



# **Agenda Item 3**

## **Minute**

**FALKIRK COUNCIL**

**Minute of the meeting of the Audit Committee held in the Municipal Buildings, Falkirk on Monday 12 December 2016 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:** Rhona Geisler, Director of Development Services  
Gary Greenhorn, Head of Planning and Resources  
Gordon O'Connor, Internal Audit Manager  
Brian Pirie, Democratic Services Manager  
Stuart Richie, Director of Corporate and Housing Services  
Bryan Smail, Chief Finance Officer  
Amanda Templeman, Acting Depute Chief Finance Officer

**Also Attending:** Stephen Reid, External Auditor, Ernst and Young

**AC28. Apology**

An apology was intimated on behalf of Councillor Steven Carleschi.

**AC29. Declarations of Interest**

No declarations were made.

**AC30. Minute**

**Decision**

**The minute of the meeting of the Audit Committee held on 26 September 2016 was approved.**

**AC31. Internal Audit Progress Report**

The committee considered a report by the Internal Audit Manager setting out progress in completing the 2016/17 Internal Audit plan.

The original plan, as agreed by the committee on 18 April 2016 (ref AC4), comprised of 21 assignments. A further 5 assignments had been subsequently added to the work plan for 2016/17. Final reports had been issued in respect of 10 assignments.

The report also set out the Internal Audit team's performance, measured against 5 key performance indicators, together with the comparative performance figures for the previous year.

In regard to Internal Audit recommendations, 16 remained outstanding although since the report had been published, a further 2 had been actioned.

In response to a question on the outstanding recommendations, the Internal Audit Manager confirmed that the target was 90% of recommendations accepted. He explained the process by which the final recommendations are agreed, and described the dialogue with Services following an audit.

The committee considered the summary of key findings from assignments which had not previously been reported:-

- Redundancy and Severance – following a question on the findings, the Internal Audit Manager gave detail on the delays identified in amending/deleting posts.
- Building Security – the committee discussed the “no assurance” given to this review. The Internal Audit Manager explained the background to the audit, the actions taken by Services following the review, and the reasons why some of the recommendations had not been implemented immediately.

The Head of Planning and Resources, as an example, summarised the response by Children's Services.

- Refuse Collection – following questions on the audit and the service provisions, the Internal Audit Manager explained that the audit had been a high level review, and the Audit team would look at service issues within the context of future Internal Audit plans.
- Social Work Intermediary Accounts – members sought an update on the arrangements for auditing the Integration Joint Board. The Internal Audit Manager confirmed that the Chief Internal Auditor of Fife, Tayside, and Forth Valley NHS Internal audit consortium would undertake this role for 3 years, drawing on Internal Audit resource from his, and from Falkirk Council's Internal Audit team. The findings of audits of the Integration Joint Board would be reported to the Integration Joint Board and then to the Audit Committee.

- LEADER funding – in response to a question, the Director of Development Services confirmed that while funding was in place for the LEADER programme until 2020, the period leading up to this, and thereafter, could see significant disruption. She confirmed that a report on the impact of BREXIT was being prepared for members. In regard to refuse collection targets, she confirmed that the targets set by the Scottish Government were more challenging than those set by the EU.

Members then questioned the Internal Audit Manager on the progress made in completing the audit programme. The Internal Audit Manager confirmed that he expected the target of 85% of the main audit programme completed would be met. He explained the process for programming the work plan and the background work which was carried out prior to an audit. In regard to those which had not yet started, he explained that it was likely that the audit of the Code of Corporate Governance would be deferred until after the Local Government Elections in May 2017. The External Auditor also confirmed that Corporate Governance would also be reviewed as part of the External Audit work plan. The Internal Audit Manager also confirmed that work had begun to scope the review of the procurement of Services from external providers of social work services.

The committee then considered those recommendations which remained outstanding. As context, the Internal Audit Manager explained that the 16, now 14, represented a very small proportion of the overall number of recommendations made and that, in all cases, work had been done to begin to address each recommendation.

### **Decision**

**The Committee noted progress being made with completing the 2016/17 Internal Audit Plan and with other workstreams.**

### **AC32. External Audit Framework**

The committee considered the External Audit Framework 2016-2021, which had been developed by the Council's new External Auditors, Ernst and Young.

The framework set out the External Auditor's approach to:-

- the public sector audit framework;
- the audit strategy and approach;
- the financial statements;
- the wider scope audit dimensions; and
- other audit responsibilities.

The committee asked questions in regard to the framework. In particular in regard to the External Auditor's definition of pace of improvement. The External Auditor stated that this meant achieving value for money, that is improved outcomes within the financial landscape of reduced and reducing funding. He concurred that outcomes can be difficult to measure, however, consequential impacts and intended impacts could be measured. He stated that it was important for the public sector to understand the importance of measuring outcomes relative to resources.

Members discussed the need for Councils to operate efficiently and effectively and for effective governance to be in place.

The Director of Corporate and Housing Services confirmed that the Council's priorities were set out in the Corporate Plan. This was coming to the end of its lifespan and would be reviewed post May 2017. In response to a question in regard to the Business Transformation Board, the Director of Corporate and Housing Services stated that it was not a decision making body and that the reporting arrangements had been agreed by the Council.

In regard to a question in regard to the pace of change within the Council, the External Auditor stated that he did not have the data and as such, could not make an assessment. He was aware of coverage in the national press following publication of the Accounts Commission's findings in regard to the follow up Best Value review of Falkirk Council.

The convener noted that, unlike Audit Scotland, Ernst and Young did not appear to have a permanent presence within Council, and sought clarification on how the External Auditor intended to take forward its work. The External Auditor stated that work was underway and that he had held meetings with key officers with a view to developing a work plan.

## **Decision**

**The committee noted the report.**