

## RISK AND AUDIT SCRUTINY COMMITTEE

Minutes of meeting held in Committee Room 2, Council Offices, Almada Street, Hamilton on 18 September 2018

**Chair:**

Councillor Graeme Campbell

**Councillors Present:**

Mary Donnelly, Mark Horsham, Carol Nugent, Bert Thomson (*substitute for Councillor Devlin*), Jim Wardhaugh, Jared Wark (*substitute for Councillor Corbett*)

**Councillor Also Present:**

John Ross

**Councillors' Apologies:**

Poppy Corbett, Maureen Devlin, Martin Lennon, Julia Marrs, Margaret B Walker

**Attending:**

**Finance and Corporate Resources**

P Manning, Executive Director; Y Douglas, Audit and Compliance Manager; P MacRae, Administration Officer; J Taylor, Head of Finance (Strategy)

**Also Attending:**

**Audit Scotland**

F Mitchell-Knight and R Smith, External Auditors

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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 Forum held on 13 June 2018 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 External Auditors' Annual Report to South Lanarkshire Council 2017/2018

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

- ◆ letter and appendices relating to the 2017/2018 Annual Audit report on South Lanarkshire Council and registered charities administered by South Lanarkshire Council
- ◆ 2017/2018 South Lanarkshire Council proposed Annual Audit report to members of the Council and the Controller of Audit

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

- ◆ the audit of the 2017/2018 Annual Accounts

- ◆ financial management
- ◆ financial sustainability
- ◆ governance and transparency
- ◆ best value
- ◆ key messages
- ◆ 2017/2018 action plan on recommendations for improvement
- ◆ significant audit risks identified during planning of the audit

The Senior Auditor also referred to significant findings from the audit of financial statements in relation to:-

- ◆ capitalisation of expenditure on council dwellings
- ◆ capitalisation of grouped expenditure
- ◆ building valuation
- ◆ holiday pay accrual
- ◆ credit balances included in the debtors' balance
- ◆ revised estimated pension liability

The external auditors' opinion on the Council's Annual Accounts 2017/2018 and those of the 3 charities administered by the Council was unqualified.

The external auditors and officers responded to members' questions on various aspects of the report.

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

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#### **4 Audited Annual Accounts 2017/2018**

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A report dated 7 September 2018 by the Executive Director (Finance and Corporate Resources) was submitted on the:-

- ◆ Council's Certified Annual Accounts and Charitable Trusts' Accounts for 2017/2018, which had received a clear audit certificate from the Council's external auditors, Audit Scotland
- ◆ requirement to approve the Annual Accounts 2017/2018 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 and no specific actions were required.

The Annual Accounts would be advertised as being available for public inspection in Finance Services, Floor 4, Council Offices, Almada Street, Hamilton and also on the Council's website.

**The Committee decided:**

- (1) that the South Lanarkshire Council Annual Accounts 2017/2018 and the Charitable Trusts' Accounts, which had received a clean audit certificate from the Council's external auditors, Audit Scotland, be approved for signature; and
- (2) that it be noted that the external auditors' report would be referred to a future meeting of South Lanarkshire Council for noting.

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## 5 Internal Audit Activity as at 29 August 2018

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A report dated 29 August 2018 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 19 May to 29 August 2018.

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

- ◆ 67% of assignments had been delivered within budget against a target of 80%
- ◆ 80% of draft reports had been delivered on time against a target of 80%
- ◆ 69% of the 2018/2019 Internal Audit Plan had commenced
- ◆ 86% 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%
- ◆ 98% of Internal Audit recommendations had been delivered on time against a target of 90%

The findings from assignments completed in the period 19 May to 29 August 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.

Internal Audit had also facilitated a self-assessment by the Information Governance Board of progress with actions to ensure compliance with the General Data Protection Regulation (GDPR). Follow up action would be undertaken by the end of September 2018 to assess progress with the completion of remaining actions.

Officers responded to a member's question on LED lighting.

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

*[Reference: Minutes of 13 June 2018 (Paragraph 3)]*

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## 6 The National Fraud Initiative 2016

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A report dated 29 August 2018 by the Executive Director (Finance and Corporate Resources) was submitted on the 2016 National Fraud Initiative (NFI).

The NFI matched similar data in different public sector systems and identified possible inconsistencies. Those inconsistencies, known as matches, required to be investigated by local authorities with a view to detecting fraud. Until 2014, the focus of the initiative had alternated annually between a limited and a full exercise. The full exercise continued to be undertaken every 2 years, however, the limited Single Person Discount (SPD) exercise, where the electoral register and council tax data were compared to detect cases where Single Person Discount was being claimed and there was more than 1 person over 18 in the household, could now be carried out annually. The 2016 NFI had been a full exercise and involved Council wide comparisons including:-

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|-------------|----------------------------------|
| ◆ benefits  | ◆ insurance claims               |
| ◆ payroll   | ◆ blue badge holders             |
| ◆ creditors | ◆ recipients of direct funding   |
| ◆ licences  | ◆ private nursing home residents |

In addition, records had also been matched to the Department for Work and Pensions' deceased persons' records and those of the UK Border Agency (UKBA). The 2016 NFI exercise had included additional matches carried out on existing data sets and had introduced 3 new data sets.

Details were given on the results of the 2016 exercise which, for the Council, highlighted that:-

- ◆ excluding the new matches, there had been a reduction of 2,636 matches (19%), compared with the previous exercise in 2014. This decrease was considered to reflect the success of previous exercises and the improvements made to the quality of data provided by the Council
- ◆ excluding the Single Person Discount (SPD), the Council had recorded approximately £0.045 million of outcomes from the 2016 exercise to date. This represented a decrease of £0.042 million (48%) from the previous exercise
- ◆ the Council was taking recovery action for approximately £0.030 million (64%) of SPD outcomes and £0.034 million (76%) of other outcomes identified

External auditors had reviewed the effectiveness of local arrangements in terms of the NFI exercise. As a result of those reviews, Audit Scotland had prepared a report which contained 5 recommendations to be considered by NFI participants. Details of those recommendations, together with the Council's response and further action required, were given in Appendix 1 to the report.

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

*[Reference: Minutes of 20 September 2017 (Paragraph 8)]*

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## **7 Fraud Statistics Annual Report 2018**

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A report dated 31 August 2018 by the Executive Director (Finance and Corporate Resources) was submitted on fraud statistics for the year to 31 March 2018 and comparing those figures with the previous year's statistics.

The number, types, outcomes and costs of fraud investigations, together with performance measures for the year to 31 March 2018, were detailed in the report. A comparison to the statistics for the same period in the previous year was also provided. Those statistics highlighted that:-

- ◆ 123 fraud investigations with a total value of £333,000 had been reported in the period, representing an increase in both number and value from the previous year
- ◆ 82% of cases investigated were founded
- ◆ 99% of founded cases related to benefit fraud or fraud committed by a third party

On conclusion of all internal investigations, an assessment was made on whether improvement actions were necessary. 4 action plans had resulted from fraud investigations issued and agreed during the year to 31 March 2018. 74 actions had been included in those plans and all high priority actions would be followed up in 2018/2019 in line with Internal Audit procedures.

Officers responded to a member's question on a high value Internal Audit investigation included in the 2017 statistics.

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

*[Reference: Minutes of 20 September 2017 (Paragraph 7)]*

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## **8 Forward Programme for Future Meetings**

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A report dated 4 September 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 Committee to 14 November 2018.

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 Risk and Audit Scrutiny Committee to 14 November 2018 be noted.

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## **9 Urgent Business**

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There were no items of urgent business.