

RISK AND AUDIT SCRUTINY COMMITTEE

Minutes of meeting held via Confero and in Committee Room 1, Council Offices, Almada Street, Hamilton on 23 May 2023

Chair:

Councillor Elaine McDougall

Councillors Present:

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

Councillors' Apologies:

Councillor Mathew Buchanan, Councillor Celine Handibode

Attending:

Finance and Corporate Resources

Y Douglas, Audit and Compliance Manager; E-A McGonigle, Administration Officer; A Norris, Administration Assistant; J Taylor, Head of Finance (Strategy)

Also Attending:

Audit Scotland

J Boyd and M Ferris, 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 Committee held on 7 March 2023 were submitted for approval as a correct record.

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

3 Review of Counter Fraud, Bribery and Corruption Policy

A report dated 5 May 2023 by the Executive Director (Finance and Corporate Resources) was submitted on the revised Counter Fraud, Bribery and Corruption Policy, together with arrangements for communication of the Policy and a refreshed approach to training.

The Council's Counter Fraud Policy had been in place for a significant period of time and had undergone a series of revisions. The requirement to amend the Policy again to reflect further legislative changes had provided the opportunity to amalgamate various elements of the Council's Fraud Policy into a single document. The revised Policy, which was attached as an appendix to the report, remained mainly unchanged.

Details were provided on the areas covered by the Policy including:-

- ◆ roles and responsibilities of employees and managers
- ◆ fraud detection, investigation and reporting

- ♦ recovery and sanctions

The overarching message was one of a commitment to preventing fraud and corruption through:-

- ♦ robust financial and operational controls
- ♦ guarding against the threat of Serious and Organised Crime
- ♦ developing a counter-fraud culture

The Council would, where justified, take appropriate disciplinary and legal action in all proven cases and good governance would be demonstrated by reporting anti-fraud activity to this Committee.

The summary document 'Fraud Whistle Blowing for Third Parties' was attached as Appendix 1 to the Policy and detailed how members of the public could raise concerns and how the Council would respond. Separately, appended to the Policy, was the proposed approach the Council would adopt to Due Diligence and Anti-Tax Evasion Detection. The Policy, and related appendices, would be uploaded to the Council's intranet and the 'Fraud Whistle Blowing for Third Parties' summary document would be uploaded to the Council's internet.

A Learn on Line fraud course had previously been available to employees. The content of that course was high level and generic to ensure it was applicable to all Council Services. It was proposed that instead of regularly reviewing and updating the content of this online course, fraud awareness would now be raised through periodic bulletins, 'toolbox' talks and Executive Director briefings. This would provide flexibility to allow for more topical issues to be covered.

The Audit and Compliance Manager responded to a member's question in relation to fraud awareness training, specifically:-

- ♦ who was trained in fraud awareness and did that include elected members
- ♦ was fraud awareness training mandatory and were records of completion kept

The Committee decided:

- (1) that the Counter Fraud, Bribery and Corruption Policy be approved;
- (2) that it be noted that the Policy and appendices be uploaded to the Council's intranet and; that separately, the summary document 'Fraud Whistle Blowing for Third Parties' as detailed at Appendix 1 to the Policy, be uploaded to the Council's internet; and
- (3) that the refreshed training approach, as set out at section 5.3 of the report, be noted.

[Reference: Minutes of the Executive Committee of 22 September 2010 (Paragraph 7)]

4 Internal Audit Activity as at 5 May 2023

A report dated 5 May 2023 by the Executive Director (Finance and Corporate Resources) was submitted providing an update:-

- ♦ on work completed by Internal Audit during the period 18 February to 5 May 2023
- ♦ on progress with the external assessment of the Council's internal audit function's level of compliance with the Public Sector Internal Audit Standards (PSAIS)

Findings from internal audit assignments were reported to this Committee throughout the year and the last progress report was considered by this Committee on 7 March 2023. Key performance indicators, which reflected quality, on time and within budget for the 2022/2023 Internal Audit Plan would be presented in the 2022/2023 Internal Audit Assurance report at the 27 June 2023 meeting of the Committee. It was anticipated that all targets would be met.

As at 5 May 2023, 94% of the 2022/2023 Audit Plan was complete with 3 assignments still being progressed at that date. Assignments completed in the period 18 February 2023 to 5 May 2023, together with a summary of overall assurances, were detailed in Appendix 1 to the report.

The Council formed part of the Glasgow City Region City Deal which funded a range of capital projects within South Lanarkshire. At the May 2023 meeting of the Cabinet, audit reports had been presented on:-

- ◆ the Internal Audit Plan for 2023/2024
- ◆ Change Control and Contract Management (Phase 2)
- ◆ Project Procurement Strategies
- ◆ Follow Up Audit work

Updates were also provided on:-

- ◆ the self-assessment for the PSIAS external review which had been passed to East Lothian Council. The review was in progress and the outcome of the exercise would be reported to the Committee in June 2023
- ◆ meetings of the Chief Internal Auditors' Group which had provided an opportunity to share best practice and attend presentations on topical issues. A copy of the Chief Internal Auditors' Group 2022/2023 Annual Report was provided at Appendix 2 to the report
- ◆ progress against the Audit Strategy which was a requirement of the PSIAS. Delivery of the 2022/2023 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 Audit and Compliance Manager responded to members' questions on various aspects of the report.

The Committee decided: that progress be noted.

[Reference: Minutes of 7 March 2023 (Paragraph 5)]

5 Annual Audit Plan 2022/2023

The Committee considered the South Lanarkshire Council Audit Plan for 2022/2023 submitted by Audit Scotland, the Council's External Auditor.

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 which included assessing arrangements for:-

- ◆ financial management
- ◆ financial sustainability
- ◆ vision, leadership and governance
- ◆ use of resources to improve outcomes

The planned work on the wider scope responsibilities was risk based and proportionate and in addition to local risks, challenges which were impacting the whole public sector would be considered. In 2022/2023, climate change and responding to cyber security threats would be considered.

The Plan was structured around the following areas:-

- ◆ annual accounts audit planning
- ◆ wider scope and best value
- ◆ reporting arrangements, timetable and audit fee
- ◆ other matters

Details were given on key aspects of those areas.

COVID-19 had continued to impact on the conduct and timeliness of the audit and it was recognised that it was in the best interests of public accountability to get the reporting of audited accounts back to pre-pandemic timelines. Ways of working more efficiently to expedite the 2022/2023 audits whilst maintaining high standards of quality were being identified. A hybrid approach would be taken for the 2022/2023 audit which would include a blend of onsite and remote working.

Audit Scotland had been appointed as the external auditor for the Council for the period 2022/2023 to 2026/2027 inclusive, and a biography of the audit team was provided at Appendix 1 of the report.

The Audit Director responded to a member's questions in relation to the audit fees and the 2 new audit quality standards.

The Committee decided: that the report be noted.

[Reference: Minutes of 7 March 2023 (Paragraph 7)]

6 Audit Scotland – Financial Bulletin 2021/2022

A report dated 4 May 2023 by the Executive Director (Finance and Corporate Resources) was submitted on the Audit Scotland report entitled 'Local government in Scotland: Financial bulletin 2021/2022' which had been published in January 2023.

The report had been divided into 2 parts:-

- ◆ councils' financial summary 2021/2022
- ◆ councils' financial outlook

The key messages from the Audit Scotland report were detailed, together with an assessment of the position in South Lanarkshire Council.

The Committee decided:

- (1) that the key messages and recommendations contained in the Audit Scotland report entitled 'Financial bulletin 2020/2021', as detailed in sections 4 and 5 of the report, be noted; and

- (2) that the commentary on the Council's position, as included in the Audit Scotland report and as detailed in section 6 of the report, be noted.

[Reference: Minutes of 22 June 2022 (Paragraph 6)]

7 Financial Resources Scrutiny Forum Activity

A report dated 5 April 2023 by the Executive Director (Finance and Corporate Resources) was submitted on reports considered by the Financial Resources Scrutiny Forum in the period from September 2022 to April 2023.

A report on the business considered by the Financial Resources Scrutiny Forum would continue to be submitted to the Risk and Audit Scrutiny Committee on an annual basis.

The Committee decided: that the report be noted.

[Reference: Minutes of 22 June 2022 (Paragraph 7)]

8 Forward Programme for Future Meetings

A report dated 27 April 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 26 March 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 26 March 2024 be noted.

[Reference: Minutes of 7 March 2022 (Paragraph 8)]

9 Urgent Business

There were no items of urgent business.