

The background of the slide features a large, light blue watermark of the City of Vancouver's coat of arms. The crest is a shield divided into four quadrants. The top-left quadrant shows a city skyline with a diagonal beam of light. The top-right quadrant depicts a stag's head with antlers. The bottom-left quadrant shows a three-masted sailing ship on wavy water. The bottom-right quadrant features a grizzly bear standing on its hind legs. Above the shield is a crown with four maple leaves. A banner at the bottom contains the motto 'A NE FOR A' in a stylized font.

# **Agenda Item 3**

## **Minute**

**Draft**

**FALKIRK COUNCIL**

**Minute of the meeting of the Audit Committee held in the Municipal Buildings, Falkirk on Monday 26 September 2016 at 1.30 p.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:**

Karen Algie, Head of HR and Business Transformation  
Fiona Campbell, Head of Policy, Technology and Improvement  
Douglas Duff, Head of Economic Development and Environmental Services  
Sara Lacey, Senior Service Manager, Children's Services  
Kenny McNeil, Children's Services Resources Manager  
Gordon O'Connor, Internal Audit Manager  
Brian Pirie, Democratic Services Manager  
Mary Pitcaithly, Chief Executive  
Bryan Smail, Chief Finance Officer  
Amanda Templeman, Acting Depute Chief Finance Officer

**Also Attending:**

Laura Caulder, Audit Scotland  
Lisa Duthie, External Auditor, Audit Scotland  
Fiona Mitchell Knight, Audit Scotland  
Jim Rundell, External Audit Manager, Audit Scotland

**AC23. Apologies**

No apologies were intimated.

**AC24. Declarations of Interest**

No declarations were made.

**AC25. Minute**

**Decision**

**The minute of the meeting of the Audit Committee held on 20 June 2016 was approved.**

## **AC26. Corporate Risk Management Update**

The committee considered a report by the Director of Corporate and Housing Services presenting a revised summary of corporate risks together with an update in progress made in embedding the Corporate Risk Management (CRM) policy and framework.

The Audit committee had, on 18 April 2016 (ref AC11), agreed to refer the revised CRM policy and framework to the Executive for approval together with the Corporate Risk Register. Both had been approved by the Executive on 17 May 2016 (ref EX13). In approving the documents, the committee had requested 6 monthly updates on progress in embedding the CRM policy and framework.

Services had participated in risk workshops and were currently finalising their individual risk reviews. These will include “worst case” scenarios, key controls and lessons learned. A summary of corporate risks was provided. Additionally, the Corporate Risk Management Group and the Council's Corporate Management Team had agreed that a CRM training plan would be implemented (for members and officers) and that a risk workshop for members and Corporate Management Team would be held in early 2017. Services were currently embedding Service Risk Management arrangements as part of the Service Performance Planning process.

An audit of the CRM arrangements had been undertaken by West Lothian Council and this had resulted in substantial assurance being provided.

The Chief Finance Officer explained the risk “insufficient funding to deliver services and deliver outcomes”, following a question and summarised the mitigating factors. Members of the committee highlighted the costs of building Council housing and questioned whether, on the basis of the costs provided within previous reports to the Executive, they represented best value. The Chief Executive summarised the factors which contributed to the costs per unit and undertook to provide members with a breakdown.

In regard to the risk of insufficient funding itself, members sought clarification of those services deemed to be “statutory” as opposed to “discretionary”. In responding, the Chief Executive suggested that as budgets become tighter, Councils had to look at the services they must provide and how they provide them. The Chief Finance Officer set out the likely timetable for setting the 2017/18 budget and confirmed that a funding gap of £20m was projected.

The Head of HR and Business Transformation then confirmed that the proposed CRM workshop would be held before April 2017 and that this was in line with previous advice to members.

The committee considered the risks relating to adult services. The Chief Executive confirmed in response to a question, that the Council had sufficient officers to meet its statutory obligations. The Head of HR and Business Transformation undertook to provide members with detail of the mitigating actions in regard to Self-Directed Support.

The committee discussed the Council's budget setting process and sought information on how Council will engage and consult with staff, stakeholders and the public. The Chief Finance Officer confirmed that officers' proposed savings options would be considered by the Executive in October and engagement/consultation would begin after this. This would include staff briefings and public discussion, for example with community councils. The Head of Policy, Technology and Improvement confirmed that an engagement strategy had been agreed by the Executive in 2015.

## **Decision**

**The committee noted:-**

- (1) the summary of very high and high Corporate Risks as detailed in appendix 1 of the report, and the Summary of Medium Corporate Risks at appendix 2 of the report; and**
- (2) that a Corporate Risk Management update will be provided to the Executive on 18 October 2016.**

Baillie Paterson and Councillor Carleschi joined the meeting during consideration of the previous item.

## **AC27. Internal Audit Progress Report.**

The committee considered a report by the Internal Audit Manager setting out progress in completing the 2016/17 Internal Audit Plan.

The plan included 21 planned assignments. Five additional assignments had been added to Internal Audit's work programme. These were:-

- Carbon Reduction Commitment Energy Efficiency Scheme Audit;
- Contact Centre – Data and Information Security;
- Social Work Intermediary Accounts;
- Residential and Non Residential Charging – Debt Management; and
- LEADER funding.

The report also summarised the processes in place for monitoring Community Halls' accounts.

In regard to the agreed plan, 9 assignments were in progress, 10 had yet to be started and draft reports had been issued for 2 of the assignments. In response to questions, the Internal Audit Manager confirmed that he expected all to be completed to draft report stage or further by March 2017.

Of the additional assignments, final reports had been issued in regard to the “Carbon Reduction” and “Contact Centre” reviews. The scope of the reviews and main findings were provided in an appendix to the report.

The committee discussed progress to date and the timescales for completing the planned audits and the additional assignments. The Internal Audit Manager reiterated that he anticipated that all would be completed however the plan could be readjusted. He described the fieldwork which was being undertaken in regard to the audit of the Redundancy and Severance Arrangements, confirming that a sample of 18 applications had been used.

In regard to a review of LEADER funding, the Internal Audit Manager confirmed that this is the first annual review of compliance with SLA terms. He considered that it was more appropriate that this work was treated as an assigned piece of work as opposed to ad hoc/consultancy work. It had not, he confirmed, been initiated as a consequence of, nor was it related to, BREXIT.

Following a question on the processes for monitoring the submission of Community Halls’ accounts, the Internal Audit Manager explained the processes which were now in place to monitor and pick up issues at an early stage.

The committee discussed the continuous auditing assignment. Creditors’ duplicate payments of £7.5k had been identified so far. Members asked whether this showed that effective controls were in place or whether it indicated a larger problem. The Internal Audit Manager stated that in context the sum was small and the audit showed no indication of systemic flaws. The audit was therefore reassuring.

### **Decision**

**The committee noted that good progress is being made with completing the 2016/17 Internal Audit Plan.**

## **AC28. 2015/16 Annual Audit Report**

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 20 June 2016 (ref AC17). These had now been audited and the Auditor’s certificate was free from qualifications.

The Auditor’s Annual Report highlighted key messages in regard to:

- audit of financial statements;
- financial management and sustainability;

- governance and transparency;
- best value; and
- outlook.

In regard to Best Value, the report contained an extract from Audit Scotland's Best Value Follow Up report. The Auditor's report summarised the findings together with commentary. A separate report on the Best Value Improvement Plan had been considered by Council on 21 September 2016 (ref FC39).

The Auditor's report also included comments on Governance and Transparency and provided a summary of the Council's outlook.

Following questions from members, Ms Mitchell-Knight advised that the Accounts Commission would consider Audit Scotland's Best Value Follow Up Inspection report in December. It could make recommendations, hold a hearing, monitor progress via the annual audit process or request a further follow up review. The Chief Executive advised that Council had agreed, on 21 September, that in the first instance, the Leader of the Council, the Leader of the Opposition and the Provost would consider how the Council should respond to the report and that a report would be submitted to Council. The committee members discussed this and concurred that the agreed approach would allow all members to take a view on the report.

In response to a question on the Annual Report, Ms Mitchell-Knight stated that the message to all Councils to "work differently and to deliver services in a different way". She also confirmed that guidance suggested that Councils should review their reserves policy and make their own determination on the appropriate level of reserves held.

### **Decision**

**The committee noted the Annual Report on the 2015/16 Audit.**

## **AC29. Annual Accounts 2015/16**

The committee considered a report by the Director of Corporate and Housing Services presenting the annual accounts 2015/16 for approval.

The accounts had now been audited by Audit Scotland and were presented for approval. The audit certificate was free from qualification.

### **Decision**

**The committee approved the audited annual accounts for 2015/2016.**

### **AC30. Temperance Trust Annual Accounts 2015/16**

The committee considered a report by the Director of Corporate and Housing Services presenting Falkirk Temperance Trust's audited annual accounts 2015/16 for approval.

The accounts had now been audited by Audit Scotland and were presented for approval. The audit certificate was free from qualification.

#### **Decision**

**The committee approved the annual audit accounts of the Falkirk Temperance Trust and agreed to recommend them to the Trust's Board for approval.**