

RISK AND AUDIT SCRUTINY COMMITTEE

Minutes of meeting held via Microsoft Teams on 15 September 2021

Chair:

Councillor Eric Holford

Councillors Present:

Councillor Mary Donnelly, Councillor Julia Marrs, Councillor Davie McLachlan, Councillor Carol Nugent

Councillor Also Present:

Councillor Jim Wardhaugh

Councillors' Apologies:

Councillor Walter Brogan, Councillor Graeme Campbell, Councillor Grant Ferguson, Councillor Martin Lennon

Attending:

Finance and Corporate Resources

P Manning, Executive Director (Finance and Corporate Resources); Y Douglas, Audit and Compliance Manager; S Dunsmore, Insurance and Risk Manager, E-A McGonigle, Administration Officer; J Taylor, Head of Finance (Strategy), B Teaz, Head of IT Services

Also Attending:

Audit Scotland

G McNally, 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 Committee held on 22 June 2021 were submitted for approval as a correct record.

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

3 Internal Audit Activity as at 27 August 2021

A report dated 30 August 2021 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 5 June to 27 August 2021.

Findings from internal audit assignments were reported to the Committee throughout the year and the last progress report was considered by this Committee on 22 June 2021. Key performance indicators, which reflected quality, on time and within budget for the period to 30 June 2021, were summarised at Appendix 1 to the report. 100% of draft reports were issued on time and 100% within budget against targets of 80% respectively. Quality continued to be monitored through internal quality control procedures.

Much of the focus for the first quarter of the year had been the preparation of annual assurance reports for the Council and the 4 external clients to which the Council provided an internal audit service, in conjunction with supporting Council Services to disburse COVID-19 grants. Those tasks had exceeded the original estimated days to complete and this had impacted on progress with other assignments that were anticipated to be concluded in the first 6 months of the year. Work to complete the first phase of the 2021/2022 Audit Plan continued and a full update, together with a proposed Plan for the remainder of the year, would be presented to the next meeting.

The findings from assignments completed in the period 5 June to 27 August 2021 were detailed in Appendix 2 to the report.

The Committee decided: that the report be noted.

[Reference: Minutes of 22 June 2021 (Paragraph 6)]

4 Year End Risk Management Report 2020/2021 and Review of Council's Top Risks 2021/2022

A report dated 16 August 2021 by the Executive Director (Finance and Corporate Resources) was submitted providing an update on:-

- ◆ progress with risk management activity undertaken during 2020/2021
- ◆ the Council's top risk register following the review and consultation process

In 2020/2021, a mid-year review of the Council's 'very high' scored risks was undertaken to ensure that those risks continued to be managed appropriately, given their significance. The only change of note at this time, was a reduction in the risk score on the 'Social Work Care Inspectorate Requirements' risk. Details of further amendments to this risk were provided in Appendix 3 to the report.

An informal benchmarking exercise was undertaken to review the Council's top risks against a neighbouring authority's risk register. This review established that the current South Lanarkshire Council's top risk register was, in the main, reflective of the risks faced by the neighbouring authority. The intention was to expand this exercise further with additional local authorities for the 2022/2023 review.

Risk Sponsors were required on an annual basis to assess their Resource's compliance with the Risk Management Strategy and provide supporting evidence. The information for 2020/2021 was summarised in the end of year compliance statement which was detailed in Appendix 1 to the report. Resources continued to demonstrate full compliance with the Strategy, having scored 45 out of 45. The revised 5x5 risk scoring matrix was attached as Appendix 2 to the report.

The annual review, in line with previous years, did not result in wholesale changes to the top risk register. The risks from the previous year's review, as detailed in the report to this Committee on 9 December 2020, were still deemed to be valid, however, the majority of those risks had been impacted by the COVID-19 pandemic.

Details were given on the main changes to the Council's top risk register as follows, with further details provided in Appendix 3 to the report:-

- ◆ the residual risk score for 'COVID-19 pandemic' had reduced from 20 to 16
- ◆ a new risk had been added, 'The Council was materially affected by the recommendations arising from the independent review of Adult Social Care in Scotland'
- ◆ the residual risk score for 'EU Exit' had reduced from 20 to 12

- ◆ the risk 'Failure to evidence progress against Social Work Care Inspectorate Requirements' was no longer considered to be a Council top risk and had been removed following the acknowledgement by the Care Inspectorate of improvements made in the Hamilton and Rutherglen service areas
- ◆ the risk card for 'Potential liability arising from claims of historic abuse' had been re-written to reflect upon recent developments and changes to legislation
- ◆ the risk 'Failure to adequately prepare for the national expansion in early years' education and child care provision' was no longer considered to be a Council top risk and had been removed
- ◆ the risk 'Failure to maintain the required pupil/teacher ratio' was no longer considered to be a Council top risk and had been removed
- ◆ the risk description for 'Death or injury to employees, service users or members of the public affected by Council operations' had been amended to capture wider health, safety and wellbeing issues
- ◆ risk descriptions, controls and actions had been updated, as required, on individual risks, following discussion with risk owners

The Council's top risk register was monitored on an ongoing basis and updates were reported annually to this Committee. Risk scores and rankings would be amended if new information came to light that allowed the position to be reassessed. The top risk register for 2021 was attached as Appendix 4 to the report.

Horizon scanning was used to identify several areas that could pose potential threats and risks or emerging issues and opportunities that could affect the Council. Full details were provided at Appendix 5 to the report and those areas would continue to be monitored.

The Committee decided:

- (1) that the Resource compliance with the requirements of the Risk Management Strategy be noted;
- (2) that progress being made in delivering actions to mitigate top Council risks be noted; and
- (3) that the updated Council top risks be noted.

[Reference: Minutes of 9 December 2020 (Paragraph 6)]

5 2020/2021 Year End Insured Risks Report

A report dated 16 August 2021 by the Executive Director (Finance and Corporate Resources) was submitted on the Council's insurance claims for the year to 31 March 2021 for the following main classes of insurance:-

- ◆ employer's liability
- ◆ public liability
- ◆ motor insurance
- ◆ property insurance and other miscellaneous risks

Appendix 1 to the report provided annual comparisons of the numbers and values of claims by Resources for the years 2016/2017 to 2020/2021. The comparison showed an overall downward trend in the number of claims. Claims costs had fluctuated over the last 5 years with 2020/2021 showing the lowest number of claims received during this period.

Appendix 2 to the report compared claim numbers and costs for 2020/2021, at 31 March 2021, with the equivalent position for 2019/2020. This showed a reduction of 228 claims (22.9%) on the numbers reported in 2019/2020 and an increase in the cost of claims from £1.947 million in 2019/2020 to £2.010 million in 2020/2021.

Information was provided on:-

- ◆ measures in place and mitigating actions proposed to manage insurance hotspots
- ◆ claim highlights for the year
- ◆ positive risk management activity aimed at reducing the number and cost of claims

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

The Committee decided:

- (1) that the Insured Risks Report for the year ended 31 March 2021 be noted; and
- (2) that ongoing work to identify and mitigate insurance hotspots be noted.

[Reference: Minutes of 21 September 2020 (Paragraph 5)]

Councillor Nugent left the meeting during consideration of this item of business due to technical difficulties

6 2020/2021 National Fraud Initiative Exercise

A report dated 30 August 2021 by the Executive Director (Finance and Corporate Resources) was submitted on the 2020/2021 National Fraud Initiative (NFI) exercise.

The NFI matched similar data across public sector systems and identified possible inconsistencies. Those inconsistencies, known as matches, required to be investigated by participating public bodies with a view to detecting fraud. The full exercise continued to be undertaken every 2 years. This data was matched to other benefits and payroll data as well as Department for Work and Pensions (DWP) deceased persons' records and the Electoral Register.

A full NFI exercise had been undertaken in 2020/2021 and involved Council wide comparisons including:-

- | | |
|--------------------------------|--|
| ◆ housing benefits | ◆ blue badge holders |
| ◆ Council Tax Reduction Scheme | ◆ procurement |
| ◆ payroll | ◆ creditors |
| ◆ housing tenants | ◆ Council tax single discount |
| ◆ waiting lists | ◆ Small business grant fund (SBGF) and retail, hospitality and leisure grants (RHLG) |

For the 10 match areas, 4 categories had a decrease in match numbers, 5 categories had an increase in matches, and one new category was introduced in relation to COVID-19 grant funding.

Details were given on the results of the 2020/2021 exercise which, for the Council, highlighted that:-

- ◆ at 4 June 2021, a total of 17,113 matches had been identified. Of those, it was intended to investigate a total of 9,954 matches
- ◆ the greatest percentage decrease had been in the number of matches relating to Housing Benefit. This decrease was likely to be attributable to the ongoing move to Universal Credit which was now managed by the DWP
- ◆ the greatest percentage increase had been in the number of blue badges matched to DWP deceased persons' records. This might relate to a timing issue from the date the information was provided to NFI and the date matches were carried out

Appendices 1 to 3 to the report provided:-

- ◆ details of the match areas covered in the 2020/2021 exercise
- ◆ a comparison of matches reported to the Committee in 2020
- ◆ a detailed breakdown of the target investigations and outcomes

Due to resources required to respond to the ongoing COVID-19 pandemic, the deadline for investigations was extended to 31 March 2022, however, it was anticipated that the majority of investigations would be completed ahead of this date. Further updates would be reported to the Committee during 2021/2022.

The Committee decided: that the results of the matching exercise and target number of investigations be noted.

[Reference: Minutes of 21 September 2020 (Paragraph 6)]

7 Fraud Statistics Annual Report 2020/2021

A report dated 30 August 2021 by the Executive Director (Finance and Corporate Resources) was submitted on fraud statistics for the year to 31 March 2021 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 2021, 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:-

- ◆ 26 fraud investigations, with a total value of £45,000, had been reported in the period, representing a decrease in number and in value from the previous year
- ◆ 63% of cases investigated were founded
- ◆ all except one founded case 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. Arising from the fraud investigations during the year to 31 March 2021, an improvement plan with 7 separate actions had been produced.

The Committee decided: that the report be noted.

[Reference: Minutes of 21 September 2020 (Paragraph 8)]

8 Financial Management Code

A report dated 10 June 2021 by the Executive Director (Finance and Corporate Resources) was submitted on the Financial Management (FM) Code and an update on the Council's self-assessment exercise.

The Chartered Institute of Finance and Public Accountancy (CIPFA) introduced the FM Code which provided "guidance for good and sustainable financial management in local authorities. By complying with the principles and standards within the code, authorities would be able to demonstrate their financial sustainability". A key goal of the FM Code was to improve the financial resilience of organisations by embedding enhanced standards of financial management.

2020/2021 was the shadow year of implementing the FM Code and CIPFA had suggested that by 31 March 2021, local authorities should be able to demonstrate that they were working towards full implementation. The first full year of compliance with the FM Code would be 2021/2022.

A review of the FM Code was undertaken and consideration given to the Council's position in relation to it. The principles that informed the FM Code had been designed to focus on an approach that would assist in determining whether, in applying standards of financial management, a local authority was financially sustainable.

Details were provided on the following principles of the FM Code:-

- ◆ organisational leadership
- ◆ accountability
- ◆ financial management
- ◆ adherence to professional standards
- ◆ sources of assurance
- ◆ long-term sustainability of local services

Appendix 1 to the report detailed the Council's position against each of the principles and the response to the self-assessment. Of the 17 criteria in the self-assessment, the Council had fully embedded 14 as part of its normal business by the end of the shadow implementation year 2020/2021. This highlighted that the Council already had a strong approach to financial management and financial resilience, including demonstrating value for money, strong governance and controls and adherence to professional guidance, and approach to financial management and reporting.

In respect of the 3 criteria that were not fully embedded, actions had been developed that would allow for further incorporation and development of the existing financial management controls and measures to provide continued comfort on financial resilience. Those actions would be completed by the end of March 2022 to ensure full compliance at the end of the first full year of implementation.

The Committee decided:

- (1) that the requirements of the Financial Management (FM) Code, detailed in section 4 of the report, be noted; and
- (2) that the Council's position in relation to the shadow year self-assessment, detailed in section 5.4 of the report, be noted.

9 Audit Scotland – Financial Overview 2019/2020

A report dated 5 July 2021 by the Executive Director (Finance and Corporate Resources) was submitted on the Audit Scotland report entitled 'Financial Overview 2019/2020' which had been published in January 2021.

The report had been structured around the following 4 headings:-

- ◆ councils' income in 2019/2020
- ◆ financial position
- ◆ financial outlook
- ◆ Integration Joint Boards' overview 2019/2020

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 Overview 2019/2020', as detailed in sections 4 to 7 of the report, be noted; and
- (2) that the Council's position on those key messages and recommendations, as detailed in section 8 of the report, be noted.

[Reference: Minutes of 18 June 2020 (Paragraph 9)]

10 Audit Scotland Report: Digital Progress in Local Government

A report dated 30 August 2021 by the Executive Director (Finance and Corporate Resources) was submitted on a summary of the information contained within the Audit Scotland Report 'Digital Progress in Local Government' published in January 2021.

The use of digital technologies was becoming increasingly commonplace in all aspects of life, including personal, social and in the workplace. A digitally enabled business could deliver both improved services and efficiencies.

Over the past year, digital technologies had enabled councils to continue to deliver services during the COVID-19 pandemic. This was demonstrated by an accelerated rollout of laptops and Office 365/Microsoft Teams which enabled thousands of staff to work effectively from home. Virtual committee meetings had allowed the democratic processes to continue and citizen interaction in many cases had transferred to channels such as email, online forms, phone and videoconferencing.

The pandemic had also highlighted the disadvantages that many citizens experienced through digital exclusion, where they could not access, or benefit from, online services. The reasons for exclusion included poor internet availability, affordability, lack of skills or concerns around online security. The Council's Digital Inclusion Strategy had a programme of work to address those challenges in the Council.

The Digital Inclusion Strategy set out how the Council utilised technology to deliver service and cost benefits. The Strategy was currently being refreshed and would be submitted to a future meeting of this Committee for approval. This would align closely with the Council Plan, Connect and the new Scottish Government national digital strategy published in spring 2021.

Audit Scotland published a report in January 2021, "Digital Progress in Local Government", which looked at how well councils were progressing with digital transformation. Audit Scotland interviewed representatives from several councils, COSLA, the Local Government Digital Office, Scotland Excel and SEEMiS to assess progress.

Information was provided on the key messages arising from the Audit Scotland report including:-

- ◆ impact of COVID-19
- ◆ becoming a digital council
- ◆ citizens at heart
- ◆ workforce and skills
- ◆ data and technology
- ◆ national leadership and collaboration

A summary of the Audit Scotland recommendations for councils, together with an assessment of the position in South Lanarkshire Council, was provided.

The Committee decided: that the key messages and recommendations of the Audit Scotland Report 'Digital Progress in Local Government' be noted.

11 Forward Programme for Future Meetings

A report dated 21 July 2021 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 January 2022.

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 meeting of the Risk and Audit Scrutiny Committee to 26 January 2022 be noted.

12 Urgent Business

There were no items of urgent business.