

# RISK AND AUDIT SCRUTINY COMMITTEE

Minutes of meeting held via Confero and in the Council Chamber, Council Offices, Almada Street, Hamilton on 27 September 2022

**Chair:**

Councillor Mary Donnelly (Depute)

**Councillors Present:**

Councillor Colin Dewar (*substitute for Councillor Elaine McDougall*), Councillor Alistair Fulton, Councillor Ross Gowland, Councillor Cal Johnston-Dempsey, Councillor Gavin Keatt (*substitute for Councillor Mathew Buchanan*), Councillor Susan Kerr

**Councillors' Apologies:**

Councillor Mathew Buchanan, Councillor Celine Handibode, Councillor Richard Lockhart, Councillor Elaine McDougall (Chair)

**Attending:**

**Finance and Corporate Resources**

P Manning, Executive Director; Y Douglas, Audit and Compliance Manager; S Dunsmore, Insurance and Risk Manager; E-A McGonigle, Administration Officer; A Norris, Administration Assistant

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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 Committee held on 22 June 2022 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 2022/2023 Internal Audit Plan

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A report dated 9 September 2022 by the Executive Director (Finance and Corporate Resources) was submitted on the proposed Internal Audit Plan 2022/2023.

The first phase of the annual 2022/2023 Internal Audit Plan had been presented to the Committee on 26 January 2022 and an update on progress was attached as Appendix 1 to the report.

The first phase of the 2022/2023 Internal Audit Plan had recognised that time was required to fully assess the extent of the function's role in the implementation of Oracle Fusion, a significant new human resources and financial accounting system, within the Council. A review of overall capacity had been undertaken prior to the proposed final Internal Audit Plan being developed. A total of 1,109 audit days, inclusive of days which had been allocated to external clients, had been provided for in the proposed Plan. The proposed Internal Audit Plan, which included a brief outline scope for each proposed assignment, was attached as Appendix 2 to the report.

The content of the Internal Audit Plan each year was determined by the requirement 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. A summary of how each assignment linked to the 3 key areas of assurance was included at Appendix 3 to the report.

The 2022/2023 Internal Audit Plan would be delivered in accordance with the Public Sector Internal Auditing Standards (PSIAS). The Internal Audit function's compliance with PSIAS was due to be externally assessed by East Lothian Council in 2022/2023 and the outcome of this assessment would be presented to the Committee in March 2023.

Progress against the audit strategy would be monitored and reported to the Committee as part of regular monitoring reports that were presented at each meeting. Delivery of the strategy would be evidenced by the completion of the 2022/2023 Internal Audit Plan. The risk of significant subsequent changes to the Plan, arising from a change in the Council's priorities or risks, had been reduced given the approach used in 2022/2023 which had allowed capacity to be reassessed mid-year.

**The Committee decided:** that the proposed Internal Audit Plan for 2022/2023 be approved.

*[Reference: Minutes of 26 January 2022 (Paragraph 4)]*

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#### **4 Internal Audit Activity as at 9 September 2022**

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A report dated 9 September 2022 by the Executive Director (Finance and Corporate Resources) was submitted:-

- ◆ providing an update on progress by, and performance of, the Internal Audit service during the period 4 June to 9 September 2022
- ◆ providing a summary of audit reports presented to Glasgow City Region, City Deal Cabinet (the Cabinet) during the same period
- ◆ advising of the planned external assessment of the Council's Internal Audit Function's level of compliance with the Public Sector Internal Audit Standards (PSIAS)

Findings from internal audit assignments were reported to this Committee throughout the year and the last progress report was considered by this Committee on 22 June 2022. Key performance indicators, which reflected quality, on time and within budget for the period to 31 July 2022, were summarised in Appendix 2 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.

Client contributions to the delivery of the audit plan took the form of responding to draft reports, agreeing to close meetings and signing reports timeously once agreed. 100% of audit assignments were concluded to a signed action plan within 4 weeks of the issue of a draft report against a target of 80%.

An update on progress with the delivery of the first phase of the Internal Audit Plan for 2022/2023 was provided in Appendix 1 to the report. As at 9 September 2022, 20% of the first phase of the 2022/2023 Internal Audit Plan had been completed.

The findings from assignments completed in the period 4 June to 9 September 2022 were detailed in Appendix 3 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 June 2022 meeting of the Cabinet, audit reports had been presented on:-

- ◆ change control and contract management
- ◆ equality impact assessment and anti-bribery
- ◆ corruption and fraud measures

Additionally, the Internal Audit Annual Report and Draft Governance Statement for 2021/2022 had been presented and a link to the reports was provided in the report.

Where relevant to the Council, actions would be logged and followed up and findings would be reported within activity reports to the Committee as appropriate.

The internal audit service was delivered in South Lanarkshire Council within the context of the Public Sector Internal Audit Standards (PSIAS) (revised 1 April 2017), compliance with which was mandatory under Section 95 of the Local Government (Scotland Act) 1973. This set out a series of standards to ensure a professional, independent and objective internal audit service was delivered which would support good governance.

A self-assessment exercise was undertaken annually which assessed the ongoing level of compliance with PSIAS. This assessment was required to be undertaken once every 5 years by an external assessor. In 2017/2018, South Lanarkshire Council's review was undertaken by Stirling Council. East Lothian Council would undertake the 2022/2023 review and a report on the outcome of the external assessment would be presented to the Committee in March 2023, with periodic updates provided in the interim.

**The Committee decided:**

- (1) that progress and performance of the Internal Audit service be noted;
- (2) that the findings from the audit reports presented to the Glasgow City Region Deal, City Deal Cabinet be noted; and
- (3) that the planned external assessment of the level of compliance of the Council's Internal Audit service with PSIAS be noted.

*[Reference: Minutes of 22 June 2022 (Paragraph 5)]*

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## **5 Year End Insured Risk Report 2021/2022**

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A report dated 13 September 2022 by the Executive Director (Finance and Corporate Resources) was submitted on the Council's insurance claims for the year to 31 March 2022 for the following main classes of insurance:-

- ◆ combined liability (covering both public liability and employer's 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 2017/2018 to 2021/2022. 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 above average cost of claims received during this period.

Appendix 2 to the report compared claim numbers and costs for 2021/2022, at 31 March 2022, with the equivalent position for 2020/2021. This showed an increase of 54 claims (7%) on the numbers reported in 2020/2021 and an increase in the cost of claims from £2.010 million in 2020/2021 to £2.242 million in 2021/2022.

Information was provided on:-

- ♦ the areas of work identified following the completion of a claims leakage analysis report by the Council's insurers 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

**The Committee decided:**

- (1) that the Insured Risks Report for the year ended 31 March 2022 be noted; and
- (2) that ongoing work to identify and mitigate insurance hotspots be noted.

*[Reference: Minutes of 15 September 2021 (Paragraph 5)]*

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## **6 Fraud Statistics Annual Report 2021/2022**

A report dated 8 September 2022 by the Executive Director (Finance and Corporate Resources) was submitted on fraud statistics for the year to 31 March 2022 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 2022, 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:-

- ♦ 48 fraud investigations, with a total value of £12,000, had been reported in the period, representing an increase in number and decrease in value from the previous year
- ♦ 45% of cases investigated were founded
- ♦ all of the founded cases related to benefit fraud or fraud committed by a third party

On conclusion of all internal investigations, an assessment would be made on whether improvement actions were necessary. If required, an improvement plan would be issued with recommended actions. The plan would be agreed with the relevant Heads of Service and the actions followed up by Internal Audit to ensure implementation and that gaps had been addressed. Outcomes for concluded investigations would be reported to this Committee as part of Internal Audit's annual assurance report.

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

*[Reference: Minutes of 15 September 2021 (Paragraph 7)]*

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## **7 2020 National Fraud Initiative Exercise**

A report dated 8 September 2022 by the Executive Director (Finance and Corporate Resources) was submitted on the outcomes of investigations that were completed in 2021/2022 as part of the 2020 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 one person over 18 in the household, could now be carried out annually. The 2020 NFI had been a full exercise and involved Council wide comparisons including:-

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|--------------------------------|--|
| ◆ housing benefits             | ◆ procurement  |
| ◆ Council Tax Reduction Scheme | ◆ creditors  |
| ◆ payroll                      | ◆ Council tax single discount  |
| ◆ housing tenants              | ◆ Small Business Bonus Scheme (SBBS)   |
| ◆ waiting lists                | ◆ Small Business Grant Fund (SBGF) and Retail, Hospitality and Leisure Grant Fund (RHLG) |
| ◆ blue badge holders           |  |

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

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

- ◆ at September 2021, a total of 17,113 matches had been identified. Following further data refreshes and a subsequent release of additional matches, the final number of matches totalled 25,943. Of those, it was intended to investigate a minimum of 9,446 matches
- ◆ 184 errors had been detected through the NFI exercise to date, with an estimated amount to be recovered of £158,004
- ◆ the non-cancellation of blue badges had resulted in a notional cost of £247,250

The following information was provided in appendices 1 to 4 to the report respectively:-

- ◆ details of the match areas covered in the 2020/2021 exercise
- ◆ a comparison of matches reported to the Committee in 2021
- ◆ a detailed breakdown of the target investigations and outcomes
- ◆ comparison of outcomes to 2018 NFI exercise

The Chair, on behalf of the Committee members, expressed appreciation of the work undertaken to prepare the 2020 NFI exercise.

**The Committee decided:** that the results of the 2020 NFI exercise be noted.

*[Reference: Minutes of 15 September 2021(Paragraph 6)]*

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## 8 Forward Programme for Future Meetings

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A report dated 13 September 2022 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 7 March 2023.

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 7 March 2023 be noted.

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## **9 Urgent Business**

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There were no items of urgent business.