Agenda Item 11

How Councils Work – Safeguarding Money

Agenda Item:11

Falkirk
Health and Social Care
Partnership

Title/Subject:	**How Councils Work – Safeguarding Money**
Meeting:	**IJB Audit Committee**
Date:	**27 June 2019**
Submitted By:	**Chief Finance Officer**
Action:	**For Noting**

1. INTRODUCTION

1.1.   The purpose of this report is to present the key messages arising from the Accounts Commission's report entitled "Safeguarding public money: are you getting it right?" This report was published in April 2019 and forms part of a series of reports entitled "How councils work: an improvement series for councillors and officers".

2. RECOMMENDATION

2.1.   The Audit Committee are asked to note this report.

3. BACKGROUND

3.1.   This report, accessible here, is part of a series of reports on how councils work which aim to support Councils to continuously improve. The series is based on recurring themes from Best Value reports and performance audits and includes a number of checklists for councillors with questions that may be asked of officers.

3.2.   Whilst this report is written for councillors, undoubtedly the key messages will have relevance for the IJB and IJB board members.

4. KEY MESSAGES FROM THE REPORT

4.1.   The report aims to reinforce the importance of councils having effective internal controls. The complex and challenging financial environment means that councillors are being asked to make difficult decisions to allocate resources. The report emphasises that understanding the impact of these decisions "requires an organisational culture that is open to candid discussions about risks and recognises the importance of scrutinising decisions". This message is equally important for the IJB.

4.2. The report is set up in three sections:

Part 1 – Internal controls help councils to manage risk
Part 2 – Weak controls can have serious consequences
Part 3 – Officers and councillors both have important roles

4.3. **Part 1 – Internal controls help councils to manage risk**
This section of the report sets out five main components of internal control:

1. Control environment
2. Risk assessment process
3. Information systems
4. Control activities
5. Monitoring of activities

4.4. The report notes the responsibility of officers to develop, implement and maintain reliable controls. A council must review, at least annually, the effectiveness of its system of internal controls and report to the audit committee before it approves the annual governance statement.

4.5. There is also a focus on the importance of effective risk management and the need for an effective, self aware risk culture to enable councillors and officers to consciously take the right risks in an informed and responsible way. This section of the report reflects the approach that was presented to the Audit Committee in March 2019 as part of the review of the Risk Strategy. The report also notes that councils should be able to articulate their risk appetite. This is one of the action points that has been agreed as part of the IJB risk work.

4.6. This part of the report concludes with the following statement: "sound internal controls are therefore essential for ensuring that councils can extract the maximum possible value from their budgets within a tolerable level of risk". This could equally apply across the public sector.

4.7. **Part 2 – Weak controls can have serious consequences**

4.8. This part of the report contains a number of case studies to illustrate a number of scenarios within a control environment. The five control categories used to illustrate the scenarios are:

1. Authorisation
2. Physical
3. Information processing
4. Performance reviews
5. Segregation of duties

4.9. The scenarios are helpful in setting out where each of the control categories works well, where controls were weak and where problems have been able to occur. As such they illustrate what good looks like and how problems can occur.

4.10. The report includes a section highlighting the importance of whistleblowing and the need to support it through, for example, a robust whistleblowing policy.

4.11. **Part 3 – Officers and councillors both have important roles**

4.12. This section of the report sets out a number of key messages:

- Culture and behaviours are important
- The importance of timely, good quality information to facilitate scrutiny
- Transparency around decision making is critical and public bodies should be open to scrutiny
- Constructive working relationships between councillors and officers are essential
- The Audit Committee provides independent assurance and as such has an important role
- Risks from Partnership working need to be understood and scrutinised
- The roles of key officers, including a Council's Statutory Officers, need to be understood
- Internal Audit have an important role to add value and improve an organisation's operations and the Audit Committee has a role in ensuring the efficiency and effectiveness of this function

4.13. There are a number of checklists included to help councillors think about the control areas highlighted in the report, for example Audit Committee and Internal Audit. A summary of the checklists are included as Appendix 1 to this report.

5.   CONCLUSIONS

5.1. The Audit Scotland stresses the importance of good internal controls and risk management. It recognises the context within which Councils are operating and the strain this places on the framework of internal control.

5.2. The report also seeks to emphasise the need to ensure that proper and proportionate control is maintained, to complement and fit with shrinking, streamlining, and changing Services.

Resource Implications
There are no resource implications arising from the report recommendations.

Impact on IJB Outcomes and Priorities
This report does not directly impact on the outcomes and priorities of the IJB. However, the report focusses on how to ensure appropriate controls are in place to support Councils, albeit the lessons are valuable for all public sector organisations, to face ongoing complex and challenging financial pressures. The risks to Integration Authorities being able to deliver the outcomes set out in their strategic plans are high and as such effective risk management and internal controls are more important than ever.

Legal & Risk Implications
There are no legal and risk implications arising from the report recommendations.

Consultation
No consultation is required on this report.

Equalities Assessment
There are no equality implications arising from the report recommendations.

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Approved for Submission by: Patricia Cassidy, Chief Officer, Falkirk IJB

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Date: 27 May 2019

List of Background Papers: The papers that may be referred to within the report or previous papers on the same or related subjects.

Appendix
Summary of checklists for councillors

The following questions may help you to think about internal controls and risk management in your council.

Is the answer Yes, Maybe/Partly, or No? Is action required? If so, what action and who by?

Checklist 1. Internal controls and risk management
- Do internal controls link with key corporate and service-level risks?
- Do internal controls apply to both financial and non-financial risks?
- Has the council identified the weakest internal controls?
- Are officers improving weak internal controls and minimising the risks they pose?
- Does internal auditing evaluate controls' effectiveness, and report to the audit committee?
- Does the audit committee take appropriate action?
- Does the council publicly review its system of internal controls annually?
- Is risk management actively led, supported and promoted by councillors and senior officers?
- Does the council have an up-to-date, corporate-level, risk management strategy?
- Does the corporate risk management strategy address the council's risk appetite?
- Does the council have up-to-date corporate-level and service-related risk registers?
- Is risk management embedded in business practices at both corporate and service levels?
- Does systematic evaluation and prioritisation of risks and opportunities lead to timely action?
- Are key risks and action to mitigate them monitored and reported on throughout the year?
- Do officers' reports to committees cover both financial and non-financial risks?
- Is there sufficient, timely training and ongoing support for you and relevant officers?

Checklist 2. Fraud and corruption
- Does the council have a fraud and corruption strategy for all its business, including its partnerships?
- Have cases of fraud and corruption been identified in each recent year?
- Have there been successful prosecutions for fraud or other criminal behaviour?
- Of the money lost to fraud/corruption, what percentage has been successfully recovered?
- Is the whistleblowing policy monitored for take-up; and are concerns acted upon?
- Are staff and other resources for fraud investigation proportionate to risks that the council faces?
- Are all allegations of fraud or corruption risk-assessed, and investigated accordingly?
- Are fraud alerts and good practice shared among council services in a timely way?
- Are there cost-effective measures for recovering money lost to fraud and corruption?
- Does the council actively take part in the National Fraud Initiative and act on its findings?
- Is comprehensive information on fraud and corruption reported to a relevant committee?
- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Checklist 3. Consequences of weak controls

- Which services have been most affected by weak controls, and why?
- Has internal auditing tracked, assessed and reported to a committee on weak controls' impacts?
- Have consequences of weak controls for ongoing service delivery been assessed?
- Could the council do more to anticipate longer-term risk trends, such as cyber-crime?
- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Checklist 4. Audit committee

- Do audit committee councillors have a clear remit that addresses the latest guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA)?
- Does the chair of the committee manage committee meetings effectively?
- Does the chair routinely liaise with the head of internal audit before committee meetings?
- Do the committee's councillors attend routinely, prepare well and challenge officers appropriately?
- Does the committee approve internal audit's annual workplan and reports?
- Can internal audit report to senior officers and the audit committee without fear or favour?
- Do officers provide committee members with timely, well-written and useful reports?
- Do internal audit reports set out comprehensively and clearly what needs to improve, and how?
- Does the committee endorse and track improvements proposed by internal auditing?
- Has the committee identified the top five risks to the council?
- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Checklist 5. Partnership working

- Do the council's governance and internal controls mitigate partnerships' risks to the council?
- Does the council have risk registers concerning its various partnerships?
- What resources (such as staff, buildings and money) does the council contribute to partnerships?
- Does each partnership have a clear purpose and explicit, outcome-based objectives?
- Are governance arrangements for each partnership clear, documented and fit for purpose?
- Does the council apply the code of practice on 'Following the Public Pound' to each arm's-length external organisation?
- Does the council have sound reasons for having a representative on a partnership's board?
- If you sit on a partnership's board, do you appreciate what is required of you and the linked risks?
- Is there good-quality, transparent and publicly accessible performance information?
- Are concerns about risks posed by partnerships escalated suitably within the council?
- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Checklist 6. Councillors' continuing personal development

- After the last election, was the general induction programme for councillors successful?
- Do officers give you good support on knowledge topics (such as internal controls)?
- Do officers give you good support on personal skills (such as chairing meetings)?
- Do you fully understand your roles and duties at council, cabinet, committee and ward levels?
- Have you made good use of the Improvement Service's support and publications?
- Do you have a personalised CPD programme?
- Do you actively participate in, and benefit from, the support made available to you?
- Do officers monitor and understand councillors' take-up of training and development?
- Where you do not engage fully in training and development, how could officers help more?
- Does CPD for councillors help you to be effective in your governance and scrutiny roles?

Checklist 7. Statutory officers and chief education officer

- Are the roles of these officers clearly set out in the council's governance documents?
- Do these officers sit on the corporate management team, or have ready access to it?
- Are these officers sufficiently resourced to discharge their roles and responsibilities?
- Do these officers have the influence needed for ensuring the council operates effectively?
- Do councillors and committees understand how and when to consult these officers?
- Do these officers give helpful, timely, impartial support to councillors and other officers?
- Do these officers have a constructive relationship with the senior management team?
- Do you have confidence in your council's key officers?
- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Checklist 8. Internal auditing function

- Does internal auditing (IA) follow Public Sector Internal Audit Standards and other reputable guidance?
- Is IA objective; free from undue influence; and independent in its thinking, work and reports?
- Is IA suitably located in the council's structure?
- Is IA sufficiently resourced to recruit, retain and develop the staff it requires?
- Is IA free of operational responsibilities that could risk compromising its independence?
- Is IA's work aligned with the council's strategies, objectives and risks?
- Does IA give senior officers and councillors clear, timely, objective, risk-based assurance?
- Does the head of IA have unrestricted access to the chief executive?
- Does the head of IA give committees the information they need to make informed decisions?
- Is there sufficient timely training and ongoing support for officers and councillors, including you?

Safeguarding public money: are you getting it right?

This report is available in PDF and RTF formats at:
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