

FALKIRK COUNCIL

Minute of meeting of the Audit Committee held in the Municipal Buildings, Falkirk on Monday 8 April 2019 at 9.30 a.m.

Members: Councillor Niall Coleman
Councillor Nigel Harris
Councillor Cecil Meiklejohn
Councillor Alan Nimmo
Councillor Pat Reid
Councillor Robert Spears

Officers: Rhona Geisler, Director of Development Services
Gary Greenhorn, Head of Planning & Resources
Kenneth Lawrie, Chief Executive
Brian Pirie, Democratic Services Manager
Stuart Ritchie, Director of Corporate and Housing
Bryan Smail, Chief Finance Officer

Also Attending: Rob Jones, Ernst & Young
Grace Scanlin, Ernst & Young

A1. Apologies

No apologies were intimated. In the absence of a convener, Councillor Meiklejohn took the chair.

The Democratic Services Manager advised that the recruitment and selection panel, which had been established by Council, had appointed Ms Paula Tovey as convener of the committee. Ms Tovey was in attendance as an observer at today's meeting. The committee welcomed Ms Tovey and introduced themselves. The chair also welcomed Councillor Nimmo to the committee.

A2. Declarations of Interest

No declarations were made.

A3. Minute

Decision

The minute of the meeting of the Audit Committee held on 19 November 2018 was approved.

A4. Internal Audit Plan 2019/20

The committee considered a report by the Internal Audit Manager presenting the Internal Audit Plan for 2019/20.

The proposed Audit Plan for 2019/20 with 23 associated assignments (annually recurring, committed and indicative) was set out in appendices 1 to 3 of the report.

The Public Sector Internal Audit Standards 2017 (PSIAS) required the preparation of a risk based Internal Audit Plan setting out the Internal Audit team's work programme. This was set out within the context of a Joint Working Arrangement with Clackmannanshire Council which covered 2019/20 with an option of a further year.

Following a question, the Chief Executive gave an overview of exploratory discussions with Stirling and Clackmannanshire Councils in regard to shared services. There were areas, in back office functions predominantly, where services could potentially be shared. The outcome of the discussions would be reported to the Executive in due course. Following a further question, Mr Lawrie confirmed that notwithstanding the fact that the Council collaborated with West Lothian Council on the Regional Improvement Collaborative, the current focus of discussions was the Forth Valley area.

The committee sought assurance in regard to the impact of the agreement with Clackmannanshire Council on the ability of the Internal Audit team to deliver its plan for 2019/20. In particular members questioned whether, as the work was being carried out with fewer resources that this was in effect an efficiency saving. The Chief Finance Officer explained that audits were planned on a risk assessed basis. Mr Smail acknowledged the workload but was confident that the plan would be delivered. Councillor Meiklejohn added that she anticipated a shift in audit focus to particular projects such as Town Centre regeneration, the growth deal and the Medium Term Financial Plan. In regard to shared services it was likely that these would be in back office functions and would not foreshadow Service takeovers.

Decision

The Audit Committee agreed the Internal Audit Plan for 2019/20

A5. Corporate Risk Management Update

The committee considered a report by the Director of Corporate and Housing Services presenting an updated Corporate Risk Management (CRM) Policy and Framework for approval.

Since the last update to committee, on 27 September 2018 (ref A24) a number of actions had been undertaken to embed risk management. In addition;

- the review of Governance Groups (including a self assessment of their roles and effectiveness) was progressing;
- the Integrated Assurance Map (IAM) had been updated to reflect Internal and External Audits which had been undertaken in 2018/19, and the 2019/20 Internal Audit Plan. The IAM would continue to be regularly updated;
- Services were working to ensure that meaningful consequences, controls, and lessons learnt were included in the Corporate Risk Register;
- risk management had been embedded within the Council of the Future Programme, via a Risk Strategy and Programme Risk Register. The risk register would be fully reviewed to reflect wave 2 of the change programme once this was approved by the Executive in May 2019; and
- a revised Annual Assurance Statement process had been approved by the Corporate Management Team and was being implemented. This would provide more comprehensive assurance to underpin the Annual Governance Statement.

The committee discussed the need for all staff and elected members to be aware of risk and to embed risk within the organisational culture.

In response to a question in regard to the risk Failure in Leadership, Governance and Decision Making, the Chief Executive advised that the risk statement had since been updated although the risk remained at medium.

The committee discussed risk in regard to welfare reform and poverty. Whilst the Council could mitigate the risk around welfare reform it could not, it was suggested, mitigate against poverty.

Councillor Meiklejohn concurred but stated that the Council had to aspire to mitigate the risk of poverty as far as possible. She cited the Poverty Strategy and the Concessions Policy as examples where the Council could play a part. It was also vital that services were redesigned to target those most in need.

The Chief Executive concurred and stated that as funding reduces, the Council would face increasing challenges to ensure that those who were most in need of support were supported. The Leader of the Council agreed with a statement that while Council alone could not lift all those in poverty, it could provide an improvement in equality. As an example members cited Grangemouth, which was one of the most economically viable areas in the UK, but which had child poverty.

Decision

The Committee noted the Corporate Risk Management Update.

A6. External Audit Recommendations 2017/18

As part of the Audit Plan for 2017/18 the External Auditor had made 8 recommendations. An action plan had been agreed. The progress made to date in addressing the recommendations was set out in an appendix. It was anticipated that a review of the actions would be included as part of the External Auditor's workplan for 2018/19.

The 8 recommendations were:-

- (1) Financial statement presentation - management commentary
- (2) Financial statement presentation – Expenditure and Funding Analysis
- (3) IAS 19 Accounting for defined benefit pensions
- (4) Capital programme monitoring and reporting
- (5) Governance and transparency – Internal audit improvement actions
- (6) Governance and transparency prior year audit recommendations
- (7) Value for money – Council of the future monitoring and reporting arrangements
- (8) Financial sustainability / Value for money – Delivery of Council of the Future and MTFP

The Director of Corporate and Housing gave a detailed explanation of the recommendation, and actions, around recommendation (8) - Financial Sustainability / Value for Money – Delivery of Council of the Future and MTFP. Mr Ritchie explained the development of Service Business Plans and confirmed that the plans would be considered by the Budget Working Group on 15 April 2019 ahead of a briefing for all members on 23 April and their consideration by the Executive on 14 May 2019. Mr Ritchie explained that good progress had been made in regard to the recommendation and that the key to bridging the £76k gap over the next five years was ambition.

The Chief Finance Officer then explained the background to recommendation (4) IAS 19 Accounting for defined benefit pensions. The difference identified of £6.8m had arisen from an understating of the Council's share of the Pension Funds Assets at 31 March 2019 because the figure, due to accounting deadlines was an estimate. The difference was that between the estimated and actual values.

The committee then discussed the budget gap and the Council's ability to bridge it. Members observed that each year the Council delivered its budget despite reduced funding. The Chief Finance Officer explained that the Council's budget had many variables of which the biggest are the Revenue Support Grant and pay costs. Mr Smail explained that move to multiyear pay awards and multiyear budgets were positive and assisted the budget process.

Mr Smail highlighted that while focus tended to be on savings and gaps, the size of Council investment and range of service delivery should be recognised. As an example Mr Smail highlighted the Council's housing investment.

Decision

The Committee noted the External Audit Recommendations.

A7. Falkirk Annual Audit Plan Year Ended 31 March 2019

The committee considered the external auditor's Annual Audit Plan 2018/19.

Ernst and Young had been appointed as the Council's external auditor for the period 2016/17 to 2020/21.

The report set out:-

- audit context;
- financial statements and accounting;
- wide scope audit framework; and
- team, fees and deliverables.

The plan summarised the assessment of the key challenges and risks facing the Council and reflected the risks and priorities facing the Council.

The fees for 2018/19 was £313,980, an increase of £5,630 on the 2017/18 fees.

Decision

The Committee noted the Falkirk Annual Audit Plan 2018-19.