

**FALKIRK COUNCIL**

**MINUTE of the MEETING of the AUDIT COMMITTEE held in the MUNICIPAL BUILDINGS, FALKIRK on MONDAY 23 JUNE 2014 at 9.30 a.m.**

**MEMBERS:-**

Roseann Davidson (Convener)  
Councillor Tom Coleman  
Councillor Steven Carleschi  
Depute Provost John Patrick  
Councillor Rosie Murray

**OFFICERS:**

Margaret Anderson, Director of Social Work Services  
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  
Stuart Ritchie, Director of Corporate and Neighbourhood Services  
Bryan Smail, Chief Finance Officer  
Antonia Sobieraj, Committee Services Officer  
Amanda Templeman, Capital Manager

**ALSO ATTENDING:**

Gerry Collins, Audit Scotland  
Jim Rundell, Audit Scotland

**AC1. APOLOGIES**

No apologies were intimated.

**AC2. DECLARATIONS OF INTEREST**

No declarations were made.

**AC3. MINUTE**

**Decision**

**The minute of the meeting of the Audit Committee held on 24 March 2014 was approved.**

#### **AC4. INTERNAL AUDIT: ANNUAL ASSURANCE REPORT 2013/14**

The committee considered a report by the Internal Audit Manager on the Internal Audit programme for 2013/14.

The report summarised:-

- Internal Audit work completed during 2013/14, and the overall assurance on the Council's control framework based on that work;
- Internal Audit's performance against established key performance indicators; and
- An update on Internal Audit's compliance with the requirements of the Public Sector Internal Audit Standards 2013.

Members sought clarification on various Internal Audit assignments, including: General Services Capital programme; Self Directed Support; Strategic Projects; Records Management; and the reciprocal review arrangements with West Lothian Council in relation to Carbon Management.

Members also sought further information in relation to premises management arrangements within Larbert High School and further clarification on audit work undertaken at Head of Muir Primary School.

#### **Decision**

The committee noted:-

- (1) that sufficient Internal Audit activity was undertaken to allow the provision of a balanced assurance;
- (2) that Internal Audit can provide substantial assurance on the Council's control framework for the year to 31 March 2014;
- (3) that Audit Scotland placed formal reliance on the work of Internal Audit;
- (4) the performance against Key Performance Indicators for the year to 31 March 2014 as detailed in the report, and
- (5) that the Quality Assurance and Improvement Programme outputs confirmed no material non-conformance with the Public Sector Internal Audit Standards.

#### **AC5. ORDER OF BUSINESS**

In terms of Standing Order 14.2(i), the Convener advised of a variation to the order of business from that detailed on the agenda for the meeting. The following items have been recorded in the order that they were taken.

The following two agenda items of business were considered in tandem.

**AC6. CORPORATE GOVERNANCE ARRANGEMENTS - KEY FINANCIAL SYSTEMS CONTROLS**

The committee considered a report by the Chief Finance Officer on work undertaken by the Council's External Auditor (Audit Scotland) following the 2013/2014 review of the systems of internal control.

Audit Scotland had commented that the key controls within the Council's main financial systems were operating broadly satisfactorily. There was, however, considered to be some scope for improvement, and the report included an action plan comprising 13 recommendations.

**Decision**

**The committee noted the report and the associated action plan.**

**AC7. MANAGEMENT LETTER: REVIEW OF SYSTEMS OF INTERNAL CONTROL**

The committee considered the findings of Audit Scotland's review of the Council's systems of internal control.

In accordance with Audit Scotland's Code of Audit Practice, the Council was required to demonstrate that the following measures were in place:-

- systems for recording and processing transactions on a sound basis for the preparation of financial statements and the effective management of assets and interests;
- systems of internal control for the purposes of providing the adequate means of preventing or detecting material misstatement, error, fraud or corruption; and
- systems of compliance with established policies, procedures, laws and regulations.

The Audit concluded that the key controls within the Council's main financial systems were operating broadly satisfactorily. The action plan detailed at agenda item AC6 above would assist in monitoring the implementation of recommendations. A number of other minor issues were also identified and notified to management.

The review also involved a follow up of the issues reported within the 2012/13 review. From the 12 issues and risks identified, 5 remained outstanding. These were, therefore, included in the 2013/14 action plan for monitoring purposes.

**Decision**

**The committee noted Audit Scotland's findings in respect of the review of systems of internal control.**

#### **AC8. ANNUAL GOVERNANCE STATEMENT 2013/14**

The committee considered a report by the Chief Executive presenting the Annual Governance Statement for inclusion in the Council's 2013/14 Annual Accounts.

The report summarised:-

- The arrangements for reporting on the Council's governance framework for the year to 31 March 2014; and
- The six principles of good governance as defined in the 2007 Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) guidance 'Delivering Good Governance in Local Government'.

A draft Annual Governance Statement was attached as an Appendix.

Members sought clarification on the review of the Council's decision making structure. Councillors Coleman and Carleschi raised concerns and requested the minuting of their dissent at the lack of pace of the review.

#### **Decision**

**The committee:-**

- (1) noted the Council's governance arrangements and the Annual Governance Statement; and**
- (2) agreed the Annual Governance Statement.**

#### **AC9. FALKIRK COUNCIL EXTERNAL AUDIT PROGRESS UPDATE REPORT**

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

The report summarised:-

- Audit Scotland's Governance work, including a review of Internal Audit, internal controls, and the National Fraud Initiative;
- The outcomes of national performance studies including 'An Overview of Local Government in Scotland 2014', 'Procurement in Councils', and 'Falkirk Community Planning Partnership';
- The local performance audit work to be carried out, including 'Major Capital Investment in Councils' and 'Arms Length External Organisations (ALEOs); and
- The Assurance and Improvement Plan, and the planned focus on governance and accountability and performance management.

Members highlighted the value of collaborative working between Community Planning Partners, and sought clarification on the range of measures in place to facilitate joint activities including aligning resources. The Chief Executive confirmed that a workshop would take place during summer 2014 involving all partner agencies, focussing on their contributions to the priorities of the Community Planning Partnership.

#### **Decision**

**The committee noted the report.**

#### **AC10. MANAGEMENT LETTER: TARGETED FOLLOW UP AUDIT - ARM'S LENGTH EXTERNAL ORGANISATIONS: ARE YOU GETTING IT RIGHT?**

The Committee considered Audit Scotland's findings of on its' targeted follow up work on Arm's Length External Organisations (ALEOs).

ALEOs are responsible for providing 'Council services', including leisure services, and for managing commercial operations including exhibition facilities and commercial properties. The Council remains accountable for the public funding provided to the ALEOs, and for the quality of the services.

Audit Scotland's review covered the undernoted ALEOs:-

- Falkirk Community Trust Ltd;
- Falkirk Community Stadium Ltd; and
- thinkWhere Ltd (formerly Forth Valley GIS Ltd).

Members highlighted the importance of appropriate scrutiny measures by the Council, and the accountability and transparency of the organisations. This included synchronicity of their service priorities with those of the funding providers.

#### **Decision**

**The committee noted the report.**

#### **AC11. FALKIRK COUNCIL ASSURANCE AND IMPROVEMENT PLAN 2014-17**

The committee considered a report by Audit Scotland on Falkirk Council's Assurance and Improvement Plan 2014 -2017.

The report summarised planned scrutiny activity and local priorities.

Members sought clarification on the measures in place to facilitate health and social care integration, and Audit Scotland's auditing arrangements.

## **Decision**

**The committee noted the report.**