

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 sailing ship on wavy lines representing water. The top-right quadrant depicts a stag's head with large antlers. The bottom-left quadrant contains a beaver. The bottom-right quadrant shows 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

FALKIRK COUNCIL

Minute of the meeting of the Audit Committee held in the Municipal Buildings, Falkirk on Monday 19 November 2018 at 9.30 a.m.

Members:

Councillor Niall Coleman
Councillor Nigel Harris
Councillor Cecil Meiklejohn
Councillor Alan Nimmo
Councillor Pat Reid

Officers:

Rhona Geisler, Director of Development Services
Gary Greenhorn, Head of Planning & Resources
Kenneth Lawrie, Chief Executive
Rebecca McDonald, Change Programme Manager
Gordon O'Connor, Audit Manager
Brian Pirie, Democratic Services Manager

Also Attending:

Rob Jones, Ernst & Young

A25. Apologies

No apologies were intimated. In the absence of a Convener, Councillor Meiklejohn took the chair.

The Democratic Services Manager provided an update on the progress in recruiting an independent Convener. Despite interest no formal applications had been received. The position had been advertised through myjobscotland and CIPFA. The advert had been circulated by the Falkirk Rotary Club to its members and network of contacts. Further options to advertise would be explored with a view to attracting interest.

A26. Declarations of Interest

No declarations were made.

A27. Minute

Decision

The minute of the meeting of the Audit Committee held on 27 September 2018 was approved.

In response to a question on item A21 Annual Accounts 2017/18, the Director of Development Services confirmed that a report on Falkirk Community Stadium Ltd would be submitted to the Executive in due course.

A28. Internal Audit Progress Report

The Committee considered a report by the Internal Audit Risk and Corporate Fraud Manager setting out progress in completing the 2018/19 Internal Audit Plan.

The Audit Plan for 2018/19 had set out 23 assignments. Since the start of the year a further 3 assignments had been added to the plan:-

- Revenues and Benefits Data Handling / Bulk Mailing;
- Council of the Future Board – Scrutiny of Programme and Project Progress; and
- Scottish Social Housing Charter – Annual Return.

Two assignments had been rescheduled, these were:-

- Implementation of Headteachers' Charter: this assignment had been included in the Plan on the basis that the Education (Scotland) Bill would be passed during 2018/19. As this had not been the case this item would be deferred.
- Social Work Adult Services Financial Procedures: this assignment would be rescheduled into early 2019/20, dovetailing with the implementation of the new Social Work information system.

Of the 23 assignments for 2018/19, 13 had been completed and 5 were in progress.

With regard to Audit recommendations Internal Audit had adopted a new gradings recommendation. These were:-

Grade 1: Key risks and/or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

Grade 3: Less significant issues and/or areas for improvement which we consider merit attention but do not require to be prioritised by management.

The report also set out 25 recommendations that remained outstanding beyond the agreed implementation date.

The committee sought clarification on the procedures in place to ensure that outstanding recommendations were actioned. The Internal Audit Manager explained that out of approximately 270 recommendations 25 remained outstanding. In some cases circumstances had changed which meant that they could either be dropped or deferred, however the majority should be actioned. The progress of implementation was monitored and there was dialogue on progress of Services. The committee acknowledged that Internal Audit was not blind to the issue but requested that the next update provided detail on the remaining outstanding actions, including any mitigating circumstances and if appropriate revised implementation dates.

Gary Greenhorn confirmed that of the 6 outstanding recommendations set out in the report in regard to schools 4 had now been actioned.

Following a question on National Fraud Initiative (NFI) data matching the Internal Audit Manager explained that 2896 recommended matches had been released to Falkirk Council (out of 8366 matches in total). All recommended matches had been investigated and the findings had been largely immaterial. This gave assurance that the remaining matches did not present a risk. Nevertheless they would be investigated. In response to a question in regard to the workload implication the Internal Audit Manager explained that Internal Audit worked closely with Services and procedures were in place to investigate matches. Rob Jones confirmed that External Audit reported bi-annually on NFI work as part of the annual audit. This would be included in the 2018/19 review.

The committee then discussed the recommendations arising from an audit on the General Capital Programme highlighting recommendations in regard to slippage of overspends. The Internal Audit Manager explained the rationale for the recommendations. The two key recommendations were that the role of Lead Project Offices should be strengthened and that they be held accountable via the Corporate Management Team or the Executive for the project overspends.

Members sought assurance in regard to an instance when costs had been allocated to the incorrect cost code. The Internal Audit Manager explained that the systems in place could rectify such errors and the finding was not particularly significant.

Decision

The Committee agreed to note progress being made with completion of the 2018/19 Internal Audit Plan.

A29. Council of the Future Update

The Committee considered an update report by the Director of Corporate and Housing Service on the Council of the Future (COTF).

Since the last update report, on 9 April 2018, the COTF project board had met 3 times to consider progress on projects, the engagement plan and the project risk register.

The Chief Executive stated that the COTF projects would be reprioritised and recalibrated early in the new year to reflect the priorities of the Council's medium term financial plan and the service business plans which were currently being developed. This was a critical piece of work and it was important that the committee was informed of progress. The committee concurred and ask that a presentation be given to all members on the refreshed project.

In addition, following discussions, the committee asked for an update report to its next meeting on 8 April 2018 and that as part of the consideration of the report, it received 2 presentations, from the project lead officers, on key projects.

The Convener reminded the committee that, in terms of governance, the Executive had oversight of the project but that it was in order for the Audit Committee to satisfy itself that the governance and risk constraints were in place. In regard to the governance of the project Rob Jones confirmed, following a question, that the External Auditors had made recommendations as part of the 2017/18 Audit and that these would be followed up in 2018/19. Members reflected on the observation by Ernst & Young that the project was not progressing sufficiently quickly.

In response the Convener stated that the project board regularly questioned the pace of the projects and questioned officers on barriers to progress. The Change Programme Manager explained, following a question on the number of projects within the COTF banner that reports were submitted to the Executive regularly and that there was 'visibility' for members on the project.

The members discussed the frequency in which updates were submitted to the Audit Committee. A report had been requested for the next meeting. The committee would consider the reporting frequency at that meeting having considered the update report.

Decision

The Audit Committee agreed to note the update on the Council of the Future Change Programme and agreed when they would like to receive a further update.

- (1) The Audit Committee noted the update on the Council of the Future Change Programme.**

- (2) requested a further update report to the next meeting following the reprioritisation and recalibration of the Project and to receive a presentation on projects by Project Leads, and**
- (3) that a briefing be held for all members following the reprioritising/calibration of the Project.**

A30. Audit Committee Workplan 2019

The Committee considered a report by the Director of Corporate and Housing Services setting out the Audit Committee Workplan for 2019.

The 2016/17 Annual Report to Members and the Controller of Audit had recommended that a workplan be produced for the Audit Committee. This would, it had concluded, assist the effectiveness of the committee on a regular or cyclical basis was presented. In addition the committee had during the previous item called for a report on the Council of the Future Project to be submitted in April 2019. The draft work plan would be adjusted to reflect the decision.

The Democratic Services Manager confirmed that, following a question, the committee was required to review its effectiveness and that a workplan would assist in this process.

Decision

The Audit Committee agreed its workplan for 2019.