

Falkirk Council

Annual Audit Plan 2013/14



Prepared for Falkirk Council
February 2014

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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Summary

Introduction

1. Our audit is focused on the identification and assessment of the risk of material misstatement in Falkirk Council's financial statements. This plan summarises our assessment of the key challenges and risks facing Falkirk Council (the council) and sets out the audit work that we propose to undertake in 2013/14. Our plan reflects:
 - the risks and priorities facing the council
 - current national risks relevant to local circumstances
 - the impact of changing international auditing and accounting standards
 - our responsibilities under the Code of Audit Practice as approved by the Auditor General for Scotland
 - issues brought forward from previous audit reports.

Summary of planned audit activity

2. Our planned work in 2013/14 includes:
 - an audit of the financial statements and provision of an opinion on whether:
 - they give a true and fair view of the financial position of the council as at 31 March 2014 and its income and expenditure for the year then ended
 - the accounts have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2013 Code of Practice on Local Authority Accounting in the United Kingdom (the Code)
 - reporting the findings of the shared risk assessment process in an Assurance and Improvement Plan update. This will provide detail on the Local Area Network's (LANs) risk assessment of the council and will include updated scrutiny plans for 2014/15 to 2016/17
 - a review and assessment of the council's governance and performance arrangements in a number of key areas including: selected systems of internal control, the adequacy of internal audit, targeted follow-up of national studies, ICT follow-up and statutory performance indicators
 - provision of an opinion on a number of grant claims (e.g. housing benefit) and returns, including Whole of Government Accounts
 - review of National Fraud Initiative arrangements
 - regular attendance at Audit Committee.

Responsibilities

3. The audit of the financial statements does not relieve management or the Audit Committee, as the body charged with governance, of their responsibilities.

Responsibility of the appointed auditor

4. Our responsibilities, as independent auditor, are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.
5. Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements set in place by the audited body to ensure the proper conduct of its financial affairs and to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

Responsibility of the Chief Finance Officer

6. It is the responsibility of the Chief Finance Officer, as the appointed proper officer, to prepare the financial statements in accordance with relevant legislation and the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This means:
 - acting within the law and ensuring the regularity of transactions by putting in place appropriate systems of internal control
 - maintaining proper accounting records
 - preparing financial statements timeously which give a true and fair view of the financial position of the council as at 31 March 2014 and its expenditure and income for the year then ended.

Format of the accounts

7. The financial statements should be prepared in accordance with the Code which constitutes proper accounting practice. The council prepares a Whole of Government Accounts consolidation pack annually for the Scottish Government. To enable summarisation common accounting principles and standard formats should be used.

Audit Approach

Our approach

8. Our audit approach is based on an understanding of the characteristics, responsibilities, principal activities, risks and governance arrangements of the council. We also consider the key audit risks and challenges in the local government sector generally. This approach includes:
 - understanding the business of the council and the risk exposure which could impact on the financial statements
 - assessing the key systems of internal control, and considering how risks in these systems could impact on the financial statements
 - identifying major transaction streams, balances and areas of estimation and understanding how the council will include these in the financial statements
 - assessing and addressing the risk of material misstatement in the financial statements
 - determining the nature, timing and extent of the audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements give a true and fair view.
9. We have also considered and documented the sources of assurance which will make best use of our resources and allow us to focus audit testing on higher risk areas during the audit of the financial statements. The main areas of assurance for the audit come from planned management action and reliance on systems of internal control. Management action being relied on for 2013/14 includes:
 - comprehensive closedown procedures for the financial statements accompanied by a timetable issued to all relevant staff
 - clear responsibilities for preparation of financial statements and the provision of supporting working papers
 - delivery of unaudited financial statements to agreed timescales with a comprehensive working papers package
 - completion of the internal audit programme for 2013/14.
10. Auditing standards require internal and external auditors to work closely together to make optimal use of available audit resources. We seek to rely on the work of internal audit wherever possible and, as part of our planning process we carry out an early assessment of the internal audit function. Internal audit is provided by the internal audit section within Falkirk Council. From 1 April 2013 internal audit were required to adopt the Public Sector Internal Audit Standards (PSIAS). We have identified a number of areas where internal audit are still working to achieve full compliance with the new standards. Overall, we have concluded that the areas of non-compliance with PSIAS do not impact on the range and quality of work carried out by internal audit. In addition, we have obtained assurances from the internal audit

manager that action is being taken to ensure full compliance with PSIAS in future. The findings from our review have been reported separately.

11. For our financial statements audit work we plan to review the findings and place formal reliance on the work of internal audit in the following areas:
 - General services capital programme
 - Debtors (reviewed in 2012/13)
12. In terms of our wider audit responsibilities we also plan to consider internal audit work in the following areas:
 - Welfare reform
 - Strategic projects (TIF)

Materiality

13. International Standard on Auditing 320 provides guidance on the concept of materiality. We consider materiality and its relationship to audit risk when planning the nature, timing and extent of our audit and conducting our audit procedures. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
14. When considering, in the context of a possible qualification, whether the misstatement of an item, or a number of items taken together, is material in terms of its monetary value, we use professional judgement and experience. An item may be judged material for reasons other than its monetary value. An inaccuracy, which would not normally be regarded as material, may be important for other reasons. When such an item affects a critical point in the accounts, its materiality has to be viewed in a narrower context (for example the failure to achieve a statutory requirement, or an item contrary to law). Such matters would normally fall to be covered in an explanatory paragraph in the independent auditor's report.

Reporting arrangements

15. The Local Government (Scotland) Act 1973 requires that unaudited financial statements are presented to the council and Controller of Audit within three months of the end of the financial year. The Controller of Audit requires audit completion and issue of an independent auditor's report (opinion) by 30 September each year. A high level timetable is included at Appendix A of this plan, which takes account of submission requirements, planned Audit Committee dates and audit resources.
16. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the responsible head of service and relevant officers to confirm factual accuracy. Responses to draft reports are expected within three weeks of submission. A copy of all final agreed reports will be sent to the Chief Executive, Chief Finance Officer, relevant senior managers, internal audit and Audit Scotland's Performance Audit and Best Value Group.

17. We will provide an independent auditor's report to Falkirk Council and the Accounts Commission that the audit of the financial statements has been completed in accordance with applicable statutory requirements. After completion of the audit we will provide Members and the Controller of Audit with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the course of the audit. All annual reports are published on Audit Scotland's website: (www.audit-scotland.gov.uk).
18. Planned outputs for 2013/14 are summarised at Exhibit 1.

Exhibit 1: Planned outputs

Planned outputs	Target delivery date
Governance	
Review of adequacy of internal audit	31 January 2014
Assurance and improvement plan update (jointly prepared with other local government scrutiny bodies)	19 May 2014
Internal controls management letter	30 June 2014
Computer services review follow-up	31 July 2014
Performance	
Targeted follow-up of performance audit: ALEOs	31 May 2014
Targeted follow-up of performance audit: Major capital investment in councils	30 June 2014
Financial statements	
Report to Audit Committee in terms of ISA 260 (communication of audit matters to those charged with governance)	30 September 2014
Independent auditor's report on the financial statements	30 September 2014
Annual report to Members and the Controller of Audit	31 October 2014
Audit opinion on Whole of Government Accounts	3 October 2014
Grants	
Audit opinions on Education Maintenance Allowance, Non Domestic Rates Income Return, Criminal Justice Social Work Services and Housing Benefit Subsidy.	As required.

Quality control

19. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being

complied with and that the independent auditor's report or opinion is appropriate in the circumstances. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice issued by Audit Scotland and approved by the Accounts Commission. To ensure that we achieve the required quality standards Audit Scotland conducts peer review, internal quality reviews and has engaged the Institute of Chartered Accountants of Scotland (ICAS) to conduct a programme of external review.

20. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We do, however, welcome feedback at any time and this may be directed to the engagement lead, Fiona Mitchell-Knight.

Independence and objectivity

21. Auditors appointed by Audit Scotland must comply with the Code of Audit Practice. When auditing the financial statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB) and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland's Ethics Partner.
22. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Falkirk Council.

Audit issues and risks

Audit issues and risks

23. This annual audit plan focuses on governance and other risks specific to the financial statements of the council. The LAN's Assurance and Improvement Plan update 2014-17 also provides an analysis of wider risks and issues which relate to aspects of the council's performance.
24. **Financial management and sustainability:** In 2012/13, the council's general fund balance increased by £5.194 million. This represented an underspend of £11.216 million against budget. This is in contrast to the 2011/12 financial position when the council reported a decrease in the general fund balance of £4.482 million, which was £3.258 million more than planned. Finance officers have committed to reviewing the base budget to ensure that it is realigned with future spending requirements. We will continue to monitor the council's financial position throughout the 2013/14 audit.
25. The council has identified a funding gap of £35 million over the next three years to 2016/17. Many of the more readily achievable savings have already been made and it will be a significant challenge for the council to identify recurring savings going forward. During 2012/13 we carried out a targeted review of the council's response to Audit Scotland's report, *Scotland's public finances: Addressing the challenges*. The aim of the local follow-up work was to assess the council's response to the challenges of public sector budget constraints and its efforts to achieve financial sustainability. We identified a number of areas of good practice within the council and also agreed some areas for improvement with finance officers. We will assess progress against the agreed action plan and report our findings in the 2013/14 annual audit report.
26. **Governance and accountability:** The council approved and introduced a new decision making structure in 2012/13, replacing the traditional committee based model with an executive model. The first meetings of the new structure took place in May 2013. As reported in our 2012/13 annual audit report, not all members are participating in the new structure. This is evidenced by non-attendance of some members at the executive and scrutiny committee meetings and scrutiny and policy development panels. This could undermine the local governance and scrutiny arrangements of the council. The council has committed to carrying out a review of the structure when it has been in operation for a full year. The audit work required in this area will be determined by scrutiny partners through the shared risk assessment process.
27. **Performance management:** In 2012/13, we noted a number of developments in the council's performance management arrangements, including the introduction of a peer scrutiny review process and the establishment of a performance panel to promote challenge and improvement across the council. However, these developments are still in their very early stages. For instance, the first meeting of the performance panel was only held in November 2013. This was the first forum held for members to scrutinise service performance since the

introduction of the new decision making structure in May 2013. Management will need to ensure that all aspects of performance management and scrutiny are working effectively in the coming year. In particular, there is evidence that some service performance targets need to be revisited to ensure that they are specific and challenging to promote continuous improvement across the council. The audit work required in this area will be determined by scrutiny partners through the shared risk assessment process.

28. **Depute Chief Finance Officer post:** the Depute Chief Finance Officer's request for early retirement has been approved and he is due to retire at the end of May 2014. The depute plays a key role in co-ordinating the final accounts process and ensuring a comprehensive working papers package is provided to auditors at the commencement of the financial statements audit. Suitable transitional arrangements will be required to ensure the unaudited financial statements and a comprehensive working papers package is provided to audit by 30 June 2014. This is critical to enable the Audit Committee reporting date of 22 September 2014 and the statutory sign off deadline of 30 September 2014 to be met. Officers have yet to confirm succession planning arrangements. We will maintain regular contact with council officers to monitor developments going forward and consider the impact on our audit.
29. **The Helix project:** the Helix will come into operation in 2013/14, resulting in a change in the existing accounting treatment adopted by the council. The council has been acting as principal for the capital project since its inception, recognising the capital expenditure as 'assets under construction' on its balance sheet. In 2013/14, the operational assets will need to be transferred to their rightful owner in line with the partnership agreement for the project. We have entered into discussions with finance officers to ensure that we reach early agreement on the appropriate accounting treatment. We will review the accounting treatment as part of our 2013/14 audit.
30. **Tax incremental financing (TIF) scheme:** Scottish Government approval has been received for the council to proceed with a £67 million tax incremental financing (TIF) investment programme to boost economic development in the Falkirk area. TIF is a funding mechanism being piloted in Scotland that uses future anticipated non-domestic rates (NDR) revenues to finance infrastructure developments within a designated area. The council's TIF programme aims to support the council's ambition to be a major national hub for manufacturing, chemicals and distribution activities. The programme includes plans for M9 junction upgrades, site specific enabling works to stimulate development, a contribution towards Grangemouth flood defences and completion of the A801 Avon Gorge upgrade.
31. The 2013/14 Code of Practice on Local Authority Accounting in the United Kingdom includes specific requirements for the TIF scheme where the council is likely to be acting as principal rather than agent. A new line has been added to the presentation requirements of the NDR income account for income retained by the council, with a requirement to report this amount separately. The council will need to ensure that they have adequate processes in place to accurately identify the amount to be retained by the council. We will review the processes and accounting treatment as part of the 2013/14 audit.

- 32. Welfare reform:** The council has been proactive in preparing for the implications of the Welfare Reform Act 2012 through effective communication with Members and the public. However, as anticipated, rent arrears have been increasing in Falkirk. Revenue officers estimate that welfare reform could result in a further net increase in arrears of £400,000 during 2013/14. Finance and corporate & neighbourhood services are actively exploring ways of tackling the problem through prevention (awareness and education), intervention (support) and sanctions (using all appropriate recovery actions). Audit Scotland is conducting a housing benefit performance audit at the council, part of which will assess the council's response to welfare reform. The findings from this audit will be reported in spring 2014.
- 33.** On 1 April 2013 council tax benefit was replaced by a council tax reduction scheme to be administered by the council. The council needs to ensure that it has robust controls in place to effectively administer the scheme. We will review the systems and processes in place to obtain assurances for our financial statements audit.
- 34. Health and social care integration:** The council's public service reform arrangements have been considered through the shared risk assessment process and the LAN have concluded that more information is required to assess Falkirk's readiness for health and social care integration. There are regular high level talks between chief officers of NHS Forth Valley and the council on the issue and each body is working on plans to deliver better integration. However, both organisations have yet to agree on the most appropriate model for taking forward integration and the lead-in time for developing plans is steadily reducing. The LAN will continue to monitor developments closely in this area as health and social care integration is due to be implemented from 1 April 2015.
- 35. Information and communication technology (ICT):** The Public Service Network (PSN) is a significant part of the Government ICT Strategy and is required to provide an assured network over which public organisations can safely share services. The shared services at this time are only a small but significant part of the council's operations, including links to register births, deaths and marriages and to DWP benefit information. The council received PSN certification in November 2013 based on revised security arrangements. There are a number of areas where the council still needs to install permanent solutions. Our ICT auditor will continue to monitor the council's progress in this area.
- 36.** We carried out a computer services review (CSR) as part of our 2012/13 audit process. A number of areas of good practice were reported but some areas where the council is exposed to a degree of risk were also identified. In particular, the council's ICT strategy has yet to be reviewed and approved by members. An ICT strategy is an important means of providing a "roadmap" and benchmark for measuring the delivery of ICT enabled service improvement going forward. If this issue is not resolved during 2013/14 then we would expect the matter to be highlighted as a weakness in the annual governance statement. As part of the current year audit, our ICT auditor will follow-up and report on progress against the CSR action plan that we agreed with management.

Prior year matters for follow-up

37. **Equal pay provision:** The Equal Pay Act 1970 makes it unlawful for employers to discriminate between men and women in terms of their pay and conditions where they are doing the same or similar work, work rated as equivalent, or work of equal value. Employees who consider that they have been discriminated against in terms of pay and are dissatisfied with the council's proposed resolution or compensation can elect to have a case heard before an employment tribunal. Falkirk Council has received a significant number of claims for compensation. The ultimate cost to the council remains uncertain despite recent developments in case law and it is likely that the issue will take some time to resolve. As the tribunal process unfolds the extent of the council's eventual liability will become clearer. The equal pay provision will be reviewed in 2013/14.
38. **Valuation and depreciation of council houses:** The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) states that the fair value of council dwellings shall be measured using the existing use value-social housing (EUV-SH) method of valuation. The council has been using a discounted cash flow approach to the valuation of its housing stock since 1 April 2010 which results in a significantly lower valuation. The council will align its method of housing stock valuation with the Code at the next valuation due in 2015/16.
39. The council does not charge depreciation on its council housing stock on the grounds that the amount involved would not be material. In 2012/13 we asked management to provide evidence supporting their assertion that depreciation was not material. In response, finance officers explained that as the residual value of council houses was equal to their carrying value no depreciation was chargeable. Management also consulted with specialist staff in the District Valuer's Office to confirm that this was a valid approach. We have accepted this accounting treatment on the basis that the issue will be resolved in 2015/16 when the housing stock is revalued. We will review the position in 2013/14 and obtain further management assurances for audit purposes.
40. **Provision for landfill site restoration and aftercare costs:** The council owns Kinneil Kerse, an inactive landfill site. As a result it has responsibilities regarding the restoration and aftercare costs of the landfill site. To comply with accounting requirements, IAS 37 *Provisions, contingent liabilities and contingent assets*, the council should recognise these costs as a provision in its balance sheet. In 2012/13, the council did not include a provision in the accounts for this liability and finance officers took the decision not to amend the accounts as the amount was considered immaterial.
41. At 1 April 2012 the District Valuer placed a value of £1.773 million on the necessary works over the next 60 years. This amount should have been recognised as a provision in the accounts. As restoration and aftercare work is capital in nature the adjustment would have no impact on the council's general fund balance at the year end. The council has agreed to process a prior year adjustment in the 2013/14 accounts to recognise a provision for the restoration and aftercare costs of Kinneil Kerse landfill site in line with IAS 37.

Summary assurance plan

42. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified, in the previous section, a range of risks for your organisation which require further consideration as part of our 2013/14 audit. In most cases, actions to manage these risks are either planned or underway within the council. Details of these risks, the sources of assurance that we have received and any audit work we plan to undertake are set out in Appendix B. In the period prior to the submission of the unaudited financial statements we will liaise with senior officers on any new or emerging risks.

National performance audit studies - impact and follow up

43. Audit Scotland's Performance Audit and Best Value Group undertake a programme of studies on behalf of the Auditor General and Accounts Commission. In line with Audit Scotland's strategy to support improvement through the audit process and to maximise the impact of national performance audits we will follow up a number of studies at a local level. In 2013/14 this will include a targeted review of *Arm's-length external organisations (ALEOs): are you getting it right?* (June 2011) and *Major capital investment in councils* (March 2013).

Fees and resources

Audit fee

44. In determining the audit fee we have taken account of the risk exposure of the council, the management assurances in place, and the level of reliance we plan to take from the work of internal audit. We have assumed receipt of a complete set of unaudited financial statements and comprehensive working papers package by 30 June 2014.
45. The agreed audit fee for the 2013/14 audit of Falkirk Council is £318,799 as summarised in Exhibit 2. Our fee covers:
- all of the work and outputs described in this plan
 - a contribution towards the costs of national performance studies and statutory reports by the Controller of Audit and the work of the Accounts Commission
 - attendance at Audit Committee meetings
 - access to advice and information on relevant audit issues
 - access to workshops/seminars on topical issues
 - travel and subsistence costs.

Exhibit 2: Audit fee

Description	Audit fee 2010/11	Audit fee 2011/12	Audit fee 2012/13	Audit fee 2013/14
Total audit fee	£359,000	£333,973	£318,799	£318,799
% cash reduction on prior year	6.51	6.97	4.54	-

46. Where our audit cannot proceed as planned through, for example, late receipt of the unaudited financial statements/working papers or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Audit team

47. Fiona Mitchell-Knight, Assistant Director of Audit Services is your appointed auditor. The local audit team will be led by Jim Rundell who will be responsible for the day to day management of the audit and who will be your primary contact. Details of the experience of our team are provided at Appendix C. The core audit team will call on other specialist and support staff, as necessary.

Appendix A - Financial statements audit timetable

Key stage	Date
Testing and review of internal control systems and transactions	January - June 2014
Meetings with officers to clarify expectations of detailed working papers and financial system reports	31 March 2014
Planned council approval of unaudited financial statements	25 June 2014
Latest submission of unaudited council financial statements with working papers package	30 June 2014
Progress meetings with lead officers on emerging issues	As required
Latest date for final clearance meeting with Chief Finance Officer	8 September 2014
Agreement of unsigned financial statements for Audit Committee agenda, and issue of report to the Audit Committee on the audit of financial statements (ISA 260)	15 September 2014
Audit Committee date	22 September 2014
Independent auditor's report signed	30 September 2014
Latest date for submission of unaudited Whole of Government Accounts (WGA) to external audit	29 August 2014
Latest date for signing of WGA return	3 October 2014
Annual report to Members and the Controller of Audit	31 October 2014

Appendix B - Summary assurance plan

In this section we identify a range of financial statements and wider dimension audit risks facing the council, the related source of assurance received and the audit work we propose to undertake to secure additional assurance. The management of risk is the responsibility of the council and its officers, with the auditor's role being to review the arrangements put in place by management. Planned audit work, therefore, will not necessarily address all residual risks.

Risk	Source of assurance	Planned audit action
Financial management and sustainability		
<p>The council's general fund balance increased by £5.194 million in 2012/13. This represented an underspend of £11.216 million against budget.</p> <p>It will be a significant challenge for the council to identify recurring savings going forward.</p> <p><i>Risk: significant over or under spends may undermine effective financial management and sustainability in the future.</i></p>	<ul style="list-style-type: none"> The council has recognised the level of underspend by carrying out a budget rebasing exercise for 2013/14, which has resulted in a figure of £2m being removed from service budgets. A similar exercise has been carried out as part of the 2014/15 budget exercise. Progress against the local follow-up report on <i>Scotland's public finances: addressing the challenges</i> to be reported to the March Audit Committee. 	<ul style="list-style-type: none"> Review the council's 2013/14 budget monitoring reports. Assess progress against <i>Scotland's public finances: addressing the challenges</i> targeted follow-up action plan.
Governance and accountability		
<p>Not all members are participating in the new decision-making structure that has been approved by council.</p> <p><i>Risk: governance and scrutiny arrangements are not effective.</i></p>	<ul style="list-style-type: none"> The council is planning to conduct a full review of the decision making structure to assess its effectiveness. The work is due to commence in April 2014. 	<ul style="list-style-type: none"> Audit work will be determined through the shared risk assessment process.

Risk	Source of assurance	Planned audit action
Performance management		
<p>There is evidence that performance management arrangements have improved but many developments are still at an early stage in their development and it is difficult to gauge their effectiveness to date.</p> <p><i>Risk: performance management and scrutiny arrangements are not effective.</i></p>	<ul style="list-style-type: none"> • The peer scrutiny review process will continue to operate across services. Officers will evidence how this process is driving challenge and improvement within services. • The Performance Panel will scrutinise service performance on a cyclical basis. Officers will demonstrate that scrutiny is driving improvement activity within the council. 	<ul style="list-style-type: none"> • Audit work will be determined through the shared risk assessment process.
Depute Chief Finance Officer post		
<p>The Depute Chief Finance Officer plays a key role in co-ordinating the final accounts process. The current post holder is due to retire at the end of May 2014 and succession planning arrangements have yet to be agreed.</p> <p><i>Risk: the final accounts process is not managed effectively and comprehensive working papers, in support of the draft 2013/14 accounts, are not provided to audit on time.</i></p>	<ul style="list-style-type: none"> • A report is planned to go to an early meeting of the Council recommending replacement of the post. A permanent appointment may not be in place until August 2014. • Appropriate arrangements will be put in place until the post is permanently replaced in order to minimise any disruption to the final accounts process. 	<ul style="list-style-type: none"> • On going dialogue with Chief Finance Officer to keep abreast of developments.
The Helix project		
<p>The Helix will be operational at the year end. The operational assets will need to be transferred to their rightful owners per the project partnership agreement,</p>	<ul style="list-style-type: none"> • The Helix partnership agreement is being reviewed to identify all assets under the council's ownership. • Officers have entered into 	<ul style="list-style-type: none"> • Review the accounting treatment of the Helix project as part of 2013/14 audit.

Risk	Source of assurance	Planned audit action
<p>resulting in a change in accounting treatment for the council.</p> <p><i>Risk: there is a risk of material misstatement in the financial statements given the unique nature and high values associated with the Helix project.</i></p>	<p>early discussions with Audit Scotland to reach agreement on the appropriate accounting treatment.</p>	
Tax incremental finance		
<p>The 2013/14 Code has been amended to reflect arrangements under the TIF scheme where the council is likely to be acting as principal rather than agent. The council will need to ensure that these changes are reflected in the NDR income account.</p> <p><i>Risk: the council does not have appropriate processes in place to accurately identify the income to be retained by the council.</i></p>	<ul style="list-style-type: none"> • Finance staff have received updates on technical accounting issues. • The accounts will reflect the requirements of the 2013/14 Code as they relate to TIF schemes. 	<ul style="list-style-type: none"> • Review processes and accounting treatment as part of the 2013/14 audit. • We will check compliance with the accounting and disclosure requirements of the 2013/14 Code.
Welfare reform		
<p>The council are responsible for administering the council tax reduction scheme and officers need to ensure that there are robust controls in place to effectively carry out this duty.</p> <p><i>Risk: under/over recovery of council tax income in the absence of an effective system of internal control.</i></p>	<ul style="list-style-type: none"> • A full review of all incoming and outgoing benefits documentation, appeals working practices, procedures and system output has taken place to enable the council to effectively administer the new scheme. 	<ul style="list-style-type: none"> • Review the system in place for administering the council tax reduction scheme.

Risk	Source of assurance	Planned audit action
Health and social care integration		
<p>The council and NHS Forth Valley have yet to agree an appropriate model for taking forward integration.</p> <p><i>Risk: plans to support health and social care integration are not sufficiently developed to support effective implementation of new arrangements by 1 April 2015.</i></p>	<ul style="list-style-type: none"> Regular meetings are being held between chief officers of the council and the health board to agree plans for taking health and social care integration forward. The council plans to have a model in place by March 2014. 	<ul style="list-style-type: none"> Review minutes of meetings between the council and the health board. Maintain regular contact with council officers to stay informed of developments.
PSN compliance		
<p>The council received PSN certification in November 2013 although some improvements still require to be made to further strengthen ICT security arrangements.</p> <p><i>Risk: The council may not be able to access key information from other public sector bodies (e.g. benefits) leading to significant service disruption.</i></p>	<ul style="list-style-type: none"> Procurement of a robust Mobile Device Management solution. Moving teachers and classrooms out of the council's ICT network. Externalising GSX Mail and developing guidance for staff on this. Other remedial works to be carried out to ensure compliance with the Cabinet Office's Code of Connection. 	<ul style="list-style-type: none"> ICT auditor to monitor and report on the council's progress with PSN compliance.
ICT		
<p>Our 2012/13 CSR identified a number of areas for improvement. In particular, the lack of progress in finalising the council's ICT strategy.</p> <p><i>Risk: The provision of effective ICT systems and infrastructure is undermined.</i></p>	<ul style="list-style-type: none"> Officers are committed to progressing the action plan agreed with audit in 2012/13. ICT strategy to be submitted to the Corporate Management Team and then to the Executive for approval by the end of March 2014. 	<ul style="list-style-type: none"> Follow-up and report on progress against the 2012/13 CSR action plan.

Risk	Source of assurance	Planned audit action
Equal pay claims		
<p>The potential liability resulting from equal pay claims remains uncertain and is subject to the outcome of several national test legal cases.</p> <p><i>Risk: the cost of the equal pay claims is greater than that provided for by the council.</i></p>	<ul style="list-style-type: none"> • The council set aside a provision of £4.2m in 2012/13 to deal with equal pay claims. This sum was based on the best evidence available at the time. In addition, the council has a level of reserves, which can be used to further increase the provision if so required. • The level of provision will be subject to review as part of the final accounts process for 2013/14. 	<ul style="list-style-type: none"> • Monitor developments throughout the year and review the equal pay provision as part of the 2013/14 financial statements audit.
Non-depreciation of council house dwellings		
<p>The council does not charge depreciation on its council dwellings on the grounds that any depreciation, which is based on the gap between the carrying value and residual value, would not be material.</p> <p><i>Risk: circumstances change and the depreciation becomes material.</i></p>	<ul style="list-style-type: none"> • The valuer will provide assurance on the materiality of depreciation in 2013/14. • The issue will be resolved in 2015/16 when council house dwellings are revalued using the existing use value-social housing (EUV-SH) methodology. 	<ul style="list-style-type: none"> • Review accounting treatment in 2013/14 and obtain management assurances that issue will be resolved in 2015/16.
Provision for landfill site restoration costs		
<p>To comply with IAS37 <i>Provisions, contingent liabilities and contingent assets</i> the council should recognise landfill site restoration and aftercare costs as a provision on the balance sheet.</p> <p><i>Risk: the 2013/14 financial statements do not comply with accounting standards as interpreted by the Code.</i></p>	<ul style="list-style-type: none"> • A prior year adjustment will be processed in the 2013/14 accounts to recognise a provision for the restoration and aftercare costs of Kinneil Kerse landfill site in line with IAS 37. 	<ul style="list-style-type: none"> • Early work to review 2013/14 accounting entries.

Appendix C - Audit team

A summarised curriculum vitae for each core team member is set out below:

Fiona Mitchell-Knight BA (Hons) FCA - Assistant Director of Audit Services (certifying auditor)

Fiona took up post as Assistant Director of Audit in August 2007, following 6 years as the Senior Audit Manager for a number of local authority clients including Glasgow City Council. Fiona trained as an auditor in the private sector in England, and has 20 years experience of public sector audit with Audit Scotland, covering local government, health and the further education sector.

Jim Rundell MA (Hons) CPFA - Senior Audit Manager

Jim has 29 years public sector audit experience mostly in the local government and health sector. He was seconded to Audit Scotland's Audit Strategy Group (2002 to 2004) where he was responsible for quality appraisal. His more recent audits have included City of Edinburgh Council, NHS Greater Glasgow and Clyde and Lothian Pension Fund.

Lisa Duthie BA (Hons) CPFA - Senior Auditor

Lisa joined Audit Scotland in 2008 after graduating from the University of Glasgow in economics. Lisa has over 5 years experience in public sector audit covering local government, central government and health.

Tommy Yule CPFA - Senior Auditor

Tommy has 12 years experience of public sector audit with Audit Scotland, covering local government, health and central government. Tommy was recently on secondment as a project manager to Audit Scotland's Performance Audit and Best Value Group.

Mark Laird BAcc (Hons) - Auditor

Mark is an accountancy graduate from Stirling University with a 1st class Honours degree. He has 4 years of experience in public sector audit with Audit Scotland covering the local government and health sectors and has recently passed his final CIPFA examinations.

Gerry Collins - Auditor

Gerry has 20 years experience working as an auditor/accountant. He has spent the last 10 years working in external and internal audit within the public sector, in both health and local government.

Neil Robb - ICT Senior Auditor

Neil has 19 years experience of public sector audit with Audit Scotland, covering local government, health and the central government sectors. Prior to this, Neil spent 19 years in various IT management, security and operational roles in financial services.