

RISK AND AUDIT SCRUTINY FORUM

Minutes of meeting held in Committee Room 2, Council Offices, Almada Street, Hamilton on 21 March 2018

Chair:

Councillor Graeme Campbell

Councillors Present:

Poppy Corbett, Mary Donnelly, Mark Horsham, Julia Marris, Margaret B Walker, Jim Wardhaugh

Councillors' Apologies:

Martin Lennon, Monique McAdams, Carol Nugent

Attending:

Finance and Corporate Resources

P Manning, Executive Director (Finance and Corporate Resources); Y Douglas, Audit and Compliance Manager; T Little, Head of Corporate Communications and Strategy; P MacRae, Administration Officer; C McGhee, Audit Adviser; K McVeigh, Head of Personnel Services

Also Attending:

Audit Scotland

D Richardson and R Smith, External Auditors

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 24 January 2018 were submitted for approval as a correct record.

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

3 Internal Audit Activity as at 2 March 2018

A report dated 2 March 2018 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 30 December 2017 to 2 March 2018.

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

- ◆ 84% of assignments had been delivered within budget against a target of 80%
- ◆ 71% of draft reports had been delivered on time against a target of 80%
- ◆ 97% of the 2017/2018 Internal Audit Plan had been started and 72% of reports were at draft stage
- ◆ 71% 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%
- ◆ 99% of Internal Audit recommendations had been delivered on time against a target of 90%

The findings from assignments completed in the period 30 December 2017 to 2 March 2018 were detailed in Appendix 2 to the report. Significant assignments completed in the period were detailed in appendices 3, 4 and 5 to the report.

The Forum decided: that the report be noted.

[Reference: Minutes of 24 January 2018 (Paragraph 3)]

4 2018/2019 Internal Audit Plan

A report dated 7 February 2018 by the Executive Director (Finance and Corporate Resources) was submitted on the Internal Audit Plan 2018/2019.

A total of 1,170 audit days, inclusive of 250 days which had been allocated to external clients, had been provided for in the Plan. Of the remaining 920 days, 50 days had been allocated to general contingency and 170 days to fraud contingency. The proposed Internal Audit Plan, which included a brief outline scope for each proposed assignment, was attached as Appendix 3 to the report.

The focus of the 2018/2019 Plan was to assess:-

- ◆ the adequacy of mitigation measures in relation to the Council's top risks
- ◆ the management of emerging risks

A contingency list of audit assignments would be prepared. Assignments from this list could be delivered if time was available or if significant risks in those areas emerged during the course of the year.

Details were given on:-

- ◆ risks which had not been included in the Plan, together with the reasons for this
- ◆ audit assurance definitions

The 2018/2019 Audit Plan would be delivered within the context of the Internal Audit Charter, attached as Appendix 2 to the report, and in accordance with the Public Sector Internal Auditing Standards (PSIAS).

Officers responded to members' questions on various aspects of the report. With regard to the inclusion of certain risks in the Council's top risks register, the Executive Director advised that members were invited, on an annual basis, to participate in an exercise to identify the Council's top risks. Details of the timescales in relation to this exercise would be circulated to Forum members.

The Forum decided: that the proposed Internal Audit Plan for 2018/2019 be endorsed and referred to the Executive Committee for approval.

[Reference: Minutes of 7 March 2017 (Paragraph 2)]

5 Fraud Statistics and National Fraud Initiative Six Monthly Update

A report dated 1 March 2018 by the Executive Director (Finance and Corporate Resources) was submitted on:-

- ◆ fraud statistics for the 6 month period to September 2017
- ◆ progress achieved in relation to the 2016 National Fraud Initiative (NFI) exercise

Details were given on the number, types, outcomes and costs of fraud investigations, together with performance measures for the 6 month period to September 2017. A comparison with the statistics for the same period in 2016 was also provided. The fraud statistics for the 6 month period to September 2017, included as Appendix 1 to the report, highlighted that:-

- ◆ 173 investigations, with a total value of £514,000, had either been reported in the period or carried forward from 2016/2017, representing an increase in number but a decrease in value from the same period in 2016
- ◆ of the 173 cases, 29, valued at £68,000, had been closed within the period, representing a decrease when compared to the closed investigations for the same period in 2016
- ◆ 90% of cases investigated were founded
- ◆ all of the founded cases related to benefit fraud or fraud committed by a third party

The 2016 NFI exercise had commenced in October 2016. No fraud had been identified from investigations completed by the Council as at 30 September 2017. However, 189 errors, valued at £161,000, had been identified. Of those, 182 (96%) related to blue badge holders, which had not resulted in financial consequences. The number of matches, the targets completed and the results of the NFI exercise were detailed in Appendix 3 to the report.

Officers responded to members' questions on:-

- ◆ costs related to fraud investigations
- ◆ the potential to amend the format of the report

The Forum decided: that the report be noted.

[Reference: Minutes of 7 March 2017 (Paragraph 3)]

6 External Quality Assessment of Internal Audit Service

A report dated 7 March 2018 by the Executive Director (Finance and Corporate Resources) was submitted on the 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 Stirling Council's Audit Services Manager. The findings from the external review, which had been issued on 5 March 2018, were detailed in the appendix to the report.

It was the opinion of the external reviewer that:-

- ◆ the external review supported the Audit and Compliance Manager's assertion that this Council's Internal Audit function generally conformed to the Public Sector Internal Audit Standards
- ◆ the Internal Audit function fully conformed to the Definition of Internal Auditing, the Code of Ethics and 6 of the Standards, and generally conformed to the remaining 5 Standards. There were no areas of significant non-conformance, either by nature or by volume
- ◆ the Internal Audit function was effectively managed, the process for delivering the annual Internal Audit Plan was robust and the team operated sufficiently independently of management
- ◆ Internal Audit was a key element of the Council's governance structures and had a key role in further improving those structures. Work was planned and undertaken in line with the Internal Audit Charter and guidance set out in the Internal Audit Manual
- ◆ assignment and annual reporting processes were well defined and arrangements for ensuring implementation of recommendations were well established

The external reviewer had identified a number of areas where arrangements could be further enhanced. Those actions were detailed in the Action Plan included in the appendix to the report. Of the 11 recommendations where action had been agreed, 5 had been completed and timescales had been agreed for the remaining 6.

The Forum decided: that the report be noted.

7 Annual Audit Plan 2017/2018

The Forum considered the South Lanarkshire Council Audit Plan for 2017/2018 submitted by the Council's External Auditors, Audit Scotland.

The Plan set out the audit work necessary to allow Audit Scotland to provide an independent auditor's report and meet the wider scope requirements of public sector audit. The Plan was structured around the following areas:-

- ◆ risks and planned work
- ◆ audit scope and timing

Details were given on key aspects of those areas.

The External Auditors and officers responded to members' questions on:-

- ◆ Public Sector Network (PSN) Compliance
- ◆ pensions liability in relation to Equal Pay claims

Members also indicated that a further information session on the work of the External Auditors would be of assistance. This suggestion would be taken forward.

The Forum decided: that the report be noted.

8 Audit Scotland Report - Performance and Challenges 2017

A report dated 1 March 2018 by the Executive Director (Finance and Corporate Resources) was submitted on the Audit Scotland report 'Performance and Challenges 2017'.

Audit Scotland published an overview report each year 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 report, which could be accessed on the Audit Scotland website, was divided into the following 3 parts:-

- ◆ Part 1 The current and future challenges for councils
- ◆ Part 2 Councils' responses to the challenges, including performance in key service areas, public satisfaction and unit costs
- ◆ Part 3 Looking ahead – what more councils could do to ensure they were best placed to successfully manage the changes and challenges they faced

A number of key messages arising from the report were outlined, including recommendations for councils. Details of the recommendations were provided, together with an assessment of the position in this Council.

The Forum decided: that the key messages and recommendations detailed in the Audit Scotland report entitled 'Performance and Challenges 2017' be noted.

[Reference: Minutes of Performance and Review Scrutiny Forum of 23 January 2018 (Paragraph 6)]

9 Audit Scotland Report - Equal Pay in Scottish Councils

A report dated 13 February 2018 by the Executive Director (Finance and Corporate Resources) was submitted on a report by Audit Scotland entitled 'Equal Pay in Scottish Councils'.

The Audit Scotland report, attached as an appendix to the Executive Director's report, focused on the following 5 themes:-

- ◆ the way in which councils implemented the Single Status Agreement (SSA)
- ◆ councils' expenditure in settling equal pay claims
- ◆ the way in which councils demonstrated that they were dealing effectively with equal pay claims and minimising future risks
- ◆ effectiveness of the governance and oversight arrangements of the SSA
- ◆ lessons learned for the future

Details were given on the main findings of the Audit Scotland report together with the Council's position on the findings of Audit Scotland.

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

The Forum decided: that the report be noted.

10 Forward Programme for Future Meetings

A report dated 6 March 2018 by the Executive Director (Finance and Corporate Resources) was submitted on the outline forward programme for the meeting of the Risk and Audit Scrutiny Forum to be held on 13 June 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 meeting of the Risk and Audit Scrutiny Forum to be held on 13 June 2018 be noted.

11 Urgent Business

There were no items of urgent business.