

FALKIRK COUNCIL

MINUTE of the MEETING of the AUDIT COMMITTEE held in the MUNICIPAL BUILDINGS, FALKIRK on MONDAY 22 SEPTEMBER 2014 at 9.30 a.m.

MEMBERS: Roseann Davidson (Convener)
Councillor Steven Carleschi
Councillor Tom Coleman
Councillor Rosie Murray
Baillie Joan Paterson
Depute Provost John Patrick
Provost Pat Reid

OFFICERS: Margaret Anderson, Director of Social Work Services
Elaine Costello, Integration Support Manager
Rhona Geisler, Director of Development Services
Gordon O'Connor, Internal Audit Manager
Brian Pirie, Democratic Services Manager
Stuart Ritchie, Director of Corporate and Neighbourhood Services
Elliot Roy, Trainee Committee Services Officer
Bryan Smail, Chief Finance Officer
Amanda Templeman, Capital Manager

ALSO ATTENDING: Fiona Mitchell Knight, Audit Scotland
Jim Rundell, Audit Scotland
Detective Superintendent Cameron Cavin, Police Scotland
Detective Superintendent Sean Scott, Police Scotland

AC12. APOLOGIES

No apologies were intimated.

AC13. ORDER OF BUSINESS

In terms of Standing Order 14.2(i), the Convener varied the order of business from that detailed on the agenda for the meeting. The following items have been recorded in the order that they were taken at the meeting.

AC14. PUBLIC SECTOR COUNTER CORRUPTION UNIT

Committee heard a presentation on Police Scotland's Public Sector Counter Corruption Unit.

The Public Sector Counter Corruption Unit was established in April 2013 and was the UK's first dedicated public sector counter corruption unit.

Detective Superintendent Scott outlined the vision behind the creation of the unit and set out its mission. He summarised areas of vulnerability in relation to corruption within the public sector, and the factors which compromise individuals and organisations. Police Scotland has developed proactive and reactive strategies to tackle corruption such as the creation of an independent auditor function to support public sector agencies.

Members recognised the value of the unit, and asked for information on activity within the Falkirk Council area. Detective Superintendent Scott confirmed that issues within Falkirk were on a par with those experienced by similar local authorities, and that there were no significant area specific concerns.

Members then sought information on the performance of the unit in 2013/14. The unit had received 66 referrals with 1 resulting in a conviction. In regard to corruption, Detective Superintendent Scott suggested that the proposed Misconduct in Public Office legislation, similar to that in place in England and Wales would provide clarity on practices which are currently perceived as wrong but not illegal.

Decision

The committee noted the presentation.

AC15. DECLARATIONS OF INTEREST

Provost Reid declared a financial interest in item AC20 as a Director of the Temperance Trust and took no part in the discussion or decision making on this item.

AC16. MINUTE

Decision

The minute of the meeting held on 23 June 2014 was approved.

AC17. ANTI FRAUD AND CORRUPTION STRATEGY

The committee considered a report by the Internal Audit Manager presenting a revised Anti Fraud and Corruption strategy.

Committee had requested at its meeting of 24 March 2014 (ref AC30) a review of the existing Anti Fraud and Corruption Strategy. The report summarised the review of this strategy and included a revised Strategy for approval. The revised Strategy is intended to be high level and will be supported by detailed guidance.

Committee discussed the need for decision making to be open and transparent and highlighted the need for committee reports to provide members sufficient information to allow members to make fully informed decisions, in particular in regard to the Council's duty to secure best value, for example when agreeing contracts.

Decision

The committee approved the Anti Fraud and Corruption Strategy.

AC18. INTERNAL AUDIT PROGRESS REPORT

Committee considered a report by the Internal Audit Manager summarising progress with the 2014/15 Internal Audit Plan and setting out key findings arising from completed assignments..

The report also included details of Internal Audit's performance against established key performance indicators, a summary of the implications of the Local Authority Accounts (Scotland) Regulations 2014 as they apply to Internal Audit, an update on recommendations outstanding from previous audits, and some information on the work of the Scottish Local Authorities Chief Internal Auditors' Group.

Members sought assurance from the Internal Audit Manager that the plan would be completed, and questioned whether the loss of a member of the team would have an impact on the progress of planned audits. The Internal Audit Manager indicated that the audit plan would be completed and highlighted examples where the team was engaged in joint working with both West Lothian Council and NHS Forth Valley.

Committee then considered the summary of key findings of audits carried out in 2014/15. Members sought further information on the likely timescales for the recommendations arising from the review of Council House Buy Back arrangements.

In regard to the summary of outstanding audit recommendations, members requested that future reports provide more detail.

Decision

The committee noted the report.

AC19. THE LOCAL AUTHORITY ACCOUNTS (SCOTLAND) REGULATIONS 2014

The Local Authority Accounts (Scotland) Regulation 2014 will come into force on 10 October 2014.

The committee considered a report by the Chief Finance Officer summarising the key provisions within the Regulations and detailing the key actions required by the Council.

Decision

The committee noted the implications for Falkirk Council of the Local Authority Accounting (Scotland) Regulations 2014.

AC20. ANNUAL ACCOUNTS 2013/ 2014

The committee considered a report by the Chief Finance Officer presenting the audited accounts for 2013/14 for approval.

Decision

The committee agreed to refer the annual audited accounts 2013/14 to Council for approval.

In accordance with his declaration of an interest, Provost Reid left the meeting following the previous item.

AC21. TEMPERANCE TRUST ANNUAL ACCOUNTS 2013/14

The committee considered a report by the Chief Finance Officer presenting Falkirk Temperance Trust's audited annual accounts for 2013/14 for approval.

Decision

The committee agreed to refer Falkirk Temperance Trust's audited annual accounts 2013/14 to the Trust for approval.

Provost Reid rejoined the meeting following the previous item.

AC22. FALKIRK COUNCIL EXTERNAL AUDIT PROGRESS UPDATE REPORT

The committee considered a report by Audit Scotland on the progress of the 2014/15 audit plan.

The report summarised progress to date on the annual audit plan for 2014/15, together with planned audit outputs for the year and timescales for delivery. The plan focused on three key known governance performance and financial statements with 11 reviews planned. It was anticipated that all target dates for reporting would be met. Additionally the report summarised the role of Audit Scotland's performance audit and best value group and highlighted the key recommendations arising from the group's reviews to date.

Decision

The committee noted the report.

AC23. REPORT TO THOSE CHARGED UP WITH GOVERNANCE ON THE 2013/14 AUDIT

The committee considered a report by the Chief Finance Officer on the 2013/14 Audit.

The International Standard on Auditing 260 (ISA260) requires auditors to report specific matters arising from the audit of financial statements to those charged with governance in order that appropriate action can be taken.

The report set out significant findings together with the proposed independent audit report which confirms that the financial statements give a true and fair view as at 31 March 2014.

Committee sought clarification on the definition of heritage assets and on the background to the council's practice of using a discounted cash flow approval to the valuation of its housing stock.

Decision

The committee noted the report.

AC24. MAJOR CAPITAL INVESTMENT

The committee considered a report by the Chief Finance Officer presenting Audit Scotland's review of major capital investment in Falkirk Council.

Audit Scotland undertook a review of major capital investment in councils in 2013/14 and selected Falkirk Council for targeted follow up in 2014/15. The follow up report identified a number of good practices within the Falkirk council including:-

- A robust business case is required for all capital projects over £1 million that are included in the capital programme;
- Capital monitoring statements are presented to the Executive bi-annually, with a supplementary report in August providing outturn information, which allows members to scrutinise progress in implementing the capital programme; and
- Capital monitoring statements provide details of spend to date and projected for each project to enable members to identify any potential slippage or overspends at an early stage.

The report also identified the following two areas where there is scope for improvement:-

- The corporate asset management strategy currently covers the period 2011- 2014 and should be updated to ensure it accurately reflects the council's priorities and objectives going forward.; and
- Capital monitoring statements provided to members do not currently provide an update on risks and how these may affect individual projects. A capital program

risk register should be considered to provide programme level view of aggregate risks to projects.

The report by the Chief Finance Officer provided an update on action taken in regard to the latter two areas.

The committee discussed the requirement that a business case is prepared for all capital projects over £1m and discussed the benefits of the introduction of a standard format.

Members also sought detail on a process for ensuring that slippage is managed both at a corporate and service level.

Decision

The committee noted the report.

AC25. AUDIT COMMITTEE ANNUAL REPORT 2013/14

The committee considered a report by the convener on the work of the audit committee in 2013/14.

In terms of the Standing Orders, the audit committee is required to report annually to Council on its work. The report summarised the business considered by the committee in 2013/14 and set out its priorities for 2014/15.

Decision

The committee noted the report.