

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 the water. The top-right quadrant shows a stag's head with antlers. The bottom-left quadrant shows a beaver. The bottom-right quadrant shows a grizzly bear. 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

Draft

FALKIRK COUNCIL

Minute of meeting of the Audit Committee held remotely on Monday 9 November 2020 at 10.00 a.m.

Members:

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

Officers:

Karen Algie, Head of People, Tech and Transformation
Danny Cairney, Senior Service Manager, Corporate Finance
Douglas Duff, Head of Planning and Economic Development
Gary Greenhorn, Head of Planning and Resources
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

Also Attending:

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

A11. Apologies

Apologies were submitted on behalf of Councillor Niall Coleman.

A12. Declarations of Interest

No declarations were made.

A13. Minute

Decision

The minute of the meeting of the Audit Committee held on 24 August 2020 was approved.

A14. 2019/20 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 2019/20 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 note also set out the economic consequences the Council was facing as a result of Covid-19 which had affected the financial and operation position as well as performance during 2020/21.

The Auditor's Certificate was free from qualification.

Stephen Reid and Grace Scanlin provided a summary of the report by Ernst & Young.

Following a question Ms Scanlin explained that due to timing considerations the impact of the McCloud judgement and Goodwin ruling on the valuation of pensions liabilities had not been accounted for in the unaudited accounts but had now been included in the final accounts.

Following a question on the valuation of property, plant and equipment Ms Scanlin confirmed that assets should be revalued every 5 years. There had been an £85m increase in value following the housing valuation due to a significant audit valuation. The challenge for Local Authorities was to keep valuations up to date. External Audit had asked the Council to look at how to do this, possibly using indices or interim valuations.

The report had commented that no action had been taken to resolve the conflict of interest in having Council officers act as directors of FCSL and that this had been highlighted since 2016/17. The committee asked when the matter would be reported to Council and also sought whether the appointment of the Director of Development Services to the Board was ex officio. The Acting Director of Development Services advised that a report

would be submitted shortly on the make up of FCSL and proposing a way forward for the makeup of the stadium company. Decisions taken by Council on 30 September had had a material impact on the proposed way forward. Mr Duff confirmed that the appointment was ex officio.

Following a question on Service performance reporting The Director of Corporate & Housing Services advised that the Service had the 3rd lowest support service staff costs in the country.

The committee then discussed the reported ongoing need to improve the management and monitoring of the Capital Programme. The Chief Finance Officer explained that the responsibility for the management of a project lay with the sponsoring Service. However, there was corporate strategic oversight of the programme through the Capital Monitoring Working Group which meets regularly to review each project. Some degree of slippage was inevitable

The Committee turned to medium term financial planning noting that budget gaps going forward would be large and there was a need to identify savings options. The Chief Executive noted the Auditor's comments in regard to Financial Sustainability and stated that the Council needed to face the challenge with pace and energy. There was a need to identify savings options and elected members' role was critical - there was a need for engagement and collective political leadership from members. To create groundwork for future deliberations and decisions briefing sessions had been arranged for all members.

The Director of Corporate & Housing Services stated, following an assertion that some staff felt unable to take savings options ideas to management and that Trades Unions had raised this as a concern with an elected member, that's no such had been raised by Trades Unions through the established channels such as the weekly call with the unions. There were a number of ways in which staff could engage in the process and management recognised the value of proposals brought by those who work 'on the ground'. Mr Ritchie undertook to provide members with background.

Decision

The Committee:-

- (1) noted the Annual Audit Report for 2019/20, and**
- (2) noted the action plan appended to the Annual Audit Report.**

A15. Annual Accounts 2019/20

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 Councils 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 commented that the management commentary within the accounts was easy to read and informative. Following a question on the statistic that 23% of all children in the area were estimated to be living in poverty the Head of Planning and Resources undertook to provide more granular detail at a ward /catchment area level.

The committee noted that 5.3% of the Council's workforce was aged 15-24 and 19.1% was aged 25-34. Members asked what work was ongoing to increase the number of young people in the Council's employ. The Head of People, Tech and Transformation confirmed that there were actions set out in the Workforce Strategy to address this – for example through training places and apprenticeships.

The committee noted that there was a high risk that further significant costs (relating to the Covid-19 pandemic) will continue to be incurred beyond 2020/21 and that local government would not be the Scottish Government's top priority in its budget and asked if there had been any indication at this stage as to the likely settlement for Local Authorities. The Chief Finance Officer stated that it was unlikely that the Scottish Government would announce its settlement until January and that the Council would have to prepare its assumptions accordingly - in recent years late announcements had become common and the levels of funding had tended to change by the time the Scottish Government set its budget. Historically Local Authorities did not fare well with other sectors such as Health and the Police receiving more favourable allocations.

Decision

The Committee considered and recommended to Council that the Audited Annual Accounts of the Council to 31 March 2020 are approved.

A16. Temperance Trust Annual Accounts 2019/20

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.

Decision

The Committee agreed to recommended approval to the Trustees of the Audited Annual Accounts of the Temperance Trust to 31 March 2020.

A17. Internal Audit Update Report

The Committee considered a report by the Internal Audit Manager which provided an update on the 2020/21 Internal Audit work.

The report set out:-

- Progress in completing the 2020/21 Internal Audit plan (appendix 1);
- A summary of various reports which had been published since lockdown, for example a report by Audit Scotland on Covid-19 Emerging Fraud Risks, on the impact of Covid-19 on the ways public bodies operate (particularly on the impact of new ways of working on the control environment and the heightened risk of fraud);
- The assurance work undertaken by Internal Audit to target areas of Covid-19 related high risk including Business Support Fund grant administration. Newly Self Employed Hardship Fund administration and Community Action Fund administration and Staff Wellbeing and Support Arrangements; and
- Detail of the remaining Audit recommendation which was outstanding beyond the agreed implementation date, which had been delayed due to Covid-19 related work assuming a higher priority.

Decision

The Committee noted:-

- (1) progress with completing planned 2020/21 Internal Audit work;**
- (2) the outcomes of COVID-19 specific Internal Audit work; and**
- (3) that work continues with Services to ensure the implementation of recommendations that remain outstanding.**

A18. Corporate Risk Assurance Update

The Committee considered a report by the Director of Corporate and Housing Services which provided an update on Corporate Risk Management (CRM) arrangements. It included a revised Risk Assurance Dashboard and Corporate Risk Register (CRR).

Decision

The Committee:-

- (1) noted, reviewed, and challenged the:**

- a) Risk Assurance Dashboard (at Appendix 1);
- b) Corporate Risk Register (CRR) Summary (at Appendix 2);

(2) noted that the following CRM Reviews are being progressed:

- Resilience: including COVID Debrief Actions;
- Health & Safety: Water Quality in Council Buildings;
- Climate Change;

and that these will feed into Executive Deep Dives.

(3) noted that the CRM Team are developing a Risk Management Best Value Self-Assessment in conjunction with the Improvement Service. This will involve:

- a) a short online survey in November 2020;
- b) a workshop involving members of CMT, Audit Committee, and Executive on 08 December 2020; and
- c) a report to Audit Committee in early 2021.