

The background of the slide is a large, light blue watermark of the City of Vancouver's coat of arms. It features a crown at the top with four maple leaves. The shield is divided into four quadrants: top-left shows a ship on the water, top-right shows a stag's head with a cross, bottom-left shows a ship on the water, and bottom-right shows a grizzly bear. A banner at the bottom reads "A NE FOR A".

Agenda Item 3

Minute

Draft

FALKIRK COUNCIL

Minute of meeting of the Audit Committee held remotely on Monday 24 August 2020 at 11.30 a.m.

Members:

Councillor Nigel Harris
Councillor Cecil Meiklejohn
Councillor Alan Nimmo
Councillor Pat Reid
Councillor Robert Spears

Officers:

Danny Cairney, Senior Service Manager, Corporate Finance
Douglas Duff, Head of Planning and Economic Development
Gary Greenhorn, Head of Planning and Resources
Stuart Irwin, Democratic Services Graduate
Kenneth Lawrie, Chief Executive
Gordon O'Connor, Internal Audit Manager
Brian Pirie, Democratic Services Manager
Stuart Ritchie, Director of Corporate and Housing Services
Bryan Smail, Chief Finance Officer
Jillian Thomson, Chief Finance Officer, Integration Joint Board

Also Attending:

Stephen Reid, Ernst and Young
Grace Scanlin, Ernst and Young

A1. Apologies

Apologies were submitted on behalf of Paula Tovey and Councillor Niall Coleman. In the absence of the convener, Councillor Meiklejohn took the chair.

A2. Declarations of Interest

No declarations were made.

A3. Minute

Decision

The minute of the meeting of the Audit Committee held on 11 November 2019 was approved.

A4. Internal Audit Annual Assurance Report 2019/20

The Committee considered a report by the Internal Audit Manager presenting the Annual Assurance Statement for 2019/20.

In regard to the Audit Plan, of the 23 assignments set out in the plan, 21 had been completed. The remaining two reviews, Savings Trackings and Business Continuity Management had not been undertaken following the lockdown and the impact of Covid-19 and would be included in the 2020/21 Plan.

On the basis of work undertaken, Internal Audit had provided a substantial assurance in relation to the Council's arrangement for risk management, governance and control for the year to 31 March 2020.

The report also set out the performance of the Internal Audit function against key performance indicators.

Following a question on the continuous review of creditors payments data to identify potential duplicate payments, the Internal Audit Manager confirmed that 96 payments had been identified and that these had been passed to the relevant officers for assessment. Following a request from the committee, Mr O'Connor undertook to provide further information on the scale of the costs involved and the amounts recovered as a result of the review.

The committee sought clarification of the self-assessment that Internal Audit was broadly compliant with the Public Sector Internal Audit Standards (PSIAS), the Internal Audit Manager explained that the standards against which the team were measured were exacting and set out the 'ideal'. To achieve this would be resource intensive and disproportionate. Overall, he was satisfied with the level of assurance.

In regard to the review of System Administration - Access Privileges to Key Corporate Systems the Internal Audit Manager confirmed that in general sound systems of control and larger issues had not been identified.

Following a question in regard to the review of the Equality Act 2010 and specifically findings in regard to the Licensing Board, the internal Audit Manager confirmed that the Act applied to the Board as a separate legal entity and undertook to provide further information.

Decision

The Committee noted that:-

- (1) sufficient Internal Audit work had been undertaken to support a balanced assurance;**

- (2) Internal Audit had provided SUBSTANTIAL assurance on the Council's arrangements for risk management, governance, and control for the year to 31 March 2020;**
- (3) Internal Audit had met, or exceeded, each of its Key Performance Indicators; and**
- (4) the Internal Audit section operated in compliance with Public Sector Internal Audit Standards.**

A5. Internal Audit Plan 2020/21

The Committee considered a report by the Internal Audit Manager which presented a 2020/21 Internal Audit Plan for approval.

The Internal Audit Plan for 2020/21 had been prepared in the context of the Covid-19 pandemic and in particular its impact on the Council's resources and priorities. The plan, which was based on 555 planned days, was based on annually recurring assignments, priority assignments and indicative assignments.

Implicit in the Plan was an acknowledgement that it was largely indicative and flexible - resources could be redirected (for example in new and amended processes arising as a result of Covid-19) and the plan may not be capable of being delivered in its entirety. Items not completed would be rolled over into the next year.

Following a question, the Internal Audit Manager confirmed that the plan was aspirational and was likely to change during the course of the year. He would direct resources as required depending on circumstances. Since March this year the work of the team has been predominately Covid-19 related – such as on reviews of payment of grants. A report would be submitted to the next meeting which would detail the work of the team to date. In regard to the priority assignments these had been determined through analysis and knowledge of the Corporate Risk Register.

The committee highlighted the work also undertaken for Clackmanannshire Council and for Strathcarron Hospice and sought assurance that this work would not affect the ability of the team to deliver the planned work for Falkirk Council. The Internal Audit Manager considered that, subject to the caveats around Covid-19, the plan was deliverable. He confirmed that the time allocated to Strathcarron Hospice was part of the 555 planned days allocated to Falkirk Council work. The 15 days allocated to Strathcarron was not a large demand.

The committee commented on summary of the planned work set out in the report and asked that in future a consistent format could be used that would allow for year on year comparison.

In response to a question on the likely impact on the Plan if there was to be a second wave of the pandemic the Internal Audit Manager said that the work would be put on hold and resources directed to where they were needed. In the lockdown the team had adapted well to working from home and generally this had not hindered reviews. If there was a need to significantly deviate from the Plan then this would be reported to committee.

In the period from April until August the team had continued to work and had carried out a number of reviews including Business Support grants and Community grants and again stated, when questioned on the deliverability of the Plan, that it was aspirational given the current and ongoing circumstances

The committee concurred with the convener that, having heard the assurances by the Internal Audit Manager, that it was content with the proposed Plan for the year.

Decision

The Committee:-

- (1) noted the resources available to Internal Audit;**
- (2) approved the Internal Audit Plan for 2020/21; and**
- (3) noted that progress would be reported to the Audit Committee on an ongoing basis.**

A6. Annual Audit Plan – External Audit 2019/20

The Committee considered the external auditor's Annual Audit Plan for 2019/2020/21.

The Plan for 2019/20 comprised:-

- Executive Summary
- Local Government Developments
- Financial Statements
- Wider Scope Dimensions
- Appendices

A Plan had been developed for 2019/20 for consideration by the Committee in April. However, with the advent of the Covid-19 pandemic Ernst and Young had reflected on the planned scope of, and their approach to the audit in regard to:-

- Impact on the audit risk assessment
- Impact on the financial statements
- Best Value and wider scope risk assessment

- Audit logistics

Stephen Reid gave an overview of the Plan and summarised the key areas of focus, including property, plant and equipment on the financial statements as a result of uncertainty on valuations caused by Covid-19 and the group financial position. Grace Scanlin summarised the approach to the review of best value which had been scheduled for early 2020 and postponed as a consequence of the pandemic.

Following a question on the Council's financial sustainability Stephen Reid stated that a large part of the EA work was around financial sustainability. This year will be more complex due to the impact of Covid-19. External Audit will look at the magnitude of the impact and on the robustness of the recovery plans and going forward, the Medium Term Financial Plan and Council of the Future arrangements. In addition to Covid-19 the forthcoming exit from the EU will impact on local authorities and auditors will be looking at how members and officers have embedded this in their longer term plans.

The convener suggested that local authorities were looking for flexibility in how they budget, citing the flexibility to use capital create revenue rather than having to utilise reserves to plug gaps. Mr Reid stated that he was aware of discussions between Chief finance officers on this option. The Chief Finance Officer confirmed overtures had been made to the UK and Scottish Governments to permit various fiscal flexibilities – such as the ability to spread costs over more than one year and for the ability to borrow for revenue. These were 'sacred cows' and as such the prospects were slight. Nonetheless they would be hugely beneficial to sustainability if permitted.

Following a question Mr Reid expanded on the reasons why there would be a focus on property plant and equipment statements. The aim would be to use EY estates experts to review any transactions to ensure that significant asset values had not been misstated.

Following a question, the Chief Executive confirmed that it was intended that a report on Falkirk Community Stadium Ltd, would be submitted to the Executive in due course.

Decision

The Committee noted the report.

A7. Internal Audit Charter

The Committee considered a report by the Internal Audit Manager which sought approval of an updated Internal Audit Charter.

The Charter set out the role, authority, and responsibility of the Internal Audit team and had been updated from the version adopted in August 2017 (ref A6) to reflect the joint working arrangement with Clackmannanshire Council.

Decision

The Committee approved the Internal Audit Charter as appended to the report.

A8. Corporate Risk Management Update

The Committee considered a report by the Director of Corporate and Housing Services presenting an updated Corporate Risk Register (CRR) which took account of the impact of the COVID-19 pandemic.

The global Covid-19 pandemic had changed the landscape within which the Council operates. The Corporate Risk Register had been updated to include new Covid-19 related risks and to update those risks which had been altered by the pandemic.

The report set out, as appendices, the Risk Management Dashboard, the Corporate Risk Register and the Corporate Risk Assurance map. It also provided details of an Executive 'deep dive' programme.

Subject to the considerations of the committee, the report would be referred to the Emergency Executive for approval.

In summarising the report, the Chief Finance Officer added that while Covid-19 clearly had been and would continue to be significant, the impact of Brexit would also be have the capacity to be a 'game change'.

The committee commented that there wasn't a sense of the impact on Brexit within the report an appendices. Mr Smail stated that it was very much on the radar. It had been identified as high risk and a number of mitigations had been put in place. He noted that a Brexit Group had been established and this group had been proactive in assessing risks and mitigations.

The committee discussed the various governance groups which were currently in operation. Members questioned whether 19 governance groups were necessary or effective and whether there had been a review of the groups. The Chief Finance Officer confirmed that there had been a review and the number was kept under continual review. Of the groups some were short life and some had very narrow terms of reference. While acknowledging the need for such groups in an organisation the size of Falkirk Council, the Chief Finance Officer accepted the point being made about the need for continual review.

The Chief Executive, in agreeing with the points being made, stated that during Covid-19 members and officers had learned new ways of working – whether that was working from home, attending meetings remotely and relying less on paper – and stated that it was vital that the Council took the learning points from this experience and that it didn't fall back on the old, bureaucratic ways from before.

Decision

The Committee:-

- (1) noted the Risk Dashboard and Corporate Risk Register set out as appendices 1 and 2 to the report;**
- (2) noted that Services were developing 2020/21 Assurance Statements, linked to COVID-19 Recovery Plans;**
- (3) noted the Corporate Risk Assurance Map attached as appendix 3 to the report;**
- (4) noted the proposed Corporate Risk Register Deep Dive Review Program (included at Appendix 3 to the report); and**
- (5) agreed to refer the report to the Emergency Executive, for consideration and approval of the Corporate Risk Register and Corporate Risk Register Deep Dive Review Program.**

A9. Falkirk Council Annual Accounts 2019/20 and Falkirk Temperance Trust Accounts 2019/20

The Committee considered a report by the Director of Corporate & Housing Services presenting the unaudited annual accounts of the Council and Falkirk Temperance Trust for the financial year ended 31 March 2020 for consideration. These had, in accordance with the Local Authority Accounts (Scotland) Regulations 2014, been submitted to the auditor by the deadline of 30 June 2019 and published online for inspection.

The committee considered the Annual Accounts, members welcomed the new layout and format, praising in particular the management commentary and annual governance statement as being particularly helpful.

Stephen Reid explained that the external audit team would report on the accounts in September 2019 as part of the audit process.

Following a question on the statistic provided in the management commentary that 23% of children in Falkirk were estimated to live in poverty, the Chief Executive stated that addressing food poverty was a priority for the Council and gave an overview of the work undertaken early in the lockdown to provide food to those who were in need.

The Chief Executive also, following a question in regard to the employment profile of Council employees, said that while the Council followed the required recruitment practises, the Council recognised the need to ensure that school leavers were 'employable' and summarised the range of work with local employers, the college and other stakeholders to best equip young people for employment.

Following a question in regard to teachers pay the Head of Planning and Resources confirmed that the increase between 2018/19 and 2019/20 in the higher brackets of teachers' salaries was due to pay awards.

The Chief Finance Officer undertook to provide a breakdown on the costs of promoting the town centres by town centre.

The convener asked whether the impact of Covid-19 on the Council's finances could result in the use of reserves to help balance the budgets and therefore reduce the Council's reserves beyond levels set out in the Reserves Strategy.

The Chief Finance Officer stated that the application of reserves was a matter of judgement underpinned by principles of prudence and financial sustainability. The Council would undoubtedly face strong budgetary pressures as a result of reduced government (UK and Scottish Government) funding and the temptation to use reserves should be considered in light of the desire for prudence and the need for financial sustainability.

The Chief Finance Officer, following a question, undertook to investigate the membership criteria to become a Trustee of the Falkirk Temperance Trust.

Decision

The Committee noted the Unaudited Annual Accounts, noted the public inspection period and that the Unaudited Annual Accounts had been submitted to the Council's External Auditor by the statutory deadline of 30 June 2020.

A10. Council of the Future Update

The Committee considered a report by the Director of Corporate and Housing Services which provided an update on the Council of the Future programme risk register.

The Council of the Future Board had met 7 times since its inception in May 2019. Of the 8 key priority projects 6 were 'amber' status with one red and one green.

A refreshed five year business plan would be submitted to the Emergency Executive in September. This would include learning, recovery actions and implications arising from Covid-19. The pandemic would also impact on the Council's Medium Term Financial Plan as well as how the Council delivered services and engages with the community. Consequently, there would be an impact on the Council of the Future Programme risk register. This had been updated and was attached as an appendix; however, it was anticipated that, following Council in September the register would be further developed.

Decision

The Committee noted the update on the Council of the Future change programme risk register.