

Falkirk Council

External Audit Progress

Update Report



Prepared for Falkirk Council Audit Committee

December 2014

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Annual Audit Plan 2013/14

1. We have now completed our annual programme of work for 2013/14 and issued all our reports as summarised at Appendix 1 of this progress update. All planned outputs were delivered in the timescales reported in our 2013/14 Annual Audit Plan. We will be bringing our 2014/15 Annual Audit Plan to the next meeting of the Audit Committee in March 2015.

Governance work

2. **Reliance on internal audit:** We meet with internal audit on a regular basis to discuss emerging issues / risks and share intelligence. Currently, we are carrying out our annual audit review of internal audit in terms of ISA 610 (*Using the work of internal auditors*) to identify areas where we can place formal reliance on the work of internal audit in 2014/15. This will allow us to focus on other areas and avoid duplication of effort.
3. **Internal Controls:** We will shortly be reviewing and updating our knowledge of the board's main financial systems. This will involve reviewing the key controls in systems and checking that they are operating effectively. It will enable us to devise a testing strategy to determine where our testing for 2014/15 should be focussed.
4. **ICT follow-up audit.** We carried out a follow-up audit on our ICT service review which we reported in 2012/13. We noted that good progress has been made. Of 11 recommendations for action all except two had been implemented. We will continue to monitor progress to ensure that the remaining actions are implemented. Our detailed findings are outlined in our follow-up report which is included as a separate agenda item.
5. **National Fraud Initiative (NFI).** NFI is the biennial data matching exercise whereby computerised techniques are used to compare and match information about individuals held by various public bodies on their financial systems to identify potential fraud or error. The current biennial exercise is currently underway and we will be monitoring the council's progress in following up and investigating data matches.
6. **Shared Risk Assessment.** As part of our annual planning process we meet with other inspectorates as part of a Local Area Network (LAN) to discuss scrutiny risks and to develop a local scrutiny plan (previously referred to as an Assurance and Improvement Plan). We will be presenting the local scrutiny plan to members at a future meeting of the Audit Committee.

Performance

National Performance Studies

7. Audit Scotland's Performance Audit and Best Value Group undertake a programme of studies on behalf of the Auditor General and Accounts Commission. The most recent report published was an overview of Community Planning Partnerships as summarised below.
8. **Community Planning: Turning ambition into action (November 2014).** This report was published on 27 November 2014. Community planning partnerships (CPPs) were set up over a decade ago in all 32 council areas to bring together councils, health boards, and a range of other bodies to jointly plan and deliver better services for their communities.
9. The key message in the report is that ambitions for community planning have yet to be translated into action on the ground. The report also says that there is a strong sense of renewed energy nationally and locally to improving community planning since the publication in 2012 of the Statement of Ambition. Partners are now taking a more active part in sharing ownership of priorities, understanding what resources are available, and recognising the importance of prevention.
10. However, leadership, scrutiny and challenge remain inconsistent. Many CPPs are still not clear about what they are expected to achieve and there is confusion over whether the focus on community planning should be more on local needs or delivering national priorities.
11. The lack of a coherent national framework for assessing the performance and pace of improvement of CPPs means there is no overall picture of how individual CPPs are performing. The Scottish Government needs to more consistently hold central government bodies and the NHS to account for their contributions to community planning.
12. The National Community Planning Group has recently set out its plans for an ambitious but realistic improvement agenda for community planning. It now needs to work with the Scottish Government and the Convention of Scottish Local Authorities on what this new approach means in practice for CPPs and how successful delivery will be measured.
13. Douglas Sinclair, chair of the Accounts Commission, said: "There has been encouraging progress over the last year but community planning is still a long way from achieving its full potential. The key to a successful partnership is building mutual trust. That's not easy when each partner organisation has its own priorities and structures. With strong leadership,

partnerships can then agree clear priorities provide effective challenge, and deliver change on the ground."

14. Caroline Gardner, Auditor General for Scotland said: "CPPs now face a double squeeze - much more is expected of them at a time of much tighter public finances. That means difficult choices for them, particularly over moving resources to longer term prevention when still meeting current demands. This makes it all the more important that they make effective use of information to identify local needs and target resources appropriately."
15. Full copies of all our national reports are available for download from the Audit Scotland website (www.audit-scotland.gov.uk).
16. Some of the forthcoming reports that might be of interest to members are summarised below:
 - Preparation for the implementation of the Scotland Act (due December 2014)
 - Borrowing and treasury management in local government (due January 2015)
 - Developing financial reporting: a progress report (due January 2015)
 - Broadband infrastructure (due February 2015)
17. Further information on our forthcoming performance and best value audits can be obtained from the business manager for this work, Rikki Young, at ryoung@audit-scotland.gov.uk.

Financial statements

18. **Financial statements audit 2014/15.** In 2014/15 we plan to issue our Annual Audit Report (AAR) at the same time as we sign off the accounts. Consequently, members will have sight of our AAR in September 2015 rather than in December. It will also incorporate our ISA 260 Report (i.e. report to those charged with governance) as part of the streamlining of our audit and reporting process.
19. We will also be planning to undertake substantive testing of financial transactions well in advance of receipt of the draft 2014/15 financial statements in order to allow us to meet our new reporting deadlines.
20. Our technical staff have also committed to providing a training seminar that aims to review the council's financial statements to make them more streamlined and user friendly as well as ensuring they reflect best practice.

Appendix 1

Progress against Annual Audit Plan 2013/14

Planned outputs	Target delivery date	Actual delivery date
Governance		
Review of adequacy of internal audit	31 January 2014	7 January 2014
Annual Audit Plan	31 March 2014	14 February 2014
Assurance and improvement plan update	19 May 2014	11 April 2014
Internal controls management letter	30 June 2014	27 May 2014
Computer services review follow-up	31 July 2014	30 July 2014
Performance		
Targeted follow-up of performance audit: ALEOs	31 May 2014	30 May 2014
Targeted follow-up of performance audit: Major capital investment in councils	30 June 2014	30 June 2014
Financial statements		
Report to Audit Committee in terms of ISA 260 (communication of audit matters to those charged with governance)	30 September 2014	10 September 2014
Independent auditor's report on the financial statements	30 September 2014	22 September 2014
Audit opinion on Whole of Government Accounts	3 October 2014	3 October 2014
Annual report to Members and the Controller of Audit	31 October 2014	29 October 2014