FALKIRK COUNCIL

MINUTE of MEETING of the AUDIT COMMITTEE held in the MUNICIPAL BUILDINGS, FALKIRK on MONDAY 25 MARCH 2013 at 9.30 a.m.

PRESENT:- R Stevenson; Provost Reid; Depute Provost Patrick; Councillors Black and Carleschi.

CONVENER:- R Stevenson.

ATTENDING:- Chief Executive; Directors of Corporate and Neighbourhood Services and of Development Services; Depute Chief Finance Officer; Internal Audit Manager; Head of Educational Planning and Resources; Democratic Services Manager; and Service Manager, Social Work Services.

ALSO ATTENDING:- J Rundell and L Proctor (Audit Scotland).

AC18. APOLOGIES

An Apology was received from Councillor Coleman.

AC19. DECLARATIONS OF INTEREST

None.

AC20. MINUTES

There was submitted (circulated) and **APPROVED** Minute of Meeting of the Audit Committee held on 29 October 2012.

AC21. INTERNAL AUDIT PROGRESS REPORT

With reference to the minute of meeting held on 29 October 2012 (Paragraph AC12 refers), there was submitted report (circulated) by the Internal Audit Manager summarising progress made in completing the agreed 2012/13 Internal Audit Plan, including information on Internal Audit's performance as measured against key performance indicators.

Discussion focussed on:-

- The work on Corporate Purchasing and Contract Management, and the methodology for selecting the samples of payments for review
- The key findings in regard to the audit of Premises Managers' Handbook Compliance, and the rationale for providing limited assurance

- The review of the Appointment of Consultants
- Internal Audit key performance indicators, and the work ongoing nationally to develop a balanced scorecard

NOTED.

AC22. INTERNAL AUDIT – RECOMMENDATIONS OUTSTANDING

With reference to the Minute of the Meeting held on 29 October 2012 (Paragraph AC13 refers), there was submitted report (circulated) by the Internal Audit Manager (a) providing an update on recommendations made by Internal Audit which remain outstanding for the period 2008-2013, and (b) highlighting the progress made in reducing the number of recommendations outstanding (from 127 to 84).

Discussion focussed on:-

- the process employed by the Corporate Management Team to manage the implementation of outstanding recommendations
- the need for Services to advise the Internal Audit Manager when outstanding recommendations are actioned
- the outstanding recommendations in regard to Following the Public Pound review

NOTED.

AC23. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

There was submitted report (circulated) by the Internal Audit Manager advising of the new Public Sector Internal Audit Standards and summarising the implications for Internal Audit at Falkirk Council of implementing the standards.

Discussion focussed on:-

- the advantages of introducing a pan public sector set of standards
- the work currently on-going to implement the new standards in full

NOTED.

AC24. AUDIT COMMITTEE ANNUAL REPORT 2012/13

There was submitted report (circulated) by the Audit Committee Convener (a) presenting a draft Annual Report to Council setting out the work of the Committee during 2012/13 and highlighting priorities for 2013/14, and (b) seeking members' comments on the layout and content of the draft report.

Discussion focussed on the potential for the Council's review of its decision making structures to impact upon the terms of reference of the Committee.

AGREED that a revised report would be circulated prior to its submission to Council.

AC25. CORPORATE GOVERNANCE ARRANGEMENTS – KEY FINANCIAL SYSTEMS CONTROLS

With reference to Minute of Special Meeting held on 24 September 2012 (Paragraph AC3 refers), there was submitted report (circulated) by the Chief Finance Officer providing an update on actions taken since September 2012 in regard to recommendations following the External Audit review of the Council's systems of internal control.

Discussion focussed on:-

- the likely completion date for the implementation of revised Payroll authorised signatory arrangements
- Audit Scotland's intention to review progress made against the Action Plan

NOTED.

AC26. ANNUAL AUDIT PLAN 2012/13

There was submitted report (circulated) by Audit Scotland (a) summarising the planned External Audit activity for 2011/12; (b) highlighting audit issues and risks; (c) presenting a summary assurance plan for specific risks; (d) detailing planned External Audit outputs, and (e) advising of an audit fee of £318,799 for 2012/13, a decrease of 4.54% on 2011/12.

Discussion focussed on:-

- the methodology for calculating the depreciation of Council dwellings
- the likely impact of Welfare Reform on Local Authority Services and the increased need to manage risk as a consequence

NOTED.

AC27. INTERNAL AUDIT PLAN 2013/14

There was submitted report (circulated) by the Internal Audit Manager (a) advising of the requirement in terms of the CIPFA Code of Practice for Internal Audit in Local Government in the UK (2006) to prepare a risk based Internal Audit Plan, and (b) presenting the proposed Internal Audit Plan for 2013/14.

Discussion focused on:-

- the allocation of 20 days to work on outstanding recommendations and the change in follow up approach
- the risks around information security and records management and the need to review these areas
- the potential for generating income by carrying out audits for other public sector organisations

- the arrangements with Falkirk Community Trust to provide Internal Audit services

AGREED the planned Internal Audit Coverage for 2013/14**.**

AC28. CORPORATE RISK MANAGEMENT UPDATE

There was submitted report (circulated) by the Director of Development Services (a) summarising the background to the development of the Council's Risk Management Policy and Framework and of the associated Risk Management Work plan for 2013; (b) outlining the Council's approach to risk management, and (c) presenting the Corporate Risk Register.

Discussion focused on:-

- the need for risk management to be embedded across all Services
- the risks identified which centre around elected members
- the need to support members' learning and development
- the risk to an organisation of unsound decision making

AGREED the draft Risk Management Policy, Framework, and Workplan.

AC29. STRATEGIC PROCUREMENT IN FALKIRK COUNCIL

There was submitted report (circulated) dated 18 March 2013 by the Director of Corporate and Neighbourhood Services (a) outlining the background to the review of corporate procurement arrangements in 2012; (b) highlighting deliverables achieved through the review; (c) highlighting the value of the national Procurement Capability Assessment (PCA) process in measuring procurement performance; and (d) advising that in 2012 Falkirk Council had improved its performance to 56% (compared to 35% in 2011) and now sat in the upper quarter of Scottish Councils.

Discussion focused on:-

- the comprehensive procurement training programme implemented across all Services to raise awareness of managers' roles and responsibilities
- the composition of the procurement team
- the outstanding performance of Falkirk Council in the national PCA

NOTED.

FALKIRK COUNCIL

Subject: **CORPORATE GOVERNANCE ARRANGEMENTS – KEY FINANCIAL SYSTEMS CONTROLS**
Meeting: **AUDIT COMMITTEE**
Date: **24 June 2013**
Author: **CHIEF FINANCE OFFICER**

1. INTRODUCTION

1.1 I attach a report from the Council's Auditor following his 2012/13 review of the Systems of Internal Control.

2. FINDINGS

2.1 The External Auditor has commented that the key controls within the Council's main financial systems are operating satisfactorily and that based on the audit work they have carried out, they did not identify any areas which were exposed to significant risk. Indeed, in some systems, no specific risks have been identified. There is however some scope for improvement and the report includes an Action Plan which contains 12 points which are being followed-up by senior management.

3. RECOMMENDATION

3.1 The Committee is invited to note the External Auditor's report and the proposed management actions.

Chief Finance Officer

Date: 6 June 2013

Contact Officer: John Flannigan

LIST OF BACKGROUND PAPERS

NIL

AUDIT SCOTLAND

Mr Bryan Smail
Falkirk Council
Municipal Buildings
West Bridge Street
Falkirk
FK1 5RS

6 June 2013

Dear Bryan

Falkirk Council 2012/13
Review of Systems of Internal Control

Audit Scotland's Code of Audit Practice requires us to assess the systems of internal control put in place by management. In carrying out this work, we seek to gain assurance that Falkirk Council:

- has systems for recording and processing transactions which provide a sound basis for the preparation of financial statements and the effective management of its assets and interests
-
- has systems of internal control which provide an adequate means of preventing or detecting material misstatement, error, fraud or corruption
-
- complies with established policies, procedures, laws and regulations.

The purpose of this review was to evaluate whether the internal controls operating within the main financial systems are adequate so as to enable us to place reliance on them when forming an opinion on the 2012/13 financial statements. It should be highlighted that these reviews were restricted to the key controls in place to meet our audit objectives for each system.

The following table summarises the main financial systems that were tested during 2012/13 including those where we have placed formal reliance on internal audit work to avoid duplication of effort:

System	External audit coverage	Reliance on aspects of internal audit work
General ledger	✔	
Payroll	✔	✔
Capital accounting	✔	
Cash and cash equivalents	✔	
Treasury management	✔	
Trade receivables		✔
Trade payables (including corporate	✔	✔

Providing services to the Auditor General for Scotland and the Accounts Commission

System	External audit coverage	Reliance on aspects of internal audit work
procurement cards)		
Council tax billing and collection	✔	
Non-domestic rates billing and collection	✔	
Housing rents and repairs	✔	

Note - internal audit findings do not feature in this letter and are reported separately to management

We plan to place formal reliance on the review of the trade receivables system that internal audit are undertaking. This work is not yet complete, however, based on our experience of the standard and quality of work undertaken by internal audit in other areas we do not anticipate any problems. Internal audit will report separately on their findings. We will carry out a review of this work and consider the impact of their findings on our financial statements approach.

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Audit Findings

Overall, we have concluded that the key controls within the council's main financial systems are operating satisfactorily. Where controls have not been tested or where the evidence of a control's effective operation does not exist, we will adjust our planned coverage of the financial statements to obtain sufficient evidence that they are free of material misstatement.

Based on the audit work we carried out we did not identify any areas exposed to significant risk and in some systems - general ledger, capital accounting, cash & cash equivalents, treasury management and housing rents and repairs - no specific risks have been identified. However, there are some areas where there is scope for improvement and these are included in the action plan agreed with management which accompanies this management letter.

A number of other minor issues were also identified and notified to management during the course of our audit work but these do not feature in this letter.

Follow-up of 2011/12 internal controls management letter

We also followed up the issues reported to management in 2011/12 to ensure that progress has been made in implementing the agreed actions. Of the 17 agreed actions reported last year, we have identified 2 outstanding actions and 1 where partial implementation is evident. These have been included in the 2012/13 action plan and we will continue to monitor progress in these areas.

Management Action

The weaknesses identified in the action plan accompanying this management letter are only those that have come to our attention during the course of our normal audit work and, therefore, are not necessarily all the weaknesses that may exist.

Although we have identified a number of areas for improvements to the systems of internal control, it is the responsibility of management to decide on the extent of the internal control systems appropriate to Falkirk Council. We would stress, however, that an effective system of internal control is an essential part of the efficient management of any organisation.

The contents of this management letter have been agreed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

Yours sincerely

Jim Rundell
Senior Audit Manager

Email: Mary Pitcaithly, Chief Executive
    John Flannigan, Depute Chief Finance Officer (Corporate Finance)
    Susan Mathers, Depute Chief Finance Officer (Revenues and Benefits)
    Gordon O'Connor, Internal Audit Manager
    Sharon Middlemass, Performance Audit and Best Value, Audit Scotland

Falkirk Council 2012/13
Review of Systems of Internal Control

Action Plan

Key Risk Areas and Planned Management Action

Point	Issues and Risk Identified	Planned Management Action	Responsible Officer / Completion Date
Payroll			
1.	Monthly payroll reports are sent to departments for checking and verification of employee details. Services have been instructed to notify the payroll section of the outcome of these checks to provide assurance that payroll processing is accurate. At the time of our review several services had not notified payroll staff of their outcome for a number of months. *Risk: there is a risk that erroneous or fraudulent payments could be made to employees*.	A monitoring process is in place to check that directors have confirmed that their monthly payroll reports have been checked.	Payroll Manager Ongoing
2.	A reconciliation between payroll output and the financial ledger was not performed between 15 August 2012 and 10 January 2013. It is the council's policy to carry out these reconciliations quarterly at a minimum. In addition, the reconciliations performed up to 10 January in 2012/13 had not been checked and authorised. *Risk: there is a risk that any discrepancies between payroll output and the amounts posted to the financial ledger are not identified promptly and become difficult to clear.*	A number of staffing issues have arisen affecting the key personnel involved in the reconciliation during this period. The income tax, NI and pension have been reconciled to ledger and payroll controls as part of the year end processing with work for other suspense accounts started and ongoing.	Payroll Manager Ongoing

Action Plan

Key Risk Areas and Planned Management Action

Point	Issues and Risk Identified	Planned Management Action	Responsible Officer / Completion Date
3.	Payroll exception reports are produced to identify a variety of events (e.g. percentage differentials to expected pay, high overtime, errors and warning) for internal control purposes. It is important that these reports are reviewed and corrective action taken where necessary. Our testing has shown that reports are not always being signed and dated to demonstrate who has reviewed and actioned the exception, therefore, making it difficult to confirm that a review has taken place and corrective action applied. *Risk: there is a risk that payroll errors are not detected and corrected promptly*	A reminder will be issued to all payroll staff reminding them of the need to sign and date these important reports.	Payroll Manager Implemented
4.	During our review we noted that payroll staff did not hold up to date authorised signatory lists for some services. We have been advised that there has been a delay in introducing the new electronic system for authorised signatories. However we understand that it is now anticipated that this work will be completed in June 2013. *Risk: in the absence of proper authorisation, erroneous or fraudulent payments could be made*.	The new authorisation procedures will now be implemented in June 2013. These have been delayed due to a number of additional forms being received at a late stage.	Payroll Manager June 2013

Action Plan

Key Risk Areas and Planned Management Action

Point	Issues and Risk Identified	Planned Management Action	Responsible Officer / Completion Date
Trade payables			
5.	We noted that from July 2012 there have been an increasing number of discrepancies highlighted by the daily reconciliation between the purchasing control account and the financial ledger. Officers explained that this is due to a bug in the system which has meant that the report is picking up invoices that have already been paid. However, sample testing has shown that these discrepancies are not always investigated to ensure that it is indeed a system fault. The total difference at 04/02/13 was not material, however, there is risk that the error accumulates over time. *Risk: there is a risk that the reconciliation differences accumulate and genuine discrepancies go undetected.*	The list of current discrepancies will be reviewed and correcting entries to be processed for any not resulting from the software bug. New software with the bug fix will be installed at the next upgrade due to take place within 6 months.	Accounting Services Manager July 2013
Corporate procurement cards			
6.	Purchase card transactions are matched to the associated bank files on a monthly basis to confirm the validity of transactions. This check is currently evidenced on a spreadsheet. There is no evidence presented on the relevant paperwork to indicate who has checked the transaction and when. We were therefore unable to confirm that	The council has in place a purchase card procedure guide for card users. This guide details the transaction matching procedure to be adopted. The guide will be updated to more clearly reflect the need for independent checking and certification.	Head of Resources & Procurement July 2013

Action Plan

Key Risk Areas and Planned Management Action

Point	Issues and Risk Identified	Planned Management Action	Responsible Officer / Completion Date
	segregation of duties exists between placing an order and matching the transaction. *Risk: there is an increased risk of an irregularity occurring in the absence of segregation of duties.*	The importance of adherence to Financial Regulations, in terms of payment checking and authorisation will also be emphasised in the updated guide.	
7.	Our sample testing highlighted 3 out of 30 procurement card transactions where the goods received note had not been signed to indicate that the goods received had been checked to the original order by a person independent of the individual that placed the order. *Risk: there is a risk that officers fail to identify an incorrect order or pay for goods that are not received.*	This is primarily an issue of adherence to Financial Regulations and not specifically a procurement card issue. As referenced above the purchase card guidance will be updated to highlight the importance of compliance with Financial Regulations.	Head of Resources & Procurement July 2013
8.	Our audit work indicated that the schedule of rates on the building maintenance system (Open Contractor) has not been updated to reflect current prices. The price of orders placed using the building maintenance procurement card cannot be matched to the corresponding delivery notes. *Risk: there is a risk that the council could be charged the wrong price for building supplies.*	New work instructions as part of Property Services Quality Management System will be implemented to document and control material prices and price changes.	Head of Resources & Procurement July 2013

Action Plan

Key Risk Areas and Planned Management Action

Point	Issues and Risk Identified	Planned Management Action	Responsible Officer / Completion Date
Council tax			
9.	During 2012/13, revenues staff did not retain evidence to demonstrate that the weekly reconciliation between the council tax system and the assessor's records had been maintained although staff verbally confirmed that they were carrying out these reconciliatiions. *Risk: there is a risk that discrepancies between the council tax system and the assessor's records are not identified and resolved.*	Weekly reconciliations are still being run and hard copies are now being retained. In addition, the report has been enhanced to retain an electronic history to compensate for any human error.	Revenues Manager Ongoing
10.	Our review of council tax arrears highlighted that no summary warrants have been issued since November 2012. In addition, we noted that no reminders were issued between November 2012 and January 2013. This was a consequence of the transfer to Civica OPEN. *Risk: there is a risk that this has an adverse impact on council tax arrears position making it more difficult to collect amounts due.*	We were conscious of the potential impact of system conversion and took the opportunity to progress as many cases to warrant immediately prior to planned down time. However, due to the extended downtime and the significant backlog that accrued we took the pragmatic decision to limit recovery action in the short term. We have a planned schedule of recovery for 2013/14 that we have enforced to date.	Revenues Manager Ongoing

Action Plan

Key Risk Areas and Planned Management Action

Point	Issues and Risk Identified	Planned Management Action	Responsible Officer / Completion Date
Non-domestic rates			
11.	Our review of the annual billing reconciliation between the value and number of bills and the assessment roll identified that although there was evidence that the reconciliations had been performed, there was no evidence to indicate who had prepared and reviewed the reconciliations and when. *Risk: there is a risk that the reconciliations are not completed timeously and reconciling differences go undetected.*	We have demonstrated that this was fully recorded and approved for 2013/14 charges but accept that the paper work relating to 2012/13 did not adequately demonstrate when the control had been carried out and by whom. Although not adequately recorded there is no doubt that the accounts billed reconciled with the valuation roll (and therefore the assessment roll) and the value of bills reconciled with the system calculated debit. This reconciliation is intrinsically part of annual billing process.	Revenues Manager Ongoing
12.	The original documentation held in support of charity relief applications has not been retained in all cases. In addition, there is no evidence that a formal review of charity relief cases has been undertaken since the receipt of original applications. *Risk: The absence of a formal review increases the risk that relief is granted in error to a subject that does not continue to meet the criteria for the relief.*	While no relief forms have been issued a spreadsheet of all cases with reliefs was reviewed internally. The cases will be reviewed in 2013/14 as it is accepted that documentary evidence should be refreshed.	Revenues Manager March 2014

FALKIRK COUNCIL

Subject:	**INTERNAL AUDIT: ANNUAL ASSURANCE REPORT 2012/13**
Meeting:	**AUDIT COMMITTEE**
Date:	**24 June 2013**
Author:	**INTERNAL AUDIT MANAGER**

1. INTRODUCTION

1.1 The purpose of this paper is to report on 2012/13 Internal Audit work, and to provide an overall assurance on the Council's control framework based on that work.

1.2 Senior managers are responsible for establishing and maintaining robust, effective, and proportionate risk management, governance, and control arrangements. The Public Sector Internal Audit Standards 2013 (the Standards) require the Internal Audit Manager to provide an Annual Assurance Report that includes:

- a statement on the overall adequacy of the Council's control environment;
- a summary of Internal Audit work undertaken during the year; and
- a statement on conformance with the Standards[1].

1.3 This report has been prepared to meet those requirements.

2. OVERALL OPINION

2.1 Internal Audit completed 23 main reviews during 2012/13. I am content, therefore, that the breadth and depth of coverage is sufficient to allow me to provide a balanced opinion on the overall adequacy of the Council's control environment.

2.2 As Members are aware, Internal Audit use a set of Assurance Categories to provide an opinion on the adequacy of arrangements for risk management, governance, and control. A summary of these is set out at **Appendix 1**.

2.3 On this basis, Internal Audit can provide **SUBSTANTIAL** assurance on the Council's overall framework of controls for the year to 31 March 2013.

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[1] NOTE, for 2012/13 this statement will comment on conformance with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006, which remained the relevant Standards until their replacement on 01 April 2013.

3. OPERATIONAL ACTIVITY DURING 2012/13

3.1 Internal Audit's Annual Plan for 2012/13 consisted of 23 main reviews, with two reviews deferred and two added over the course of the year.

3.2 Details of Internal Audit Activity undertaken during 2012/13 are set out at **Appendix 2**, with a summary of the scope of, and findings arising from, each review set out at **Appendix 3**.

3.3 In most cases Internal Audit were able to provide Substantial Assurance. There were, however, areas where we were able to provide only Limited (or split) Assurance, namely:

- Appointment of Consultants;
- Premises Managers' Handbook Compliance;
- Corporate Risk Management Arrangements;
- Recruitment and Selection.

3.4 Action has been agreed to address the recommendations raised in all of the Internal Audit reports issued during 2012/13, and details of recommendations that remain outstanding will continue to be provided to Audit Committee over the course of the coming year.

3.5 Internal Audit is considered by Audit Scotland to be a key element of the Council's governance framework. Members should note that Audit Scotland have confirmed in their 2012/13 Annual Audit Plan that they will place formal reliance on work undertaken by Internal Audit in the following areas:

- Payroll;
- Integra Supplier Management and Payments;
- Corporate Purchasing and Contract Monitoring;
- Debtors (part of 2013/14 Internal Audit Plan);
- Corporate Risk Management Arrangements;
- National Fraud Initiative; and
- Statutory Performance Indicator Verification.

3.6 Internal Audit continues to measure its performance against a set of five Key Performance Indicators (KPI). Performance against each of these for 2012/13 (along with previous year comparator figures) is set out in the table overleaf.

Key Performance Indicator	2012/13 Performance	2011/12 Performance	2010/11 Performance
1. Complete **85%** of agreed audits.	**100%**	100%	100%
2. Have **90%** of audit recommendations accepted.	**99%**	99%	100%
3. Spend **75%** of time on direct audit work.	**78%**	77%	78%
4. Issue **75%** of draft reports within 3 weeks of completion of fieldwork.	**96%**	82%	88%
5. Complete (to issue of final report) **75%** of main audits within budget.	**87%**	82%	88%

3.7   Internal Audit has again exceeded each of our 5 KPIs, and maintained a good level of performance. To supplement these existing KPIs, Internal Audit will adopt national indicators being developed by the Scottish Local Authority Chief Internal Auditors' Group over the course of 2013.

4.   INTERNAL AUDIT COMPLIANCE WITH CIPFA CODE

4.1   Until 31 March 2013, all Local Authority Internal Audit Sections were required to operate in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 (the Code). This set out standards in relation to independence, staffing and training, audit strategy and planning, reporting and performance, and quality and effectiveness. As Members are aware, the Code was replaced by new Public Sector Internal Audit Standards on 01 April 2013.

4.2   As part of their annual external audit work, Audit Scotland are required to review Internal Audit's compliance with the relevant Standards (for 2012/13 the CIPFA Code). In their Annual Audit Plan 2012/13, Audit Scotland concluded that Internal Audit operated in accordance with the Code, with sound documentation standards and reporting procedures in place.

5.   RECOMMENDATIONS

5.1   Members are invited to note that:

    5.1.1   sufficient Internal Audit activity was undertaken to allow a balanced assurance to be provided;

    5.1.2   Internal Audit can provide **SUBSTANTIAL** assurance on the Council's control framework for the year to 31 March 2013;

    5.1.3   Audit Scotland will place formal reliance on the work of Internal Audit;

    5.1.4   performance against Key Performance Indicators for the year to 31 March 2013 was as set out at paragraph 3.6; and

    5.1.5   during 2012/13 Internal Audit operated in compliance with the CIPFA Code.

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Internal Audit Manager

Date: 14 June 2013

DEFINITION OF INTERNAL AUDIT ASSURANCE CATEGORIES

Level of Assurance	Definition
Comprehensive assurance	Sound risk, control, and governance systems are in place. These should be effective in mitigating risks to the achievement of objectives. Some improvements in a few, relatively minor, areas may be required.
Substantial assurance	Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement as current arrangements could undermine the achievement of objectives or leave them vulnerable to error or abuse.
Limited assurance	Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives and leave them vulnerable to an unacceptable risk of error or abuse.
No assurance	The systems for risk, control, and governance are ineffectively designed and operated. Objectives are not being achieved and the risk of serious error or abuse is unacceptable. Significant improvements are required.

SUMMARY OF 2012/13 INTERNAL AUDIT PROGRAMME

No.	Service	Audit	Level of Assurance
Planned Audits Completed During Year to 31 March 2013			
1.	Finance	Pensions – Transactional Systems	Substantial
2.	Finance	Payroll	Substantial
3.	All Services	Statutory Performance Indicator Validation	Substantial
4.	Social Work / Governance	Administrative Procedures and Cash Counts	Substantial
5.	All Services	Premises Managers' Handbook Compliance	Limited
6.	All Services	Continuous Auditing	N/A – ongoing assurance
7.	All Services	Appointment of Consultants	Limited
8.	Development	Corporate Risk Management Arrangements	Limited
9.	Corporate and Neighbourhood	Recruitment and Selection	Substantial / Limited
10.	All Services	Corporate Purchasing and Contract Management	N/A – ongoing assurance
11.	Corporate and Neighbourhood	Council Housing – Construction [2]	Substantial
12.	Corporate and Neighbourhood	Council Housing – Maintenance [2]	Substantial
13.	All Services	National Fraud Initiative	N/A
14.	Finance	Integra Supplier Management and Payments	Substantial
15.	Corporate and Neighbourhood	Refuse Collection Improvement Process	N/A
16.	Development	Development Management and Enforcement	Substantial
17.	Development / Corporate and Neighbourhood	Corporate Gas Safety (jointly with WLC)	Substantial
18.	Finance	Benefits – Corporate Fraud Scoping Study	N/A
19.	Falkirk Community Trust	Invoice Approval and Payment and Business Continuity Planning	N/A
20.	CSFRS	Payroll	N/A
21.	West Lothian Council	WLC Risk Management Arrangements	N/A

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[2] **NOTE** – although undertaken as two separate reviews, these were reported together.

Additional Audits Completed During 2012/13			
No.	**Service**	**Audit**	**Level of Assurance**
1.	Social Work	Modernising Technology in Homecare - Project Assurance	N/A – ongoing assurance
2.	Development	Bo'ness Townscape Heritage Initiative – Audit Certification	Substantial

2012/13 Audits Deferred			
No.	**Service**	**Audit**	**Level of Assurance**
1.	Development	Tax Incremental Finance Scheme	N/A
2.	Social Work	Central Matching Team	N/A

DETAILS OF 2012/13 INTERNAL AUDIT PROGRAMME

	Planned Audits Completed During 2012/13	
No.	**Audit Area and Service**	**Assurance and Key Findings**
1.	Pensions – Transactional Systems Finance	**Substantial Assurance** Covered governance and operational roles and responsibilities; admission of new members; calculation and collection of contributions; payment and receipt of transfer values; pension payments; and arrangements for actuarial valuations. In general, sound controls were in place. Operational controls around the calculation and collection of contributions, transfer values, and payments were well managed and working effectively. Roles and responsibilities were clear and well understood, with comprehensive procedural instructions in place. There was some scope for improving risk management, and for formalising Standards of Service for Scheduled and Admissions bodies.
2.	Payroll Finance	**Substantial Assurance** Reviewed policies, procedures, roles, and responsibilities; administrative and operational controls; service standards and performance monitoring; and the security of payroll related data and administration. Operational controls relating to new starts, leavers, and other changes were working effectively, and roles and responsibilities were clear. There was scope for better monitoring of under and overpayments, and the Payroll Data Handling Register required to be finalised.
3.	Statutory Performance Indicator Validation All Services	**Substantial Assurance** Reported on Internal Audit's role in collecting and validating SPI returns prepared by Services. For each of the SPIs falling within our remit, we found that the information gathered for publication was accurate and complete.
4.	Administrative Procedures and Cash Count Social Work / Governance	**Substantial Assurance** We reviewed cash and general administration arrangements at ASSET, Criminal Justice, Rowan Short Breaks, SW Business Support, Laurieston SW Office, and Bo'ness Registration Office. Arrangements were generally sound, although we made a number of recommendations relating to security, cash handling, and record keeping.

No.	Audit Area and Service	Assurance and Key Findings
	Planned Audits Completed During 2012/13	
5.	Premises Managers' Handbook Compliance All Services	**Limited Assurance** Focussed on the allocation of Premises Manager (PM) responsibilities; the availability of guidance and training; compliance with Handbook requirements; arrangements for identifying and addressing non-compliance; and the annual Statement of Assurance process. There was significant scope for improvement. More robust systems for identifying changes to operational premises and PMs were required, as was better training. We were unable to confirm compliance with the Handbook in a number of areas, with numerous instances where the frequency of checking was not in line with guidance. There was a need to better document checking undertaken. There was also scope for improving the annual Statement of Assurance process.
6.	Continuous Auditing All Services	**N/A – Ongoing Reporting and Assurance** Work focussed on: • creditors duplicate payments; • creditor payment analysis; • overtime payments; • contract expenditure; • system access control. While various improvement actions have been identified, in overall terms continuous auditing work has provided positive assurance on the adequacy of financial controls. Payment analysis has identified a number of duplicates, with c£41k recovered by the Council during 2012/13 (c£138k since continuous auditing work commenced in October 2010).
7.	Appointment of Consultants All Services	**Limited Assurance** Focussed on roles and responsibilities; policies, procedures, and training; selection and engagement arrangements; and management information and reporting. There was a need to review and update the Protocol for the Appointment of Consultants, and to improve appointment, approval, and administrative arrangements. There was, however, adequate segregation of duties in relation to the selection and engagement of, and payment for, consultants.

	Planned Audits Completed During 2012/13	
No.	**Audit Area and Service**	**Assurance and Key Findings**
8.	Corporate Risk Management Arrangements Development	**Limited Assurance** Reviewed the overall framework at a corporate level; risk management policy and strategy; accountability, roles, and responsibilities; links to business planning; procedures, training, and guidance. There was a need to review and update the Risk Management Policy and Strategy, and for better embedding of risk management across all Services. The role and remit of the Corporate Risk Management Group requires to be reviewed, and there was a need to ensure that risk management links more clearly with business planning.
9.	Recruitment and Selection Corporate and Neighbourhood	**Substantial / Limited Assurance** Covered preparation, approval, and dissemination of Recruitment and Selection Policy; roles and responsibilities; application, assessment, and approval arrangements; and management information. A robust Policy was in place and roles and responsibilities were clear. There was scope for improving compliance with the Policy, and in particular the retention of documentation to support the recruitment process.
10.	Corporate Purchasing and Contract Management All Services	**N/A – Ongoing Reporting and Assurance** Internal Audit reviews a sample of payments on a weekly basis to assess compliance with Financial Regulations and Contract Standing Orders. This includes checks to ensure that a contracted supplier has been used. Where this is not the case, Internal Audit contact the invoice authorising officer to establish whether the appropriate quotation / tendering exercise was undertaken to select the supplier used. In general, across the sample of payments examined, we have found there to be broad compliance with Financial Regulations and Contract Standing Orders.

No.	Audit Area and Service	Assurance and Key Findings
	Planned Audits Completed During 2012/13	
11.	Council Housing – Construction and Maintenance Programmes Corporate and Neighbourhood	**Substantial Assurance** Construction: reviewed BMD's arrangements for planning, undertaking, monitoring, and reporting on certified capital improvement and new build work; quality assurance and management; and budgetary and financial control. Capital investment and new build projects were generally well controlled and managed, with sound quality assurance and performance monitoring arrangements. Roles and responsibilities were clear, with guidance and procedures in place. There was some scope for improving sub-contracting arrangements. Maintenance: reviewed roles and responsibilities; arrangements for identifying, prioritising, costing, undertaking, monitoring, and reporting on planned and reactive maintenance; quality assurance and management; and budgetary and financial control. Maintenance arrangements were generally sound, although there was some scope for improving the operational approval and processing of job lines.
12.	National Fraud Initiative All Services	**N/A** The 2010/11 NFI exercise is now largely complete. NFI is co-ordinated by Internal Audit, with investigations arising from the Accounts Commission's data matching undertaken by Services. A total of 2,726 matches have been investigated as part of NFI 2010/11, with c£246k returned (or in the process of being recovered and returned) to the public purse as a result of successful investigation of errors or discrepancies. The 2012/13 NFI exercise is now underway. All of the required data has been submitted to the Accounts Commission, with the resultant matches made available in January / February. These are now being reviewed and investigated by Services.
13.	Integra Supplier Management and Payments Finance	**Substantial Assurance** Internal Audit reviewed controls over the on-line input and authorisation of supplier information; payment processing; arrangements for invoice and BACS processing; non-standard and emergency payment arrangements; and management information. In general, sound systems of control were in place. There was, however, some scope for improving business continuity, for tightening various operational controls, and for rationalising / data cleansing the supplier database. The recommendations made by Internal Audit will be addressed within the context of ongoing system development work to enhance the functionality of Integra.

	Planned Audits Completed During 2012/13	
No.	**Audit Area and Service**	**Assurance and Key Findings**
14.	Refuse Collection Improvement Process Corporate and Neighbourhood	**N/A** Internal Audit has maintained a watching brief via review of documentation and reports, and attendance at meetings. This input will continue as appropriate.
15.	Development Management and Enforcement Development	**Substantial Assurance** Covered roles and responsibilities; policies, procedures, and guidance; arrangements for receiving, managing, approving, and monitoring planning applications, including appeals and enforcement; and management information. Controls were, on the whole, robust and operating effectively, and roles and responsibilities were clear. To further enhance the framework of control we recommended the development of a Planning Charter and Development Management Manual, and there was some scope for improving information systems.
16.	Corporate Gas Safety Development and Corporate and Neighbourhood	**Substantial Assurance** This review was undertaken jointly by staff from Falkirk Council's Health, Safety, and Care Team and West Lothian Council's Audit and Risk section. The review covered the practical application of responsibilities set out in Falkirk Council's Gas Safety Management Policy, the resultant Statements of Assurance, and the extent to which previous Internal Audit recommendations had been implemented. In broad terms, management systems were sound and previous recommendations had been considered and implemented. There remained scope, however, for improving various elements of operational control, particularly in relation to Facilities Management.
17.	Benefits – Corporate Fraud Scoping Study Finance	**N/A** Internal Audit undertook an exercise to identify and consider potential areas of 'corporate' fraud. This involved review of national reports and studies, discussion with staff across all Council Services, and meetings with various external bodies with an expertise in dealing with 'corporate' fraud. The resultant report will be used to assess and determine whether existing knowledge and skills can be effectively channelled towards diverting, identifying, and investigating areas of 'corporate' fraud.

Planned Audits Completed During 2012/13		
No.	**Audit Area and Service**	**Assurance and Key Findings**
18.	Invoice Approval and Payment and BCP Falkirk Community Trust	**N/A** As reported to Falkirk Community Trust Audit and Performance Sub-Group.
19.	Payroll Central Scotland Fire and Rescue Service	**N/A** As reported to CSFRS Best Value and Scrutiny Committee.
20.	Risk Management Arrangements West Lothian Council	**N/A** As reported to West Lothian Council's Audit and Governance Committee.

Additional Audits Completed During 2012/13		
No	**Audit Area and Service**	**Assurance and Key Findings**
21.	Modernising Technology in Homecare – Project Assurance Social Work	**N/A - Ongoing Assurance** Internal Audit has provided assurance input throughout this project, including attendance at relevant meetings and review of project structures and documentation.
22.	Bo'ness Townscape Heritage Initiative – Audit Certification Development	**Substantial Assurance** Internal Audit undertook work to allow the provision of a final audit certificate for this Initiative. Work included review of the final account reconciliation, validation of roles and responsibilities, and review of a sample of individual projects. We were able to provide substantial assurance that grants had been properly paid in line with valid applications and that administration costs had been properly recorded and paid for.

FALKIRK COUNCIL

Subject:	**ANNUAL GOVERNANCE STATEMENT 2012/13**
Meeting:	**AUDIT COMMITTEE**
Date:	**24 June 2013**
Author:	**CHIEF EXECUTIVE**

1. INTRODUCTION

1.1 The purpose of this paper is to advise Members of arrangements for reporting on the Council's governance framework for the year ended 31 March 2013 and to seek approval of a draft Annual Governance Statement for inclusion in the Council's 2012/13 Annual Accounts.

2. GOVERNANCE ARRANGEMENTS AND GUIDANCE

2.1 In 2007 the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) jointly issued guidance entitled 'Delivering Good Governance in Local Government'. This defined the six principles that should underpin the governance of each local government body, namely:

- focussing on the purpose of the Authority and outcomes for the community, and creating and implementing a vision for the local area;

- Members and Officers working together to achieve a common purpose with clearly defined functions and roles;

- promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

- taking informed and transparent decisions which are subject to effective scrutiny and managing risk;

- developing the capacity and capability of Officers and Members to be effective; and

- engaging with local people and other stakeholders to ensure robust public accountability.

2.2 The guidance recommends that Authorities prepare an Annual Governance Statement (the Statement) based on a review of their own arrangements. While it is not mandatory in Scotland, publication of a Statement is viewed as good practice and satisfies the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.

2.3 An Annual Governance Statement has been included in the Council's Annual Accounts since 2008/09 and I attach, at **Appendix 1**, a draft Statement for the year to 31 March 2013. The Statement is structured around the above six principles, and includes a separate section on the Council's system of internal financial control, as well as a number of areas for improvement over the coming year.

2.4 Following consideration by Committee, the Statement requires to be signed by the Leader of the Council and Chief Executive, and will be published with the Council's 2012/13 Annual Accounts.

3. RECOMMENDATIONS

3.1 Members are invited to:

    3.1.1 note this report on the Council's governance arrangements;

    3.1.2 review and approve the draft Annual Governance Statement; and

    3.1.3 note that the Annual Governance Statement will form part of the Council's 2012/13 Annual Accounts.

…..

Chief Executive

Date: 14 June 2013

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Falkirk Council

Annual Governance Statement – 2012/2013

</div>

Introduction

1.   Falkirk Council has a duty under the Local Government in Scotland Act 2003 to secure best value and ensure continuous improvement in the Services it delivers. Public money must be used economically, efficiently, and effectively, and with due regard to the achievement of sustainability. To help ensure that these responsibilities are met, the Council must put in place, and apply, robust governance arrangements.

2.   While the importance of sound governance can never be overstated, pressures relating to, for example, the ongoing economic climate, Welfare Reform, the move towards Health and Social Care integration, Police and Fire service reform, the ever more complex challenges posed by information technology, and changes to the way the Council goes about its business, mean that transparency, integrity, and accountability in the delivery of services have never been more important.

3.   Responsibility for ensuring good governance is shared by all Council employees and elected Members. To demonstrate the Council's commitment to ensuring good governance, this Annual Governance Statement (Statement) has been prepared on the basis of the principles set out in the CIPFA / SOLACE Framework '*Delivering Good Governance in Local Government*'. This defines governance as doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest, and accountable manner. Fundamentally, this relates to the way the Council is directed and controlled, and through which it engages with the community.

4.   That said, it should be noted that any review of governance can provide only reasonable (not absolute) assurance that policies, aims, and objectives are being applied and implemented as intended.

5.   Preparation of this Statement meets the requirements of Section 3.7 of the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Falkirk Council's Governance Framework

6.   The following sections summarise the key elements of Falkirk Council's governance framework, set out within the context of each of the CIPFA / SOLACE Principles.

Principle 1 - Focusing on the purpose of the Authority and outcomes for the community, and creating and implementing a vision for the local area.

7.   Falkirk Council's Corporate Plan underpins everything that the Council does. During 2012/13 the Council launched a new Corporate Plan 2012-17 entitled 'One Council One Plan'. The new Plan sets out the ambitions Falkirk Council has for its services and for the area, as well as goals, outcomes, and priorities.

8.   The Corporate Plan is available on the Council's website (www.falkirk.gov.uk), and all Services have developed their own Plans building on these high level goals. As well as forming the basis of the Council's continuous improvement programme, the Plan defines the high level risks, challenges, and opportunities faced by the Authority over the coming years.

9.   The Strategic Planning and Management Framework (SPMF) continues to be effective in ensuring that corporate goals are reflected throughout the organisation, and that business is conducted in a focussed, efficient, and effective way.

10.   Related to that, and the challenges of continuing financial constraint, much work has been done to develop a more focussed priority based budgeting process and to build on the strategic and transparent approach to the management of the Council's reserves. Financial performance continues to be reported publically via Annual Report and Accounts (which are available on the Council's website).

11.   The outputs from the Council's public performance reporting systems are brought together in the 'Performance Zone' section of the website. To ensure that reported information continues to be relevant and meaningful, a light touch but challenging peer review process, involving all senior managers, has been established. This will streamline and improve the Council's performance monitoring and reporting systems.

Principle 2 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

12.   This principle focuses on the need to ensure effective leadership and clear and consistent roles and responsibilities.

13.   The Council's recently revised and implemented decision making structure seeks to enhance clarity and accountability. As re-iterated at paragraph 21 below there will, inevitably, be a period of bedding in and normalisation, and it is perhaps too early to comment on the impact of these changes.

14.   The role of the Council's Corporate Management Team remains key to ensuring that resources are effectively directed towards delivering Council priorities. Individually, and collectively, Corporate Management Team recognises the need to streamline operational processes and practices, balancing service delivery and good internal control.

15.   Work has been undertaken, and is ongoing, to ensure that the sub-group structure in place to help Corporate Management Team fulfil its obligations is fit for purpose. The Council's Corporate Risk Management Group has been key to this process, and will have an ongoing remit to monitor the future role and accountability of these working groups.

16.   Falkirk Council has a history of effective engagement between Officers and elected Members, based on clear and understandable Standing Orders. These comprise procedures for Committee meetings, a Scheme of Delegation to Committees and Officers, Contract Standing Orders, and Financial Regulations. All elements of Standing Orders have been reviewed and updated to take account of the revised decision making structure.

Principle 3 - Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

17.   The Council has a Code of Conduct for Members and Officers and all Members are expected to abide by the Standards Commission Scotland's Councillors' Code of Conduct. Protocols are in place setting out arrangements for governing Member / Officer Relations and all staff are required to comply with the ethical requirements of any professional bodies of which they are members. Fundamentally, all Officers and Members are required to demonstrate and maintain the appropriate levels of leadership and governance.

18.   Staff are required to notify and record any extra-mural employment, and registers of gifts and hospitality are maintained. A Confidential Reporting Policy / Procedure and an Anti-Fraud and Corruption Strategy are in place, and the Council participates in the National Fraud Initiative. Officers work closely with Police Scotland on the risks posed by Serious Organised Crime, and it falls to the Council's Chief Executive to lead on the 'Divert' strand of the Scottish Government's Serious Organised Crime Strategy.

19.   Corporate Management Team has fostered a culture of fraud awareness, prevention, and detection, and relevant policies and procedures are clear on the disciplinary consequences arising from non-compliance.

Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

20.   Much work has been undertaken to develop the Council's approach to risk management. A revised and updated Policy, Framework, and Workplan were approved by Audit Committee in March 2013, and guidance has been developed for roll out to staff. The Service Unit Manager training referred to at paragraph 27 below included a session on risk management, and the Corporate Risk Management Group has been active in ensuring the practical embedding of corporate policies and guidance.

21.   Changes to the Council's decision making structure have allowed the opportunity to review and update Contract Standing Orders, Financial Regulations, and the wider framework of reporting to elected Members. The new structures represent a significant change for Falkirk Council, and will present challenges for Officers and elected Members.   There will, undoubtedly, be a period of re-acclimatisation as the practicalities of the agreed changes manifest themselves, and the importance of Officers and Members working together as arrangements bed in cannot be overstated.

22.   The role of the Audit Committee within the new structure remains unchanged, and the Committee continues to be effective in monitoring the Council's arrangements for risk management, governance, and control. During 2013 the external lay chair of the Audit Committee will, for the first time, present an Annual Report on the Committee's work to Council.

23.   The need to ensure that all decisions are based on accurate, timely, and secure information is well understood, and good information management and security remains a key operational priority. This is recognised within the Corporate Risk Register.

24.   In addition, the Council is under an obligation to work towards compliance with the Public Records (Scotland) Act 2011, and a Records Management Plan will be submitted to the Keeper of the Records of Scotland over the summer. This will include details of the business classification scheme to be adopted by the Council, a positive development that will help ensure the confidentiality, availability, and integrity of the data and information the Council holds and on which it bases its decisions.

Principle 5 - Developing the capacity and capability of Officers and Members to be effective.

25.   In last year's Annual Governance Statement a commitment was made to continue to provide support and development opportunities to elected Members and Officers.

26.   Following the Local Government elections in May 2012 an induction programme was provided to all Members. In addition, the Improvement Service's CPD programme and masterclass service has been re-launched, with relevant adjustments made to take account of the changes to the Council's decision making structure. The aim of this programme is to ensure that all Members have access to training and development that meets their individual needs.

27.   The economic challenges facing the Council and the emphasis on delivering services more efficiently and effectively mean that the training and development of staff remains of paramount importance. As well as the established employee Development Programme, a series of Service Unit Manager events have been delivered. In addition, training has been provided on areas such as compliance with Financial Regulations and Contract Standing Orders, and on Premises Management, and use has been made of the on-line learning system to allow staff to undertake training on, for example, change management and Welfare Reform.

28.   Underpinning that, the Achievement and Professional Development scheme remains relevant in allowing staff to identify and work towards aims and objectives consistent with wider organisational goals.

Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability.

29.   The Council is committed to listening to, engaging with, and responding to local people and other stakeholders, and the principle and practice of community participation is well embedded. For example, recent consultation has informed preparation of the Tenant and Residents Participation Strategy 2013-2016.

30.   In addition, the Citizens' Panel continues to play an invaluable role in helping the Council improve and implement services, with the aims of the Panel, and other means of engagement, embedded within 'Have Your Say: A Plan for Local Improvement 2011-2014'. In June 2012 a Feedback Report, setting out changes made by the Council as a result of responses to previous Citizens' Panel questionnaires, was published and made available on the Council's website.

31.   Agendas and minutes of all Council meetings, including those of the newly formed Executive, Education Executive, and Scrutiny Committee, are available on-line, with meetings held in public. The

Council's website complies with relevant web accessibility guidelines, and allows users to interact and transact with the Council via the 'On-Line services' section.

Monitoring and Review of Governance Arrangements

32. Falkirk Council's governance arrangements are formally monitored via:
   - the Committee framework, including the Audit Committee;
   - Corporate and Departmental Management Teams;
   - Corporate Risk Management Group;
   - Internal and External Audit work; and
   - the work of Falkirk Council's Best Value 2 Local Area Network.

33. This monitoring is done within the context of the Delivering Good Governance guidance, the Council's Corporate Plan, Strategic Community Plan, agreed Single Outcome Agreement, and the fundamental statutory requirement to demonstrate and achieve best value.

System of Internal Financial Control

34. This section of the Statement relates to the systems of internal financial control of Falkirk Council and of the consolidated entries in the Council's group accounts for the year to 31 March 2013. The Chief Finance Officer is responsible for ensuring the operation and maintenance of an effective system of internal financial control. It should, however, be noted that the system of internal financial control can provide only reasonable (not absolute) assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or detected.

35. The system of internal financial control is based on a framework of risk management; Contract Standing Orders, Financial Regulations, and associated guidance; delegation and accountability; comprehensive budgeting systems; clear financial targets; and robust management information.

36. The Council's Internal Audit Section provides an independent assessment of arrangements for risk management, governance, and control. The Section undertakes an annual, risk based, programme of work approved by the Chief Executive, Chief Finance Officer, and Audit Committee. The Council's appointed External Auditors concluded that the Internal Audit Section operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (the Code), and formally placed reliance on work undertaken by the Section.

37. All Internal Audit reports are brought to the attention of management and include recommendations and agreed action plans. It is then management's responsibility to ensure that appropriate action is taken to address these recommendations. Significant matters arising are reported to the Council's Audit Committee.

38. The Audit Committee, which was set up on the basis of a decision by Council in June 2008, operates in accordance with relevant CIPFA guidance. The Committee is chaired by an external lay member, and has a remit to provide:
   - independent assurance on the adequacy of the risk management framework and associated control environment;
   - independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects risk exposure and weakens the control environment; and
   - assurance that any issues arising from the process of drawing up, auditing, and certifying the Annual Accounts are properly dealt with.

39. The Committee considers the Internal Audit Manager's Annual Assurance Report, which provides an independent opinion on the adequacy and effectiveness of the Council's arrangements for risk management, governance, and control. In his 2012/13 Report the Internal Audit Manager concluded that he was able to provide substantial assurance on the Council's overall framework of control for the year to 31 March 2013.

40. The Chief Finance Officer is required to review the effectiveness of the Council's systems of internal financial control, taking account of the work of managers, Internal Audit, and External Audit. Based on his

considerations, the Chief Finance Officer has concluded that substantial assurance can be placed on the adequacy and effectiveness of the Council's internal financial control systems for the year to 31 March 2013.

41. In relation to other entities that fall within the Council's group boundary, the Chief Finance Officer's review is informed by the:
- Statements on the System of Internal Financial Control included within the Annual Accounts of Central Scotland Joint Fire and Rescue Board, Central Scotland Joint Police Board, and Central Scotland Valuation Joint Board;
- Statements of Assurance from the Chief Executives of Falkirk Community Trust and Falkirk Community Stadium Limited; and
- work of these bodies' respective External Auditors (and, where relevant, Internal Auditors) and other interim reports.

42. Based on consideration of the above, the Chief Finance Officer has concluded that, on the whole, substantial assurance can be placed on the internal financial control systems of other bodies falling within the Council's group boundary.

43. In undertaking his duties, and in forming the above opinions, the Chief Finance Officer worked in conformance with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

Governance Arrangements – Areas for Improvement

44. Falkirk Council is committed to ensuring robust and proportionate governance. That said, the continuing economic and financial pressures the Council faces, and the ever changing environment within which the Council operates, means that there will always be scope for improvement. Areas that will be addressed over the coming year include:

- the performance monitoring and reporting peer review process will be progressed;

- work on the role and accountability of all corporate working groups will be completed;

- Officers and Members will to continue to implement and embed the Council's revised decision making structure;

- work will be undertaken towards ensuring that the Council meets the requirements of the Public Records (Scotland) Act 2011; and

- relevant training and development opportunities will continue to be provided to all elected Members and Officers of the Council.

Conclusion

45. This Annual Governance Statement summarises, openly and transparently, arrangements established by Falkirk Council for 2012/13 and the period to date. It highlights areas for improvement, and is consistent with the Council's established improvement agenda.

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Councillor Craig Martin   **Mary Pitcaithly**
Leader of Falkirk Council   **Chief Executive**
24 June 2013   **24 June 2013**

Falkirk Council

Assurance and Improvement Plan

Update 2013–16

Contents

Introduction

1. The first Assurance and Improvement Plan (AIP) for Falkirk Council (the council) was published in July 2010. That document set out the planned scrutiny activity for the council for the period April 2010 to March 2013 based on a Shared Risk Assessment (SRA) undertaken by a local area network (LAN) made up of representatives of all of the main local government audit and inspection agencies. The aim of the SRA process was to focus scrutiny activity where it is most needed and to determine the most proportionate scrutiny response over a three year period. The LAN met again in November 2010 and in November 2011 to update the AIP for the period 2011-14. The last AIP update was published in May 2012 covering 2012 - 15.

2. This update is the result of the SRA which began in October 2012. The update process drew on evidence from a number of sources, including:

   • The annual report to the Controller of Audit and elected members for 2011/12 from the council's appointed external auditors.

   • The council's own performance data and self-evaluation evidence.

   • Evidence gathered from Education Scotland, the Care Inspectorate and the Scottish Housing Regulator (including published inspection reports and other supporting evidence).

3. A timetable for proposed audit and inspection activity between April 2013 and March 2016 which reflects the revised and updated scrutiny risk assessment is at Appendix 1.

4. Following feedback about the clarity of the SRA process we have amended our criteria to make it clearer what we mean. Our assessment criteria descriptions used last year have changed from 'significant concerns' to 'scrutiny required'; 'no significant concerns' to 'no scrutiny required'; and 'uncertainty' to 'further information required'.

Summary

5. The LAN has assessed all service and outcome areas, with the exception of corporate and neighbourhood services/finance services (housing and homelessness specific), as 'no scrutiny required'. Performance information indicates that most service performance has been good compared to council targets.

6. Performance in corporate and neighbourhood services (housing and homelessness specific) has shown an improving picture in relation to council housing stock condition, and the council now has a housing audit management plan in place to prioritise investment to support SHQS compliance by 2015. The service also has an improvement plan in place to address the weaknesses identified and reported by the Scottish Housing Regulator (SHR) in October 2011. The LAN has assessed this service area, along with finance services (housing specific), as 'further information required' to reflect the continued increase in housing rent arrears and the need for clear evidence that action is being taken to tackle this issue.

7. The LAN have discussed the corporate best value framework, and identified a few areas where further information is to be gathered by LAN members or follow-up work carried out.

8. The LAN has identified that scrutiny is required on the council's risk management arrangements. The chief executive and the leader of the council acknowledged the need to strengthen risk management arrangements in the 2011/12 annual governance statement in the annual accounts. In addition, a recent internal audit review of corporate risk management arrangements indicates that the council's existing risk management arrangements are weak. Audit Scotland will review and assess the council's progress against the internal audit action plan and include an updated position in their 2012/13 annual audit report.

9. The LAN assessed the corporate areas of performance management and challenge and improvement as 'further information required'. This assessment reflects the fact that the council has acknowledged this as an area for improvement and has identified specific actions (noted at section 35) to strengthen the performance management framework and drive challenge and improvement within the council. In this context, we have deferred any targeted best value audit work in this area to allow time for the council's planned actions to be implemented and stimulate improvements. Audit Scotland will monitor progress against the planned actions throughout the year and will report progress in their 2012/13 annual audit report. The LAN will then reassess the nature and timing of any targeted best value audit work as part of the 2014/15 AIP update.

10. The LAN noted that the 2011/12 financial position was less favourable than had been anticipated in the council's budget. However the council is responding to the challenging financial environment and is taking steps to address future budget gaps. The LAN has concluded that this as an area of 'further information required', which relates to monitoring progress against the 2012/13 budget. Audit Scotland is also to carry out a targeted follow-up audit on the national report *Scotland's Public Finances: Addressing the challenges* at all councils to fulfil this.

National risks

11. Local councils are operating within a context of significant change as a result of the challenging financial environment and the public service reform agenda, including the review of community planning, health and social care integration, police and fire reform, college regionalisation, and welfare reform. The Local Government Scrutiny Co-ordination Strategic Group is currently considering how audit and inspection arrangements should collectively respond to these significant strategic developments, recognising the increasing importance of partnerships, place and outcomes for Scotland's public services.

12. A number of core national risks are applied to all 32 councils. These are:

The protection and welfare of vulnerable people (children and adults) including access to opportunities: no scrutiny required.

13. Following targeted on-site scrutiny the SHR published its report on improvement progress in October 2011. The report acknowledged improvements in the council's self awareness and highlighted recent progress impacting upon its allocation policy, choice based house letting, stock condition information and some areas of the homelessness service. However, the report also identified a number of weaknesses, many of which related to its homelessness service, some of which were significant. In response to the regulator's report, in July 2012, following extensive consultation with service users, the council put in place an improvement action plan to address the areas of weakness identified. The regulator will request a self-assessment from the council seeking evidence of improved outcomes for service users.

14. The Care Inspectorate scrutiny report for Falkirk was published in August 2012. No serious concerns were identified. Recommendations included improvement in identifying, recording and managing risk, and finalising reviews of services. Key performance indicators are in line with national averages. Delayed discharge figures have risen. An option appraisal of the council's care home provision has been commissioned. The council produced an action plan in relation to the recommendations in the scrutiny report and the Care Inspectorate will monitor the implementation of this plan.

15. At the request of Scottish ministers, the Care Inspectorate is developing a model of joint inspection of children's services in Community Planning Partnership (CPP) areas in Scotland, in co-operation with other scrutiny bodies (Education Scotland, Healthcare Improvement Scotland and HMICS). These inspections will focus on how well local public bodies (councils, the NHS, police etc.) are working together to deliver effective outcomes for children and young people. Development work involving Angus Council took place in April/May 2012. These joint inspections, which will report publicly, began in the autumn 2012.

16. In addition, the Care Inspectorate is working in co-operation with Healthcare Improvement Scotland to develop an approach to inspecting services providing care and health for adults drawing on its experience of implementing joint inspections of child protection and children's services. Development work involving a number of local authorities is underway and will

continue into the early part of 2013. Following this, the Care Inspectorate will implement a programme of these inspections. Further details of the schedule will be confirmed in due course.

17. Subject to ministerial approval, the Care Inspectorate, in partnership with the Association of Directors of Social Work (ADSW) and the Risk Management Authority (RMA), will undertake supported self-evaluation across the 32 local authority criminal justice social work services during the latter part of 2013. This will look at the impact of the Level of Service Case Management Inventory (LSCMI), otherwise known as the national assessment and care planning instrument. This particular approach is one of a number of approaches the Care Inspectorate will use in its current and future scrutiny and improvement work in this area.

18. The SHR plans to carry out a thematic inspection into the outcomes that local authorities are achieving by delivering a Housing Options and Prevention of Homelessness approach. SHR will carry out this thematic inspection during the first half of 2013/14. This is likely to involve fieldwork visits to a small sample of local authorities. SHR is currently identifying potential fieldwork sites and will be contacting those councils that it would like to visit in early 2013.

Assuring public money is being used properly: no scrutiny required.

19. The annual audit forms part of the baseline scrutiny of councils. This audit examines the financial management and controls in each council. Overall the council's governance arrangements in 2011/12 were sound and operated effectively. No material weaknesses in the accounting and internal control systems were identified during the 2011/12 annual audit.

20. There is evidence that the council is taking action to improve the scrutiny function. A full review of the council's decision-making structure is in progress. In addition, the council's learning and development policy for staff has been expanded to cover members.

21. The council's existing self-assessment programme has been revised to ensure that activity is targeted to priority areas. The programme will be reviewed annually to take account of external factors and changes to the council's working practices.

How councils are responding to the challenging financial environment: no local scrutiny required other than monitoring of the financial position through the annual audit.

22. Audit Scotland's 2011/12 annual audit report said that the 2011/12 financial position was less favourable than had been anticipated in the council's budget. As at 31 March 2012 the council reported a general fund balance of £32.234 million, a reduction of £4.482 million on the 2010/11 balance. However this balance includes uncommitted reserves of £15.557 million, which is above the target range set out in the council's reserves strategy. The council planned to use around £3.4 million of this to balance the 2012/13 budget.

23. The council has approved the 2013/14 budget and has prepared indicative budgets for the years 2014/15 to 2016/17 to aid forward planning by identifying medium-term spending pressures and funding constraints. The council has identified a spending gap of £10.7 million in 2013/14 and a further £8.0 million, £8.7 million and £8.5 million in 2014/15, 2015/16 and 2016/17 respectively. As noted in the 2011/12 annual audit report, the use of reserves to fund

expenditure is not sustainable and the council must ensure that its longer term financial plans reflect this.

24. A corporate working group has been established to develop a medium term strategy clearly linked to the community, corporate and service plans and the workforce and asset management strategies. The council refreshed the public consultation exercise on service standards and customer priorities in March 2012 to support the 2013/14 budget setting process.

25. Generally, we are satisfied that the council is taking appropriate steps to manage the budget reductions. Recognising the significance of the uncertain financial context within which councils operate, Audit Scotland produced Scotland's Public Finances: Addressing the challenges, in August 2011. Follow-up work around the issues raised in the report will be undertaken in each council during 2013/14 to provide the Accounts Commission and the Auditor General for Scotland with evidence on the progress that public bodies are making in developing a strategic response to these long-term financial challenges. In addition, a specific piece of work on Reshaping Scotland's public sector workforce will be undertaken in 2013/14.

26. At the request of Scottish ministers, Audit Scotland has piloted an approach to auditing CPPs and the delivery of local outcomes. The CPP audit model was tested during 2012/13 in three council areas (Aberdeen City, North Ayrshire and Scottish Borders). Following evaluation of the approach in early 2013, a number of CPPs will be audited during the second half of 2013/14. Audit Scotland will be contacting any likely audit sites in spring 2013.

27. The Equalities and Human Rights Commission (EHRC) has commissioned a piece of work to assess the extent to which Scottish public authorities have complied with the specific duties of section 149 of the Equality Act 2010 during 2013. Analysis of each public authority's compliance with the duty to publish equality outcomes and employment information will be available later in 2013. The results of this activity will be reflected in future shared risk-assessment work.

28. The LAN is committed to maintaining its engagement with the council between now and the next SRA cycle so that we can retain an overview of how the council is managing its response to the significant financial challenges that it and all other Scottish public bodies face.

Areas that remain 'no scrutiny required'

30. This update focuses predominantly on those areas assessed as 'scrutiny required' and 'further information required'. However, in the interest of providing a broader view of the council's overall risk assessment, it is important to highlight those areas that were previously assessed as requiring no scrutiny which continue to be so. The LAN identified no scrutiny is required in the following areas:

Area	Update
Education services	SQA attainment data for secondary schools demonstrate a clear improving trend against key indicators. Inspection evidence is positive with some very strong evaluations in recent inspections of Falkirk High School and St Mungo's. One primary school is currently subject to follow through inspection as a result of weak evaluations against quality indicators. The LAN has concluded that no scrutiny is required.
Corporate and neighbourhood services (non-housing)	The 2011/12 statutory performance indicators show that performance in this area is generally good.
Development services	The 2011/12 statutory performance indicators show an overall improvement in this area including the speed of processing planning applications and recycling/composting rates. The net cost of refuse collection still lies above the Scottish average; however, the council is taking action to address this.
Chief Executive Office - finance	No significant issues were identified through the 2011/12 annual audit process. The 2011/12 statutory performance indicators demonstrate improving performance in this service area, with the exception of current tenant rent arrears (see section 35).
Chief Executive Office - governance	The council's 2012 performance statement shows demonstrable improvements in the

Area	Update
	sickness absence rate, job completion and turnover in printworks, supporting conflict resolution services and council house sale offers. Areas for further improvement include the speed of response to freedom of information requests, speed of settling council house sales, issuing agendas/papers and responding to members' enquiries. The service has successfully established the Falkirk Community Trust and delivered the elections. The LAN has concluded that no scrutiny is required.
Lifelong learning	Overall, the Scottish Neighbourhood Statistics (SNS) local outcome indicators under the smarter theme are performing well. Links between schools, local business and Forth Valley College are strong and the council's employment training unit works productively with local employers to develop skills for work programmes for young people.
Community safety	Performance information in this area is mixed, however the LAN has concluded that no specific scrutiny is required. A single police service and fire and rescue service will be operational from 1 April 2013. The community safety strategic assessment is being refreshed, and this will contribute to the local policing and fire and rescue plans.
Sustainable environment	Overall, progress against this outcome is moving in a positive direction. All the SNS local outcome indictors under the greener theme are improving and the 2011/12 statutory performance indicators show improvements in recycling/composting and cleanliness.
Community regeneration	Performance in this area is mixed. The SOA monitoring statement shows that 86% of residents rate their neighbourhood as a good/very good place to live and there has been a rise in the number of affordable homes

Area	Update
	completed. However, the number of homeless households and benefit claimants has risen. This reflects the challenging economic conditions that we face and the LAN does not consider any specific scrutiny necessary.
Vision and strategic direction	Members and officers have agreed a clear set of priorities for the council. A revised corporate plan was approved by members in September 2012. The corporate goals are linked to the local outcomes in the SOA, and the plan is supported by service performance plans.
Leadership and culture	There was no significant loss of leadership or experience as a result of the May 2012 local elections. The council is continuing to develop training for members by widening the scope of the existing staff learning and development policy to cover members.
Planning and resource alignment	The council is developing a medium term financial strategy with clear reference to strategic service delivery aims and objectives. The council refreshed the public consultation exercise on service standards and customer priorities in March 2012 to support the 2013/14 budget setting process.
Partnership working and community leadership	The Community Planning Partnership continues to progress its self-assessment improvement plan. The council has successfully adopted a public social partnership approach for children's services, including fostering and adopting, and now plans to roll this out to services for older people. In June 2011, the council had a positive joint inspection of services to protect children. In addition, the council is exploring shared service opportunities with West Lothian Council.
Community engagement	The council carried out their biennial customer satisfaction survey in 2012. The results showed an improvement on the 2010 survey.

Area	Update
	The council operates a citizens panel with over 1,500 members that provide views on services and issues via regular questionnaires.
Governance and accountability (including public performance reporting)	Overall, the council's governance arrangements in 2011/12 were soundly based and operated effectively. The council's financial regulations and contract standing orders have been reviewed to reflect procurement legislation and best practice. Performance is reported publicly through the 'performance zone' on the council's website.
Customer focus and responsiveness	The council is using various tools to improve customer focus such as satisfaction surveys, the citizen's panel, public social partnerships and tenant led inspections in housing. Customer factors are also built into the prioritisation tool for determining the council's future self-assessment programme.
ICT	The council makes effective use of ICT to support and deliver services, and recognises the need for continuing capital investment in the ICT infrastructure.
Use of resources - competitiveness	The LAN has concluded that no specific scrutiny is required; however, this is an area that is closely linked to the work that the council has planned to drive forward challenge and improvement.
Use of resources - financial planning	The council has approved the 2013/14 budget and has prepared indicative budgets for the years 2014/15 to 2016/17 to aid forward planning by identifying medium-term spending pressures and funding constraints. The council has identified a spending gap of £10.7m in 2013/14 and a further £8.0m, £8.7m and £8.5m in 2014/15, 2015/16 and 2016/17 respectively. A corporate working group has been established to develop a medium term strategy clearly linked to the community, corporate and service plans and

Area	Update
	the workforce and asset management strategies. Audit Scotland will continue to monitor developments in this area through the 2012/13 annual audit process.
Use of resources - financial position	Audit Scotland's 2011/12 annual audit report said that the 31 March 2012 financial position was less favourable than had been anticipated in the council's budget. The 2012/13 financial position reported as at 30 November 2012 projected a general fund revenue underspend of £2.7m, and an uncommitted general fund balance of £12.9m at 31 March 2013 (£15.6m at 31 March 2012). Audit Scotland will monitor the position through the 2012/13 annual audit process.
Use of resources - asset management	The council has a corporate asset management strategy 2011/14, 'Better Assets, Better Services', which is supported by plans for different classes of assets. The council and its Forth Valley partners also have an area wide strategic plan. Specific activity in 2011/12 has included the creation of a housing audit investment plan and the completion of the first phase of an office utilisation review.
Use of resources - managing people	Overall, absence rates are improving and are better than the Scottish average. In 2011/12, 96 people were accepted for voluntary severance. The council will need to carefully manage the loss of experience and resources and ensure that this does not have an adverse effect on service delivery and staff morale.
Use of resources - procurement	In 2012 the council achieved a procurement capability assessment (PCA) score of 56%, which is classed as 'improved' and demonstrates a significant improvement on the 2011 score of 35%.
Equalities	The EHRC are reviewing how councils have responded to the requirements of the Equality

Area	Update
	Act 2010. The results of this activity will be reflected in future shared risk assessment work.
Sustainability	The council's Scottish climate change declaration progress report shows that the council has performed well in the carbon reduction commitment and energy efficiency scheme. In addition, the SNS local outcome indicators under the greener theme are improving.

Areas that remain 'scrutiny or further information required'

31. The LAN identified that, in common with the SRA last year, scrutiny or further information is required in the following areas:

Area	Assessment	Update
Use of resources - efficiency	Further information required	In 2011/12 the council reported total cash efficiencies of £5.061m, £4.522m of which are recurring. The council approved the use of an element of the general fund uncommitted reserves to balance the 2012/13 budget. As noted in Audit Scotland's annual report on the 2011/12 audit, this approach is not sustainable in the longer term. The LAN is planning to monitor actions being taking to address future budget gaps as part of the work to be carried out on the national risk, how the council is responding to the challenging financial environment.

Areas with changed assessments

32. The following table relates to assessments of scrutiny risk that have been changed from the 2012/13 update.

Area	2012/13 Risk Assessment	2013/14 Risk Assessment	Reason for Change
Social work services	Area of uncertainty	No scrutiny required	The Care Inspectorate scrutiny report found no areas of significant concern. The 6 recommendations are the basis of an action plan which will be monitored. Performance indicators are mixed. There is a recognised need to improve some of the care home services. Generally, Falkirk social work services are making progress, if slowly, particularly in relation to redesigning services.
Corporate and neighbourhood services/Chief Executive Office - finance (housing and homelessness specific)	No significant risks	Further information required	In response to the Scottish Housing Regulator's report in October 2011, the council produced an improvement action plan to address the weaknesses identified. Current performance information shows improvement across a number of service areas; however, reported performance in rent arrears has continued to decline. Given the context of the impending welfare reforms, the LAN has concluded that further information is required to establish what action the council is taking to tackle increasing rent arrears among its tenants. In relation to the improvement action plan, the regulator will request a self assessment from the council seeking evidence of improved outcomes for service users.

Area	2012/13 Risk Assessment	2013/14 Risk Assessment	Reason for Change
Community services (Falkirk Community Trust)	Area of uncertainty	No scrutiny required	This was marked as an area of uncertainty in the 2012-15 AIP update because the impact of the transfer of community services to the trust was unknown. Falkirk Community Trust's 2011/12 performance report shows that overall the trust has performed well for its first 9 months in operation. The LAN has concluded that no specific scrutiny is required, although the trust's performance will be kept under review as part of the routine annual audit process.
Economy	Area of uncertainty	No scrutiny required	The current economic climate continues to present the council with challenges. No specific scrutiny is planned for this outcome; however, the LAN will monitor performance in this area over the next year.
Health and wellbeing	Area of uncertainty	No scrutiny required	Overall, performance information in this area is still mixed. No specific scrutiny is planned for this outcome; however, the LAN will monitor performance in this area next year.
Performance management	No significant risks	Further information required	Audit Scotland's 2011/12 annual audit report noted that some performance indicators are being met by a large margin. It was recommended that the council review targets in the interest of promoting continuous improvement. The council has recognised the need to improve aspects of the performance management arrangements and has identified the following actions to address this: • Review the self-assessment programme and the accompanying improvement planning process to reflect changes in the council's

Area	2012/13 Risk Assessment	2013/14 Risk Assessment	Reason for Change
			structure and working practices, and ensure that assessments focus on priority areas and achieve improvements
			• Review performance indicators to support the revised Single Outcome Agreement (SOA) and take account of the SOLACE benchmarking exercise
			• Review performance targets to ensure that they promote continuous improvement
			• Deliver training at manager level that focuses on the importance of a performance management culture
			• Explore opportunities to make performance management information more readily available eg Covalent site license.
			The agreed timescale for all of the above actions is April 2013 and on going.
			The LAN has concluded that Audit Scotland will monitor the council's progress against these actions throughout the year and include a comment in the 2012/13 annual audit report. Based on this work, the LAN will reassess the need for targeted best value audit work in the 2014/15 AIP update.
Challenge and improvement	No significant risks	Further information required	The council is refreshing the existing self-assessment programme to reflect changes to the council's structure and working arrangements. Going forward, the programme of work will be reviewed on an annual basis to ensure that self-assessment activity is

Area	2012/13 Risk Assessment	2013/14 Risk Assessment	Reason for Change
			targeted on priority areas. This exercise, along with the performance management improvements documented in the row above will be key to improving the council's challenge and improvement processes. The LAN has concluded that no scrutiny is required on the basis that this will allow the council time to implement the planned improvements. The LAN will reassess the need for targeted best value audit work in this area in the 2014/15 AIP update.
Risk management	No significant risks	Scrutiny required	A recent internal audit report has indicated that the council's corporate risk management arrangements are weak. The council has a good level of self-awareness and recognised the need for improvement in this area in the 2011/12 annual governance statement. The LAN has concluded that scrutiny is required. Audit Scotland will follow-up the council's progress against the internal audit action plan and include a comment in the 2012/13 annual audit report.

Scrutiny plans

33. As part of the 2012/13 annual audit, Audit Scotland will monitor the council's progress against the actions set out to improve the corporate performance management and challenge and improvement processes. Based on this work, the LAN will reassess the need for targeted best value audit work in the 2014/15 AIP update.

34. Audit Scotland will undertake targeted follow-up work on its national report *Scotland's Public Finances: Addressing the challenges.* This work will consider the action taken to address the issues raised in the report and the impact of this action. The findings of this work will be reported by 31 August 2013. In addition, a specific piece of work on Reshaping Scotland's public sector workforce will be undertaken in 2013/14.

35. Audit Scotland will also carry out additional scrutiny of the council's corporate risk management arrangements. In year 1 of the scrutiny plan this will involve reviewing and assessing the council's reported progress against the internal audit action plan, agreed in response to a recent review of the council's corporate risk management arrangements.

36. Audit Scotland plan to carry out a housing benefit risk assessment at the council in November 2013. The timing of this work may be subject to change. A risk model is used to inform the risk assessment activity and therefore the plan needs to be flexible to take account of emerging risks.

37. As reported in the national risks section of this report, a programme of national scrutiny work and joint inspections is being developed for the Care Inspectorate, Education Scotland, Healthcare Improvement Scotland and HMICS. Also, subject to ministerial approval, the Care Inspectorate in partnership with the Association of Directors of Social Work (ADSW) and the Risk Management Authority (RMA) will undertake supported self-evaluation across the 32 local authority criminal justice social work services during the latter part of 2013.

38. The Scottish Housing Regulator plans to carry out a thematic inspection into the outcomes that local authorities are achieving by delivering a Housing Options and Prevention of Homelessness approach. The regulator will carry out this thematic inspection during the first half of 2013/14 and will identify a range of local authorities to take part by the end of March 2013.

Appendix 1

National scrutiny activity does not result from the shared risk assessment but is either at the request of the council eg supported self-evaluation work or national activity eg national follow-up work or work requested by ministers.

FALKIRK COUNCIL 2013-14												
Scrutiny activity year 1	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Audit Scotland - corporate risk management arrangements: assess progress against internal audit action plan				x								
National or supported self-evaluation work year 1												
Audit Scotland - Reshaping Scotland's public sector workforce	x											
Audit Scotland - follow-up of Audit Scotland national report, Scotland's Public Finances: Addressing the challenges		x										
Audit Scotland - housing benefit risk assessment								x				
Care Inspectorate - supported self-evaluation of the impact on quality of the newly introduced national assessment and care planning instrument (LSCMI) in local criminal justice social work services (timing to be confirmed)												

FALKIRK COUNCIL	2014-15											
Scrutiny activity year 2	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Audit Scotland - targeted best value audit work (nature and timing to be determined)												
Scottish Housing Regulator - improvement plan follow-up self assessment			x									

FALKIRK COUNCIL	2015-16
Indicative scrutiny activity for rolling third year	Potential scrutiny bodies involved
No scrutiny planned	

Footnotes:

The focus of the AIP Update is strategic scrutiny activity, that is scrutiny activity which is focused at corporate or whole service level, but there will also be baseline scrutiny activity at unit level ongoing throughout the period of the AIP. This will include, for example, school and residential home inspections. Scrutiny bodies also reserve the right to make unannounced scrutiny visits. These will generally be made in relation to care services for vulnerable client groups. The annual audit of local government also comprises part of the baseline activity for all councils and this includes work necessary to complete the audit of housing benefit and council tax benefit arrangements. Education Scotland, through the District Inspector, will continue to support and challenge education services regularly and as appropriate. The Care Inspectorate will continue to regulate care services and inspect social work services in accordance with their responsibilities under the Public Services Reform (Scotland) Act 2010.