

DRAFT

FALKIRK COUNCIL

MINUTE of the MEETING of the AUDIT COMMITTEE held in the MUNICIPAL BUILDINGS, FALKIRK on MONDAY 22 JUNE 2015 at 9.30 a.m.

MEMBERS: Councillor Tom Coleman
Roseann Davidson (Convener)
Councillor Rosie Murray
Baillie Joan Paterson
Depute Provost John Patrick
Provost Pat Reid

OFFICERS: Margaret Anderson, Director of Social Work Services
Gary Greenhorn, Head of Educational Planning & Resources
Kenny McNeill, Educational Resources Manager
Robert Naylor, Director of Children's Services
Gordon O'Connor, Internal Audit Manager
Mary Pitcaithly, Chief Executive
Brian Pirie, Democratic Services Manager
Ian Renton, HR Systems & Payroll Manager
Amanda Templeman, Acting Depute Finance Officer
Isabel Wright, Senior Auditor

ALSO ATTENDING: David Meechan and Jim Rundell, Audit Scotland

AC15. APOLOGIES

An apology was intimated on behalf of Councillor Carleschi.

AC16. DECLARATIONS OF INTEREST

Provost Reid declared a non-financial interest in item AC22 in regard to the accounts of Falkirk Temperance Trust as a member of the Trust Board, and took no part in the discussion and decision making in regard to, the their accounts as part of this item.

AC17. MINUTE

Decision

The minute of the meeting held on 20 April 2015 was approved.

AC18. HEALTH AND SOCIAL CARE INTEGRATION – INTERNAL AUDIT AND ASSURANCE

The Committee considered a report by the Internal Audit Manager summarising the audit and assurance arrangements for health and social care integration.

Scottish Government guidance recommends that the Health Board and Local Authority Chief Finance Officers foster an assurance process based on an open book approach, with mutual trust and honest discussion and the sharing of assumptions and risks associated with the delegated services. The guidance also recommends that, in the transitional period leading to the establishment of the Integration Joint Board (IJB) in 2016, the Transitional Board and partner Audit Committees consider reports from Internal Audit on the adequacy of the assurance processes.

The first of these (which was appended to the report), was considered by the Transitional Board on 5 June 2015. It set out assurance considerations for the Board and proposed that the Internal Auditors of Falkirk Council and NHS Forth Valley work, jointly, to provide the Board with assurance on transition arrangements.

In response to a question on whether the IJB would appoint a Chief Internal Auditor, Gordon O'Connor confirmed that this would be a decision for the Board on its formation in 2016, but that joint arrangements could be established with the lead roles alternating between health and Council Internal Audit teams.

The Committee then sought further information on integration progress. The Chief Executive confirmed that the timescales were tight and the Transitional Board would endeavour to keep overheads as low as possible. She cited, for example, that the IJB Chief Finance Officer post would not be fulltime. Further, she confirmed that a temporary IJB Chief Officer would be appointed over the summer.

Decision

The Committee noted:-

- (1) the recommendations set out in the 'Guidance for Integration Financial Assurance';**
- (2) the approach to seeking initial assurance set out at paragraph 2.4 and appendix 1 of the report;**
- (3) that the formal assurance and due diligence process will commence on the appointment of shadow Chief and Chief Finance Officers;**
- (4) that Internal Audit will contribute to arrangements for preparing the Strategic Plan, developing the approach to risk management, and for drafting key governance documents, as appropriate; and**
- (5) that the Internal Audit teams of Falkirk Council and NHS Forth Valley have worked well together and will support the joint delivery of Internal Audit services to the IJB.**

AC19. INTERNAL AUDIT: ANNUAL ASSURANCE REPORT 2014/15

The Committee considered a report by the Internal Audit Manager on the Internal Audit programme for 2014/15.

The report summarised:-

- Internal Audit work completed in 2014/15, 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 Public Sector Internal Audit Standards 2013.

The Committee discussed the combined review of Non Domestic Rates and Strategic Projects. Amanda Templeman confirmed that approx. £83m was levied in 2014/15 and that £68m was retained by the Council. The Committee, following a question, sought clarification on the process for monitoring the finances of Community Halls. Gary Greenhorn confirmed the current procedures, and advised that new procedures would be in place in August 2015. Gordon O'Connor confirmed that a review of community halls would be embedded in the 2015/16 Continuous Auditing workstream.

In response to a question on the limited assurance placed on the review of Business Gateway Contract Monitoring, Gordon O'Connor provided background and confirmed that new procedures were in place and that these would be followed up.

The Committee sought detail on those audits which were not taken forward as planned. Gordon O'Connor provided an overview.

Decision

The Committee noted:-

- (1) that sufficient Internal Audit activity was undertaken to allow a balanced assurance to be provided;**
- (2) the Internal Audit provided substantial assurance on the Council's control framework for the year to 31 March 2015;**
- (3) that Audit Scotland will place formal reliance on the work of Internal Audit;**
- (4) the performance against Key Performance Indicators for the year to 31 March 2015 was as set out at paragraph 3.7; and**
- (5) that Quality Assurance and Improvement Programme outputs confirm no material non-conformance with the Public Sector Internal Audit Standards.**

Depute Provost Patrick left the meeting following this item.

AC20. ANNUAL GOVERNANCE STATEMENT 2014/15

The Committee considered a report by the Chief Executive presenting the Annual Governance Statement for inclusion in the Council's 2014/15 Annual Accounts.

The report summarised:-

- the arrangements for reporting on the Council's governance framework for the year to 31 March 2015; and
- the six principles of good governance as defined in the 2007 CIPFA and SOLACE guidance 'Delivering Good Governance in Local Government'.

A draft Annual Assurance Statement was attached as an appendix.

Members then commented on the Statement, in particular the use of Freedom of Information Requests by elected members to receive information from Services and on the need for committee reports to be clear and concise.

In regard to engagement with stakeholders, members discussed the consultation undertaken on the 2015/16 budget. The Chief Executive, in response, confirmed that the 2016/17 budget consultation was currently being planned. She also confirmed that Council had requested a review of Standing Orders following the revision to the decision making structures in March 2015, and that this would be taken forward in accordance with Council's decision.

Decision

The Committee approved the draft Annual Governance Statement and noted:-

- (1) the Council's compliance with requirements for an annual review of the effectiveness of the Council's system of internal control, and inclusion of an Annual Governance Statement in the Annual Accounts; and**
- (2) that the Annual Governance Statement will form part of the Council's 2014/15 Annual Accounts.**

AC21. REVIEW OF SYSTEMS OF INTERNAL CONTROL

The Committee considered a report by the Chief Finance Officer presenting 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 is required to demonstrate that the following measures are 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 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.

In regard to the 2014/15 Action Plan, members sought clarification on the process for dealing with outstanding debts and, in particular, the debt of £240k which had accumulated in relation to invoices outstanding for more than 6 years. Members also sought information on the management response relating to the procedures for dealing with invoices of less than £20. And, in regard to £32k overpayments to staff, the Chief Executive confirmed that arrangements were in place to ensure that these would be repaid.

Decision

The Committee noted the report and the proposed management actions.

AC22. FALKIRK COUNCIL ANNUAL ACCOUNTS 2014/15 AND FALKIRK TEMPERANCE TRUST ACCOUNTS 2014/15

The Committee considered a report by the by Chief Finance Officer presenting Falkirk Council's Annual Accounts 2014/15 together with Falkirk Temperance Trust's Accounts 2014/15.

Members of the Committee commented favourably on the revised and streamlined format of the Accounts. The Committee then discussed the anticipated report by the Commission on Local Tax Reforms and discussed the likely timescale for any consequent reforms. Members also discussed the potential impacts of the recently announced UK Government revisions to the Scottish Budget.

In accordance with his declaration of interest, Provost Reid left the meeting during discussion on the Temperance Trust Accounts

Decision

The Committee agreed to refer the Annual Accounts to Council for consideration.

Provost Reid rejoined the meeting following consideration of this item.

AC23. EXTERNAL AUDIT PROGRESS REPORT

The Executive considered Audit Scotland's Progress Report for 2014/2015.

The report summarised:-

- Audit Scotland's governance work which included reviews of Internal Controls and Governance, ICT and the National Fraud Initiative;
- the outcomes of national audit work, in particular a review of 'Developing Financial Reporting'; and
- progress against the 2014/15 audit plan.

Decision

The committee noted the report.