

# Falkirk Council

## External Audit Update



Prepared for Falkirk Council Audit Committee  
December 2015

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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# Audit appointment

1. The procurement process for the next round of appointments is currently underway and the firms employed by Audit Scotland have been advised of those audits that are being made available to them. It is proposed that the audit of Falkirk Council will be carried out by a firm for the five year period 2016/17 to 2020/21. The council will be notified of their new auditor in spring 2016 following completion of a tendering exercise. The current Audit Scotland team will remain in place until the 2015/16 accounts are signed off.

# Annual Audit Plan 2015/16

2. We are currently updating our planning files to determine those areas where we will focus our attention in 2015/16. The Annual Audit Plan (AAP) for 2015/16 will be available for the next meeting of the Audit Committee in April 2016. It will set out the planned outputs for the year and the timescales for delivery. It will also set out the audit fee for the year. We have had preliminary discussions with the Chief Finance Officer on fee levels. We have indicated that fee levels are likely to be held at the same level of last year which in effect is a 1.6% reduction in real terms.

# Governance work

3. **Review of internal audit.** An early priority for us was to undertake a review of the adequacy of internal audit in terms of *International Standard on Auditing 610 (Using the work of internal auditor)*. On the basis of work carried out we concluded that internal audit operates in compliance with the Public Sector Internal Audit Standards and has appropriate documentation and reporting procedures in place. Consequently, we plan to place formal reliance on aspects of internal audit's work to support our audit opinion.
4. Relying on internal audit work avoids duplication of effort and allows us to focus on other areas of risk. We also met with the Internal Audit Manager on a regular basis throughout the year to discuss audit issues and share information and intelligence.
5. **Internal controls and governance work:** We are currently updating our audit files and carrying out high level testing on the key internal controls systems within financial systems. As part of this work we are following on previously agreed audit recommendations to ensure that they have been implemented. In the final year of our audit appointment we plan to carry out more substantive testing of transactions in advance of receipt of the unaudited accounts. This will enable us to complete our financial statements audit timeously and efficiently.
6. **National Fraud Initiative (NFI).** NFI is a computerised biennial data matching exercise that compares and matches information about individuals held by various public bodies on their financial systems to identify potential fraud or error. Presently, we are assessing the

arrangements put in place by the council for reviewing and investigating data matches. Our conclusions will be reported through the medium of our Annual Audit Report.

# 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. One report has been published since our last progress report to the Audit Committee in June 2015. This is summarised in the following paragraph.
8. **Scotland's public sector work force: impact report (June 2015).** This report looked at whether the devolved public sector had improved its approach to workforce planning. Some progress has been made including:
  - A number of public sector bodies have developed organisation-wide workforce plans and service level plans with a consistent structure and content, to assist with scrutiny and monitoring.
  - Some councils have provided organisation-wide workforce information including savings from early release schemes and reported this to members.
  - The report has also prompted a number of public sector bodies to review the terms of their early departure packages to help assess value for money.
9. In the current year, auditors have been asked to carry out some follow-up work at the local level. This will cover workforce plans, partnership working arrangements (in terms of staff resources), and challenge and scrutiny arrangements. The findings from this local work will be collated nationally to provide an overall picture of progress.
10. **Future publications.** There are a number of performance audits that Audit Scotland plan to do over the next year that are of interest to local authorities, as summarised below.

Topic	Scope of the study	Planned Publication Date
<p><b>Health &amp; social care integration</b></p>	<p>This audit looked at the new arrangements that councils and NHS boards are putting in place to integrate adult health and care services. The audit also looked at the governance and financial arrangements put in place by integrated joint boards and the risks /challenges they face.</p>	<p>December 2015</p>

<p><b>Implementing the Scotland Act 2012: an update</b></p>	<p>From this year, the new Scotland Act 2012 introduces new financial powers for the Scottish Parliament that will change the public finances environment in Scotland. The audit looked at how the Scottish Government is developing its financial management and reporting arrangements in response to these new powers.</p>	<p>December 2015</p>
<p><b>Major capital investment in councils: targeted follow-up</b></p>	<p>In March 2013, the Accounts Commission reported on major capital investment in councils. This report will provide an update on what councils have achieved to date, provide an opportunity to share good practice and help identify common weakness where improvement actions are still needed.</p>	<p>January 2016</p>
<p><b>Changing models of health and social care</b></p>	<p>NHS boards and councils face increasingly difficult financial challenges at the same time as there is a growing demand for services. The report will highlight the main challenges facing councils and health boards, identify good practice for sharing and use modelling to identify what changes could be made to improve service delivery.</p>	<p>March 2016</p>
<p><b>Maintaining Scotland's roads : a follow-up audit</b></p>	<p>Audit Scotland has conducted three previous audits on roads maintenance performance to assess progress being made. This report will provide an update against previous recommendations by us. It will also evaluate progress with the shared service approach, identify any good practice and highlight any challenges to collaborative working and how these might be mitigated.</p>	<p>June 2016</p>
<p><b>Social work in Scotland</b></p>	<p>Councils' social work departments provide essential services to some of the most vulnerable people in society. This report will look at the scale of the financial and demand pressures facing social work and the strategies adopted to address these challenges. Additionally, the report will look at governance arrangements and how councils involve users and carers in service design.</p>	<p>Summer 2016</p>

# Financial statements

11. **Financial statements audit 2015/16.** We plan to formally commence our financial statements audit work on 20 June 2016 when the unaudited accounts are due to be presented to the Audit Committee. The plan is to substantially complete the financial statements audit by the end of August 2016 and have a draft Annual Audit Report available by early September 2016. This will allow us to report to the Audit Committee meeting scheduled for 22 September 2016.
12. In order to complete the audit efficiently and effectively we plan to carry out testing in a number of areas in advance of receipt of the unaudited accounts including:
  - verification of assets
  - council house valuations
  - year end bank reconciliations
  - substantive checking of payroll costs
  - substantive checking of trade payables
  - Review of arrears levels and debtors' reconciliations.
13. The timescale for completing and reporting on the financial statements audit is relatively tight given the requirements of the 2015 Accounts Regulations. Consequently, we will be relying on the Chief Finance Officer and his team to provide a comprehensive working papers package in support of the financial statements.
14. Also, it is important that good quality control arrangements are in place to ensure that requested audit adjustments and typographical errors are processed timeously so as not to delay the signing of the financial statements.

**Note:** We will perform the audit of Falkirk Temperance Trust in parallel with the audit of the council's financial statements and issue a separate audit opinion by 30 September 2015.