

RISK AND AUDIT SCRUTINY FORUM

Minutes of meeting held in Committee Room 5, Council Offices, Almada Street, Hamilton on 16 December 2010

Chair:

Councillor Graeme Horne

Councillors Present:

John Anderson, Maureen Devlin, Brian McKenna, George Sutherland

Councillors' Apologies:

Graeme Campbell, Lynn Filshie, Jean McKeown, Alice Marie Mitchell

Attending:

Chief Executive's Service

A Strang, Chief Executive

Corporate Resources

P MacRae, Administration Officer; A Norris, Administration Assistant

Community Resources

J Stirling, Environmental Services Manager

Finance and Information Technology Resources

J Allan, Risk and Audit Manager; S Dunsmore, Assistant Risk Manager; C McGhee, Audit Advisor

Also attending:

PricewaterhouseCoopers

R Forrest, External Auditor

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 4 November 2010 were submitted for approval as a correct record.

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

3 Audit Performance Report at End November 2010

A report dated 29 November 2010 by the Chief Executive was submitted on work undertaken by Internal Audit for the period April to end November 2010.

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

- ◆ 41% of the Internal Audit Plan had been completed to a draft stage
- ◆ 81% of assignments had been delivered on time and 77% had been completed within budget

An overview of Internal Audit performance to the end of November 2010 was detailed in Appendix 1 to the report.

Enterprise Resources had requested the postponement of a Roads Costing assignment until 2011/2012. This was due to interface issues between the costing system and the IProc (electronic procurement) system. It was anticipated that those issues would be resolved by the end of the current financial year.

The Forum decided:

- (1) that the postponement of the Roads Costing assignment be endorsed; and
- (2) that the performance of Internal Audit be noted.

4 Annual Report to Members 2009/2010

A report dated 30 November 2010 by the Chief Executive was submitted on the external auditor's Annual Report to Members and the Controller of Audit for the year ended 31 March 2010.

The external auditor's report had been circulated to all members and considered by the Executive Committee at its meeting on 1 December 2010.

Details were given on the external auditor's recommendations and the relevant management responses in relation to the following:-

- ◆ decisions in response to significant funding challenges ahead
- ◆ debt equity exchange
- ◆ procurement
- ◆ risk management
- ◆ Internal Audit – unplanned and investigative work
- ◆ Internal Audit Workplan
- ◆ National Fraud Initiative (NFI)

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 1 December 2010 (Paragraph 8)]

5 External Audit Plan Overview - 2010/2011

A document by PricewaterhouseCoopers, the Council's external auditor, was submitted providing an overview of the External Audit Plan for 2010/2011.

Details were given on the following key areas:-

- ◆ overview of the PricewaterhouseCoopers' audit approach
- ◆ governance and financial statements
- ◆ significant audit risks and business issues
- ◆ audit reporting and timetable

A further report on the External Audit Plan would be presented to the next meeting of the Forum.

The Forum decided: that the report be noted.

6 Air Quality Issues Following Audit Scotland's Report on "Protecting and Improving Scotland's Environment"

A report dated 30 November 2010 by the Executive Director (Community Resources) was submitted on air quality issues within the Council area following publication of Audit Scotland's report entitled "Protecting and Improving Scotland's Environment".

The Environment Act 1995 placed a statutory obligation on local authorities to review and assess the quality of air within their respective areas and to compare the findings with the National Air Quality Objectives (NAQO).

Generally, air quality was considered to be good within South Lanarkshire. However, areas where air quality was considered to be poor had been identified through the review and assessment reporting mechanism. This was predominantly as a result of road transport pollution.

Details were provided on the following areas where poor air quality had been identified:-

- ◆ Whirlies Roundabout, East Kilbride
- ◆ Main Street, Rutherglen
- ◆ Hamilton Town Centre
- ◆ Bannatyne Street, Lanark
- ◆ Main Street, Uddingston

Further information was provided on outstanding issues in relation to air quality which had been raised by the Forum. Officers also spoke in answer to members' questions on:-

- ◆ timing of reports
- ◆ potential for other sites to be monitored for air quality

As part of the Single Outcome Agreement, the Council was awarded £46,000 each year from the Scottish Government for air quality measures. Details were given on grants received from 2007/2008 to 2010/2011 for air quality management purposes.

The Forum decided: that the report be noted.

[Reference: Minutes of 27 April 2010 (Paragraph 6)]

7 Fraud Statistics and 2009/2010 National Fraud Initiative Update

A report dated 24 November 2010 by the Chief Executive was submitted advising of progress on the National Fraud Initiative (NFI) and providing a summary of fraud statistics for the period 1 April 2009 to 30 September 2010.

Details were given on:-

- ◆ fraud performance for 2009/2010 and for the first six months of 2010/2011
- ◆ progress against previously set targets

The 2009/2010 NFI exercise had commenced in March 2010 and was currently ongoing. The exercise involved a comparison between the electoral register and council tax records. The purpose was to detect cases where single person discount (SPD) was being claimed when more than one person over 18 was resident in the household.

A total of 2,347 matches had been identified in the 2009/2010 SPD exercise. Housing Services had agreed to investigate 2,133 (90%) of those by 31 March 2011. As at 30 September 2010, 1,060 (50%) investigations had been concluded, resulting in the identification of overpayments totalling £51,627.

The Council had recently reviewed its arrangements for whistle-blowing and had opted for in-house provision of a whistle-blowing telephone line. The new arrangements would result in a saving of approximately £2,500 and would be implemented from January 2011.

The Forum decided: that the report be noted.

[Reference: Minutes of 1 July 2009 (Paragraph 4)]

8 Insurance Claims from 1 April to 30 September 2010

A report dated 22 November 2010 by the Chief Executive was submitted on the Council's insurance claims from 1 April to 30 September 2010 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 period to 30 September 2010 was 628. The estimated value of those claims was £711,000. This represented a 28% reduction in costs over the last 2 years.

An action plan had been prepared by each Resource to manage their insurance hotspots. An independent review would be carried out in 2011 to assess progress with the management of hotspots and details were given on progress in managing the currently identified hotspots.

Officers spoke in response to members' questions on:-

- ◆ costs recovered in respect of third parties
- ◆ preventative measures in place
- ◆ security of plant/equipment
- ◆ position of recovery of costs in relation to instances of arson

The Forum decided:

- (1) that the insurance statistics to 30 September 2010 be noted; and
- (2) that progress with the management of insurance hotspots be noted.

9 Innovative Internal Audit - Continuous Controls Monitoring

A report dated 25 November 2010 by the Chief Executive was submitted on progress in relation to a new system for monitoring system controls.

In 2009, representatives from the Council attended network and awareness raising seminars to share best practices and learn about Continuous Controls Monitoring (CCM).

The aim of CCM was to present trends and exceptions arising from analysis of financial data. Implementation of CCM was time intensive and some solutions could be expensive. The Internal Audit Service currently had sophisticated data analysis software which could be developed for CCM and a project had been included in the 2010/2011 Internal Audit Plan to establish development of CCM for general ledger controls.

Joint working with South Ayrshire Council had identified system controls which would be suited to CCM.

The Forum decided: that the report be noted.

10 Forward Programme for Future Meetings

A report dated 26 November 2010 by the Executive Director (Corporate Resources) was submitted on the outline forward programme for meetings of the Risk and Audit Scrutiny Forum to the end of 2011.

The Forum decided:

- (1) that the outline forward programme for meetings of the Risk and Audit Scrutiny Forum, 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.

11 Urgent Business

There were no items of urgent business.