

RISK AND AUDIT SCRUTINY COMMITTEE

Minutes of meeting held via Microsoft Teams and in Committee Room 1, Council Offices, Almada Street, Hamilton on 21 September 2020

Chair:

Councillor Graeme Campbell

Councillors Present:

Councillor Walter Brogan, Councillor Mary Donnelly, Councillor Grant Ferguson, Councillor Julia Marrs, Councillor Davie McLachlan, Councillor Carol Nugent

Councillors' Apologies:

Councillor Martin Lennon, Councillor Jared Wark

Attending:

Finance and Corporate Resources

P Manning, Executive Director; Y Douglas, Audit and Compliance Manager; S Dunsmore, Insurance and Risk Manager; P MacRae, Administration Adviser

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 18 June 2020 were submitted for approval as a correct record.

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

3 Internal Audit Plan 2020/2021

A report dated 1 September 2020 by the Executive Director (Finance and Corporate Resources) was submitted on the proposed Internal Audit Plan for the period 1 September 2020 to 31 March 2021.

As a result of a change of working arrangements for the Internal Audit function in light of the Coronavirus pandemic, a work programme for the period 1 April to 31 August 2020, had been developed. This Plan was attached as Appendix 1 to the report, together with an update on progress at 28 August 2020.

A formal Audit Plan had now been prepared for the period 1 September 2020 to 31 March 2021. The proposed Internal Audit Plan, which included a brief outline scope for each proposed assignment, was attached as Appendix 2 to the report.

The Audit Plan aimed to reflect the key objective of the Service which was to deliver a programme of work that would inform the annual audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control arrangements.

The Plan would remain under review during the remainder of the year and might require amendment should resources be limited through absence or through a requirement to deliver a range of redeployed tasks. Any proposed changes to the Plan would be submitted to the Committee for approval.

The 2020/2021 Audit Plan would be delivered within the context of the revised Internal Audit Charter, attached as Appendix 3 to the report, and in accordance with the Public Sector Internal Auditing Standards (PSIAS).

The Committee decided: that the proposed Internal Audit Plan for 2020/2021, attached as Appendix 2 to the report, be approved.

[Reference: Minutes of 24 April 2019 (Paragraph 4)]

4 Internal Audit Activity as at 28 August 2020

A report dated 28 August 2020 by the Executive Director (Finance and Corporate Resources) was submitted on work completed by Internal Audit during the period 30 May to 28 August 2020.

As a result of a change of working arrangements for the Internal Audit function due to the Coronavirus pandemic, a work programme had been developed and this was attached as Appendix 1 to the report.

In practice, since March 2020, the Internal Audit function had also been redeployed, at times to a significant extent, to help deliver key finance tasks in light of the coronavirus pandemic. From 1 April to 31 August 2020, Internal Audit had delivered an element of planned audit work, in addition to specific COVID-19 related tasks across various Council Resources.

Delivery of the audit strategy would now be aligned to completion of the 2020/2021 Audit Plan and updates would be reported to each meeting of the Committee.

The Committee decided: that the report be noted.

[Reference: Minutes of 18 June 2020 (Paragraph 6)]

5 2019/2020 Year End Insured Risks Report

A report dated 24 August 2020 by the Executive Director (Finance and Corporate Resources) was submitted on the Council's insurance claims for the year to 31 March 2020 for the following main classes of insurance:-

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

Appendix 1 provided annual comparisons of the numbers and values of claims by Resource for the years 2015/2016 to 2019/2020. The comparison showed an overall downward trend in claims numbers. Claims costs had fluctuated over the last 5 years with 2019/2020 showing the lowest number of claims received during the last 5 years.

Appendix 2 compared claim numbers and costs for 2019/2020, at 31 March 2020, with the equivalent position for 2018/2019. This showed a reduction of 36 claims (3.49%) on the numbers reported in 2018/2019 and a decrease in the cost of claims from £2.113 million in 2018/2019 to £1.947 million in 2019/2020.

Details were given 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

A central fund was held to assist Resources in funding specific risk management initiatives. All bids for the limited funds were considered on their individual merits against set criteria.

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

The Committee decided: that the report be noted.

[Reference: Minutes of 27 November 2019 (Paragraph 4)]

6 2018 National Fraud Initiative Exercise

A report dated 31 August 2020 by the Executive Director (Finance and Corporate Resources) was submitted on the 2018 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. 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 2018 NFI had been a full exercise and involved Council wide comparisons including:-

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

Records had also been matched to the Department for Work and Pensions' deceased persons' records, and to Home Office immigration records.

Details were given on the results of the 2018 exercise which, for the Council, highlighted that:-

- ◆ at September 2019, a total of 22,926 matches had been identified. Following further data refreshes and a subsequent release of additional matches, the final number of matches totalled 22,942. Of those, it was intended to investigate a minimum of 2,099 matches
- ◆ 29 errors had been detected through the NFI exercise to date, with an estimated amount to be recovered of £29,846
- ◆ the non-cancellation of blue badges had resulted in a notional cost of £83,375

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

- ◆ details of the match areas covered in the 2019/2020 exercise
- ◆ a comparison of matches reported to the Committee in 2019
- ◆ a detailed breakdown of the target investigations and outcomes

The Committee decided: that the report be noted.

[Reference: Minutes of 18 September 2019 (Paragraph 7)]

7 The National Fraud Initiative 2018/2019

A report dated 29 August 2018 by the Executive Director (Finance and Corporate Resources) was submitted on the 2018/2019 National Fraud Initiative (NFI).

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.

Audit Scotland published an overview report that set out NFI outcomes across Scotland, drew conclusions from those results and made a number of recommendations for consideration ahead of participation in the next NFI exercise.

The current exercise included a pilot of businesses inappropriately claiming Small Business Bonus Scheme relief. Incorrect records totalling £412,974 were identified across 7 local authorities participating in the pilot and the Scottish Government was now considering a national roll-out across all Scottish councils as part of future NFI exercises.

Details were given on the results of the 2018/2019 exercise which highlighted that:-

- ◆ 124 Scottish public bodies including central government, local authorities and the NHS took part in the 2018/2019 NFI exercise. This was an increase from the previous exercise where 113 bodies took part
- ◆ despite an increase in the number of bodies participating in the exercise, the overall number of matches across Scotland fell to 580,393 (a decrease of around 11.6%) and overall financial outcomes fell to £15.3 million (a decrease of around 13.6%). Within South Lanarkshire, matches increased marginally by 643 (2.9%) and outcomes decreased by £15,154 (33.7%)
- ◆ Audit Scotland had concluded that the reduction in matches might be due to immigration data that was excluded from the exercise by the Home Office and the reduction in outcomes potentially reflected that there was less fraud and error, that stronger internal controls existed or that there had been a less effective detection of fraud and error.

Audit Scotland had highlighted the impact of COVID-19 on the fraud risk faced by the public sector and noted that challenges of delivering public services within the context of a pandemic had increased the risk of fraud and error linked to the extreme pressures faced and the necessity to revise controls and governance arrangements.

Action plans on the planning and management of the NFI and on working more effectively were attached as Appendices 4 and 5 of the report.

The Committee decided:

- (1) that the action plans detailed at Appendices 4 and 5 to the report be endorsed; and

(2) that the contents of the report be noted

[Reference: Minutes of 18 September 2019 (Paragraph 7)]

8 Fraud Statistics Annual Report 2020

A report dated 31 August 2020 by the Executive Director (Finance and Corporate Resources) was submitted on fraud statistics for the year to 31 March 2020 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 2020, 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:-

- ◆ 137 fraud investigations with a total value of £132,000 had been reported in the period, representing a decrease in number and in value from the previous year
- ◆ 66% 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. 7 improvement plans had resulted from fraud investigations during the year to 31 March 2020.

The Committee decided: that the report be noted.

[Reference: Minutes of 18 September 2019 (Paragraph 8)]

9 Forward Programme for Future Meetings

A report dated 1 September 2020 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 be held on 9 December 2020.

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 be held on 9 December 2020 be noted.

10 Urgent Business

There were no items of urgent business.