

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 of the shield contains the motto "A NE FOR A'".

# **Agenda Item 3**

## **Minute**

Draft

**FALKIRK COUNCIL**

**Minute of the meeting of the Audit Committee held in the Municipal Buildings, Falkirk on Monday 21 August 2017 at 9.30 a.m.**

**Members:** Provost Tom Coleman  
Roseann Davidson (convener)  
Councillor Nigel Harris  
Councillor Cecil Meiklejohn  
Councillor Pat Reid  
Councillor Robert Spears

**Officers:** Rhona Geisler, Director of Development Services  
Gary Greenhorn, Head of Planning and Resources  
Gordon O'Connor, Internal Audit Manager  
Mary Pitcaithly, Chief Executive  
Brian Pirie, Democratic Services Manager  
Bryan Smail, Chief Finance Officer  
Allan Stewart, Improvement Manager

**Also Attending:** Keith MacPherson, Ernst and Young

**AC1. Order of Business**

In terms of Standing Order 14.2(i), the convener advised of a variation to 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.

**AC2. Introduction to the Role of the Audit Committee**

The committee heard from Brian Pirie, Gordon O'Connor, Bryan Smail, and Keith MacPherson on the following:-

- the role of the Audit Committee;
- Risk Management and Internal Audit;
- the Council's Accounts; and
- the role of the Audit Committee with respect to external audit.

**AC3. Apology**

An apology was intimated on behalf of Councillor Coombes.

#### **AC4. Declarations of Interest**

No declarations were made.

#### **AC5. Minute**

##### **Decision**

**The minute of the meeting of the Audit Committee held on 13 March 2017 was approved.**

#### **AC6. Internal Audit Charter**

The committee considered a report by the Internal Audit Manager seeking approval of the Internal Audit Charter. The Charter set out the role, authority and responsibility of the Council's Internal Audit team.

Following a question, the Internal Audit Manager confirmed that, in his view, the Internal Audit function was suitably resourced. He then summarised, in response to questions, the arrangements by which colleagues from South Ayrshire Council would provide an independent external quality assessment of the Internal Audit function's compliance with standards. The review would include interviews with the Chief Executive and the convener.

##### **Decision**

**The committee approved the Internal Audit Charter as set out at appendix 1 of the report.**

#### **AC7. Internal Audit Annual Assurance Report 2016/17**

The committee considered a report by the Internal Audit Manager on the Internal Audit programme for 2016/17.

The report summarised:-

- Internal Audit work completed in 2016/17 and the overall assurance on the Council's control framework based on that work;
- Internal Audit's performance against established key performance indicators; and
- an update on Internal Audit's compliance with Public Sector Internal Audit Standards.

In response to a question on the Audit team's performance the Internal Audit Manager confirmed that the independent review by South Ayrshire Council would interrogate the team's performance. He also summarised the dialogue with Services following audits with particular reference to timescales for addressing action points.

Following a question on the governance arrangements around the Council of the Future (CoF) project, Mr O'Connor confirmed that he attended the CoF change group and detailed his role in regard to governance and challenge. In response to a question on the Audit Committee's role in ensuring that the CoF projects are delivered on time, Mr O'Connor confirmed that future progress reports would include information on his team's role in relation to the CoF project. Mr O'Connor then explained why a planned audit of housing rents in 2016/17 had been deferred. If necessary, targeted audit work could be picked up in 2017/18 using 'ad hoc' days within the audit plan.

In response to a question on the review of building security Mr O'Connor explained that at the time of the review 'no assurance' could be provided. Since then, with oversight from the Corporate Risk Management group there had been considerable work to improve security and embed good and consistent practice across the Council.

## **Decision**

**The committee noted that:-**

- (1) sufficient Internal Audit work was undertaken to support a balanced assurance;**
- (2) Internal Audit can provide substantial assurance on the Council's arrangements for risk management, governance, and control for the year to 31 March 2017;**
- (3) Internal Audit met, or exceeded, each of its five key performance indicators; and**
- (4) self assessment against Public Sector Internal Audit Standards confirmed no material non-conformance with those Standards.**

## **AC8. Falkirk Council Annual Accounts 2016/17 and Falkirk Temperance Trust Accounts 2016/17**

The committee considered a report by the Director of Corporate and Housing Services presenting the unaudited annual accounts of the Council and Falkirk Temperance Trust for the financial year ended 31 March 2017 for approval. These had, in accordance with the Local Authority Accounts (Scotland) Regulations 2014, been submitted to the auditor by the deadline of 30 June 2017 and published online for inspection.

The Committee discussed the Cof project at length, highlighting the timescales to complete the project, in response to a question on the timescales the Chief Executive explained that the 5 year timescale was challenging. In order to deliver significant change in both function and culture, time would be required to see the benefits. Mrs Pitcaithly explained the governance arrangements for the project and the role of the Leadership Board in particular. Members questioned the Chief Executive on the potential for slippage and sought clarification of the role of elected members in the oversight arrangements. In response to a comment, the Chief Executive concurred that delivery of proposed changes was a formidable target, stating that while additional resources had been utilised the project required support from all staff.

Following discussion members of the committee asked that an overview of the project plan is included as a standing item on future agendas.

The Committee then discussed the impact of year on year budget savings on service delivery. The Chief Executive stated that, as staff numbers decrease, the pressure to deliver services increases. In such times it is important to ensure that services to the public, in particular vulnerable groups, are protected, and to renew how services are delivered, mitigating against risks on service provision changes. Following a question on the impact of pay awards on the budget the Chief Executive said that higher than budgeted awards would have a significant impact on the budget.

The Committee then asked questions on the Council's stakeholder engagement during the budget setting process. Mrs Pitcaithly provided examples of the engagement on projects including the review of community halls and on the impact of the Community Empowerment Act. She also provided a summary of the Scottish Government's proposed Public Sector Reforms, noting that a Bill may emerge by October 2017.

## **Decision**

### **The committee:**

- (1) approved the Annual Governance Statement contained in the Annual Accounts; and**
- (2) noted that the Unaudited Annual Accounts and the Falkirk Temperance trust Accounts had been passed to the Auditor by the statutory deadline of 30 June 2017.**

## **AC9. Local Consideration of National Reports**

The committee considered a report by the Director of Corporate and Housing Services providing a summary list of reports produced by Audit Scotland which had been considered by Council.

## **Decision**

**The committee noted the list of reports provided by Audit Scotland and the committees to which they had been submitted.**