

**FALKIRK COUNCIL**

**MINUTE of the MEETING of the AUDIT COMMITTEE held in the MUNICIPAL BUILDINGS, FALKIRK on MONDAY 21 SEPTEMBER 2015 at 9.30 a.m.**

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

**OFFICERS:** Gary Greenhorn, Head of Educational Planning and Resources  
Brian Pirie, Democratic Services Manager  
Mary Pitcaithly, Chief Executive  
Bryan Smail, Chief Finance Officer  
Amanda Templeman, Acting Depute Finance Officer  
Isabel Wright, Senior Internal Auditor

**ALSO ATTENDING:** Trisha Meldrum, Fiona Mitchell Knight and Jim Rundell, Audit Scotland

**AC24. CONVENER'S REMARKS**

The Convener expressed her dissatisfaction that the papers in regard to item AC29 - Annual Accounts - had been issued on Friday 18 September giving members of the committee an unacceptably short period to prepare for today's meeting. Similarly she noted that the papers in regard to item AC31 - Annual Audit Report - had been issued on Thursday 17 September and again she stated that it was unacceptable that reports should be issued at such short notice.

**AC25. APOLOGIES**

No apologies were intimated.

**AC26. DECLARATIONS OF INTEREST**

Provost Reid declared a non-financial interest in item AC29 - Temperance Trust Annual Accounts 2014/15 - as a member of the Trust Board and took no part in the discussion and decision making in regard to this item.

## **AC27. MINUTE**

### **Decision**

**The minute of the meeting of the Audit Committee held on 22 June 2015 was approved.**

## **AC28. INTERNAL AUDIT PROGRESS REPORT**

The committee considered a report by the Internal Audit Manager summarising the progress of the 2015/16 Internal Audit Plan.

In regard to the Audit Plan, 6 assignments had been completed, 6 were in progress and 9 had not yet started.

Internal Audit performance to date, as measured by 5 key performance indicators, equalled or exceeded performance at the same point in 2014/15.

The report set out the key findings of those assignments which have been completed in 2015/16 and the position of 13 previous recommendations which remained outstanding.

Members sought an update on the implementation of procedures for monitoring the finances of Community Halls (ref AC19) and sought assurance that new procedures would be followed by management. Isabel Wright explained that, as part of the 2015/16 Audit work, resources were allocated for continuous auditing and the implementation of the procedures would be monitored within this allocation. An update would be provided to members on the continuous auditing of the implementation of procedures for monitoring community hall finances.

The committee discussed the 13 outstanding recommendations, set out in appendix 4 of the report, and highlighted that 10 lay with Social Work Adult Services. The Chief Executive summarised the procedures in place to ensure that recommendations are responded to. She advised that corporate support was now in place to support Social Work Adult Services during a transitional period for the Service.

Officers then responded to questions relating to current and completed assignments including:-

- the anticipated start date of the audit of corporate risk management arrangements and the likely remit of the review;
- the impact of reducing staff numbers on the management of the Integra supplier database and the process for making payments;
- the auditing of payments to suppliers and compliance with Financial Regulations; and
- the scope to tighten access privileges in regard to emergency BACS payments.

Officers undertook to provide feedback on the following points which were raised during the discussion:-

- the anticipated start date of the audit of CRM arrangements and the remit of the audit;
- the timescale for reporting the review of Daycare Provision to the Executive; and

- further information on the outstanding recommendations in regard to Social Work Deferred Payments.

### **Decision**

**The committee noted:-**

- (1) progress with completing planned 2015/16 Internal Audit work;**
- (2) Internal Audit performance, as reported at paragraph 3.1 of the report;**
- (3) the position in relation to recommendations outstanding; and**
- (4) the contents of the 2015/16 Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) Annual Report.**

In accordance with his declaration Provost Reid withdrew from the meeting at this point.

### **AC29. TEMPERANCE TRUST ANNUAL ACCOUNTS 2014/15**

The committee considered a report by the Chief Finance Officer presenting Falkirk Temperance Trust's audited annual accounts 2014/15 for approval.

### **Decision**

**The committee recommended approval of the Audited Annual Accounts of the Temperance Trust to its Trustees.**

Provost Reid rejoined the meeting following consideration of the previous item.

### **AC30. ANNUAL ACCOUNTS 2014/15**

The committee considered a report by the Director of Corporate and Housing Services presenting the Annual Accounts 2014/15 for approval.

The format of the Accounts now incorporated a management commentary. This set out the requirement to produce Annual Accounts and summarised the strategic context and environment within which the Council operates. The statement also highlighted performance in terms of public performance reporting and the Council's financial performance, and set out future plans.

Members of the committee commented favourably on the revised format of the Accounts.

Following questions from members, officers undertook to provide further information on the following:-

- background to the national review of blue badges;
- the number of properties contributing to the losses in regard to void properties;
- the makeup of the Regional Resilience Partnership;

- the makeup of the benchmarking family of Local Authorities used to monitor level of risk maturity; and
- the draw down of TIF Funding.

## **Decision**

**The committee approved the Audited Annual Accounts of the Council 2014/15.**

### **AC31. ANNUAL AUDIT REPORT 2014/15**

The committee considered a report by the Director of Corporate and Housing Services presenting Audit Scotland's Annual Audit report to members of the Council and the Controller of Audit together with a letter of representation to Audit Scotland on the accounts.

The unaudited accounts had been considered by committee on 22 June 2015 (ref AC22). These had now been audited and the Auditor's certificate was free from qualification. The report set out:-

- the Council's financial position – including the 2014/15 overspend, the reduction in uncommitted reserves and the challenges facing the Council;
- governance and transparency – including the findings of Audit Scotland's Best Value Review of Falkirk Council, the systems of internal control, the National Fraud Initiative (and in particular the Blue Badge Scheme) and progress made in the implementation of adult health and social care and welfare reform;
- Best Value – including areas for improvement; and
- action plan - this set out the Council's response to the 6 recommendations set out in the Auditors' report.

Fiona Mitchell Knight gave an overview of Audit Scotland's report.

Members welcomed the report. Discussion focussed on the Accounts Commission's findings in regard to Audit Scotland's Best Value Review of the Council. The report would be considered by Council on 7 October 2015. The Convener advised that references within the Annual Audit Report would not be discussed at today's meeting. She considered that the Council's response to the Best Value review would however be a matter for the Committee.

In regard to the Annual Audit report, members sought clarity on the significant findings of the Audit - in particular the accounting for the Carbon Reduction Commitment (CRC) and the calculation of Council Tax bad debt provision.

Members also sought information on the position of the Capital Programme and losses on void properties.

Members highlighted the economic climate within which local authorities operate and in particular the impact of the Council's budget gap and on its ability to deliver services and on staffing levels.

## **Decision**

**The committee noted the Annual Report on the 2014/15 Audit.**

### **AC32. CORPORATE RISK MANAGEMENT (CRM) WORK PLAN UPDATE**

The committee considered a report by the Director of Development Services providing an update on the Corporate Risk Management work plan.

The Corporate Risk Management (CRM) Policy and Framework had been updated in 2013 and in 2015 (ref AC6). The associated CRM work plan was appended to the report which set out progress and future actions in regard to:-

- developing the CRM framework;
- reporting and reviewing risks;
- embedding key themes; and
- reviewing the effectiveness of CRM arrangements.

In response to a question, Rhona Geisler gave detail on the make-up of the RPC. She also provided details on the Risk Management E-Learning module. Mrs Geisler confirmed that a consequence of Council's recent service redesign was that the Governance Division, now within Corporate and Housing Services had not been required to review its risks.

#### **Decision**

**The committee:-**

- (1) agreed to receive a further Corporate Risk Management work plan update in 6 months, including the audit findings;**
- (2) noted the progress outlined in the report as agreed by Corporate Management Team and Corporate Risk Management Group members;**
- (3) noted that good progress has been made and that Corporate Risk Management benchmarking results were improving; and**
- (4) Noted that further work will be undertaken with Corporate Risk Management Group and services to ensure that future risk management arrangements and reports are adapted to reflect the restructure.**

### **AC33. CORPORATE RISK REGISTER UPDATE**

The committee considered a report by the Director of Development Services presenting an updated Corporate Risk Register.

In terms of the Corporate Risk Management Policy and Framework, the Corporate Risk Register is monitored by the Corporate Risk Management Group and the Corporate Management Team and reported to both the Executive and Audit Committee.

In total 47 risks are identified in the Register. In terms of risk 3 are 'very high', 18 are 'high' and 26 are 'medium'. The Register was appended to the report, highlighting risks by risk category (assets, change, financial, governance, human resources, information, partnerships and by portfolio holder).

Following questions, Mrs Geisler explained the rationale and meaning of the risk 'heat map' set out in the report. She stressed that the important factor is the control

mechanism put in place to mitigate risks. Members sought clarification on the risks and controls around the integration of Health and Social Care functions. The committee highlighted risks associated with change in regard to managing the Council's budget gap, and stressed the need to work with staff to provide support and leadership. Members also highlighted risks around the following:-

- welfare reform;
- regeneration;
- shale gas extraction;
- business transformation; and
- vacancy management.

#### **Decision**

**The committee noted the report.**

#### **AC34. AUDIT COMMITTEE ANNUAL REPORT 2014/15**

The committee considered a report by the Convener on the work of the Audit Committee in 2014/15.

In terms of 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 2014/15 and set out its priorities for 2015/16.

Discussion focused on the Council's proposed response to the Accounts Commission report on the Best Value audit of Falkirk Council (which would be discussed by Council on 7 October 2015). Members considered that it would be appropriate for the committee to monitor the Council's progress in implementing its action plan in response to the Commission's findings.

#### **Decision**

**The committee noted the report on the work of the Audit Committee and approved its submission to Falkirk Council subject to the inclusion of the following at paragraph 6.4:-**

- **consider, as a standing item, through to March 2017, the progress of the Council's Best Value action plan.**