

**FALKIRK COUNCIL**

**MINUTE of MEETING of the AUDIT COMMITTEE held in the MUNICIPAL BUILDINGS, FALKIRK on MONDAY 29 OCTOBER 2012 at 9.30 a.m.**

**PRESENT:-** R Stevenson; Provost Reid; Depute Provost Patrick; Councillors Coleman and Paterson.

**CONVENER:-** R Stevenson.

**ATTENDING:-** Chief Executive; Directors of Education and of Social Work; Deputy Chief Finance Officer; Head of Human Resources & Customer First; Internal Audit Manager and Democratic Services Manager.

**ALSO**

**ATTENDING:-** F Mitchell – Knight, and A Pow (Audit Scotland) and K Ribbons (West Lothian Council)(Item AC11 only)

**AC7. ORDER OF BUSINESS**

In terms of Standing Order 15.2(i), the Convener varied the order of business from that detailed on the agenda for the meeting. The following items have been recorded in the order that they were taken at the meeting.

**AC8. APOLOGIES**

Apologies were received from Councillors Black and Carleschi.

**AC9. DECLARATIONS OF INTEREST**

None.

**AC10. MINUTES**

There was submitted (circulated) and **APPROVED:-**

- (a) Minute of Meeting of the Audit Committee held on 12 March 2012, and
- (b) Minute of Special Meeting of the Audit Committee held on 24 September 2012.

#### **AC11. PEER REVIEW OF FALKIRK COUNCIL INTERNAL AUDIT**

There was submitted Report (circulated) dated 21 March 2012 by West Lothian Council's Audit and Risk Manager (a) detailing the background to and outcomes of West Lothian Council's peer review of Falkirk Council Internal Audit's compliance with the CIPFA Code of Practice for Internal Audit in Local Government 2006, and (b) presenting an Action Plan to address the findings of the review.

Discussion focussed on:-

- the peer review finding relating to the prioritisation of Internal Audit recommendations
- the corporate procedure for addressing Audit recommendations
- the relationship between elected members and Internal Audit

**NOTED**

#### **AC12. INTERNAL AUDIT PROGRESS REPORT**

With reference to the Minute of the Meeting held on 12 March 2012 (para AC14 refers) there was submitted Report (circulated) dated 12 October 2012 by the Internal Audit Manager (a) updating on progress in completing the agreed 2012/13 Internal Audit Plan, including information on the Section's performance against established key performance indicators.

Discussion focussed on:-

- the progress made to date, and whether this was in line with the Audit Plan
- progress made in implementing recommendations arising from the audit of Premises Managers' Handbook Compliance
- the ongoing 'continuous auditing' work
- the recommendations arising from the audit of Payroll

**NOTED** the:-

- (1) progress being made in completing planned work is as reported at report paragraph 2.1, and
- (2) performance against KPIs is as reported at report paragraph 3.1.

#### **AC13. INTERNAL AUDIT – OUTSTANDING RECOMMENDATIONS**

There was submitted Report (circulated) dated 12 October 2012 by the Internal Audit Manager (a) summarising the number of audits completed in each of the Financial years 2007/08 to 2011/12 and the number of outstanding audit recommendations in each of the years against the number of recommendations made in each year, and (b) detailing the 127 outstanding recommendations in an Appendix to the report.

Discussion focussed on:-

- the need to avoid 'drift', whereby outstanding recommendations are not addressed
- the reasons why recommendations may be recorded as outstanding by Internal Audit
- the reasons why some recommendations are not completed
- the corporate process for regularly reviewing outstanding recommendations
- the likelihood that the actual number of outstanding recommendations will be lower than that reported

**NOTED.**

#### **AC14. SCOTTISH LOCAL AUTHORITIES CHIEF INTERNAL AUDITORS' GROUP – ANNUAL REPORT 2011/12**

There was submitted Report (circulated) dated 12 October 2012 by the Internal Audit Manager (a) highlighting the work of the Scottish Local Authorities' Chief Internal Auditors' Group (SLACIAG) in 2011/12, and (b) presenting the SLACIAG Annual Report 2011/12.

**NOTED**

#### **AC15. ISA 580 LETTER OF REPRESENTATION**

There was submitted Report (circulated) dated 15 October 2012 by the Chief Finance Officer advising that the he was required to provide a letter of representation in regard to the Audit of the Council's accounts to the external auditor, which will assist the Auditor form an opinion on whether the Accounts present a true and fair view. A copy of the letter, the International Standard in Accounting (ISA) 280 letter, was appended for information.

**NOTED.**

#### **AC16. ANNUAL REPORT ON THE 2011/12 AUDIT**

There was submitted Report (circulated) dated 15 October 2012 by the Chief Finance Officer presenting (a) the External Auditors' Annual Report on the 2011/12 Audit, and (b) the Annual Report and Accounts 2011/12.

Discussion focussed on:-

- the Council's reserves strategy
- the benefits in briefing members on the methodology for budget forecasting
- the advantages in re-basing service budgets
- the need to ensure that information on budget gaps is relayed to members, employees and citizens in a measured way

**AGREED** to refer the Annual Accounts to Council for approval.

#### **AC17. AUDIT COMMITTEE – TERMS OF REFERENCE**

There was submitted Report (circulated) dated 12 October 2012 by the Chief Executive (a) summarising the background to the establishment of the Audit Committee; (b) detailing its current remit; (c) advising that following consultation with members prior to the Local Government Elections in 2012, a draft Terms of Reference had been developed, and (d) presenting the draft Terms of Reference and associated work plan for approval.

Discussion focused on:-

- the rationale for the current quorum for meetings of 4
- the ability as set out in Standing Orders for members to attend any Committee of the Council
- the benefits in publishing the agenda earlier than the statutory minimum of 3 clear working days
- the need to ensure that, where appropriate, the Terms of Reference accord with Council's Standing Orders

#### **AGREED:-**

- (1) to authorise the Chief Executive to amend the draft Terms of Reference to reflect discussion at Committee and to refer these to Council for approval; and
- (2) the draft work plan.