



# **Agenda Item 3**

## **Minute**

Draft

**FALKIRK COUNCIL**

**Minute of meeting of the Audit Committee held in the Municipal Buildings, Falkirk on Monday 11 November 2019 at 9.30 a.m.**

**Members:** Councillor Niall Coleman  
Councillor Nigel Harris  
Councillor Cecil Meiklejohn  
Councillor Alan Nimmo  
Councillor Pat Reid  
Councillor Robert Spears  
Paula Tovey (Convener)

**Officers:** Rhona Geisler, Director of Development Services  
Gary Greenhorn, Head of Planning and Resources  
Stuart Irwin, Democratic Services Graduate  
Kenneth Lawrie, Chief Executive  
Gordon O'Connor, Audit Manager  
Brian Pirie, Democratic Services Manager  
Stuart Ritchie, Director of Corporate and Housing Services  
Bryan Smail, Chief Finance Officer

**Also Attending:** Stephen Reid, Ernst and Young  
Grace Scanlin, Ernst and Young

**A22. Apologies**

There were no apologies.

**A23. Declarations of Interest**

No declarations were made.

**A24. Minute**

**Decision**

**The minute of the meeting of the Audit Committee held on 16 September 2019 was approved.**

## **A25. The Role of the Audit Committee**

Grace Scanlin and Stephen Reid gave a presentation to the Committee on the role of the Audit Committee. The presentation also addressed the role of elected members on Audit Committees. The presentation covered:

- CIPFA's position statement on the role of the Audit Committee;
- The key characteristics of an effective Audit Committee;
- The role of the Convener;
- The four key functions of an Audit Committee - oversight of Internal and External audit, the effectiveness of risk management arrangements, the effectiveness of the central environment and review the financial statements and external audit reports;
- The range of functions which other Local Authority 'Audit' Committee cover;
- Overlaps between the role of scrutiny Committees and Audit Committees; and
- Common areas of challenge for Audit Committees.

The Committee asked Ms Scanlin and Mr Reid for their opinion on the effectiveness of Falkirk Council's Audit Committee. Ms Scanlin remarked that in general she was impressed with the Committee and that its effectiveness was dependant on the quality of scrutiny. Mr Reid added that the effectiveness of any Audit Committee was related to a number of factors – including the quality of the reports, the support provided by officers, the input from internal and external auditors, Falkirk Council was, he suggested, broadly comparable with others in these regards. The vital factor was he considered the degree of preparation and engagement by members of the Committee.

Following a question about the composition of the Committee the Chief Executive stated that this was determined by Council and Council was currently deciding how it would deal with the composition of Committees given the number of independent Councillors currently on the Council. This would be determined by Council in December 2019. The Convener explained that the Committee should not be political in nature and that politics should be 'left at the door'. Mr Reid agreed with this – he considered it to be a fact that those which functioned best were non political in nature. Ms Scanlin concurred and noted that currently only 3 Audit Committees out of 32 in Scotland were chaired by an independent, non elected member, of which Falkirk Council was one.

Following a discussion on the control environment, Mr Reid suggested that the Committee might, given that the Accounts Commission had a focus on public performance reporting, wish to dedicate a development session to this area.

The Committee considered its role in regard to risks. Ms Scanlin emphasised that it was not the role of the Committee to focus on operational matters. Its view was strategic. Its role was to scrutinise the assurances in

place for each service and to ensure that processes were in place to mitigate the risks. In response to a statement that it was not an easy task for members the Leader of the Council agreed, but repeated the point that the Committee should not focus on operational matters. Ms Scanlin stated that the least effective Committees were those whose focus was on management rather than strategic issues. The Committee then discussed the support in place for members of the Committee. It was recognised that it was important that the members of an audit Committee need to have an in depth understanding of how the Council works and of specific areas of Council business, such as the Council of the Future (COTF) programme or budget working group. There was an argument, it was suggested, that the membership should comprise members with particular experience and therefore understanding of these areas, notwithstanding the fact that training could be provided to those who did not. Members of the Committee agreed, adding that there was a need for continuing briefings to all members in key aspects of the Council's business.

The Chief Executive welcomed the key points made in the presentation and the discussion which followed. It was vital, he suggested, that the Committee build on these going forward. He had experience of a number of Committees, some of which had weaknesses and some had strengths. At Midlothian Council, he advised, members had ability to be forensic and to challenge management. At Falkirk he had witnessed less of both to date. Mr Lawrie proposed that the slides be circulated after the meeting and that the Committee meets informally to discuss on how to build on the key messages from the presentation and discussion today. This would provide the opportunity for open and frank discussion on how to improve the effectiveness of the Committee. He cited the checklists provided in the presentation as an example of a useful tool for members going forward. The Leader of the Council concurred and added that a self assessment, led by External Auditors, would be beneficial. Stephen Reid supported the proposal, remarking that such self reflection should lead to an action plan for improvement.

### **Decision**

**The Committee agreed to hold an informal meeting of the Committee to discuss how to build on the themes and key points of the presentation.**

### **A26. Order of Business**

The Convener varied the order of business to allow the Committee to consider agenda item 6 – Audit Committee Workplan 2020 next given that it related to discussions on the previous item. The following items are recorded in the order in which they were taken at the meeting.

## **A27. Audit Committee Workplan 2020**

The Committee considered a report by the Director of Corporate and Housing Services setting out a workplan for the Audit Committee for 2020.

The Committee had agreed a workplan for 2019 at its meeting on 19 November 2018 (ref A30). All planned reports had been submitted with the exception of the Convener's report to Council. It was proposed that this be considered at the meeting of the Committee on 6 April 2020 to accord with the end of the financial year.

A workplan for 2020 was set out. In addition to the 'traditional' suite of reports which were submitted to Committee at set times during the year it was proposed that each meeting include a development session for members. These would assist members in their understanding of the role of the Committee and support their role as members of the Committee. The Plan would be indicative and could be added to with reports called for by the Committee or which officers considered fell within the remit of the Committee. The workplan was based around the five meeting dates set by Council in September 2019 – 6 April, 15 June, 24 August, 21 September and 9 November 2020.

The Committee questioned the programme itself commenting that the Committee would meet 5 times in 7 months (April – November), but would not meet before April. The Democratic Services Manager explained that the programme was set by Council and took account of the Council budget setting process which took place between January and late February. The Chief Executive recognised the rationale for the programme, but nonetheless considered that the programme could be revisited with a view to being more balanced. Earlier in the meeting the members of the Committee had for example, agreed to hold an informal session on the Committee arrangements early in the New Year. While there was general agreement on the workplan as set out members questioned whether the Committee should receive reports on the Council of the Future programme as a standing item on each agenda. The Director of Corporate and Housing Services explained that progress on the Council of the Future was reported to a number of bodies, such as the Project Board and the Executive. Mr Ritchie also added that members were regularly provided with the opportunity to attend briefing sessions. The Leader of the Council added that there was an onus on all members to keep themselves informed by attending the sessions which had not been well attended generally.

### **Decision**

**The Committee agreed its workplan for 2020.**

## **A28. Internal Audit Progress Report**

The Committee considered a report by the Internal Audit Manager updating members on the progress with completing the 2019/20 Internal Audit Plan.

Of the 23 assignments set out in the Audit Plan for 2019/20, 5 had been completed, 13 were in progress or had not started.

The report provided a summary of findings from those assignments which had been completed and a final report published which had not previously been reported to Committee.

Following a question in regard to the nature of the 'all services' assignments – consultancy work and income generation; Continuous Auditing; National Fraud initiative and Follow Up of Internal Audit Recommendations, the Internal Audit Manager explained that these were ongoing pieces of work which were carried out over the course of the year. For example, in regard to creditor's payments, 39 had been reviewed and as a result £27k had been returned to Council budgets. Similarly in regard to National Fraud initiative work, 122 errors had been identified in regard to Council Tax Single Person Discounts, with a value of £88k. Mr O'Connor undertook to provide updates on these areas of work to every second meeting of the Committee.

The Committee discussed the report format and asked that reports include the following information:-

- where an assignment is "in progress" or not stated the report should provide detail on when the work is due to be completed.
- where a final report has been issued following completion of an assignment the report to Committee should provide the number of recommendations made.

### **Decision**

**The Committee noted progress made with completing the 2019/20 Internal Audit Plan.**

## **A29. Accounts Commission Report: Safeguarding Public Money: Are you Getting it Right?**

The Committee considered a report by the director of Corporate and Housing Services presenting the key messages arising from the Accounts Commission report entitled "Safeguarding Public Money: Are You Getting it Right?".

The report by the Accounts Commission had been produced as part of a series of reports aimed at supporting Council's drive for continuous improvement. The report stated that:-

- Councils faced complex, challenging financial pressures. Rising demand for many of the diverse services Councils provide must be met despite tightening budgets for numerous services, and significant uncertainty stemming from external factors including the UK's planned withdrawal from the EU.
- In 2017/18, Councils' net revenue expenditure totalled £12.4 billion. If Councils could save one per cent by improving their financial management, risk management and internal controls, they could potentially free-up an extra £124 million for providing public services.
- Scotland's 1,227 Councillors had multi-faceted responsibilities and constantly make difficult decisions when prioritising and allocating their Council's finite resources. With so much at stake, it is more important than ever that the impact of their decisions on communities and individuals is transparent and clearly understood. This requires an organisational culture that is open to candid discussions about risks and recognises the importance of scrutinising decisions.
- This report aimed to reinforce the importance of Councils having effective internal controls.
- The Accounts Commission expected Councillors to use this report to ensure that they:
  - had a good understanding of the main risks facing their Council and how well these risks were being managed;
  - were assured that appropriate internal controls were in place and, where weaknesses have been identified, effective action was being taken to address them; and
  - were kept aware of the outcome of any significant risk occurring; the failure of internal controls; and what remedial actions are being taken.

The key messages from the report were:-

- An effective system of internal controls and risk management helped Councils to safeguard their finances; ensures they implement their policies; and helps them to deliver high-quality services.
- Standards of internal controls may be strained. Some recurring weaknesses were becoming apparent among Councils and the consequences could be serious, including the loss of significant amounts of public money, impacts on services and reputational damage.

Ultimately, Councillors were accountable for scrutinising a Council's use of public money.

- Councillors should seek assurances from officers that a rigorous system of internal controls was in place. Scrutiny and audit Committees had leading roles, but every Committee and Councillor had a scrutiny role too.
- The Committee discussed the funding of external organisations and the Following the Public Pound Framework. Currently funding of less than £10k was not reported to the Scrutiny Committee (External) which meant that there was no elected member oversight of such awards. The Committee also sought clarification in regard to the award process and the process for applying for funding. The Director of Corporate and Housing Services undertook to investigate.

The Committee then discussed the role of the Community Planning Partnership in regard to Community Asset Transfers. Members sought assurance around the risk assessment procedures and advice given to the community. The Head of Planning and Resources stated that the Service signposted groups to Community Asset Scotland, which was an independent body. It was important that groups were able to access independent advice. Feedback suggested that the support which was signposted had been effective. Mr Greenhorn advised that a report would be submitted to the next meeting of the Education, Children and Young People Executive. Following a question Mr Greenhorn confirmed that it was a requirement that once the transfer was completed that the groups' governance and financial arrangements were stable going forward, recognising the point made by members that membership of the groups could change over time. He added that there should be annual reviews.

Following a question the Director of Corporate and Housing Services explained the process for scrutinising the Falkirk Community Trust performance.

### **Decision**

**The Committee noted the report.**