

FALKIRK COUNCIL

Subject: AUDIT COMMITTEE
Meeting: FALKIRK COMMITTEE
Date: 23 JUNE 2010
Author: CHIEF EXECUTIVE

1. INTRODUCTION

- 1.1 Members considered the report attached as Appendix 1 at the last meeting of Council on 28th April at which time it was continued for further information to be made available.
- 1.2 While the April report dealt with both convenership of the Audit Committee and the potential for lay membership thereon, it is in respect of the former issue that the majority of debate took place.

2. AUDIT SCOTLAND

- 2.1 Following the meeting, both the Leader of the Council and the SNP Depute Group Leader wrote to Audit Scotland for further guidance. In order to ensure that information was available to all Members, I also contacted Audit Scotland for their view on convenership of the committee. A copy of the response is attached as Appendix 2.
- 2.2 Audit Scotland's response reaffirms the position set out in CIPFA's Audit Committee Principles in Local Authorities in Scotland. Para 1.1 of that document sets out that the guidance "is descriptive rather than prescriptive, recognising that each authority will wish to reflect its own style of operations. Specifically it does not suggest a single model solution since, although the principles apply equally to all sizes of local authority and also to bodies such as Joint Boards, how they are applied will depend on many factors including the decision making structure and the makeup of the authority and its size".
- 2.3 In that respect, it is worth noting that there are a variety of approaches to Audit Committees among local authorities in Scotland, as illustrated in Appendix 3 to this report. The variations are consistent with CIPFA's guidance which acknowledges the entitlement of Councils to determine their own democratic structures. While Audit Scotland has a clear role in commenting on how effective structures are, in practice, they rightly acknowledge the sovereignty of Councils themselves in the decision making role.
- 2.4 In their letter, Audit Scotland repeat the view they expressed in their 2008/09 audit report, that the Leader of a Council is not sufficiently independent to be fully effective in the role of Audit Committee Convener, and they welcome the proposals to change that position in Falkirk.
- 2.5 In referring in previous reports to CIPFA guidance on chairing audit committees where reference is made to that position not being taken by a member of the "executive", it is worth reflecting that this guidance is designed to cover also the position of local

government in England and Wales where there is a distinct statutory framework to the committee system including the potential for directly elected Mayors and where the reference to an executive has a particular interpretation. Even in that environment, however, while the guidance may be strong, it is recognised that the ultimate decision rests with the Council itself.

3. AUDIT COMMITTEE

- 3.1 While there is no statutory obligation on a local authority to establish an Audit Committee, they are widely recognised as a core component of effective governance. Having set up a committee in Falkirk, it is a key element of the Council's approach to ensuring that the principles of good governance are embedded and practiced at a strategic level within the Council. The focus by Members on the manner in which this Committee operates is an appropriate reflection of the importance Council attributes to this area of scrutiny and oversight.
- 3.2 Audit Scotland have made clear their expectation that the Council's Audit Committee (and the convener thereof) should display "an appropriately independent, objective and apolitical approach". The extent to which they consider that to have been achieved, in practice, will be part of the future best value audit of the Council.

4. RECOMMENDATION

The recommendation from the April report remains before Council, namely:

- (i) to consider the referral from the Audit Committee.**

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Chief Executive

Date: 17 June 2010

LIST OF BACKGROUND PAPERS

NIL