

FALKIRK COUNCIL

Subject: AUDIT COMMITTEE ANNUAL REPORT 2012/13
Meeting: FALKIRK COUNCIL
Date: XX XXXX 2013
Author: AUDIT COMMITTEE CONVENER

1. INTRODUCTION

- 1.1 Since its establishment in 2009, Falkirk Council's Audit Committee has continued to evolve in line with relevant guidance and good practice. The appointment of an external Lay Convener in 2011 demonstrated the commitment of the Council to maintaining a culture to support risk management, governance, and control, and confirmed the Committee's place within the Council's wider governance framework.
- 1.2 In January 2012 Members of the Committee met, without Council Officers present, to review its activities against previously agreed Terms of Reference. At that meeting, the Terms of Reference themselves were also reviewed, with revised Terms of Reference subsequently agreed at the December 2012 meeting of full Council.

2. AUDIT COMMITTEE

Purpose of Committee

- 2.1 The purpose of the Audit Committee is to support the Council in its responsibilities for risk management, governance, and control.
- 2.2 It does this by seeking assurance that an efficient and effective system of internal control is maintained, and that reasonable and proportionate arrangements have been established to ensure that assets are safeguarded, waste or inefficiency is avoided, reliable financial information is produced, value for money is continuously sought, and that Council activities are within the law.

Composition and Meetings

- 2.3 Following the May 2012 Local Government elections Committee membership comprised:

- Convener: Mrs. Roseann Stevenson
- Members: Provost Reid
Depute Provost Patrick
Councillor Black
Councillor Carleschi
Councillor Coleman
Councillor Paterson

2.4 The Committee met on three occasions during the period 01 April 2012 to 31 March 2013, on the undernoted dates:

- Monday 24 September 2012 (Special Meeting);
- Monday 29 October 2012;
- Monday 25 March 2013.

2.5 This is in accordance with the requirements of the Terms of Reference of the Committee (Appendix 1). Minutes of all meetings are submitted to full Council.

Business

2.6 The Committee considered a variety of work during the year primarily in relation to Internal and External Audit plans and reports, and the Annual Accounts process.

2.7 A schedule of specific areas considered (in line with the Committee Terms of Reference) is included at **Appendix 2**.

Annual Accounts

2.8 To accommodate Annual Accounts deadlines, the Committee held a special meeting in September 2012. At this meeting Members considered the ISA 260 Report To Those Charged with Governance, the Annual Governance Statement, and the Internal Audit Annual Assurance Report.

2.9 There were no significant matters raised by Audit Scotland following their examination of the 2011/12 accounts.

Internal Audit

2.10 The Committee reviewed and approved the 2012/13 Internal Audit Plan on 12 March 2012. The Internal Audit Plan was based on a risk assessment and took account of input from senior management. The Committee monitored the progress of the Internal Audit Plan and received reports on the key findings of the work throughout the year.

2.11 A summary of Internal Audit work undertaken during 2012/13 is attached at **Appendix 3**. (to be attached following the Internal Audit review of 2012/13)

2.12 A quality review of the Internal Audit function was carried out by West Lothian Council's Audit and Risk Manager. This was reported to the Committee on 29 October 2012, and it was pleasing to note that the results showed a high level of compliance with the CIPFA Code of Practice.

External Audit

2.13 Representatives of Audit Scotland, the Appointed External Auditors, attend all meetings of the Committee, and presented their Annual Audit Plan on 12 March 2012. In October 2012 the Committee considered the detailed findings from the audit of the 2011/12 annual audit, with no material matters arising.

3. FUTURE PRIORITIES

3.1 As well as continuing to fulfill its core functions (as per its Terms of Reference), the Committee will also consider its role in relation to:

- developments in the risk management process;
- emerging issues and areas of risk;
- governance arrangements;
- the implementation of actions agreed by management to Internal and External Audit recommendations;
- assurance on risk management, governance and internal control from bodies responsible for services provided on behalf of Falkirk Council;
- national reports from bodies such as Audit Scotland where these impact on risk management, governance, and control.

4. RECOMMENDATIONS

4.1 Members are invited to note this report on the work of the Audit Committee.

.....

AUDIT COMMITTEE CONVENER

Date: XX March 2013

AUDIT COMMITTEE – TERMS OF REFERENCE

1. PURPOSE

- 1.1 The purpose of the Audit Committee is to support the Council in its responsibilities for risk management, governance, and control. It does this by seeking assurance that an effective system of internal control is maintained, and that reasonable arrangements have been established to ensure that assets are safeguarded, waste or inefficiency is avoided, reliable financial information is produced, value for money is continuously sought, and that Council activities are within the law.

2. COMPOSITION

- 2.1 **Membership:** The membership of the Committee shall comprise 6 Elected Members and a Lay person who will act as Convener. Executive Officers of the Council are not eligible for Membership.
- 2.2 **Appointment of Convener:** The Convener of the Committee shall be appointed by the full Council on the recommendation of an Appointments Panel following a formal recruitment exercise. The appointment will be until the next Local Government Elections after that date. The post appointment may be terminated at any point by Council decision or by resignation .
- 2.3 **Attendance:** The Chief Executive, Chief Finance Officer, Chief Governance Officer, Service Directors, Internal Audit Manager, and Statutory External Auditor or their deputies shall attend meetings where appropriate. The Committee can request the attendance of any Officer of the Council. The Committee will meet in public, except where it resolves otherwise., All Council Members have the right of attendance and access to papers..

3. MEETINGS

- 3.1 **Frequency:** Meetings of the Committee will be timetabled to coincide with important events and before important decisions are made, and will take account of the annual Internal and External Audit planning and reporting cycle.
- 3.2 Meetings will be held a minimum of four times per year, based on a Core Work Programme identifying the key items of business to be discussed at each meeting.
- 3.3 **Agenda and Papers:** The Agenda and supporting papers will be sent out at least three working days in advance of the meetings. All papers will clearly state the Agenda reference, the author, the purpose of the paper, the author's recommendations in respect of the business, and the decision to be taken.
- 3.4 **Quorum:** No business shall be transacted unless a minimum of 4 Audit Committee Members (with a minimum of 3 elected members required) are present.
- 3.5 **Minutes:** Formal Minutes will be kept of proceedings and will be submitted for approval at the next meeting of the Committee. Minutes of the Audit Committee

will be presented to the next ordinary meeting of Council to ensure that all Members are aware of issues considered and decisions taken.

- 3.6 **Other:** If necessary, additional meetings of the Committee shall be convened and attended exclusively by Members of the Committee and / or the External Auditor or Internal Auditor.

4. OBJECTIVES

- 4.1 The main objectives of the Committee are to provide:
- 4.1.1 independent assurance on the adequacy of the risk management framework and associated control environment within Falkirk Council;
 - 4.1.2 independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects Falkirk Council's exposure to risk and weakens the control environment; and
 - 4.1.3 assurance that any issues arising from the process of drawing up, auditing, and certifying the Annual Accounts are properly dealt with.

5. FUNCTIONS DELEGATED TO THE COMMITTEE

Risk Management, Governance, and Control

- 5.1 To review and seek assurance on the framework of risk management, governance, and control.
- 5.2 To review and seek assurance on the system of internal financial control.
- 5.3 To review the Authority's Assurance Statements to ensure they properly reflect the risk environment, and to produce an annual report on the above to support these statements.
- 5.4 To take account of the implications of publications detailing best practice for audit, risk management, governance, and control.
- 5.5 To take account of recommendations contained in the relevant reports / minutes of external scrutiny agencies.

Internal Audit

- 5.6 To review and approve the Internal Audit Strategy and Plans ensuring that the process has due regard to risk materiality and coverage.
- 5.7 To monitor progress and review audit reports from the Internal Audit Manager.
- 5.8 To monitor management action taken in response to audit recommendations.
- 5.9 To consider the Internal Audit Manager's Annual Assurance Report.

- 5.10 To review the operational effectiveness of Internal Audit by considering its standards, resources, staffing, technical competency, and performance measures.
- 5.11 To ensure there is direct contact between the Audit Committee and Internal Audit, and the opportunity is given for discussions with the Internal Audit Manager (as required) without the presence of Executive Officers.

External Audit

- 5.12 To review the Audit Strategy and Plan, including the Performance Audit Programme.
- 5.13 To consider all statutory audit material, in particular:
- Audit Reports (including Performance Audit Studies);
 - Annual Reports; and
 - Management Letters.
- 5.14 To monitor management action taken in response to External Audit recommendations, including Performance Audit Studies.
- 5.15 To have the ability to hold meetings with the External Auditors at least once per year without the presence of the Executive Directors.
- 5.16 To review the extent of co-operation between External and Internal Audit.
- 5.17 To note the appointment and remuneration of External Auditors.

Standing Orders and Financial Regulations

- 5.18 To periodically review Standing Orders and Financial Regulations.

Annual Accounts

- 5.19 To review changes in accounting policy.
- 5.20 To review and recommend approval to the Council of the Annual Accounts.
- 5.21 To report on the roles and responsibilities of the Audit Committee and actions taken to discharge those.

6. OTHER

- 6.1 The Committee has a duty to review its own performance, effectiveness, and terms of reference on an annual basis.
- 6.2 The Committee shall keep up-to-date with changes to topical laws and regulations.
- 6.3 An Annual Report of the work of the Committee shall be submitted to the Full Council (by the Convener of the Audit Committee).

- 6.4 The Committee has the power invite such persons with particular expertise in areas being considered by the Committee to address the Committee or to take part in meetings

AUDIT COMMITTEE - SCHEDULE OF BUSINESS
CONSIDERED - 2012/13

Agenda Item	Date Discussed	Item Discussed	Report Author
Risk Management, Governance, and Control			
AC3 (2012/13)	24 September 2012 (Special)	Corporate Governance Arrangements – Key Financial Systems Controls	Chief Finance Officer (covering Audit Scotland report)
xx	29 October 2012	Peer Review of Falkirk Council Internal Audit	West Lothian Council Audit and Risk Manager
	29 October 2012	Scottish Local Authorities Chief Internal Auditors' Group – Annual Report 2011/12	Internal Audit Manager
	29 October 2012	Audit Committee – Terms of Reference	Chief Executive
Internal Audit			
AC4 (2012/13)	24 September 2012 (Special)	Internal Audit: Annual Assurance Report 2011/12	Internal Audit Manager
	29 October 2012	Internal Audit Progress Report	Internal Audit Manager
	29 October 2012	Internal Audit – Outstanding Recommendations	Internal Audit Manager
External Audit			
Standing Orders and Financial Regulations			
N/A	N/A	N/A	N/A
Annual Accounts			
AC5 (2012/13)	24 September 2012 (Special)	Annual Governance Statement 2011/12	Chief Executive
AC6 (2012/13)	24 September 2012 (Special)	Report To those Charged With Governance On The 2011/12 Audit – ISA 260 Report	Chief Finance Officer (covering Audit Scotland report)
	29 October 2012	ISA 580 Letter of Representation	Chief Finance Officer
	29 October 2012	Annual Report on the 2011/12 Audit	Chief Finance Officer (covering Audit Scotland report)

Note:

Agenda items relate to minutes of previous meetings

