

FALKIRK COUNCIL

Minute of meeting of the Audit Committee held on Monday 17 April 2023 at Grangemouth Community Education, 69-71 Abbots Road, Grangemouth, FK3 8JB at 10.00 a.m.

Councillors: Margaret Anslow (Convener)
Gordon Forrest
Cecil Meiklejohn
Sarah Patrick
Robert Spears

Officers: Karen Algie, Director of Transformation, Communities and Corporate Services
Malcolm Bennie, Director of Place Services
Douglas Gardiner, Head of Environment and Operations
Gary Greenhorn, Head of Planning and Resources
Brian Pirie, Democratic Services Manager
Amanda Templeman, Chief Finance Officer
Isabel Wright, Internal Audit, Risk & Corporate Fraud Manager

Also Attending: Sarah Lawton, Audit Scotland
Gillian McCreadie, Audit Scotland

A1. Apologies

An apology was intimated on behalf of Councillor Hannah.

A2. Declarations of Interest

No declarations were made.

A3. Minute

Decision

The minute of the meeting held on 7 November 2022 was approved.

A4. Internal Audit Progress Report

The committee considered a report by the Internal Audit, Risk, and Corporate Fraud Manager providing an update on progress with completing the 2022/23 Internal Audit Plan.

The Internal Audit Plan had been agreed by Audit Committee on 7 November 2022. It set out 20 assignment areas to be completed by the team during the year. This included 2 audits that were deferred from 2021/22. In addition, there had been an audit ongoing from 2021/22 giving a total of 21 assignment areas (including other client work: Strathcarron Hospice and Falkirk Integration Joint Board work).

Of these 21 assignment areas the team would complete 14 Falkirk Council audit reports:-

- 5 audit reports had been completed to final report stage. Details on the scope of, and findings arising, from the 5 finalised reviews were set out in an appendix to the report
- 7 assignments would be completed as part of the 2022/23 programme of work. These included pieces of work that were ongoing throughout the year; or were at draft report stage; or were in progress at fieldwork stage; and
- 2 reviews had yet to be started. These were 'Procurement and Housing Property Support and Follow Up Stage Two' and 'Fleet Management and Monitoring Arrangements: Follow-up of 2021/22 Recommendations Stage Two'. Both these service areas had had stage one audit reviews completed, with recommendations made for management to address with the stage two follow up audit reviews deferred into the 2023/24 Internal Audit Plan.

In addition to progress on the Audit Plan the report provided detail on those recommendations that remained outstanding beyond their agreed implementation date.

At the last committee in November 2022, the committee had requested more information relating to the findings from an audit review in 2021/22 on 'Following the Pandemic Pound: Covid-19 Costs'. An update was provided.

The committee noted that work remained outstanding from the 2022/23 Plan and sought assurance that the 2023/24 was deliverable. The Internal Audit Manager confirmed that, in her view, it was realistic and would be delivered. The team had previously had resource issues, but was now fully staffed. The two audits which had been deferred into the 2023/24 Plan were stage 2 audits and would be accommodated earlier in the Plan.

The committee then turned to the work carried out on Covid payments and asked if comparisons had been made with other Local Authorities. The Internal Audit Manager confirmed that, at the time, the team had worked with other Local Authorities particularly around the payments made. Following questions on the uptake of benefits the Director of Transformation, Communities and Corporate Services confirmed that the Executive had agreed an Income Maximisation Strategy.

The committee noted in regard to the outstanding recommendations from the Equalities Act Arrangements audit that while there had been progress made in embedding Equality and Poverty Impact Assessments (EPIAs) within the reporting processes in the Council there was more work to be done and suggested that it would be helpful to members if the EPIAs could be appended to committee reports. Ms Algie confirmed that a working group had been established by Council to look at Committee Structures, including report formats and agreed to relay this suggestion to the group. She added that there was scope to build on the training that had already been delivered to members and officers.

Decision

The committee noted:-

- (1) the progress being made with completing the 2022/23 Internal Audit Plan;**
- (2) the number of outstanding recommendations;**
- (3) the actions taken regarding duplicate creditor payments; and**
- (4) the actions taken regarding 'Following the Pandemic Pound: Covid-19 Costs' elected Member queries.**

A5. Internal Audit Plan 2023/24

The committee considered a report by the Internal Audit, Risk, and Corporate Fraud Manager presenting a draft 2023/24 Internal Audit Plan for approval.

The plan allowed for 555 audit days. This was an increase on the previous 423 audit days.

The Plan comprised:-

- Annually Recurring Assignments;
- Committed Assignments; and
- Other Client Work.

Internal Audit resource would continue to be directed to areas where there is the greatest need. Due to the nature of the work to be undertaken two audits had been deferred from the 2022/23 Internal Audit Plan. These were:

- Fleet Management and Monitoring Arrangements: Follow-up of 2021/22 Recommendations Stage Two; and
- Procurement and Housing Property Support and Follow Up Stage Two.

For 2023/24, the team would also deliver Internal Audit Services to Clackmannanshire Council via a Joint Working Agreement, which had been extended to cover the period to 31 March 2024. A separate Clackmannanshire Council Internal Audit Plan had also been developed.

The committee sought assurance that the Internal Audit Manager had sufficient resources to deliver the Audit Plan. The Internal Audit Manager confirmed that there were sufficient resources. She then gave an overview, following a question, of the work which was undertaken for external organisations, such as Clackmannanshire Council and Strathcarron Hospice, highlighting the income to the Council. Following a question on the reciprocal audit within the Audit Plan of risk management, the Internal Audit Manager explained that the Audit team had to be independent and could not audit themselves. Arrangements had been put in place to allow auditors from another Council (West Lothian Council in Falkirk's case) to carry out the risk management audit on a reciprocal basis.

Following a question, the Internal Audit Manager explained Internal Audit's consultancy role in terms of the Plan.

The committee sought clarity on why the largest Service, Children's, would be subject to only 1 audit as part of the Plan. The Internal Audit Manager explained that the Plan was developed on a risk assessed basis with the aim of covering as wide a range of systems and services as possible taking into account what had been audited previously and the outcomes of previous audits. The scope of the Plan had also to be balanced against the resources available.

Following a question, the Internal Audit Manager explained that UK guidance had been followed in regard to the arrangements for the Energy Bills Support Scheme. She added that the Scheme had been publicised and was still open for a short period for applications.

Decision

The committee:-

- (1) noted the resources available to Internal Audit and that the plan is flexible;**
- (2) approved the Internal Audit Plan for 2023/24; and**
- (3) noted that progress will be reported to the Audit Committee on an ongoing basis.**

A6. Corporate Risk Management Update

The committee considered a report by the Director of Transformation, Communities and Corporate Services providing an update on Corporate Risk Management (CRM) arrangements including a review of the Corporate Risk Register (CRR) and Risk Management Improvement Plan.

The Risk Management Assurance Policy and Framework (Policy) and most recent CRM Update had been considered by the Audit Committee in October 2022.

The current Policy stated that quarterly CRM updates would be provided to both Committees. A new reporting arrangement was set out for comment ahead of any decision by the Executive: –

- Audit Committee: Annual Corporate Risk Management updates, in addition to corporate risks included in 6 monthly Annual Governance Statement (AGS) updates; and
- Executive: 6 monthly reports, focused on the Corporate Risk Register, Risk Management Improvement Plan, and Service Assurance.

The committee noted that the Corporate Risk Register (CRR) contained a number of large projects and significant areas of business, and suggested that the committee would benefit from briefings on specific risks (such as those where the risk is high) and mitigations. The Chief Finance Officer indicated that she would be happy to consider this request. She also added, following observations on the level of detail and terminology used in the CRR, that she was currently reviewing the content of the Risk report, both to the Executive and the Audit Committee recognising the need to strike a balance in terms of the information set out in the CRR.

Following a question, the Head of Planning and Resources explained that the risk around Early Years expansion had decreased as the programme neared conclusion.

The committee noted that some risks, namely Health & Safety, Business Continuity, and CONTEST, did not have measurable actions to explain how and when the target risk would be met and sought further explanation as to why this was the case. The Director of Transformation, Communities and Corporate Services explained that she recognised the delay in implementing works outstanding from 2018/19. She noted that work to move Health & Safety to its target risk had been superseded in 2020 when the Health & Safety team had diverted their focus to supporting the Council during the pandemic. She acknowledged that there had been a need to return to this and that work had begun. An action plan had been submitted to the Corporate Management Team in March 2023 for Health & Safety which been agreed. The next steps were to develop Service action plans and Performance Indicators. In regard to Business Continuity, the Director of

Place Services stated that since a new Head of Service had been appointed in 2022 there had been significant strides made in regard to the action plan, but acknowledged the comments made in the report and by committee.

The committee noted that in terms of the risk 'Climate Change – Delivery of Climate Emergency Declaration and Plans that the current risk was high and that no assurance was given because 'Climate Plans are unfunded'. The Director of Place Services stated that this was a fact. He had reported to the Executive that capital investment of £80 to 100m would be required to meet all obligations. It would be inaccurate for the CRR to show otherwise. This did not mean, he cautioned, that the Council wouldn't make good progress towards reducing its carbon footprint, but it couldn't meet its aspirations in full without significant investment.

In regard to CONTEST, the Head of Planning and Resources acknowledged that there had been delays in progressing the Terms of Reference, Strategy, and Action Plan. He anticipated that these would be developed in the latter half of this year.

Decision

The committee:-

- (1) noted the report;**
- (2) noted that an Internal Audit on the effectiveness of Risk Management arrangements was being carried out by West Lothian Council and the results would be reported to a future Audit Committee;**
- (3) referred the report to the Executive, for consideration and approval of the Corporate Risk Register;**
- (4) noted that the Executive would be asked to agree the following Corporate Risk reporting timetable in 2023/24:**
 - Audit Committee: Annual Corporate Risk Management updates, in addition to corporate risks included in 6 monthly Annual Governance Statement (AGS) updates; and**
 - Executive: 6 monthly reports, focused on the Corporate Risk Register, Risk Management Improvement Plan, and Service Assurance.**

A7. Progress Update on the 2021/22 Annual Governance Statement (AGS) Action Plan

The committee considered a report by the Internal Audit, Risk, and Corporate Fraud Manager providing an update on progress with the actions which were set out within the 2021/22 Annual Governance Statement (AGS) Action Plan.

The Annual Governance Statement (AGS) formed part of the 2021/22 Annual Accounts, which had been considered by the Audit Committee in October 2022. The Committee had agreed to review progress on the action plan ahead of the publication of the 2022/23 AGS as part of the Annual Accounts.

An updated action plan, based on progress in March 2023 was appended to the report. There had been significant progress on most actions. However, there continued to be some areas which had limited assurance and/or required more detailed updates, including climate change, health and safety, and business continuity.

The committee noted that the review of Gifts and Hospitality Registers had yet to be completed and sought assurance that work was ongoing. The Director of Transformation, Communities and Corporate Services advised that work was nearing completion and that the revised documents would be submitted to the Executive for approval by the summer recess. Following a question on the Council's Equalities Mainstreaming report Ms Algie confirmed that it would be published by the statutory deadline and undertook to provide all members with a copy.

The committee sought clarification as to when the Internal Audit report on the review of transformational change would be completed given the Best Value Review had emphasised the need for the Council to accelerate the change. The Internal Audit Manager confirmed that the report was currently in draft and would be finalised within a couple of weeks. The outcome would be reported to committee in line with audit findings.

The committee noted that Gender Based Violence had been provided with a 'limited' assurance level and asked why this was so. Ms Algie stated that while work had been done around this area there was more to do, including putting support in place. Gender Based Violence had been added to the Risk Register in recognition of its importance and had been assigned a high risk rating. The Council was currently in the process of establishing an officer post to lead on this area.

Decision

The committee noted progress with planned actions and to seek further assurance from Chief Officers on progress with the 2021/22 Annual Governance Statement (AGS) Action Plan.

A8. Corporate Fraud Update

The committee considered a report by the Internal Audit Risk and Corporate Fraud Manager providing an update on progress with Corporate Fraud, as well as an update on corporate fraud / whistleblowing related reporting.

The report provided:

- an update on the review of those documents which provided a framework for fraud related issues – such as the Whistleblowing Policy and Financial Regulations;
- Corporate Fraud performance update 1 April 2022 to 31 March 2023;
- Corporate Fraud performance indicators 1 April 2022 to 31 March 2023; and
- Corporate Fraud Action Plan 2023 update.

The committee sought clarification on work being done to close off the outstanding actions from the Management Action Plan. The Internal Audit Manager explained that of the 33 actions agreed with management, 3 had yet to be completed. Work would continue with Services to ensure that all were completed. She added that 2 related to processes around procurement and would be considered by the Procurement Board shortly, and the other outstanding action related to a policy which had been revised and was currently with the Trades Unions for consideration. The committee followed up by asking if in future reports it could be provided with more detail on the outcomes and learning points from whistleblowing allegations (recognising that there would be confidential information which it should not be privy to). The Internal Audit Manager stated that she would review the content of the report and consider what information particularly around lessons learned could be made available to the committee.

The committee noted that the team had received 766 requests for information from Police Scotland and Council departments and asked whether there was scope to mitigate against these demands which would be time consuming. The Internal Audit Manager stated that, in general, fraud work was demand led and it was possible to fit the work in and around other areas of work. In reality the requests weren't as time consuming as members might think.

Decision

The committee:-

- (1) noted progress with updating the Code of Conduct for Members and Officers and the Gifts and Hospitality Register;**

- (2) **consider fraud related performance including performance indicators for 2022/23, as well as the summary of work undertaken within the Corporate Fraud Team for 2022/23; and**
- (3) **noted progress with the Corporate Fraud Action Plan 2022/23.**

A9. Falkirk Council Audit Plan 2022/23

The committee considered a report by Audit Scotland presenting its provisional Annual Audit Plan 2022/23.

The main elements of the Plan were:-

- evaluation of the key controls within the main accounting systems;
- an audit of the annual accounts, and provision of an Independent Auditor's Report;
- an audit opinion on the other statutory information published within the annual accounts including the Management Commentary, the Annual Governance Statement and the Annual Remuneration Report;
- consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes;
- planned reviews such as climate change and cyber security;
- consideration of Best Value arrangements;
- providing assurance on the Housing Benefit Subsidy Claim, Non-Domestic Rates Return and the Whole of Government Accounts (WGA) return; and
- review the council's arrangements for preparing and publishing statutory performance information.

Following a question Ms McCreadie explained that the audit fee for the Temperance Trust had been set by an Audit Quality and Appointments team and while it reflected that there would have to be work carried out to complete an ISA compliant audit, there was an understanding of the size of the Trust and its income and as such the fee had not been increased from the 2022 level.

Ms McCreadie gave more detail, following a question, on the proposed Best Value work around leadership and noted that while arrangements had not yet been finalised there was scope to involve elected members if required.

Decision

The committee noted the report.