

**FALKIRK COUNCIL**

**MINUTE of MEETING of the AUDIT COMMITTEE held in the MUNICIPAL BUILDINGS, FALKIRK on MONDAY 16 MAY 2011 at 9.30 a.m.**

**PRESENT:-** R Stevenson; Councillors Blackwood, Coleman, Kenna, Lemetti, C Martin and Patrick.

**CONVENER:** R Stevenson.

**ATTENDING:-** Chief Executive; Directors of Community Services and of Education Services; Acting Director of Social Work Services; Acting Chief Finance Officer (B Smail); Head of Human Resources; Internal Audit Manager; Acting Head of Environmental & Regulatory Services; Democratic Services Manager; and Internal Audit Assistant.

**ALSO**

**ATTENDING:-** External Auditor (B Crosbie, Audit Scotland).

**DECLARATIONS**

**OF INTEREST:-** Councillor Patrick, declared a non-financial interest in item AC6 as a member of, and as Convener of the Investment Committee but did not consider that this required him to recuse himself from consideration of the item, standing terms of paragraph 5.18 of the code of Conduct.

Councillor Coleman declared a non-financial interest in item AC6 as a member of the Investment Committee but did not consider that this required him to recuse himself from consideration of the item, standing terms of paragraph 5.18 of the code of Conduct.

Councillor Blackwood declared a non-financial interest in item AC6 as a member of the Investment Committee but did not consider that this required him to recuse himself from consideration of the item, standing terms of paragraph 5.18 of the code of Conduct.

**AC1. MINUTE**

There was submitted (circulated) and **APPROVED** Draft Minute of Meeting of the Audit Committee held on 21 March 2011.

**AC2. INTERNAL AUDIT: ANNUAL ASSURANCE REPORT 2010/11**

There was submitted Report (circulated) dated 6 May 2011 by the Internal Audit Manager (a) summarising the Internal Audit work carried out in 2010/11; (b) highlighting the outcome of Audit Reviews; (c) providing an overall assurance on the Council's arrangements for risk management, governance and control, and (d) commenting on Internal Audit's compliance with the CIPFA Code of Practice for Internal Audit in Local Government.

Discussion focussed on the:-

- deferred 2010/11 review of Forth Valley Sensory Centre
- high quality of the Council's Internal Audit function
- background to, and outcomes arising from, the review of Budgetary and Financial Control systems in Social Work Services
- factors leading to the 'substantial assurance' status following the audit of NPDO/PPP School Maintenance, and the Audit Committee's role in highlighting good practice
- reporting arrangements with regard to the Helix project and arrangements for a cross party working group meeting to discuss proposals for the Kelpies
- factors leading to the 'limited assurance' status following the audit of the Procurement Function within Corporate and Neighbourhood Services
- need to manage the Council's relationship with Voluntary organisations and the key role of the Service Monitoring Officers
- background to Internal Audit being Highly Commended by the CIPFA Cliff Nicholson award Judging Panel for its work in relation to Serious Organised Crime.

**NOTED** that:

- (1) sufficient Internal Audit activity was undertaken to allow a balanced assurance to be provided;
- (2) Internal Audit is able to provide substantial assurance in respect of Falkirk Council's arrangements for risk management, governance and control for the year to 31 March 2011;
- (3) Audit Scotland will place formal reliance on, and obtain assurances from, the work of Internal Audit;
- (4) performance against Internal Audit Key Performance Indicators for the year to 31 March 2011 was as set out at paragraph 3.10, and
- (5) Internal Audit operates in compliance with the CIPFA Code.

### **AC3. ANNUAL GOVERNANCE STATEMENT**

There was submitted Report (circulated) dated 6 May 2011 by the Chief Executive (a) advising that Public Authorities are required to review and assess their own governance arrangements and prepare an Annual Governance Statement thereon, and (b) presenting a draft Statement for comment.

Discussion focussed on the:-

- position with regard to the appointment of a Corporate Risk Manager
- statement that 'on the whole', 'substantial assurance' can be placed on the financial control systems of outside bodies falling within the Council's group boundary
- progress made to increase the membership of the Citizens Panel

- process for assessing the effectiveness of the Audit Committee
- current position with regard to introducing the Improvement Service's Continuous Professional Development training for Members.

**NOTED** that the Annual Governance Statement will be published with, and form part of, the Council's 2010/11 Annual Accounts.

#### **AC4. FALKIRK COUNCIL – ANNUAL AUDIT PLAN 2010/11**

There was submitted Report (circulated) by Audit Scotland presenting the Audit Scotland Annual Plan for 2010/11. The Plan set out:-

- a summary of planned audit activity for 2010/11
- risks and issues identified during the Audit process in 2010/11
- a Summary Assurance Plan detailing planned audit action
- details of the audit fees for 2010/11

Discussion focused on:-

- the nature of a disagreement between the then Director of Finance and Audit Scotland with regard to the presentation of the Council's Financial Statement
- the definition of the term 'carrying value' with regard to assets
- Audit Scotland's reliance on the Council's Internal Audit function
- the background to the increase in the audit fee.

**NOTED.**

#### **AC5. FALKIRK COUNCIL – REPORT ON RESTATED IFRS OPENING BALANCE SHEET & PFI ADJUSTMENTS**

There was submitted Report (circulated) by Audit Scotland summarising a review of Falkirk Council's Opening Balance Sheet which had been undertaken in advance of the audit of the Council's 2010/11 Financial Statements. The report detailed the:-

- background to the review
- progress made to date in the transition to implementing International Financial Reporting Standards (IFRS)
- main findings of the review
- an agreed action plan arising from the review

Discussion focussed on the:-

- duration of the window leasing contract
- nature of the early PFI contracts
- commercial sensitivity of the detail of the PFI contracts

- factors leading to overstatements within financial reporting and the complex transition to IFRS.

**NOTED.**

#### **AC6. FALKIRK COUNCIL PENSION FUND – ANNUAL AUDIT PLAN 2010/11**

There was submitted Report (circulated) by Audit Scotland presenting the Annual Audit Plan 2010/11 for Falkirk Council's Pension fund. The report detailed the:-

- background to the Audit
- planned Audit activity
- fees associated with the Audit
- risks and issues arising from the Audit
- the risks together with assurances and actions arising from the Audit.

Discussion focussed on:-

- the role of the Pension Fund's Auditors and that of Audit Scotland
- the future of Pension Fund's and the proposal for 'mega mergers'
- the increase in Audit Scotland's responsibilities with regard to the Audit of the Pension Fund
- proposals for members to further discuss the implications of the Hutton Report
- the risk arising from retirements within the Fund's administrative support function

**NOTED.**

#### **AC7. UPDATE ON CORPORATE RISK MANAGEMENT WORKING GROUP**

There was submitted Report (circulated) dated 5 May 2011 by the Director of Development Services (a) outlining the work of the Corporate Risk Management Group (CRMG), and (b) highlighting the current issues identified for review and consideration as:-

- 2011 Business Continuity Plans
- Pandemic Influenza Planning Consultation
- Premises Managers Handbook
- Premises Intruder Alarms
- Emergency Response Procedures
- Insurance Claim Reporting
- HR Welfare Issues/Initiatives

**NOTED.**