

The background of the slide features a large, light blue watermark of the City of Vancouver's coat of arms. The crest is a shield divided into four quadrants. The top-left quadrant shows a city skyline with a prominent tower. The top-right quadrant depicts a stag's head with large antlers. The bottom-left quadrant shows a three-masted sailing ship on the water. The bottom-right quadrant features a grizzly bear standing on its hind legs. Above the shield is a crown with four maple leaves. A banner at the bottom of the shield contains the motto "A NE FOR A".

AGENDA ITEM

3

MINUTE

DRAFT

FALKIRK COUNCIL

MINUTE of the MEETING of the AUDIT COMMITTEE held in the MUNICIPAL BUILDINGS, FALKIRK on MONDAY 18 APRIL 2016 at 9.30 a.m.

MEMBERS: Steven Carleschi
Tom Coleman
Rosie Murray
Depute Provost John Patrick
Provost Pat Reid

OFFICERS: Karen Algie, Head of HR & Business Transformation
John Angell, Head of Planning & Transportation
Fiona Campbell, Head of Policy, Technology & Improvement
Gary Greenhorn, Head of Planning & Resources
Gordon O'Connor, Internal Audit Manager
Brian Pirie, Democratic Services Manager
Mary Pitcaithly, Chief Executive
Bryan Smail, Chief Finance Officer

ALSO ATTENDING: Ann Cairns, Audit Scotland
Lisa Duthie, Audit Scotland
David Meechan, Audit Scotland
Jim Rundell, Audit Scotland

AC1. APOLOGIES

Apologies were intimated on behalf of Roseann Davidson and Baillie Paterson.

AC2. DECLARATIONS OF INTEREST

No declarations were made.

AC3. MINUTE

Decision

The minute of the meeting of the Audit Committee held on 14 December 2015 was approved.

AC4. INTERNAL AUDIT PROGRESS REPORT 2015/16

The committee considered a report by the Internal Audit Manager providing an update on the Internal Audit Plan for 2015/16.

In regard to the plan, 17 assignments had been completed and 2 were in progress, nearing completion.

Internal Audit performance to date, as measured by 5 key performance indicators, was broadly comparable to performance at the same point in 2014/15.

The report set out the key findings of those assignments which have been completed in 2015/16, and the position in relation to 13 recommendations which were outstanding.

Members sought further detail on the review of review of IT Systems - Security and Management and in particular in regard to access to the ICT suite in the Municipal Buildings.

In response to a question the Internal Audit Manager provided background to the review of Financial Regulations, explaining the purpose and the consultation leading to a report to Council in June which will present revised Financial Regulations for approval.

In regard to outstanding recommendations the Chief Finance Officer explained the background to the development of a corporate debt recovery policy, advising that service pressures had impacted on its development. It was envisaged that a policy would be finalised in June 2016. He also explained that a Register of Interests for Pensions Committee members would be in place by August 2016.

The Internal Audit Manager explained, following a question, the reasons why the assurance placed on the review of members training, allowances, expenses, and civic events and receptions had been both substantial and limited. This was because the review had covered 3 audits.

Decision

The committee noted:-

- (1) progress in completing planned 2015/16 Internal Audit work; and**
- (2) the position in relation to recommendations outstanding.**

Councillor Murray joined the meeting during consideration of the previous item.

AC5. INTERNAL AUDIT PLAN 2016/17

The committee considered a report by the Internal Audit Manager presenting the Internal Audit Plan for 2016/17.

The Internal Audit Plan for 2016/17 encompassed 21 audits with 655 hours planned for direct internal audit time, 120 hours for ad hoc/consultancy work and 5 hours allowed for work on outstanding recommendations.

The plan had been prepared in accordance with Public Sector Internal Audit Standards 2013.

Members then asked questions in regard to:-

- the review of the ICT Service Desk and in particular the benchmarks to be used to define 'good' and 'bad' service;
- the process for agreeing which review would be undertaken by West Lothian Council as part of the reciprocal work arrangements;
- the process for determining which contracts will be reviewed as part of the audit of Procurement Services from external providers of social work services; and
- the process by which audits of the Trust were agreed.

Members then discussed the flexible and Mobile Working project and asked the Head of Policy, Technology & Improvement to provide detail of costs and projected savings.

Decision

The committee agreed:-

- (1) **the Internal Audit Plan for 2016/17;**
- (2) **to note the resources available to Internal Audit; and**
- (3) **to note that progress will be reported to on an ongoing basis.**

AC6. HEALTH AND SOCIAL CARE INTEGRATION – INTERNAL AUDIT WORK 2015/16 AND 2016/17

The committee considered a report by the Internal Audit Manager summarising completed Internal Audit Work for the Falkirk Integration Joint Board (IJB) and setting out planned future work.

The IJB had agreed on 5 February 2016 that the Chief Internal Auditor role for the Board would rotate on a 3 year basis between Falkirk Council and the Health Board's audit teams with the initial three year period falling to the Health Board. A report, to the Board, set out the audit work to date together with a proposed audit plan for 2016/17. This was provided as an appendix.

Members of the committee sought further clarification of the audit arrangements. In response to questions in regard to the Board's budget, and in particular in regard to arrangements in the event that the Board overspent on its budget, the Chief Executive gave an overview of the financial arrangements for the Board's first year and the budget process thereafter.

The Chief Finance Officer, in response to a question, confirmed that while it would be desirable for the Council and Health Board financial cycles to be synchronised it was unlikely that either partner would alter its internal processes.

The Internal Audit Manager confirmed, following questions, that the Board was developing a corporate risk management framework.

Decision

The committee agreed to note the report.

AC7. EXTERNAL AUDIT PROGRESS UPDATE REPORT

The committee considered a report by Audit Scotland on progress made in implementing the Audit Plan for 2015/16.

In terms of the 7 planned outputs Audit Scotland was on target to meet the target delivery dates. The report set out Audit Scotland's work in regard to:-

- governance;
- performance; and
- financial statements.

In response to questions, the External Audit Manager provided detail on the national reviews and findings in regard to reviews of local authority national capital projects and community planning. In regard to the latter Members sought information on the likely impact of the Community Empowerment Act on community planning. Members then asked for information on the Community Planning Leadership Board's response to Audit Scotland's follow up review and in particular the Council's role on the Board. Members concurred that the Council's prominent role in driving the Board meant that other partners had not played an equal part. Guidance would clarify the need for equal contributions and focus on strategy.

The Head of Policy, Technology & Improvement advised that guidance required partners to have an equal role in the Board with equal contribution. Members concurred that the Council's prominent role in driving the Board meant that other partners had not played an equal part. Guidance would clarify the need for equal contributions and focus on strategy.

Decision

The committee agreed to note the report.

AC8. ANNUAL AUDIT PLAN 2015/16

The committee considered a report by Audit Scotland presenting the Audit Plan for 2015/16.

The Audit Plan for 2015/16 set out:-

- the audit approach;
- key responsibilities;
- materiality;
- key reporting arrangements;
- audit timetable;
- audit issues and risks; and
- fees and recourses.

Following the Best Value audit of Council in 2015 a follow up would be undertaken by Audit Scotland in April/May 2016.

In response to a question the Chief Finance Officer explained the processes for managing Overspends within corporate budgets.

The External Audit Manager confirmed that the Council's auditor from 1 October 2016 would be Ernst & Young.

Decision

The committee agreed to note the report.

AC9. LOCAL SCRUTINY PLAN 2016/17

The committee considered a report by the Chief Executive presenting the Local Area Network's Local Scrutiny Plan for 2016/17.

The Local Area Network, led by Audit Scotland, and consisting of Audit Scotland, the Scottish Housing Regulator, Education Scotland, the Care Inspectorate and Healthcare improvement Scotland had finalised its Local Scrutiny Plan for 2016/17 for Falkirk. The plan included:-

- a Care Inspectorate to review the services delivered by Drug and Alcohol partnerships including the Falkirk Partnership.
- follow up work on progress made to improvement areas following the Best Value and Community Planning Audit – fieldwork in May /June with published report in August 2016;
- a national review of housing benefit risk will take place in 16/17 but would not affect Falkirk until the end of 16/17 if at all;
- a validated self-assessment for Educational Psychology Services between August – December 2016;
- Education Scotland would carry out a review of quality of careers information and advice and guidance services delivered by Skills Development Scotland in October 2016;
- the Scottish Housing Regulator (SHR) would monitor the areas of service it noted as needing improvement with reports being submitted on a regular basis to the regulator; and
- in addition the SHR would identify topics for theme studies including the review of charter data submitted by landlords.

Decision

The committee agreed to note the report.

AC10. AUDIT OF HOUSING BENEFIT – RISK ASSESSMENT REPORT

The committee considered a report by the Director of Corporate and Housing Services presenting Audit Scotland's report on its risk assessment audit of housing benefit.

A risk assessment of housing benefit arrangements had been carried out in February 2014. Of the 5 risks which had been identified 1 remained outstanding (the development and implementation of a benefit specific overpayment policy.) In regard to the latter, Audit Scotland had acknowledged the significance performance improvement in this area.

As part of the follow-up work Audit Scotland had identified a further four risks:-

- having staff contingency arrangements in place to manage the potential loss of temporary staff to other areas of the council or externally;
- ensuring the performance against all aspects of the benefit service, such as accuracy of payments and the percentage of overpayments recovered against all debt outstanding, is routinely and regularly reported to staff, senior managers and members;
- increasing automation levels within the DWP's Automated Transfer to Local Authority Systems (ATLAS) to reduce the manual processing of changes; and
- collating and analysing management checks in respect of all its activities to provide the council with a holistic view of errors found and to help identify areas for learning and development of staff and the service.

The report acknowledged that the Council had made a positive contribution to the delivery of the benefit service.

Members praised the work and commitment of staff in delivering the benefits service and commented on the successes in meeting the targets set out in the improvement plan. The Chief Executive, in response to concerns expressed by members, recognised the impact of budget cuts on staff and the knock on effect on mental and physical well-being.

Decision

The committee agreed to note the report.

AC11. CORPORATE RISK MANAGEMENT UPDATE

The committee considered a report by the Director of Corporate and Housing Services presenting a revised Corporate Risk Management Policy and Framework for approval. In January 2016 the Corporate Management Team (CMT) agreed to refocus the Council's approach to risk management to ensure that –

- there is a clear process for capturing existing, rising, and emerging risks from Services, and reporting these to Corporate Risk Management Group (CRMG), CMT, and Members;

- arrangements reflect the new Service structures; and include reference to the role of Statutory Officers in relation to risk;
- Service Risk Management arrangements are ‘owned’ by Services, and that risk becomes part of managers’ ‘way of thinking’;
- risk reporting and scrutiny arrangements are proportionate and effective; and
- consideration of risk and opportunity forms an integral part of the decision making process, including performance management, budget / savings, self-assessments, lessons learnt, and change reviews.

A revised Corporate Risk Management policy and framework had been developed. Following consideration by the Audit Committee the document would be submitted to the Executive for approval and implementation.

In response to a question on the need to ensure that members are advised of risks the Head of HR & Transformation confirmed that a revised reporting format, which had been agreed by CMT, would include a section on risks and that training would be provided on risk.

Decision

The Committee agreed:-

- (1) the revised Corporate Risk Management Policy and Framework; and**
- (2) to refer the Policy and Framework to the Executive for approval;**
- (3) to note that further updates would be submitted on a 6 monthly basis.**

AC12. LOCAL CONSIDERATION OF NATIONAL AUDIT REPORTS

The committee considered a report by the Director of Corporate and Housing Services detailing those national audit reports published by Audit Scotland in 2015/16 and confirming how the reports would be dealt with.

Between March 2015 and March 2016 Audit Scotland had published 5 national reports. All had been, or would be, formally considered by a committee or by Council itself.

Decision

The committee agreed to note the report.

AC13. BEST VALUE IMPROVEMENT PLAN

The committee considered a report by the Director of Corporate and Housing Services presenting an overview of the arrangements for the oversight for implementation of Council's Best Value Improvement Plan.

The Committee had noted, on 14 December 2015 (ref AC42) the arrangements in place by Council to monitor the implementation of the Council's Best Value Improvement Plan.

An update on progress had been submitted to Council on 9 March and was appended for information Council had agreed that progress in implementing the plan would be reviewed by the Provost, Leader of the Council and the Leader of the Opposition.

Council had agreed to next consider progress in September 2016. However in response to a question the Chief Executive agreed to provide a verbal update on the current position at the next meeting on 25 June.

Decision

The committee agreed to note the report.