and future challenges facing local government
- ◆ how well placed were councils to deal with the current and future challenges

The Overview 2023 report, which could be accessed on the Audit Scotland website, had been structured around the following 3 main topics:-

- ◆ the impact of the pandemic on councils' performance
- ◆ what were the current challenges facing local government
- ◆ how were councils responding

A number of key messages were detailed in the Overview 2023 report and summarised in the report to the Committee. Audit Scotland's recommendations were detailed in the report, along with an assessment of the Council's position and any action considered necessary.

The Accounts Commission had prepared a checklist of questions for elected members' consideration to accompany the Overview 2023 report and the checklist, including narrative responses from a South Lanarkshire Council perspective, was attached as Appendix 1 to the report.

The Research and Improvement Manager responded to a member's question in relation to workforce challenges.

**The Committee decided:** that the key messages and recommendations contained within the report be noted.

*[Reference: Minutes of 6 December 2022 (Paragraph 6)]*

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## 10 Forward Programme for Future Meetings

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A report dated 6 October 2023 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 19 November 2024.

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 19 November 2024 be noted.

*[Reference: Minutes of 22 August 2023 (Paragraph 6)]*

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## 11 Urgent Business

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There were no items of urgent business.



# Report

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Report to: **Risk and Audit Scrutiny Committee**  
Date of Meeting: **30 January 2024**  
Report by: **Chief Executive**

Subject: **Internal Audit Activity as at 12 January 2024**

## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ update the Risk and Audit Scrutiny Committee (RASC) on progress of the Internal Audit service in the period 14 October 2023 to 12 January 2024

## 2. Recommendation(s)

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

- (1) that progress 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 October 2023 and reported on work completed in the period 5 August to 13 October 2023. This report covers all work completed in the period 14 October 2023 to 12 January 2024. Performance information is also included.

## 4. Delivery of the Internal Audit Plan: Progress

4.1. As at 31 December 2023, 9% of the 2023/2024 Audit Plan was complete to draft report stage with a further 28 assignments in progress.

4.2. In the reporting period, all elements of the Audit Plan have been progressed with a continuing focus on the National Fraud Initiative, investigative activities and External Client audit plans. Alongside this, there has been a significant time commitment to the implementation of Oracle Fusion, a cloud based human resources and financial management system, within South Lanarkshire Council.

4.3. Internal Audit resources in the period have been deployed to assist with more technical and complex issues and time, across the team, to attend programme implementation working groups and meetings. Given limited resources and time constraints, priority areas are being selected for audit input. Internal Audit will provide resources to assist with the implementation of Fusion through to 31 March 2024 and activity reports to Committee will continue to include updates.

4.4. Key performance indicators reflecting quality, on time and within budget for the 2023/2024 Internal Audit Plan (at 31 December 2023) are summarised in Appendix 1 together with explanations. Performance across all indicators is satisfactory.

## **5. Progress against Strategy**

- 5.1. 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.
- 5.2. Delivery of the strategy in 2023/2024 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.

## **6. Employee Implications**

- 6.1. There are no employee issues.

## **7. Financial Implications**

- 7.1. A breakeven position for 2023/2024 is forecast at the end of the financial year for the Internal Audit section.

## **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. 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 mitigated by regular re-assessment of capacity and Audit Plan content to allow incremental adjustments as the year progresses.
- 9.2. There are no implications for sustainability in terms of the information contained in this report.

## **10. Equality Impact Assessment and Consultation Arrangements**

- 10.1. There is no requirement to equality assess the contents of this report.
- 10.2. Heads of Service are consulted on each and every audit assignment.

**Paul Manning**  
**Chief Executive**

14 January 2024

## **Link(s) to Council Values/Priorities/Outcomes**

- ◆ Accountable, effective, efficient and transparent

## **Previous References**

- ◆ 2023/2024 Internal Audit Plan, 7 March 2023
- ◆ Internal Audit Activity as at 13 October 2023, 31 October 2023

## **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

Tel:- 01698 452618

E-mail:- [yvonne.douglas@southlanarkshire.gov.uk](mailto:yvonne.douglas@southlanarkshire.gov.uk)

## Key audit performance indicators as at 31 December 2023

## Appendix 1

| Indicator                                                          | Numbers | Percentage | Target | Comment                                                                                                                   |
|--------------------------------------------------------------------|---------|------------|--------|---------------------------------------------------------------------------------------------------------------------------|
| Assignments delivered within budget                                | 5/5     | 100%       | 80%    |                                                                                                                           |
| Draft reports delivered within 6 weeks of file review              | 7/7     | 100%       | 80%    |                                                                                                                           |
| 2023/2024 Audit Plan completed to draft by 30 April 2024           | 3/32    | 9%         | 100%   | 31/32 (97%) of 2023/2024 Audit Plan to draft stage or in progress at 31 December 2023.                                    |
| Internal Audit recommendations delivered on time                   | n/a     | n/a        | 90%    | No audit actions have fallen due in the period to 30 November 2023 (latest date performance indicator data is available). |
| Client to agree findings and actions within 4 weeks of draft issue | 4/4     | 100%       | 80%    |                                                                                                                           |



# Report

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|                  |                                          |
|------------------|------------------------------------------|
| Report to:       | <b>Risk and Audit Scrutiny Committee</b> |
| Date of Meeting: | <b>30 January 2024</b>                   |
| Report by:       | <b>Chief Executive</b>                   |

|          |                                                      |
|----------|------------------------------------------------------|
| Subject: | <b>Fraud Statistics Six Monthly Update 2023/2024</b> |
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ provide a summary of the fraud statistics for the 6 months to 30 September 2023 and a comparison to the same period in 2022

## 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 6 months to 30 September 2023 together with a comparison to the statistics for the same period in 2022. 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, the case 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 has been made with all types of fraud investigations during the 6 month period to 30 September 2023 albeit resourcing pressures have required a level of re-prioritisation throughout the period.

#### 4. Anti-Fraud Caseload Fraud Statistics

- 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 the first six months of 2023/2024 in addition to those already known.
- 4.3. An analysis of the fraud caseload for the 6 months to 30 September 2023 and the comparative period in 2022 is detailed in Table 1.

**Table 1 - Fraud Caseload**

| Status                                        | Six Months to 30/09/23 |           | Six Months to 30/09/22 |          |
|-----------------------------------------------|------------------------|-----------|------------------------|----------|
|                                               | Nos.                   | £000      | Nos.                   | £000     |
| Cases open as at 1 April                      | 136                    | 70        | 142                    | 118      |
| Concerns reported to 30 September             | 68                     | 27        | 22                     | 10       |
| Caseload at 30 September                      | 204                    | 97        | 164                    | 128      |
| <b>Cases closed in period (see Table Two)</b> | <b>47</b>              | <b>33</b> | <b>9</b>               | <b>5</b> |
| Work in progress at 30 September              | 157                    | 64        | 155                    | 123      |

- 4.4. The number of cases being reported are beginning to increase but continue to relate primarily to suspected benefit fraud and theft.
- 4.5. DWP referrals have been removed from the above table to ensure the caseload reflects only those cases where a potential fraud has been identified by South Lanarkshire Council. In the 6 months to 30 September 2023, there were 5 further referrals from DWP. In the same period, DWP closed 6 referral cases with no outcome because of time delays and a further 3 on the basis that no fraud had been proven.
- 4.6. An analysis of closed cases in the year is detailed in Table 2:-

**Table 2 - Analysis of Closed Cases**

| Source of fraud                             | Six Months to 30/09/23 |           | Six Months to 30/09/22 |          |
|---------------------------------------------|------------------------|-----------|------------------------|----------|
|                                             | Nos.                   | £000      | Nos.                   | £000     |
| <b>Founded allegation (see Table Three)</b> | <b>11</b>              | <b>31</b> | <b>3</b>               | <b>2</b> |
| Insufficient information                    | 1                      | 2         | 4                      | 0        |
| Unfounded allegations                       | 11                     | 0         | 1                      | 1        |
| Time Delay                                  | 24                     | 0         | 1                      | 2        |
| <b>Total</b>                                | <b>47</b>              | <b>33</b> | <b>9</b>               | <b>5</b> |

- 4.7. 23% of cases closed in the period were founded. One of these cases involved a South Lanarkshire Council employee.

4.8. An analysis of founded allegations is detailed in Table 3:-

**Table 3 – Analysis of Founded Allegations**

| Source of fraud | Six Months to 30/09/23 |           | Six Months to 30/09/22 |          |
|-----------------|------------------------|-----------|------------------------|----------|
|                 | Nos.                   | £000      | Nos.                   | £000     |
| External        | 10                     | 31        | 3                      | 2        |
| Internal        | 1                      | 0         | 0                      | 0        |
| Benefits        | 0                      | 0         | 0                      | 0        |
| <b>Total</b>    | <b>11</b>              | <b>31</b> | <b>3</b>               | <b>2</b> |

4.9. All, but one of the founded cases relate to fraud committed by a third party.

4.10. Costs have been incurred by Internal Audit in the period to 30 September 2023 in relation to two investigations. Time to complete these investigations will be required in the remainder of 2023/2024. 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 can be extended to reflect other Service priorities although every effort is made to complete work within a reasonable time period.

#### **Fraud related assignments**

4.11. Aside from Internal Audit work that is captured in the statistics set out in the tables above, there are three other fraud-related areas of work in the 2023/2024 Audit Plan:-

| <b>Audit assignment</b>         | <b>Outline Scope</b>                                                                                                                                                                                   |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| National Fraud Initiative (NFI) | Coordinate investigation of matches from 2022 National Fraud Initiative Exercise (including time to investigate some categories of matches). Report outcomes to the Risk and Audit Scrutiny Committee. |
| Anti-Fraud checks               | Rolling programme of anti-fraud checks – including, but not limited to, procurement, petty cash, purchase cards.                                                                                       |
| Fraud                           | React to fraud alerts through internal and external sources and disseminate information as appropriate. Undertake investigations as required.                                                          |

4.12. A report was presented to the Committee in June 2023 setting out the results of the NFI matching exercise and the target number of investigations that had to be undertaken. Good progress is being made with investigations which are planned to conclude by 31 March 2024. There have been no significant outcomes to date. Aside from this, investigative work has continued throughout the year with progress with anti-fraud checks impacted by the re-direction of resources to investigative work and to the Oracle Fusion project. Some limited time to complete routine anti-fraud checks will be allocated before the end of the financial year.

## **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 Committee 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 NFI exercises and the collection and reporting of fraud statistics will be carried out within existing resources.

## **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.
- 9.3. The Council's Serious and Organised Crime (SOC) Group progress delivery of 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 the Committee 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.
- 9.5. There are no sustainability issues in terms of the information contained in this report.

## **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**  
**Chief Executive**

12 January 2024

**Link(s) to Council Values/Priorities/Outcomes**

- ◆ Accountable, effective, efficient and transparent

**Previous References**

- ◆ Review of Counter Fraud, Bribery and Corruption Policy, 23 May 2023
- ◆ 2022 National Fraud Initiative Exercise, 27 June 2023
- ◆ Fraud Statistics 2022/2023 Annual Report, 22 August 2023

**List of Background Papers**

- ◆ None

**Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

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# Report

**5**

Report to: **Risk and Audit Scrutiny Committee**  
 Date of Meeting: **30 January 2024**  
 Report by: **Chief Executive**

Subject: **Performance and Review Scrutiny Forum Annual Update**

## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ provide, for information, a summary of the reports considered by the Performance and Review Scrutiny Forum during the period January to December 2023

## 2. Recommendation(s)

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

- (1) that the content of this report be noted.

## 3. Background

3.1. The Terms of Reference and Powers and Responsibilities for the Performance and Review Scrutiny Forum includes consideration of the Council's response to Best Value, improvement and performance management.

3.2. The details within this report provide the Risk and Audit Scrutiny Committee with a summary of business reported to the Performance and Review Scrutiny Forum.

## 4. Agenda items

4.1. The table below notes the reports submitted to the Performance and Review Scrutiny Forum during 2023 under the main areas of responsibility.

| Date      | Report                                                                                                                                                                                                                                                                             | Topic                                                                                                                        |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| 21 March  | <ul style="list-style-type: none"> <li>Local Government Benchmarking Framework 2021/2022 results and action plan</li> <li>Local Government Benchmarking Framework update on future reporting</li> <li>The Accounts Commission's New Approach to the Audit of Best Value</li> </ul> | <ul style="list-style-type: none"> <li>Performance Management</li> <li>Performance Management</li> <li>Best Value</li> </ul> |
| 8 August  | <ul style="list-style-type: none"> <li>Council Plan Connect Q4 performance report 2022/2023</li> <li>Annual performance spotlights 2022/2023</li> </ul>                                                                                                                            | <ul style="list-style-type: none"> <li>Performance Management</li> <li>Performance Management</li> </ul>                     |
| 3 October | <ul style="list-style-type: none"> <li>Accounts Commission report – early learning and childcare – progress on delivering the 1140 hours expansion</li> <li>Local Government in Scotland Overview 2023</li> </ul>                                                                  | <ul style="list-style-type: none"> <li>Improvement</li> <li>Best Value</li> </ul>                                            |

| Date       | Report                                                                                                                                                        | Topic                                                                                                        |
|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| 5 December | <ul style="list-style-type: none"> <li>• Council Plan Connect Q2 performance report 2023/2024</li> <li>• Improve red/amber results at Q2 2023/2024</li> </ul> | <ul style="list-style-type: none"> <li>• Performance Management</li> <li>• Performance Management</li> </ul> |

- 4.2. A schedule of reporting will continue covering the key themes noted at paragraph 3.1 above. The Risk and Audit Scrutiny Committee will be provided with an annual report for information, advising it of the business presented to the Performance and Review Scrutiny Forum.

## **5. Employee Implications**

- 5.1. There are no employee implications relating to this report.

## **6. Financial Implications**

- 6.1. There are no financial implications relating to this report.

## **7. Climate Change, Sustainability and Environmental Implications**

- 7.1 There are no Climate Change, Sustainability and Environmental implications relating to this report.

## **8 Other Implications**

- 8.1. There are no risk or sustainability issues associated with the content of this report.

## **9. Equality Impact Assessment and Consultation Arrangements**

- 9.1. This 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.

**Paul Manning**  
**Chief Executive**

20 December 2023

### **Link(s) to Council Values/Priorities/Outcomes**

- ◆ Accountable, effective, efficient and transparent
- ◆ Ambitious, self-aware and improving
- ◆ We will work to recover, progress and improve

### **Previous References**

- ◆ None

### **List of Background Papers**

- ◆ Performance and Review Scrutiny Forum meetings – 21 March 2023, 8 August 2023, 3 October 2023 and 5 December 2023.



**Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

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# Report

6

|                  |                                          |
|------------------|------------------------------------------|
| Report to:       | <b>Risk and Audit Scrutiny Committee</b> |
| Date of Meeting: | <b>30 January 2024</b>                   |
| Report by:       | <b>Chief Executive</b>                   |

|          |                                              |
|----------|----------------------------------------------|
| Subject: | <b>Forward Programme for Future Meetings</b> |
|----------|----------------------------------------------|

## 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 18 February 2025
- ◆ 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 18 February 2025, 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 18 February 2025 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**  
**Chief Executive**

18 December 2023

## **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:-

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## APPENDIX – RASC OUTLINE FORWARD PROGRAMME

| Meeting Date             | Item                                                                                                 | Responsibility                            |
|--------------------------|------------------------------------------------------------------------------------------------------|-------------------------------------------|
| <b>26 March 2024</b>     | Good Governance Update                                                                               | Head of Administration and Legal Services |
|                          | Internal Audit Activity Report                                                                       | Audit and Compliance Manager              |
|                          | 2022 NFI Exercise                                                                                    | Audit and Compliance Manager              |
|                          | 2024/2025 Internal Audit Plan                                                                        | Audit and Compliance Manager              |
| <b>25 June 2024</b>      | Internal Audit Assurance Report 2023/2024                                                            | Audit and Compliance Manager              |
|                          | Annual Governance Statement for 2023/2024 and Significant Governance Areas Quarter 4 Progress Report | Head of Administration and Legal Services |
|                          | Unaudited Annual Accounts 2023/2024                                                                  | Head of Finance (Strategy)                |
|                          | Interim Management Report                                                                            | External Audit                            |
|                          | Internal Audit Activity Report                                                                       | Audit and Compliance Manager              |
|                          | Audit Scotland – Financial Bulletin 2022/2023                                                        | Head of Finance (Strategy)                |
|                          | Financial Resources Scrutiny Forum Activity                                                          | Head of Finance (Strategy)                |
| <b>24 September 2024</b> | External Auditor's Annual Report to South Lanarkshire Council 2023/2024                              | External Audit                            |
|                          | Audited Annual Accounts 2023/2024                                                                    | Head of Finance (Strategy)                |
|                          | Internal Audit Activity Report                                                                       | Audit and Compliance Manager              |
|                          | Year End Insured Risks Report 2023/2024                                                              | Head of Finance (Transactions)            |
|                          | Fraud Statistics Annual Report 2023/2024                                                             | Audit and Compliance Manager              |

|                         |                                                                                       |                                     |
|-------------------------|---------------------------------------------------------------------------------------|-------------------------------------|
| <b>19 November 2024</b> | Internal Audit Activity Report                                                        | Audit and Compliance Manager        |
|                         | Year End Risk Management Report 2023/2024 and Review of Council's Top Risks 2024/2025 | Head of Finance (Transactions)      |
|                         | Audit Scotland Report – Local Government in Scotland 2023                             | Head of Communications and Strategy |
| <b>18 February 2025</b> | Internal Audit Activity Report                                                        | Audit and Compliance Manager        |
|                         | Performance and Review Scrutiny Forum Annual Update                                   | Head of Communications and Strategy |
|                         | Fraud Statistics Six Monthly Update 2024/2025                                         | 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.