

**DRAFT**

**FALKIRK COUNCIL**

**MINUTE of the MEETING of the AUDIT COMMITTEE held in the MUNICIPAL BUILDINGS, FALKIRK on MONDAY 24 MARCH 2014 at 9.30 a.m.**

**COUNCILLORS:** Allyson Black  
Tom Coleman  
Baillie Joan Paterson  
Depute Provost John Patrick  
Provost Pat Reid  
Roseann Davidson (Convener)

**OFFICERS:** Margaret Anderson, Director of Social Work Services  
Fiona Campbell, Head of Policy, Technology and Improvement  
John Flannigan, Depute Chief Finance Officer  
Gary Greenhorn, Joint Acting Director of Education  
Rhona Geisler, Director of Development Services  
Gordon O'Connor, Internal Audit Manager  
Brian Pirie, Democratic Services Manager  
Mary Pitcaithly, Chief Executive  
Antonia Sobieraj, Committee Services Officer

**ALSO ATTENDING:** Lisa Duthie, Audit Scotland  
Mark Laird, Audit Scotland  
Neil Robb, Audit Scotland

**AC25. APOLOGY**

An apology for absence was intimated on behalf of Councillor Carleschi.

**AC26. DECLARATIONS OF INTEREST**

No declarations were made.

**AC27. MINUTE**

**Decision**

The minute of the meeting of the Audit Committee held on 16 December 2013 was approved.

## **AC28. CORPORATE GOVERNANCE ARRANGEMENTS - KEY FINANCIAL SYSTEMS CONTROLS**

The Committee considered a report by the Chief Finance Officer providing progress on the implementation of actions identified by the external auditor's report on a review of key financial systems of internal control.

The Committee had considered a report in June 2013 (ref AC4) detailing an action plan arising from Audit Scotland's review of the Council's system of internal control. The planned management actions had been completed. However in the auditor's view some Services required to progress the verification of their monthly payroll reports more timeously.

Members stressed that measures should be put in place to ensure that all actions are completed.

### **Decision**

**The Committee noted the report and the progress to date on the implementation of the Action Plan.**

Provost Reid entered the meeting during consideration of the following item.

## **AC29. SCOTLAND'S PUBLIC FINANCES - ADDRESSING THE CHALLENGES**

The Committee considered a report by the Chief Finance Officer summarising Audit Scotland's follow up report detailing how Falkirk Council was responding to the challenges identified within its report "Scotland's Public Finances - Addressing the Challenges".

A number of areas of good practice had been highlighted by Audit Scotland including:-

:

- The Council's clear understanding of future financial pressures;
- The progress of work on strengthening the link between the budget and the Council's Corporate Plan;
- The officer participation in the SOLACE/Improvement Service benchmarking project;
- The participation by members of the Administration in a series of meetings with officers to discuss, consider and agree savings proposals, and
- The regular budget monitoring and reserve strategy updates.

The auditor's report had highlighted areas for improvement. An update was provided on each of the issues identified by the auditor.

The Committee discussed the budget process and the opportunities for members to engage early in the process and the importance of having reliable up to date information available to members.

## **Decision**

**The Committee noted the report.**

### **AC30. INTERNAL AUDIT PROGRESS REPORT**

The Committee considered a report by the Internal Audit Manager which detailed the progress of the Internal Audit Plan for 2013/14 and provided an update on Internal Audit performance.

The report detailed the progress in completing the planned 2013/14 Internal Audit work including the key findings from completed review/assignments, the performance against the established key performance indicators, ad hoc consultancy work and the recommendations outstanding.

Members sought clarification on the system in place to monitor Falkirk Community Trust's completion of its assignments and the mechanisms for reporting the auditor's findings to the Trust. Information was also sought by members on the site control systems currently in place in relation to schools.

## **Decision**

**The Committee:-**

- (1) noted:-**
  - (a) the progress in relation to the planned Internal Audit Work;**
  - (b) the performance against Key Performance Indicators (KPI's) as detailed in the report;**
  - (c) the significant progress by Services in implementing the Internal Audit recommendations, and**
- (2) agreed that an updated report on the Anti Fraud and Corruption Strategy be presented to the meeting of the Committee in September 2014.**

### **AC31. INTERNAL AUDIT CHARTER AND EXTERNAL QUALITY ASSESSMENT**

The Committee considered a report by the Internal Audit Manager on the Internal Audit Charter which had been produced in accordance with the Public Sector Internal Audit Standards (PSIAS) and developed jointly by CIPFA and the Chartered Institute of Internal Auditors (CIIA).

The PSIAS Standards required that the Charter should set out the role, authority, and responsibility of the Internal Audit Section and required approval by the Committee. The Charter focussed on the following high level principles relating to the functioning of the Internal Audit section:-

- The role of Internal Audit;
- The professionalism, authority and scope;
- The organisational arrangements;
- The independence and objectivity;
- The responsibility in terms of the reporting requirements and consultancy work and fraud/corruption, and
- The quality assurance arrangements.

The report referred to the requirement for periodic External Quality Assessments through the development of a quality assurance and improvement programme for evaluation of compliance with the Standards. This included an annual self assessment and a five yearly independent external assessment undertaken by a qualified independent assessor.

The report also sought approval of a proposal to participate in a peer review national External Quality Assessment scheme being developed by the Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG).

#### **Decision**

**The Committee agreed:-**

- (1) the Internal Audit Charter attached as Appendix 1 to the report; and**
- (2) Internal Audit's participation in the Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) External Quality Assessment scheme.**

#### **AC32. INTERNAL AUDIT PLAN 2014/15**

The Committee considered a report by the Internal Audit Manager presenting the Internal Audit Plan 2014/2015 for approval.

The Committee highlighted the significant work being undertaken to ensure effective systems were in place to address the challenges ahead and the importance of effective reporting on the Council's procurement arrangements.

**The Committee:-**

- (1) noted:-**
  - (a) the resources available to Internal Audit;**
  - (b) the progress against the Audit Plan and ongoing updated information being presented to future meetings of the Committee, and**

- (2) agreed the planned Internal Audit coverage for the financial year 2014/2015.

### **AC33. FALKIRK COUNCIL – ICT SERVICE REVIEW 2012/13 REPORT FROM AUDIT SCOTLAND**

The Committee considered a report by the Director of Corporate and Neighbourhood Services on Audit Scotland's ICT Service Review 2012/13 Report.

The Audit Scotland review focussed on five areas:-

- Service delivery;
- Strategy;
- Access controls and compliance;
- Asset protection; and
- Business continuity.

The subsequent report set out an assessment of the Council's ICT functions and estate and identified the key risks, potential challenges and any mitigating actions required. These included the Council's technology strategy, service delivery, access controls and compliance, asset protection and business continuity.

The Committee discussed the significant challenges facing the Council including re-accreditation under the Government's PSN/GSX compliance regime and the development and progress of the implementation of a new technology strategy and the significant work being taken to refresh the Council's business continuity arrangements.

Members sought clarification on the range of measures being put in place for mobile devices and the associated security arrangements.

#### **Decision**

**The Committee noted the report and the key actions being taken to address the risks as detailed in Appendix 4 to the report.**

### **AC34. EXTERNAL AUDIT PROGRESS UPDATE REPORT**

The Committee considered Audit Scotland's External Audit Progress Update Report.

The report summarised:-

- Audit Scotland's reviews of governance arrangements including the review of internal audit, internal controls and the national fraud initiative;
- the outcomes of national performance studies including charging for services and housing in Scotland and managing early departures from the Scottish public sector and managing Scotland's Roads;

- the local performance audit work to be carried out including major capital investment in councils arms length external organisations (ALEO's);
- the assurance and improvement plan, and
- progress against the 2013/14 Audit Plan.

#### **Decision**

**The Committee noted the report.**

### **AC35. ANNUAL AUDIT PLAN 2013/14**

The Committee considered Audit Scotland's Annual Audit Plan 2013/14.

The Plan summarised the assessment of the key challenges and risks facing the Council and reflected:-

- the risks and priorities facing the Council;
- the current national risks relevant to local circumstances;
- the impact of changing international auditing and accounting standards;
- the responsibilities under the Code of Audit practice as approved by the Auditor General for Scotland, and
- the issues brought forward from previous audit reports.

The planned work in 2013/14 included:-

- an audit of the financial statements and provision of an opinion on whether (i) they give a true and fair view of the financial position of the Council as at 31 March 2014 and its income and expenditure for the year then ended, and (ii) the accounts have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2013 Code of Practice on Local Authority Accounting in the UK;
- reporting the findings of the shared risk assessment process in an Assurance and Improvement Plan update. This would provide detail on the Local Area Network's (LANs) risk assessment of the Council including updated scrutiny plans for 2014/15 to 2016/17;
- a review and assessment of the Council's governance and performance arrangements in key areas including selected systems of internal control, the adequacy of internal audit, targeted follow-up of national studies, ICT follow-up and statutory performance indicators;
- provision of an opinion on a number of grant claims and returns, including Whole of Government Accounts;
- a review of the National Fraud Initiative arrangements; and
- regular attendance at the Audit Committee.

#### **Decision**

**The Committee noted the report.**

### **AC36. FALKIRK COUNCIL - REVIEW OF INTERNAL AUDIT 2013/14**

The Committee considered the findings of Audit Scotland on the organisation's Code of Practice and the requirement for an external auditor to undertake an annual assessment of the adequacy of the internal audit function.

Internal Audit had from 1 April 2013 been required to adopt the Public Sector Internal Audit Standards (PSIAS) which replaced the 2006 CIPFA Code of Practice for internal Audit in Local Government. A number of areas had been identified where Internal Audit was still working to achieve full compliance with the new standards. This included the production of an internal audit charter and a quality assurance and improvement programme, including external validation arrangements. Audit Scotland was satisfied with assurances that action was being taken to ensure full compliance with PSIAS in future.

The overall conclusion was that the areas of non compliance with the PSIAS did not impact on the range and quality of work carried out by Internal Audit and that the existing quality assurance framework which operated was soundly based.

In terms of Audit Scotland's financial statements, formal reliance would be placed on Internal Audit's work on the General services capital programme and debtors (reviewed in 2012/13) and in terms of the wider dimension responsibilities, this would include welfare reform and strategic projects such as the Tax Incremental Financing Scheme (TIF).

#### **Decision**

**The Committee noted the Audit Scotland findings.**