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Appendix 2



Mary Pitcaithly OBE
Chief Executive
Falkirk Council
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West Bridge Street
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16 June 2010

Dear Mary

Convenorship of the Audit Committee

You requested our views on the convenorship of the council's Audit Committee. We are also in receipt of letters from the leader of the council and the depute SNP group leader setting out their respective positions in relation to this issue. Our views based on the information provided are set out below.

Audit views do not constitute advice or approval

I hope that you find the views provided below helpful. They are offered in the context of our appointment as the council's external auditors and should not be considered as advice. As auditors we are not financial or legal advisors to the council. The council should ensure that it has sought any such advice that it considers necessary.

The council is responsible for deciding whether to embark on transactions or courses of action. This response should not be taken as suggesting that proposed transactions or courses of action will be exempt from challenge in future, whether by auditors or others entitled to object to them. If you wish to include our views in any reports to members, please append a copy of this letter in order that members can consider the context within which they are offered.

Council members are responsible and accountable for decisions on the membership and convenorship of committees

The elected members of the council are responsible for decisions on the convenorship of committees. In taking such decisions they should have regard to relevant regulation and guidance, and to the local circumstances of the council. In Scotland, guidance covering the convenorship of Audit Committees is principles based and non-prescriptive.

Paragraphs 3.9 to 3.15 of *Delivering Good Governance in Local Government: Guidance Note for Scottish Authorities* (CIPFA/SOLACE) describes the role of scrutiny in the Scottish context. It highlights that a principle of good scrutiny is that it is carried out by independent minded councillors who lead the process to drive improvement in an apolitical atmosphere. The detailed provisions of the guidance suggest that an audit committee should be independent of the 'executive and scrutiny functions', but does not prescribe what this means in practice in the Council's circumstances.

Further guidance is provided in *Audit Committee Principles in Local Authorities in Scotland: A guidance note* (CIPFA) and *Audit Committees: Practical Guidance for Local Authorities* (CIPFA). This

highlights the need for the chair to have a sufficient degree of independence and to have the personal qualities necessary to achieve apolitical discussion and challenge. Again this does not prescribe what this means in the council's circumstances.

As auditors we report on the effectiveness of the Council's governance arrangements. We cannot rule or arbitrate between competing proposals. Members of the council are accountable for the decisions they take on this issue, and the extent to which they are appropriate in the context of available guidance and the council's circumstances.

The leader of the council is not sufficiently independent to be fully effective in the role of Audit Committee convenor

We reported our view that the leader of the council is not sufficiently independent to be fully effective in the role of Audit Committee convenor in our Report to Elected Members and the Controller of Audit on our 2008/09 audit. We remain of this view, notwithstanding the personal qualities of any individual who has, does or may in the future perform this role, and welcome proposals to change this arrangement.

The Audit Committee should be sufficiently independent in practice

In making a choice of convenor of the Audit Committee, the council will wish to consider the extent to which he or she is able to operate with a sufficient degree of independence given their other roles and the manner in which the council conducts its political business. This judgement is for the council.

Our views on the effectiveness of the Audit Committee will be informed by the manner in which it conducts its future business under the convenorship of any individual. This will include the extent to which the convenor and the committee displays an appropriately independent, objective and apolitical approach in practice. We will also have regard to the manner in which political business is managed and conducted more generally within the Council.

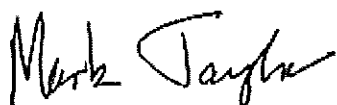
We will continue to monitor the operation of the committee

We will continue monitoring progress in this area, including the outcome of the Council meeting on 23 June 2010, and to report on this in due course, as appropriate, as part of our responsibilities as external auditor.

We are happy to discuss these views further as necessary

This letter sets out our views and the context within which they are offered. We aim to be as helpful as we can within the scope of our role, without compromising our independence or fettering our ability to report on any relevant matter in the future. We are happy to meet with any members or officers of the council to discuss these views as necessary. I should be grateful if you would convey this offer to relevant political representatives.

Yours sincerely



Mark Taylor
Assistant Director