

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 wavy lines representing water. The top-right quadrant depicts a stag's head with large antlers. The bottom-left quadrant contains a beaver. The bottom-right quadrant shows a grizzly bear standing on its hind legs. 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 21 June 2021 at 10.00 a.m.

Councillors:

Niall Coleman
Nigel Harris (convener)
Cecil Meiklejohn
Alan Nimmo
Pat Reid
Robert Spears

Officers:

Karen Algie, Head of People, Technology & Transformation
Sophie Dick, Democratic Services Graduate
Douglas Duff, Acting Director of Development Services
Kenneth Lawrie, Chief Executive
Kenny McNeil, 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, Internal Audit, Risk, and Corporate Fraud Manager

Also Attending:

Grace Scanlin, EY

A8. Apologies

There were no apologies.

A9. Declarations of Interest

No declarations were made.

A10. Minute

Decision

The minute of the meeting of the Audit Committee held on 12 April 2021 was approved.

A11. Internal Audit Annual Assurance Report 2020/21

The Committee considered a report by the Internal Audit, Risk, and Corporate Fraud Manager which provided overall assurance on the Council's arrangements for risk management, governance, and control, based on Internal Audit work undertaken during 2020/21.

The Plan for 2020/21 had set out 20 assignments and 21 reviews – 8 of which were unable to be carried out in 2020/21 due to Covid-19. Of these 5 would be carried over to 2021/22. During the course of 2020/21, 7 new Covid-19 related assignments had been undertaken, 1 of which was still ongoing.

In terms of performance, Internal Audit had exceeded its 3 key performance targets -

- Complete 85% of agreed audits – 95% completed
- Have 90% of recommendations accepted – 100% accepted
- Issue 85% of draft reports within 3 weeks of completion of fieldwork – 100% issued

The committee asked whether the 8 audits originally planned for 2020/21 would be included in the current Plan for 2021/22. The Internal Audit, Risk, and Corporate Fraud Manager responded that 5 had been included in the 2021/22 plan and 3 would not be progressed. One of these was the proposed audit of the Office 365 rollout. The rollout had taken place but the audit could not be carried out due to Covid-19 restrictions and other workstreams which had taken priority at the time. The remaining 2 audits would be picked up elsewhere.

The committee acknowledged that Covid-19 had placed the Internal Audit team under pressure, as it had across the Council, and recognised that, rightly, the original Internal Audit Plan had been revised during the year to account for the impacts of the pandemic. However, it was important that the work was back on track and the committee therefore asked whether the team was adequately resourced. Mrs Wright agreed that Covid-19 had disrupted the Plan in 2020/21 and added the current Plan was flexible and resources could be allocated as necessary should additional work be required.

Members asked whether the c£98k duplicate payments highlighted as part of a review of Creditors Data payments was a concern. The Internal Audit, Risk, and Corporate Fraud Manager advised that the number had risen to c£115k after the completion of the January-March analysis. However she assured committee that no particular area, or supplier, was an issue and that the work of identifying duplicate payments was positive as it returned money to the Council. Despite the large numbers, the total payments averaged at about 0.02% of total payments made.

Members sought for assurance that the c£115k would be recovered in full by the Council. Mrs Wright confirmed that this would be monitored although there was no reason to think it wouldn't be fully recovered. She explained that in some cases, it would be more appropriate to deduct the value of overpayment from the forthcoming payment.

The committee noted that as part of the review of Waste Services - Contact Management and Monitoring Arrangements, it had been found that the Council placed reliance on a contractor's weighbridge which had the potential for lost income for the Council. Mrs Wright explained that the Council's weighbridge had not been able to cope with the volume and scale of waste and that this had been identified by management as an issue and that a new weighbridge had been installed in April. The Acting Director of Development Services confirmed that this was the case.

Mrs Wright added that the review had given limited assurance to the arrangements for billing contract suppliers for income and this was due to issues relating to the weighbridge. With a new weighbridge in place, she anticipated that these issues would disappear.

Members emphasised the importance of income to Waste Services, particularly given that it was overspent in terms of its budget and asked what actions would be put in place to increase income collection and reduce overspend. The Acting Director advised that normally the service lived within its budget but 2020/21 had been a particularly difficult year - for example social distancing regulations had resulted in significant additional spend. He expected, as the restrictions eased, a return to the previous situation where the service was not overspending.

The committee asked if the weighbridge could be used by the public, at a cost. Mr Duff indicated that it wasn't but undertook to confirm this after the meeting.

Members then turned to the review of the Falkirk Pension Fund and noted that the Royal Bank of Scotland business reserve fund regularly exceeded the limit of £8m set out in the Council's Cash Management Policy. The Chief Finance Officer responded that this type of issue was not limited to the Pension Fund and could be seen across the Treasury activity. Due to the state of the economic market at that time, the Council had found it difficult to invest into the market (and was as a result cash rich) Mr Smail assured the committee that the Council was very risk-cautious when lending, but to tackle this particular issue at the time, it had been necessary to extend the list of creditors and extended the threshold from £8m to £10m. This particular problem was not expected to continue as signs of easing were already apparent.

Continuing the discussion of increased thresholds, members asked whether the change in thresholds would be made permanent. The Chief Finance Officer explained the matter had already been reported to the Executive.

Decision

The Committee noted that:-

- (1) sufficient Internal Audit work was undertaken to support a balanced assurance;**
- (2) Internal Audit can provide Substantial Assurance on the Council's arrangements for risk management, governance, and control for the year to 31 March 2021;**
- (3) Internal Audit met, or exceeded, each of its Key Performance Indicators in 2020/21; and**
- (4) the Internal Audit section operated in compliance with Public Sector Internal Audit Standards.**

A12. Review of Whistleblowing and Corporate Fraud Investigation Procedures

The committee considered a report by the Director of Corporate and Housing Services which provided an update on progress with work on the Review of Whistleblowing and Corporate Fraud Investigation Procedures.

A report had been submitted to the April meeting which flowed from a recommendation by Ernst and Young (EY) that the Council should review its Whistleblowing Policy, and Anti-Fraud and Corruption Strategy, to ensure that they remain in line with good practice. This should also establish fraud related reporting arrangements to the Audit Committee.

In regard to reporting to members it was proposed that the following framework is established:-

- The need for the Audit Committee to have reassurance that appropriate procedures are in place which properly balance the protection of public monies; rights of employees; and protection of whistleblowers;
- Flowing from the above, and also recognising the Appeals Committee dimension, Members do not need to know the specifics and individuals involved in a particular fraud investigation;
- Twice yearly general reports on Fraud status would be provided to Audit Committee, with a greater frequency should circumstances dictate; and
- Where particularly sensitive Fraud cases arise, and/or information on the case becomes public, Group Leaders would be briefed as well as the convener of the Audit Committee.

Following a question, the Director of Corporate and Housing Services explained that the Corporate Fraud Team comprised 2 officers who were directly involved in fraud related work and the team was managed by the Internal Audit, Risk and Corporate Fraud Manager. In terms of management structure, the Internal Audit, Risk and Corporate Fraud Manager reported to the Chief Finance Officer who reported to the Director of Corporate and Housing.

The Leader of the Council thanked the Corporate Fraud Team for its effort and for the quality of reports it produced. Councillor Meiklejohn also recognised the team's work on the Covid-19 grant payments. She concurred with the Director of Corporate and Housing around the sensitive nature of Whistleblowing and the need for emphasis to be placed on upholding the integrity of Falkirk Council and protecting those who were involved.

In regard to the frequency of reports to the committee Councillor Meiklejohn suggested that reporting twice annually would be reasonable but it would be helpful to members if benchmark indicators could be introduced to measure performance.

Committee noted concern regarding the inconsistency of prepayment checks of Covid-19 grants highlighting that for some funds all payments were checked and in others only some were checked.

Members sought detail of the outcome for the 5 completed investigations regarding the Whistleblowing together with (recognising the sensitivity around these) any information on the 3 ongoing cases. The Director of Corporate and Housing confirmed that the 5 completed cases had found to have no fraudulent activity. He intended to provide updates in the regular reports to committee although the level of detail on any completed cases, and any learning points, which could be provided had yet to be determined. The 3 ongoing allegations were in 'expected' areas such as misuse of materials or inappropriate use of time for a personal nature.

The committee asked whether the number of information requests from Police Scotland (490) was a concern and whether the Council charged for the work. The Director of Corporate and Housing assured committee that this total was consistent with previous years and the numbers were explicitly Police Scotland approaching the Council. The police were not charged for this although there was, he accepted, a cost to the Council in providing the information. The Internal Audit, Risk and Corporate Fraud Manager further added that Police Scotland were not charged on the premise that a working, collaborative relationship needed to be in place with Police Scotland and therefore would be inappropriate to charge for providing the information. The requests, which were about daily, were in regard to tenant or property information.

The Internal Audit, Risk and Corporate Manager responded to a question asking for greater detail around the Single Person Discount. Ms Wright explained Single Person Discount was exclusive to persons over 18 living

independently in the home – different systems worked collaboratively to identify indicators that more than one person lived there and where there was a 'match' officers would investigate.

Decision

The Committee:-

- (1) noted progress with the Fraud Review; and**
- (2) noted the approval routes for updating the Fraud-related documents;**
- (3) agreed to receive twice yearly general reports on Fraud status, with additional reports submitted as required;**
- (4) requested that officers look to include relevant performance and benchmarking information in the reports to committee in addition to information on the benefits to the Council; and**
- (5) noted that when particularly sensitive fraud cases arise, and/or information on a case becomes public, Group Leaders and the Audit Committee convener will be briefed.**