

AGENDA ITEM 5 (i)

FALKIRK COUNCIL

Subject: AUDIT COMMITTEE ANNUAL REPORT 2013/14
Meeting: AUDIT COMMITTEE
Date: 17 DECEMBER 2014
Author: CHIEF GOVERNANCE OFFICER

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the convener of the Audit Committee's annual report to Council.
- 1.2 In terms of the Scheme of Delegation, the convener of the Audit Committee is required to present an annual report to Council on the work of the committee. The report, for the year 2013/14, was submitted to the Audit Committee on 22 September 2014. Members approved the terms of the report and agreed that it be submitted to Council.
- 1.3 The report is attached for members' consideration.
- 1.4 The convener, Mrs Roseann Davidson will attend today's meeting to present her report.

2. RECOMMENDATION

- 2.1 Council is invited to note the report by the convener of the Audit Committee on the work of the committee during 2013/14.

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Chief Governance Officer

Date: 27 November 2014

Contact Officer: Brian Pirie (Tel: 01324 506110)

LIST OF BACKGROUND PAPERS

Nil

1. AUDIT COMMITTEE ANNUAL REPORT 2013/14

- 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 During 2013/14 Committee membership comprised:

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

- 2.4 The Committee met on four occasions during the period 01 April 2013 to 31 March 2014, on the undernoted dates:

- Monday 24 June 2013;
- Monday 23 September 2013;
- Monday 16 December 2013;
- Monday 24 March 2014.

- 2.5 This is in accordance with the requirements of the Terms of Reference of the Committee, and an attendance schedule is attached at **Appendix 1** for information. 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, risk management 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 met in September 2013. 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 2012/13 accounts.

Internal Audit

- 2.10 The Committee reviewed and approved the 2013/14 Internal Audit Plan on 25 March 2013. 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 2013/14 is attached at **Appendix 3**.
- 2.12 Internal Audit has now completed their first annual self assessment against the requirements of the Public Sector Internal Audit Standards (PSIAS). This provided re-assurance that their existing arrangements are broadly in line with the Standards. An Action Plan has been developed to capture all areas of (minor) non – conformance, and the Internal Audit Manager has committed to addressing these. In addition, the Section will participate in an External Quality Assessment process, organized via the Scottish Local Authorities Chief Internal Auditors Group.

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 December 2013 the Committee considered the detailed findings from the audit of the 2012/13 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:

- the continuing developments in the risk management process including emerging issues and areas of risk;
- governance arrangements;
- 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.

AUDIT COMMITTEE CONVENER

Date: 5 December 2014

AUDIT COMMITTEE ATTENDANCE RECORD 2013/14

Members

| Date of Meeting | Roseann Stevenson (Convener) | Provost Reid | Depute Provost Patrick | Baillie Paterson | Councillor Black | Councillor Carleschi | Councillor Coleman |
|------------------------|---|---------------------|---------------------------------------|-----------------------------|-----------------------------|---------------------------------|-------------------------------|
| 24 June 2013 | N | N | Y | Y | Y | N | Y (Convener) |
| 23 September 2013 | Y | Y | Y | N | Y | Y | Y |
| 16 December 2013 | Y | Y | Y | Y | Y | Y | Y |
| 24 March 2014 | Y | Y | Y | Y | Y | N | Y |

AUDIT COMMITTEE - SCHEDULE OF BUSINESS
CONSIDERED - 2013/14

| Agenda Item | Date Discussed | Item Discussed | Report Author |
|--|-----------------------|--|----------------------------------|
| Risk Management, Governance, and Control | | | |
| AC4 (2013/14) | 24 June 2013 | Corporate Governance Arrangements – Key Financial Systems Controls | Chief Finance Officer |
| AC7 (2013/14) | 24 June 2013 | Falkirk Council Assurance and Improvement Plan Update 2013-16 | Audit Services |
| AC14 (2013/14) | 23 September 2013 | Scottish Government Consultation – Local Authority Accounts Regulations | Chief Finance Officer |
| AC17 (2013/14) | 23 September 2013 | Corporate Risk Management Update | Director of Development Services |
| AC18 (2013/14) | 23 September 2013 | Review of Corporate Risk Register | Director of Development Services |
| AC19 (2013/14) | 23 September 2013 | Review of Working Groups | Director of Development Services |
| AC28 (2013/14) | 24 March 2014 | Corporate Governance Arrangements – Key Financial Controls | Chief Finance Officer |
| AC29 (2013/14) | 24 March 2014 | Scotland's Public Finances – Addressing the Challenges | Chief Finance Officer |
| Internal Audit | | | |
| AC5 (2013/14) | 24 June 2013 | Internal Audit: Annual Assurance Report 2012/13 | Internal Audit Manager |
| AC15 (2013/14) | 23 September 2013 | Internal Audit Progress Report | Internal Audit Manager |
| AC16 (2013/14) | 23 September 2013 | Internal Audit- Recommendations Outstanding | Internal Audit Manager |
| AC24 (2013/14) | 16 December 2013 | Internal Audit Progress Report | Internal Audit Manager |
| AC30 (2013/14) | 24 March 2014 | Internal Audit Progress Report | Internal Audit Manager |
| AC31 (2013/14) | 24 March 2014 | Internal Audit Charter and External Quality Assessment | Internal Audit Manager |
| AC32 (2013/14) | 24 March 2014 | Internal Audit Plan 2014/15 | Internal Audit Manager |
| External Audit | | | |
| AC34 (2013/14) | 24 March 2014 | External Audit Progress Update Report | Audit Scotland |
| AC35 (2013/14) | 24 March 2014 | Annual Audit Plan 2013/14 | Audit Scotland |
| AC36 (2013/14) | 24 March 2014 | Falkirk Council – Review of Internal Audit 2013/14 | Audit Scotland |
| Standing Orders and Financial Regulations | | | |
| N/A | N/A | N/A | N/A |
| Annual Accounts | | | |
| AC6 (2013/14) | 24 June 2013 | Annual Governance Statement | Chief Executive |
| AC11 (2013/14) | 23 September 2013 | Report to those Charged with Governance on the Central Scotland Joint Fire& Rescue Board 2012/13 | Chief Finance Officer |
| AC12 (2013/14) | 23 September 2013 | Audit Report to those Charged with Governance on the 2012/13 | Chief Finance Officer |
| AC13 (2013/14) | 23 September 2013 | Audit Annual Accounts 2012/13 | Chief Finance Officer |

APPENDIX 2

| Agenda Item | Date Discussed | Item Discussed | Report Author |
|-------------------|---------------------|--|--|
| AC23 (2013/14) | 16 December 2013 | Annual Accounts 2012/13 | Chief Finance Officer |
| AC33 (2013/14) | 24 March 2014 | Falkirk Council – ICT Service Review 2012/13 Report from Audit Scotland | Director of Corporate and Neighborhood Services |

Note:

Agenda items relate to minutes of previous meetings

SUMMARY OF INTERNAL AUDIT WORK UNDERTAKEN
DURING 2013/14

| No. | Service/Status | Review / Assignment | Level of Assurance |
|---------------------------------------|---------------------------------------|--|----------------------------|
| <i>Reviews / Assignments Complete</i> | | | |
| 1. | Corporate and Neighbourhood | Fleet Management – Operator’s Licence Requirements | Substantial |
| 2. | Finance | Debtors | Substantial |
| 3. | Governance | Records Management | Substantial |
| 4. | Social Work | Clients’ Funds / Intermediary Accounts | Limited |
| 5. | All Services | Statutory Performance Indicator Verification | Substantial |
| 6. | Social Work | CashSpot Checks | Substantial |
| 7. | All Services | Corporate Purchasing | Substantial |
| 8. | Development / Finance | Strategic Projects – Position Statement | N/A ³ |
| 9. | All Services | Continuous Auditing | N/A |
| 10. | All Services | Welfare Reform – Position Statement | N/A |
| 11. | Finance | General Services Capital Programme | Substantial |
| 12. | Corporate and Neighbourhood / Finance | Chip and Pin and Paye.Net | Substantial |
| 13. | Education | Site Key Control Testing (Head of Muir Primary School) | Limited |
| 14. | All Services | Premises Managers’ Handbook Compliance – Follow Up to Previous Work | N/A |
| 15. | All Services | Business Continuity Planning | Substantial |
| 16. | Finance | Corporate Fraud – Ongoing Workstream | N/A |
| 17. | All Services | Serious Organised Crime – Ongoing Workstream | N/A |
| 18. | Social Work | Self Directed Support – Ongoing Workstream | N/A |
| 19. | All Services | National Fraud Initiative | N/A |
| 20. | Development | Reciprocal Review with West Lothian Council – Falkirk Council Carbon Management Arrangements | Limited |
| 21. | Falkirk Community Trust | Repairs and Maintenance / Library Acquisitions / Payroll | As reported to Trust Board |

³ NOTE: N/A = Not Applicable

| | <i>Additional Reviews/Assignments Completed During 2013-14</i> | | |
|-----|--|---|--|
| 22. | Social Work | Deferred Payments | N/A – undertaken as consultancy assignments with recommendations made to managers |
| 23. | Education | Premises Management Arrangements at Larbert High School | |
| 24. | All Services | Agency Worker Arrangements | |
| 25. | Social Work | Joint Loan Equipment Store Purchasing | |

| | <i>2013-14 Reviews/Assignments Not Completed</i> | |
|----|--|---|
| 1. | Development | Falkirk Townscape Heritage Initiative |
| 2. | Internal Audit | Income Generation |
| 3. | All Services | Data and Information Security – Governance and Practice |
| 4. | Education | Financial Governance and Management |