

RISK AND AUDIT SCRUTINY FORUM

Minutes of meeting held in Committee Room 5, Council Offices, Almada Street, Hamilton on 14 July 2011

Chair:

Councillor George Sutherland

Councillors Present:

John Anderson, Brian McKenna, Alice Marie Mitchell

Councillors' Apologies:

Graeme Campbell, Maureen Devlin, Lynn Filshie, Graeme Horne, Jean McKeown

Attending:

Chief Executive's Service

A Strang, Chief Executive

Corporate Resources

P MacRae, Administration Officer

Finance and Information Technology Resources

H McNeil, Head of Audit and Improvement

Also Attending:

PricewaterhouseCoopers

C Revie, 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 19 May 2011 were submitted for approval as a correct record.

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

3 Internal Audit Progress - February to May 2011

A report dated 29 June 2011 by the Chief Executive was submitted on work undertaken by Internal Audit during the period February to May 2011.

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

- ◆ work had commenced on 42% of the 2011/2012 Internal Audit Plan
- ◆ 2 assignments from the 2010/2011 Audit Plan relating to delivery of savings and telecommunications remained open

The main findings from the following assignments were detailed in the report:-

- ◆ VAT in income management system
- ◆ mobile phones
- ◆ taxi contracts
- ◆ general contracts
- ◆ Improve (performance management system)
- ◆ chargeable income
- ◆ high overtime earnings

Officers spoke in answer to members' questions on specific assignments.

Housing and Technical Resources had requested that audit work on benefits be postponed due to structural and legislative changes. It was proposed that benefits audit work be replaced with an audit on council tax.

Details on assignments completed between February and May 2011 were given in the appendix to the report.

The Forum decided:

- (1) that the report be noted; and
- (2) that the replacement of planned benefits work with a council tax audit be endorsed.

[Reference: Minutes of 27 April 2010 (Paragraph 4)]

4 Fraud Statistics 2010/2011 Update

A report dated 29 June 2011 by the Chief Executive was submitted on fraud statistics for the year to 31 March 2011 and comparing those figures to the fraud statistics at March 2010. Details were given on the number, types and outcomes of fraud investigations together with improvement targets, where applicable. The fraud statistics for 2010/2011 highlighted that:-

- ◆ 82% of all concerns reported related to benefit fraud
- ◆ the level of investigation supported a zero tolerance approach to fraud
- ◆ 8 investigations had been conducted solely by Internal Audit and 4 investigations had been carried out jointly by Internal Audit and the relevant Resource
- ◆ fraud had been proven in 89% of cases, amounting to £754,503
- ◆ 9 employees had been formally sanctioned or had resigned as a result of 5 investigations
- ◆ 78% of benefits frauds had resulted in formal cautions, penalties and prosecutions
- ◆ overall there had been a significant improvement in the recovery of fraud and all benefit and other recoveries, currently at a rate of 27%, were retained by the Council

Actions recommended by Internal Audit to reduce the risk of fraud included:-

- ◆ introducing and updating procedures
- ◆ carrying out reconciliations and following up differences
- ◆ providing training
- ◆ ensuring there was adequate security over both Council assets and access to Council buildings
- ◆ introducing fraud measures within operational services

The Forum decided: that the report be noted.

[Reference: Minutes of 16 December 2010 (Paragraph 7)]

5 Risk and Audit Scrutiny Forum Activity Report 2010/2011

A report dated 29 June 2011 by the Chief Executive was submitted on activities undertaken by the Risk and Audit Scrutiny Forum during 2010/2011.

Following Audit Scotland's report on the Audit of Best Value and Community Planning, the Council had revised its scrutiny arrangements and established the Risk and Audit Scrutiny Forum. The Forum was required to report annually to the Executive Committee on scrutiny activity.

A summary of the Forum's activity for 2010/2011 was provided as an appendix to the report.

The Forum decided: that it be noted that a report on the Risk and Audit Scrutiny Forum's activities during 2010/2011 would be submitted to a future meeting of the Executive Committee.

[Reference: Minutes of 23 September 2010 (Paragraph 8)]

6 Audit of Best Value and Community Planning - 2010/2011 Follow-up Report

A report dated 22 June 2011 by the Chief Executive was submitted, together with a report from PricewaterhouseCoopers, on progress made in 2010/2011 on the outstanding audit actions arising from the Audit of Best Value and Community Planning.

Of the 14 actions identified as a result of the original Audit of Best Value and Community Planning, 3 had continued into 2010/2011 together with additional actions reflecting further requirements. As a result, 8 actions had been carried into 2010/2011. 4 of those actions had been fully implemented during 2010/2011 while the remaining 4 had been progressed but continued into 2011/2012. The detailed follow-up report by the external auditor was attached as an appendix to the report.

The Forum decided:

- (1) that progress on the actions arising from the Audit of Best Value and Community Planning during 2010/2011 be noted; and
- (2) that it be noted that appropriate action would be taken by Executive Directors to progress the actions carried forward into 2011/2012.

[Reference: Minutes of Executive Committee of 6 July 2011 (Paragraph 9)]

7 Interim Management Letter 2010/2011 – External Audit

The interim management letter dated June 2011 from PricewaterhouseCoopers, the Council's external auditor, was submitted detailing the findings of PricewaterhouseCoopers' interim audit visit to the Council during March and April 2011. The review had focused on the following areas:-

- ◆ financial statements
- ◆ governance arrangements
- ◆ performance management

The approach taken by the external auditor involved:-

- ◆ gaining an understanding of the Council's strategy, business objectives and associated risks to focus the audit on risks which impacted on financial reporting
- ◆ understanding the controls which management had in place around the key areas of audit risk
- ◆ validation of those key controls

Of the 7 action points identified by the external auditor, 2 had been categorised as high risk, 4 as medium risk and 1 as low risk. All of the auditor's recommendations were currently being addressed or had been implemented by the Council.

The Forum decided: that the external auditor's interim management letter for 2010/2011 be noted.

[Reference: Minutes of 23 September 2010 (Paragraph 4)]

8 Follow-up Report June 2011

A report dated June 2011 by PricewaterhouseCoopers, the Council's external auditor, was submitted on the auditor's follow-up of prior year recommendations which had been undertaken during March and April 2011. The follow-up related to recommendations contained in the following reports:-

- ◆ Follow-up Report – 2008/2009
- ◆ Internal Controls Report and Follow-up Report – 2009/2010
- ◆ Annual Report to Members - 2009/2010

Of the 24 agreed recommendations made in those reports, progress at the time of auditor's visit was as follows:-

- ◆ 11 fully implemented
- ◆ 4 action in progress
- ◆ 1 not yet due for implementation
- ◆ 6 superseded by another recommendation
- ◆ 2 no longer applicable

Of the 4 recommendations which had been classified as action in progress, 2 were considered high risk in terms of risk assessment, 1 was considered medium risk and 1 had been categorised as low risk. The management responses to the external auditor's recommendations were detailed in section 3 of the auditor's report.

The Forum decided: that the Follow-up Report, including management actions in response to the recommendations, be noted.

9 Forward Programme for Future Meetings

A report dated 23 June 2011 by the Executive Director (Corporate Resources) was submitted on the outline forward programme for meetings of the Risk and Audit Scrutiny Forum to November 2011.

The Forum decided:

- (1) that the outline forward programme for 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.

10 Urgent Business

There were no items of urgent business.