

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".

Agenda Item 3

Minute

Draft

FALKIRK COUNCIL

Minute of meeting of the Audit Committee held in the Municipal Buildings, Falkirk on Monday 16 September 2019 at 9.30 a.m.

Members:

Councillor Niall Coleman
Councillor Nigel Harris
Councillor Cecil Meiklejohn
Councillor Pat Reid
Councillor Robert Spears
Paula Tovey (Convener)

Officers:

Danny Cairney, Senior Service Manager Corporate Finance
Rhona Geisler, Director of Development Services
Kenneth Lawrie, Chief Executive
Kenny McNeill, Children's Services Resources Manager
Brian Pirie, Democratic Services Manager
Stuart Ritchie, Director of Corporate and Housing Services
Bryan Smail, Chief Finance Officer
Isabel Wright, Senior Auditor

A13. Apologies

An apology was intimated on behalf of Councillor Nimmo.

A14. Declarations of Interest

No declarations were made.

A15. Minute

Decision

The minute of the meeting of the Audit Committee held on 17 June 2019 was approved.

A16. Order of Business

The Convener varied the order of business to take item A17 (Internal Audit) next to allow more time for representatives of EY to join the meeting.

The following items are recorded in the order in which they were taken at the meeting.

A17. Internal Audit Progress Report

The committee considered a report by the Internal Audit Manager presenting the Internal Audit Plan for 2019/20.

Following a question in regard to a planned reciprocal audit review with West Lothian Council the Chief Executive stated that dialogue was ongoing with West Lothian Council in regard to the timing of the review. He also stated that officers continued to work with West Lothian Council in regard to sharing services although there was no progress to report at this point.

The Committee noted that a number of audit recommendations remained outstanding beyond their agreed implementation date. Kenny McNeill gave updates in regard to actions relating to a review of Serious Organised Crime (IA-1819-20.02) and of access to Moray Primary School and Oxburg Primary School (IA – 256) however members of the committee expressed dissatisfaction that revised completion dates had not been provided for those which were outstanding beyond the agreed implementation date. Following discussion the committee asked that an update position together with realistic implementation dates was provided.

Following a question in regard to the Internal Audit team's consultancy work and income generation, Isabel Wright explained that the unit was often called upon to review guidance, policy and procedures and specific areas of work by services. She then explained, following a question, the process for self assessment, which was based upon the Public Sector Internal Audit Standards. Every 5 years the unit was assessed by another authority with the next review planned for 2022 (by Fife Council).

The committee then discussed the planned review of Falkirk Community Trust, and sought information in regard to the scale of outstanding debtors. Isabel Wright confirmed that the amount was not significant, around £30k, but it had been a concern for the Trust and a review would explain how the debt had been able to come about.

The committee returned to outstanding actions and asked for an explanation for the mechanism of removing groups from the Register of Tenants Associations (IA – 222). The Director of Corporate and Housing undertook to provide a response following the meeting.

Decision

The Committee noted the report.

A18. Corporate Risk Management Update

The committee considered a report by the Director of Corporate and Housing Services presenting an update report on progress with embedding Corporate Risk Managements. The report provided a summary of actions since 1 April 2019 and set out as appendices:-

- Risk Management and Assurance dashboard
- Corporate Risk Register summary of risks

In regard to the risk 'Public Protection (Adults and Children)' the Chief Finance Officer explained that by its nature there was inherent high risk in this area of Council activity. It was vital therefore that the Council was able to mitigate against the risks in protecting vulnerable children and adults. The Chief Executive gave as an example the work of the Public Protection Chief Officer Group which ensured that a robust regime was in place to manage risks. Nevertheless the risks remained.

Following a question the Chief Finance Officer explained the risk management and assurance dashboard which was set out as appendix 1 to the report. The approach to risk management was robust but there were areas where improvements could be made.

The committee discussed the assurance provided in regard to the Community Planning Strategic Board, which was 'limited'. The Chief Executive stated that going forward he anticipated a more focussed approach by partners and the Board. Work had been in play to develop a more focussed approach by partners, recognising that all had a role to play. The committee sought further detail on the risk around 'failure to undertake proper engagement and consultation with service users'. The Chief Executive explained that the Council was looking to adopt a 'One Council' approach to engagement. Work was ongoing to map the various consultation methodologies and practices. It was important, he stated, that the Council followed up on consultations to explain what the outcomes had been.

Decision

The Committee agreed to refer the report to the Executive for approval.

The committee then adjourned for 10 minutes to allow representatives of EY to join the meeting and reconvened at 10.15 am with all members present as per the sederunt. The convener stated that due to unforeseen circumstances the external auditors would not be in attendance for the meeting.

A19. Annual Accounts 2018/19

The committee considered a report by the Director of Corporate and Housing Services presenting the audited accounts for 2018/19. The accounts had been audited by the Council's external auditors Ernst and Young and were expected to be free from qualification. They would be submitted, following consideration by the Audit Committee, to Council, for approval.

The committee noted that, at 31 March 2019 the value of heritage assets had been £266k. Following a question the Chief Finance Officer gave an overview of what this category of asset included. Mr Smail then, following a question, provided an explanation of the payment schedule for the Class 98 contract and confirmed the end date of 2026 for payments. There was an advance period of three years where the parties would negotiate future arrangements – i.e. continue with an arrangement or take the schools back. A working group was examining options and no decisions had been made at this point.

The committee noted that 32% of General Fund Capital Resources projects had not been delivered. The Chief Finance Officer explained that slippage was normal and that the key was to manage the slippage. The Executive received regular reports on progress with the Capital Programme and had identified slippage as a concern. As a consequence Internal Audit had reviewed the control processes and had made a number of recommendations, all of which had been implemented.

The committee then discussed the management commentary. It was highlighted that this did not comment on in-year savings. The Chief Finance Officer explained that savings options, to bridge to the budget gap, were regularly reported to the Executive and Council had considered a suite of options as part of its budget setting exercise in February. The financial position, reported to the Executive in June 2019 had shown the outturn to be satisfactory, albeit with ebbs and flows in the detail. He explained the process for tracking the financial position and monitoring savings and highlighted the processes for managing Council of the Future projects.

In regard to the revaluation of the Council's land and buildings, the Chief Finance Officer explained that work was ongoing.

Decision

The Committee agreed to refer the Audited Accounts for 2018/19 to Council for consideration and approval.

A20. 2018/19 Annual Audit Report to Members and the Controller of Audit

The Committee considered a report by the Director of Corporate and Housing Services presenting the 2017/18 Annual Audit Report by the Council's External Auditors, Ernst & Young LLP, together with proposed Audit opinion and letter of representation by Ernst & Young LLP.

The Chief Finance Officer provided background to the Auditor's Report highlighting the key messages.

These focussed on:-

- financial management
- financial sustainability
- governance and transparency
- value for money

The Audit Report set out the Auditor's assessment of the Council's arrangements identifying the degree of risk potentially facing the Council in regard to each (described by red, amber or green colour coding). An action plan, showing the potential risk together with management response was set out in an appendix to the Audit Report.

The Chief Finance Officer gave an overview of the Audit report.

The committee questioned the Auditor's finding that preparations for 'Brexit appear appropriate'. The Director of Development Services explained that a corporate working group had for some time been looking at Brexit preparations. These had been based upon Scottish Government planning assumptions. These had been updated using UK Government planning assumptions which had included the elements covered by the Yellowhammer document. Mrs Geisler stated that in Falkirk the main concern was around supply of goods and services, such as food stuffs and medicines. In regard to longer economic impacts Mrs Geisler advised that briefings had been held for all members. Following a discussion the convener stated that detailed discussions on the preparations were not within the scope of the discussion at hand. The Director repeated that the assumptions to which the working group was basing its focus included those issues set out in the Yellowhammer document.

The Leader of the Council stated that over the last five years Audit reports had been positive and given a fair review of the Council. They had identified the same concerns, as set out in the commentary. She reflected that without representatives of EY present any questions should be held for Council when the representatives would be in attendance.

Following a question the Chief Finance Officer confirmed that the audit was now completed and that the Auditor's certificate was free from qualification.

Following a question in regard to Falkirk Community Stadium the Chief Finance Officer confirmed that a report on the stadium would be submitted to the Executive shortly.

The committee considered the Medium Term Financial Plan and commented on the graph on p19 of the Auditor's report which showed that savings identified to date would reduce the budget gap to £24m. The committee asked if the savings were being made. The Chief Finance Officer explained that mechanisms were in place to track and manage savings. The Executive received regular budget updates following the budget setting by Council in February each year. Savings identified in the five year business plan would evolve and emerge over time. The five year plan would roll, year on year. Following further questions on the 2024 projected position the Chief Finance Officer stated that the table was perhaps misleading. The committee stated that the Auditor's report was clear that if delivered, the gap would reduce to £24m. Mr Smail explained that with 19/20 balanced, 2023/24 would be the 'new year 5' of the 5 year plan. In aggregate, over 5 years the gap would be £24m. However this was a snapshot and work would continue to identify further savings options.

In regard to bridging the budget gap members asked if Falkirk Community Trust had been given savings targets. Mr Smail confirmed that the Trust and the Integration Joint Board both had targets. He explained the current budget position in regard to the Trust noting that Council had agreed to direct its reserves to cover gaps relating to the Trust.

Decision

The Committee agreed to refer the report to the Executive.

A21. Temperance Trust

The Committee considered a report by the Director of Corporate and Housing Services presenting Falkirk Temperance Trust's audited annual Trust's accounts 2018/19 for consideration ahead of their submission to the Trustees.

Following a question on the various Trusts which had been established in the area over the years, the Chief Finance Officer explained that the Temperance Trust was unique given the status of its Trustees.

Decision

The Committee agreed to recommend approval of the audited annual accounts of the Temperance Trust to its Trustees.