

RISK AND AUDIT SCRUTINY COMMITTEE

Minutes of meeting held via Confero and in Committee Room 1, Council Offices, Almada Street, Hamilton on 27 June 2023

Chair:

Councillor Elaine McDougall

Councillors Present:

Councillor Mary Donnelly (Depute), Councillor Alistair Fulton, Councillor Ross Gowland, Councillor Cal Johnston-Dempsey, Councillor Susan Kerr, Councillor Richard Lockhart

Councillors' Apologies:

Councillor Mathew Buchanan, Councillor Celine Handibode

Councillor Also Present:

Councillor Gerry Convery (for items 3 and 4)

Attending:

Chief Executive's Service

C Sneddon, Chief Executive (for items 3 and 4)

Finance and Corporate Resources

P Manning, Executive Director; Y Douglas, Audit and Compliance Manager; G McCann, Head of Administration and Legal Services; E-A McGonigle, Administration Officer; F Morrison, Revenues and Benefits Manager; J Taylor, Head of Finance (Strategy); L Wyllie, Administration Assistant

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 23 May 2023 were submitted for approval as a correct record.

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

Councillor Gowland entered the meeting after consideration of the above item of business

3 Internal Audit Annual Assurance Report 2022/2023

A report dated 12 June 2023 by the Audit and Compliance Manager (Finance and Corporate Resources) was submitted providing:-

- ◆ a summary of progress and performance of Internal Audit for the financial year 2022/2023
- ◆ an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control systems based on audit work undertaken in 2022/2023

Details were given on:-

- ◆ Internal Audit performance
- ◆ Council-wide performance in relation to the delivery of audit actions

- ◆ workload analysis
- ◆ links to the Council's objectives and top risks
- ◆ management of fraud risks
- ◆ areas of assurance
- ◆ areas of external reliance

The UK Public Sector Internal Audit Standards Advisory Board had issued guidance around conformance with the Public Sector Standards which had shaped the Council's internal audit approach in 2022/2023 which aimed to:-

- ◆ provide real-time advice and insight in the development of new systems and controls
- ◆ ensure that core internal audit work remained risk-based and relevant and continued to inform longer term planning around risks
- ◆ allow the regular reporting of activity to this Committee

The overall opinion expressed on the Council's control environment was that a reasonable level of assurance could be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ended 31 March 2023. The Internal Audit findings would inform the Council's 2022/2023 Annual Governance Statement.

The Audit and Compliance Manager responded to members' questions on various aspects of the report.

The Committee decided:

- (1) that the performance of Internal Audit during 2022/2023 be noted;
- (2) that the overall findings from internal audit work be noted, and that it be approved that those would inform the Council's 2022/2023 Annual Governance Statement; and
- (3) that the level of assurance on the Council's control environment be noted.

[Reference: Minutes of 22 June 2022 (Paragraph 2)]

4 Annual Governance Statement for 2022/2023 and Significant Governance Areas Quarter 4 Progress Report

A report dated 9 June 2023 by the Executive Director (Finance and Corporate Resources) was submitted on the Annual Governance Statement for 2022/2023 and progress against significant governance areas identified within the 2021/2022 Annual Governance Statement at Quarter 4.

Each year, the Council undertook a review of the governance arrangements required to support its financial and operational controls. This review provided the basis for the Annual Governance Statement which was included in the Council's Annual Report and Statement of Accounts.

The Council's governance assurance framework was detailed in Appendix 1 to the report. The resulting Annual Governance Statement for 2022/2023, attached as Appendix 2 to the report, provided information on the Council's compliance during 2022/2023. The annual review of governance arrangements across the Council demonstrated sufficient evidence that the principles of delivering good governance in local government, contained in the Local Code of Corporate Governance, operated effectively and that the Council complied with its Code.

Progress on the significant governance areas highlighted within the Annual Governance Statement 2021/2022 was attached as Appendix 3 to the report.

The Head of Administration and Legal Services responded to a member's question in relation to the significant governance area of recruitment and retention, particularly for staff working in Social Care.

The Committee decided:

- (1) that the Annual Governance Statement, attached as Appendix 2 to the report, which would be included in the 2022/2023 Annual Report and Statement of Accounts, be approved; and
- (2) that the progress against the significant governance areas identified within the Annual Governance Statement 2021/2022, attached as Appendix 3 to the report, be noted.

[Reference: Minutes of 22 June 2022 (Paragraph 3)]

5 Unaudited Annual Accounts 2022/2023

A report dated 19 June 2023 by the Executive Director (Finance and Corporate Resources) was submitted on the requirement for members to consider the Unaudited Annual Accounts of the Council and related Charitable Trusts, attached as appendices 1 and 3 to the report, by 30 June 2023.

The Council's Unaudited Annual Accounts detailed key information on the Council's expenditure and income for the financial year ended 31 March 2023. The accounts also covered 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.

The Group Accounts 2023, which were being finalised and, therefore, not included in the report were issued to members of the Committee prior to the meeting.

The full Unaudited Annual Accounts would be circulated to all elected members following their submission to the auditor on 30 June 2022 and would be advertised as being available for public inspection on the Council's website from that date.

The information contained in the Unaudited Accounts took into account the final outturn position, as detailed in Appendix 2 to the report, which was approved at the Executive Committee meeting on 21 June 2023. Appendix 2 also provided an Expenditure and Funding Analysis, as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Accounting Practice.

Following the audit of the Accounts over the summer months, the Audited Annual Accounts would be brought back to the Committee at its meeting on 26 September 2023 for approval.

The Head of Finance (Strategy) responded to a member's question in relation to the Contingent Liability which had been included in the Unaudited Accounts for the Home Carers' Job Evaluation.

The Chair, on behalf of the Committee members, expressed appreciation of the work undertaken to prepare the Unaudited Accounts.

The Committee decided: that the Unaudited Annual Accounts of the Council and related Charitable Trusts, to be submitted to Audit Scotland by the deadline of 30 June 2023, be noted.

[Reference: Minutes of 22 June 2022 (Paragraph 4)]

6 Internal Audit Activity as at 9 June 2023

A report dated 9 June 2023 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 6 May to 9 June 2023.

Findings from internal audit assignments were reported to this Committee throughout the year and the last progress report was considered by this Committee on 23 May 2023. Key performance indicators, which reflected quality, on time and within budget for the period to 31 March 2023, were summarised in Appendix 1 to the report. A list of all assignments completed in the period 6 May to 9 June 2023 was provided in Appendix 2 to the report. A position statement for one of those assignments was provided in Appendix 3 to the report. As at 9 June 2023, 94% of the 2022/2023 Audit Plan was complete and 3 assignments were in progress at that date.

Updates were also provided on:-

- ◆ the self-assessment for the Public Sector Internal Audit Standards (PSIAS) external review which had been passed to East Lothian Council. The review was in progress and the exercise should be concluded before the end of June 2023. The formal output would be reported to the next meeting of the Committee
- ◆ 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 Committee decided: that the report be noted.

[Reference: Minutes of 23 May 2023 (Paragraph 4)]

7 2022 National Fraud Initiative Exercise

A report dated 12 June 2023 by the Executive Director (Finance and Corporate Resources) was submitted on:-

- ◆ the matches that had resulted from the 2022 National Fraud Initiative (NFI) exercise
- ◆ the proposed target number of investigations to be undertaken in 2023/2024

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. 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 one person over 18 in the household, could now be carried out annually. The 2022 NFI had been a full exercise and involved Council wide comparisons including:-

- ◆ housing benefits
- ◆ Council Tax Reduction Scheme
- ◆ payroll
- ◆ housing tenants
- ◆ waiting lists
- ◆ blue badge holders
- ◆ procurement
- ◆ creditors
- ◆ Council tax SPD

Records had also been matched to the Department for Work and Pensions' deceased persons' record.

Details were given on the results of the 2022 exercise which, for the Council, highlighted that:-

- ◆ at 22 May 2023, a total of 26,036 matches had been identified and, of those, it was intended to investigate an interim target of 3,065 matches
- ◆ for the 9 matched areas, 5 categories had a decrease and 4 an increase in matches:-
 - ◆ the greatest number of matches related to Council Tax Reduction (CTR), namely to pensions
 - ◆ the greatest increase was the number of matches of SPD to the Electoral Register (which indicated multiple residents)
 - ◆ the number of blue badges to deceased persons had also increased but could be reflective of a timing issue
- ◆ work to investigate the matches identified within the NFI exercise would reflect the review work already ongoing to avoid duplication and ensure investigation resources were used effectively
- ◆ the deadline for investigation was 31 December 2023 and update on progress would be reported to the Committee during 2023/2024

The following information was provided in appendices 1 to 3 to the report respectively:-

- ◆ details of the matched areas in the 2022 exercise
- ◆ a comparison of 2020 and 2022 matches
- ◆ a detailed breakdown of the target investigations for 2023/2024

The Audit and Compliance Manager responded to a member's question in relation to the Body that conducted the initial matching exercise and whether there were feedback mechanisms which could potentially allow the extremely high initial numbers of matches to be improved.

The Committee decided: that the results of the 2022 NFI exercise be noted.

[Reference: Minutes of 27 September 2022 (Paragraph 7)]

8 Audit Scotland Report: 'Resourcing the benefit service – A Thematic Study'

A report dated 1 June 2023 by the Executive Director (Finance and Corporate Resources) was submitted providing a summary of the Audit Scotland Report 'Resourcing the benefit service – A Thematic Study' released in February 2023.

The Housing Benefit scheme helped customers pay their rent if they were unemployed, on a low income or claimed benefits. It was administered by councils on behalf of the Department for Work and Pensions (DWP).

Since the DWP introduced Universal Credit in 2013, there had been many changes to councils' Benefit Services. As more claims for housing costs were processed by the DWP, to protect jobs and retain knowledge and expertise, most councils had expanded the remit of the benefit service to carry out other financial assessments, such as free school meals, school clothing grants, education maintenance awards and applications to the Scottish Welfare Fund.

The thematic study had focused on resourcing, the work of the Benefit Service and the processing of Housing Benefit claims. The study aimed to provide wider context on the impact on service delivery and performance levels. Audit Scotland had invited all 32 Scottish councils to participate in the study by completing an online questionnaire and South Lanarkshire Council was one of 28 councils that participated. The data and analysis in the Audit Scotland report was based on the questionnaire responses and had not been independently validated, with the exception of claims processing performance, which was validated against DWP published data.

Since 2011, the performance of a council's Housing Benefit Service had primarily been assessed by Audit Scotland using the DWP's Speed of Processing performance indicator, which was the average number of days that councils took to process new claims and change events. The resourcing of council benefit services was analysed in the report under the following headings:-

- ◆ Workloads
- ◆ Resources
- ◆ Caseloads
- ◆ Call handling and personal callers
- ◆ Speed of processing

Information was provided on Audit Scotland's recommendations, together with an assessment of the position in South Lanarkshire Council.

The Depute Chair, on behalf of the Committee, expressed gratitude at the robust and timely manner in which the Council's Benefit Service carried out their duties.

The Committee decided: that the key messages and recommendations in the Audit Scotland report 'Resourcing the benefit service – A Thematic Study' be noted.

9 Forward Programme for Future Meetings

A report dated 2 June 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 11 June 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 11 June 2024 be noted.

[Reference: Minutes of 23 May 2023 (Paragraph 8)]

10 Urgent Business

There were no items of urgent business.