FALKIRK COUNCIL

MINUTE of the MEETING of the AUDIT COMMITTEE held in the MUNICIPAL BUILDINGS, FALKIRK on MONDAY 15 DECEMBER 2014 at 9.30 a.m.

MEMBERS:	Roseann Davidson (Convener)
	Councillor Steven Carleschi
	Councillor Tom Coleman
	Depute Provost John Patrick
	Provost Pat Reid
OFFICERS:	Margaret Anderson, Director of Social Work Services
	Kenny McNeill, Educational Resources Manager
	Gordon O'Connor, Internal Audit Manager
	Mary Pitcaithly, Chief Executive
	Brian Pirie, Democratic Services Manager
	Stuart Ritchie, Director of Corporate and Neighbourhood Services
	Bryan Smail, Chief Finance Officer
	Allan Stewart, Business Improvement Manager
	Amanda Templeman, Acting Depute Finance Officer
ALSO ATTENDING:	Fiona Mitchell Knight and Jim Rundell, Audit Scotland

AC26. APOLOGIES

No apologies were intimated.

AC27. DECLARATIONS OF INTEREST

No declarations were made.

AC28. MINUTE

Decision

The minute of the meeting held on 22 September 2014 was approved.

AC29. INTERNAL AUDIT PROGRESS REPORT

Committee considered a report by the Internal Audit Manager summarising the progress with the 2014/15 Internal Audit Plan and on Services' progress in implementing Internal Audit recommendations.

In regard to the Audit Plan, 9 assignments had been completed to final report, 3 to draft report and 4 were in progress. 7 assignments had yet to commence. The findings from assignments completed to final report were set in appendices to the report.

The performance of Internal Audit, as measured against 5 key performances indicators was set out together with performance in the previous two financial years. In regard to outstanding audit recommendations, 6 remained from 3 reviews.

The committee sought clarification on the progress made in achieving the key performance indicator of 90% of audit recommendations accepted. It was likely that by the year end target would be exceeded and given that it was exceeded in the previous two years members queried whether it should be revised.

Members also sought assurance that the plan was achievable given resource pressures within the audit team. The Internal Audit manager confirmed that there was sufficient flexibility within the plan to ensure that he will be able to provide a balanced and full opinion on the adequacy of the Council's internal control framework in his April 2015 Internal Audit Annual Assurance Report.

Decision

The Committee noted:-

(1)   the progress with completing planned 2014/15 internal audit work;
(2)   internal audit performance; and
(3)   the current position in relation to recommendations, from previous audits, which are outstanding.

AC30.   FALKIRK COUNCIL EXTERNAL AUDIT PROGRESS REPORT

The committee considered a report by Audit Scotland on the progress of the 2014/15 audit plan.

The report summarised progress to date on the annual audit plan for 2014/15, together with planned audit outputs for the year and timescales for delivery. The plan focused on three key known governance performance and financial statements with 11 reviews planned. It was anticipated that all target dates for reporting would be met. Additionally the report summarised the role of Audit Scotland's performance audit and best value group and highlighted the key recommendations arising from the group's reviews to date.

The committee highlighted the pressures on local authorities' social care budgets in light of government priorities such as the NHS. Members also discussed the audit programme and sought further information on the balance struck between control audits and more strategic "public interest" reviews. In response Jim Rundell highlighted "public interest" areas such as expenses and senior officers' exit packages which although relatively low value had a significant impact on the public perception of the use of resources within local and national government.

Decision

The committee noted the report.

AC31.   ICT SERVICE REVIEW FOLLOW UP

The Committee considered a report by the Director of Corporate and Neighbourhood Services on the progress being made on the action plan following Audit Scotland's review of ICT services in 2013.

The Committee had previously considered (ref AC33) a report setting out the key actions arising from Audit Scotland's review of Falkirk Council ICT services in 2012/13. An action plan had been agreed as part of the review and a follow up review was undertaken in 2013/14.

The report set out an updated action plan together with an overview of progress made in implementing the audit recommendations with particular reference to the two actions outstanding at the conclusion of the follow up review – in regard to information management and information security – both of which will be picked up as part of wider Council reviews.

In response to a question, in regard to the Council's wifi network the Business Improvement Manager advised that the roll out of wifi across the Council would be undertaken as part of the Council's technology strategy and was key to support the transition to mobile and flexible working. He also gave an update, in response to a question, on the position in regard to PSN compliance and confirmed that the Council was now in the accreditation phase and that a report would be submitted to the Executive in the new year.

Decision

The Committee noted the report.

AC32.   ANNUAL REPORT ON THE 2013/14 AUDIT

The committee considered a report by the Chief Finance Officer presenting Audit Scotland's report on the 2013/14 Audit.

The report advised that the annual accounts had been audited and were unqualified. The key findings of the audit report were summarised together with details of an action plan, with 6 agreed recommendations.

The committee discussed the Council's reserves strategy and the risk, as set out by Audit Scotland, in having high levels of reserves. The Chief Executive stressed the prudence in building reserves, highlighting the anticipated funding gap, in the next financial years. Members also highlighted slippage in the capital programme and sought clarity on the rationale for including, within the plans, projects which were unlikely to progress such as Avon Gorge works. The Chief Executive responded that processes had been out in place to manage areas of slippage within the capital plan and to reprofile the plan.

The Internal Audit manager, in response to a question in regard to the blue badge parking scheme, provided an overview of the process for "policing" potential fraud, and highlighted some of associated sensitivities and risks.

Decision

The Committee noted the report.

<u>**FALKIRK COUNCIL**</u>

Subject:	**INTERNAL AUDIT PROGRESS REPORT**
Meeting:	**AUDIT COMMITTEE**
Date:	**20 April 2015**
Author:	**INTERNAL AUDIT MANAGER**

1. INTRODUCTION

1.1 The purpose of this short paper is to update Members on progress with completing the agreed 2014/15 Internal Audit Plan (the Plan).

2. AUDIT PROGRESS

2.1 Progress with completing 2014/15 Internal Audit work is as follows:

Assignment Status	Number	%
Complete	19	90%
In Progress	2	10%
Not Started	0	0%
Total	**21**	**100%**

2.2 Details of each assignment are set out at **Appendix 2**, along with the assurance level provided (see **Appendix 1** for definitions). Key findings arising from completed assignments are set out at **Appendix 3** (Previously Reported to Committee) and **Appendix 4** (Not Previously Reported to Committee).

2.3 As normal, my Annual Assurance Report to the June meeting of this Committee will provide an overall opinion on the adequacy of the Council's risk management, governance, and control arrangements. This will incorporate the findings and conclusions arising from the two assignments referred to above where final reports have yet to be issued.

3. RECOMMENDATION

3.1 **Members are invited to note:**

    3.1.1 Progress with, and findings arising from, 2014/15 Internal Audit work.

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Internal Audit Manager

Date: 09 April 2015

DEFINITION OF INTERNAL AUDIT ASSURANCE CATEGORIES

Level of Assurance	Definition
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 2014-15 INTERNAL AUDIT PROGRAMME

No.	Service/Status	Assignment	Level of Assurance
	Planned Assignments Completed During 2014-15		
1.	Corporate and Neighbourhood	Central Purchasing Unit	Substantial
2.	Corporate and Neighbourhood	Overtime, Allowance, and Payroll Change Administration	Substantial
3.	Corporate and Neighbourhood / Governance / Finance	Council House Buy Back Arrangements	Substantial
4.	All Services	Performance Indicator Verification	Substantial
5.	All Services	Continuous Auditing	Not Applicable
6.	All Services	National Fraud Initiative	Not Applicable
7.	All Services	Corporate Purchasing	Substantial
8.	Social Work	Criminal Justice Services – Position Statement	Not Applicable
9.	Development	Business Gateway Contract Monitoring	Limited
10.	Social Work	Health and Social Care Integration – Ongoing Workstream	Not Applicable
11.	Finance	Corporate Fraud – Ongoing Workstream	Not Applicable
12.	Social Work	Administration of Medicines Across Falkirk Council Care Homes	Not Applicable
13.	All Services	Senior Officer Financial Controls	Not Applicable
14.	Education	Site Key Control Testing – St Bernadette's Primary School	Substantial
15.	Falkirk Community Trust	Vehicle Management and Inventory Control	Substantial

No.	Service/Status	Assignment	Level of Assurance
	Additional Assignments Completed During 2014-15		
16.	All Services	Consultation Exercises	Not Applicable
17.	Corporate and Neighbourhood	Contact Centre Security	Substantial
18.	Development	INTERREG Funding – Young SMEs – Spot Check	Not Applicable
19.	Development / Finance / Governance	Cash Spot Checks at Abbotsford House, Callendar Square, and Licensing Section	Substantial

	2014-15 Assignments In Progress	
1.	Development	Strategic Projects
2.	Finance	Non-Domestic Rates

	2014-15 Assignments Deferred / Not Undertaken	
1.	All Services	System Interfaces
2.	Development	Falkirk Townscape Heritage Initiative
3.	Education	Community Learning and Development
4.	Education	Devolved School Management
5.	Social Work	Self Directed Support

FINAL REPORTS ISSUED – SUMMARY OF KEY FINDINGS 2014/15

(Previously Reported to Audit Committee)

	Assignments Completed During 2014-15	
No.	**Assignment Area and Service**	**Assurance and Key Findings**
1.	Central Purchasing Unit Corporate and Neighbourhood Services	**Substantial Assurance** Internal Audit reviewed strategies, guidance, and training; Central Purchasing Unit (CPU) accountability, roles, and responsibilities; the purchasing and contract management procedures followed in a sample of CPU led procurement exercises; and performance, financial, and management information. We found much evidence of good practice, with a recently approved Procurement Strategy and Procurement Improvement Plan in place. The Procurement Board meets regularly, and considers the procurement governance and internal control framework. The introduction of Commodity Teams (and Commodity Strategies) has been a positive development, and it is important that this approach to delivering savings, benefits, and contract management responsibilities is sustained. We did identify a need for the role, responsibilities, authority, and reporting arrangements of the Procurement Board to be formalised, and for improving arrangements for monitoring and managing strategic procurement risk.
2.	Overtime, Allowance, and Payroll Change Administration Corporate and Neighbourhood Services	**Substantial Assurance** Covered the adequacy of controls over the authorisation and processing of payroll changes, and the control framework in relation to overtime and allowances. In particular, we reviewed rules and guidance; procedures for checking, approving, processing, and monitoring claims / changes; arrangements for making payments and recovering overpayments; and management information. We found that operational controls around the processing of overtime and allowance payments and payroll related changes were working effectively. All staff were aware of their roles and responsibilities, and key pre-payment checks were being carried out. We did, however, note the need for a standard overtime / allowance claim form, incorporating appropriate claimant and authoriser declarations. There was some scope for improving the monitoring of over and under payments, and we noted a number of discrepancies during our testing of a sample of overtime claim forms. Payroll and HR staff are working to develop the use of employee and manager self service functionality. This will, in time, allow the electronic completion and authorisation of overtime and allowance claim forms, and further improve the framework of control.

No.	Assignment Area and Service	Assurance and Key Findings
		Assignments Completed During 2014-15
3.	Council House Buy Back Corporate and Neighbourhood, Governance, and Finance Services	**Substantial Assurance** Work focussed on roles and responsibilities; policy, procedures, and guidance; operational buy back arrangements; financial governance and control; and management information. We found systems and controls to be generally sound. The Strategy and Private Sector Housing Team (along with Legal and Finance Services) were actively involved in the management and co-ordination of the buy back scheme and there was regular contact with external stakeholders like estate agents and solicitors. While we found processes to be well controlled, we also noted that sustained upturn and demand in the housing market may lead to the risk of sellers not waiting for the Council to undertake its processes to then receive a market valuation offer. Opportunities to further streamline administrative processes should, therefore, continued to be explored. We also found there to be scope for developing better work instructions; improving resilience around the Stage 1 and 2 sign-off process; and the potential for fast-tracking the buy back of high priority properties.
4.	Performance Indicator Validation All Services	**Substantial Assurance** Reported on Internal Audit's role in collecting and validating Performance Indicator returns prepared by Services. For each of the Indicators falling within our remit, we found that the information gathered for publication was accurate and complete.
5.	Continuous Auditing All Services	**Not Applicable – Ongoing Reporting and Assurance** Work has been undertaken on: • Creditors Duplicate Payments; • Non-Domestic Rates Refunds; • Civic Licensing; • Payroll Suspense Accounts; • IA Self Assessment Against PSIAS; • Extra Mural Employment / Gifts and Hospitality / Notifiable Associations; and • IT Application Licensing. Reports have been issued on each of the above and, in the main, these provided positive assurance. A number of duplicate creditors payments have been identified (totalling c£70k for 2014/15 to date) – action has been taken (or is being taken) to recover these amounts (either by credit note or refund).

		Assignments Completed During 2014-15
No.	**Assignment Area and Service**	**Assurance and Key Findings**
6.	National Fraud Initiative All Services	**Not Applicable** The purpose of the NFI exercise is to review and investigate the outcomes of data matching undertaken by Audit Scotland on behalf of the Audit Commission. Matches cover areas such as Payroll, Pensions, Housing and Council Tax Benefit, and Creditors. Internal Audit are responsible for co-ordinating the process of ensuring that all relevant matches are followed-up. The 2012/13 NFI exercise is now substantively complete, with a total of 3,362 matches investigated and c£62k 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 2014/15 NFI exercise is now underway. All of the required data has been submitted to the Audit Commission, with the resultant matches made available in January 2015. Services are in the process of reviewing and investigating these matches.
7.	Corporate Purchasing All Services	**Substantial Assurance** On a weekly basis Internal Audit reviews a sample of payments to suppliers who have been paid more than £10,000 in the preceding week, to assess compliance with Financial Regulations and Contract Standing Orders. All sampled payments are checked to ensure that a contracted supplier has been used. Where this is not the case, Internal Audit contact the 'authorising officer' to confirm whether the appropriate quotation / tendering exercise was undertaken. Over the course of 2014/15 we have found there to be broad compliance with Financial Regulations and Contract Standing Orders when procuring goods and services.
8.	Criminal Justice Services – Position Statement Social Work Services	**Not Applicable – Position Statement** Significant strategic and operational changes will take place across Criminal Justice services in the coming years, with the transition to Community Planning Partnerships (CPP). CPPs will be responsible for the delivery of services locally, with a national joint board established to provide strategic direction. Internal Audit produced a Position Statement considering these changes. As part of this, we confirmed that an Action Plan has been developed by Fife and Forth Valley Criminal Justice Authority to facilitate the transition, and we will maintain an oversight role as implementation of this Action Plan progresses.

FINAL REPORTS ISSUED – SUMMARY OF KEY FINDINGS 2014/15

(NOT Previously Reported to Audit Committee)

No.	Assignment Area and Service	Assurance and Key Findings
	Assignments Completed During 2014-15	
1.	Business Gateway Contract Monitoring Development Services	**Limited Assurance** This assignment focussed on the monitoring of contracts in liaison with external bodies for the provision of support to new and growing businesses in the Forth Valley area, via the Business Gateway contract. We reviewed roles and responsibilities, control, monitoring, and financial governance arrangements, and management information. We found there to be scope to improve the framework of control, including that involving these external bodies (STEP, Ceteris, Stirling and Clackmannanshire Councils). In particular, there is a need to extend existing contract monitoring procedures, conduct additional compliance checks on funding recipients, and verify the delivery of service interactions through liaison with external bodies. There is a need to report annually on contract delivery. Consistent with the outcomes of a national review, it is suggested that the role and remit of Business Gateway groups at Forth Valley level be reviewed to ensure clarity of purpose. The scope to streamline various financial / accounting arrangements should also be considered.
2.	Health and Social Care Integration Social Work Services	**Not Applicable – Ongoing Workstream** We have worked closely with the Internal Audit teams of NHS Forth Valley and of neighbouring Authorities to consider and develop our approach to delivering Internal Audit services to the Integration Joint Board. The Forth Valley Finance Workstream Group are currently considering this approach.
3.	Corporate Fraud Finance Services	**Not Applicable – Ongoing Workstream** Internal Audit have worked with the Depute Chief Finance Officer (Revenues and Benefits) to undertake development and scoping work around the establishment of a 'corporate fraud' team. This would draw on existing fraud investigation expertise within the Revenues and Benefits Service. To date, this has allowed the team to undertake investigation work arising from an externally facilitated data matching exercise focussing on Council Tax Single Person Discount. The Team will also assist with the sifting and review of 2014/15 National Fraud Initiative (NFI) data matches, referring these to the DWP Single Fraud Investigation Service if appropriate.

		Assignments Completed During 2014-15
No.	**Assignment Area and Service**	**Assurance and Key Findings**
4.	Administration of Medicines Across Falkirk Council Care Homes Social Work Services	**Not Applicable** This review was undertaken by West Lothian Council's Audit and Risk Team as part of our continuing reciprocal arrangement. Internal Audit assessed the adequacy of controls around the storage, administration, and disposal of medicines at a sample of four Care Homes (Cunningham House, Burnbrae, Summerford House, and Torwoodhall). While there was much evidence of good practice, we did note some scope for improving the framework of control, particularly around finalising policy and procedures, incident reporting, risk management, pharmacy audits, and the handover of unused drugs (to pharmacy drivers).
5.	Consultation Exercises All Services	**Not Applicable** The purpose of this review was to assess the controls in place for planning, undertaking, recording, and reporting on consultation exercises. This included detailed review of a sample of three consultation exercises. In general, we found arrangements to be sound. That said, there was scope for reviewing and updating the Community Participation strategy and supporting guidance / training. In addition, our review of a sample of consultation exercises highlighted some areas where guidance had not been fully applied.
6.	Contact Centre Security Corporate and Neighbourhood Services	**Substantial Assurance** We reviewed Contact Centre security policies, procedures, roles, and responsibilities; ICT and physical access security; and business continuity arrangements. We found arrangements to be sound, with a number of areas of good practice, particularly in relation to security roles and responsibilities, monthly security audits, physical security, risk management, staff training, and business continuity.
7.	INTERREG Funding – Young SMEs – Spot Check Development Services	**Not Applicable** Internal Audit undertook an on the spot check for a sample of expenditure recorded within a previous INTERREG Re-Imbursement Claim Form. The purpose of this was to provide independent assurance to the Chief Finance Officer in his role as First Level Controller. Our work highlighted a small number of anomalies, which will be corrected via future claims. That said, these were not material within the context of the total amounts claimed.

	Assignments Completed During 2014-15	
No.	**Assignment Area and Service**	**Assurance and Key Findings**
8.	Cash Spot Checks Development, Finance, and Governance Services	**Substantial Assurance** We visited Abbotsford House, Callendar Square, and Licensing Section to assess whether adequate procedures for cash handling and banking had been established. While we found some scope for improvement at each site, we were generally content that procedures and good practice were being applied.
9.	Senior Officer Financial Controls All Services	**Not Applicable** Internal Audit undertook preparatory work with Chief Officers in relation to the planned review and update of Falkirk Council's Financial Regulations (as part of our 2015/16 Internal Audit Plan). This involved a series of interviews to discuss specific Chief Officer responsibilities as well as opportunities and themes for improvement and change.
10.	Site Key Control Testing – St Bernadette's Primary School Education Services	**Substantial Assurance** Internal Audit visited St Bernadette's Primary School to review the local framework of controls. This included visitor arrangements, security, fire safety, health and safety, maintenance, inventory, first aid provision, risk management, business continuity, budget monitoring, ordering of and payment for goods and services, and income collection and recording. While we found there to be a number of areas of good practice, we did identify scope for improvement in relation to: Premises Manager responsibilities and checks; building security; inventory requirements; risk management; school meals income collection, reconciliation and storage; and business continuity testing.
11.	Vehicle Management and Inventory Control Falkirk Community Trust	**Substantial Assurance** As reported to Falkirk Community Trust Audit and Performance Sub-Group.

FALKIRK COUNCIL

Subject:	**INTERNAL AUDIT PLAN 2015/16**
Meeting:	**AUDIT COMMITTEE**
Date:	**20 April 2015**
Author:	**INTERNAL AUDIT MANAGER**

1. INTRODUCTION

1.1 The Public Sector Internal Audit Standards 2013 (PSIAS) require the Internal Audit Manager to prepare a risk based Internal Audit Plan (the Plan) to determine the priorities and work programme of the Internal Audit Section over the coming 12 months.

1.2 The Annual Plan should take account of the Council's risk management and performance management arrangements, and should set out the approach to relying on other sources of assurance. It should set out the resources available to Internal Audit, and comment on the adequacy of those resources.

1.3 This Plan has been prepared in line with the requirements of PSIAS.

2. INTERNAL AUDIT RESOURCES

2.1 To provide a full and balanced opinion to Members on the adequacy of the Council's arrangements for risk management, governance, and control, the Internal Audit Section must be adequately resourced. In practice, this means that the Team must have the required knowledge, skills, and other competencies needed to complete planned work.

2.2 As Members are aware, the staffing position within the Section has been relatively stable for some years now, albeit our staffing compliment reduced by 1 FTE during 2014/15.

2.3 All Internal Audit staff are qualified (either with CIPFA, the Chartered Institute of Internal Auditors, the Information Systems Audit and Control Association, or a combination of these) and the Team has a good mix of experience and skills. Continuing Professional Development requirements ensure that all remain well versed in new and emerging working practices, issues, and risks.

2.4 The Internal Audit Plan for 2015/16 has been developed on the assumption that the Team will continue to be adequately resourced during 2015/16. Resources will be broadly allocated as follows:

Activity	Planned Days
Direct Internal Audit Time	655
Ad Hoc / Consultancy Work	110
Work on Recommendations Outstanding	15
Total Direct Internal Audit Activity	**780** [1]

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[1] Including provision of Internal Audit service to Falkirk Community Trust.

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2.5 Ad hoc / consultancy work arises throughout the year, and relates to things like: involvement in corporate projects and working groups; the provision of advice on guidance and controls; short-term assignments requested by Services; and involvement in the investigation of actual or alleged irregularities. Significant pieces of ad hoc work will be included in Progress Reports to Committee.

2.6 In addition, the allocation of Ad hoc / consultancy work days will be used to draw on other strands of assurance to feed into our opinion on the adequacy of the Council's control framework. This will include close and co-ordinated working with External Audit colleagues, ongoing dialogue with Service managers, and review of reports arising from other assessments and inspections of Council services.

3. DEVELOPMENT OF THE INTERNAL AUDIT PLAN AND PLANNED AUDIT COVERAGE

3.1 As required by PSIAS, the Plan has been developed taking account of risk. In practice, this comprised:

- review of corporate and Service Plans and Risk Registers;
- discussions with Directors and senior managers; and
- consideration of our own Internal Audit Needs Assessment model.

3.2 On that basis, then, our planned 2015/16 Internal Audit work programme is set out at **Appendix 1**.

3.3 Members will note that the proposed Plan places an emphasis on key information and financial controls. In particular:

- We intend reviewing the Council's overarching Data and Information Security arrangements (**Assignment A4**). Given the value of data and information as an asset, and also the heightened risks associated with securing sensitive personal data, we also intend drilling down into a number of areas in more detail, specifically Revenues IT Systems (**Assignment A5**), Education Services' SEEMIS system (**Assignment A12**), and Mobile Device Security (**Assignment A8**).

- The maintenance of a robust but proportionate framework of control is particularly important in the current climate of financial restraint. On that basis, we intend to allocate resource to the review of a number of areas of financial risk, including Pensions Administration and the Pension Fund (**Assignment A2**), Supplier Data Management and Payments (**Assignment A7**), Investment (**Assignment A9**), and Corporate Purchasing and Contract Management (**Assignment A10**).

- Given this focus on financial control, allied with various recent improvements and changes to the Integra finance system, it is also our intention to undertake a review and update of the Council's Financial Regulations (**Assignment A18**). As part of this work, we will develop a summarised, quick reference, document drawing out key controls and requirements.

3.4 Following this Committee meeting I will agree the broad timing of each planned review with the relevant Chief Officer, and allocate work within the Internal Audit Section.

4. REPORTING ARRANGEMENTS

4.1   On completion of each review Internal Audit will issue a draft report to the relevant manager. In most instances, the draft report will include an overall opinion on the adequacy of risk management, governance, and control arrangements in the area under review, and an action plan setting out any recommendations for improvement. The assurance will be provided in line with the definitions set out at **Appendix 2**.

4.2   In some instances, however, no overall assurance will be provided. This may be the case where, for example, Internal Audit undertake work in relation to a developing system and issue a Position Statement rather than a full report (though recommendations may still be raised), or where Internal Audit provide certification on a funding programme (eg, LEADER).

4.3   That said, where Internal Audit do raise recommendations, Service managers will be required to provide formal responses to these. The report and completed action plan will then form the final record of the assignment.

4.4   I will provide periodic reports to the Audit Committee on our progress with completing the 2015/16 Plan, and summarising the findings arising from each completed review. In June each year I will provide an Annual Assurance Report providing an overall opinion on the Council's risk management, governance, and control arrangements, based on the work that Internal Audit has carried out.

5. RECOMMENDATIONS

5.1   Members are invited to:

      5.1.1   note the resources available to Internal Audit;

      5.1.2   agree planned Internal Audit coverage for 2015/16; and

      5.1.3   note that progress against the Plan will be reported to the Audit Committee on an ongoing basis.

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Internal Audit Manager

Date: 09 April 2015

ASSIGNMENTS PLANNED FOR PERIOD APRIL 2015 TO MARCH 2016

No.	Service	Purpose and Scope of Assignment
A1	Development Services	**Corporate Risk Management Arrangements** This review will focus on arrangements for embedding the Council's Risk Management Policy and Strategy. In particular, we will review the effectiveness and proportionality of the current approach to risk management, the role of the Corporate Risk Management Group, the links between business planning and risk management, and the extent to which risk management feeds into, and drives, the Council's approach to decision making.
A2	Finance Services	**Pensions Administration and Pension Fund – Governance Arrangements** Internal Audit will review arrangements for the governance and management of the Falkirk Council Pension Fund. This will include attendance at Pensions Committee as required and input into the Pension Fund Annual Governance Statement. Some operational transactional testing will also be carried out.
A3	Social Work Services	**Adult Health and Social Care Integration** To cover roles, responsibilities, and arrangements for the management, financing, and provision of Internal Audit services to the joint delivery of Health and Social Care services. This will be done in conjunction with Fife, Tayside, and Forth Valley NHS Internal Audit Consortium.
A4	All Services	**Data and Information Security – Governance and Practice** Internal Audit will focus on information security governance, roles and responsibilities, guidance, culture, and practice. We will also review the Council's arrangements for sharing information and data, both internally within the Council and externally with other organisations.
A5	Finance Services	**Revenues IT Systems Security and Management** We will review the security and management of key Revenues and Benefits IT systems. This will include application and operating system security, as well as business continuity and disaster recovery arrangements.
A6	Education Services	**Reducing Bureaucracy in Schools** Internal Audit will review and assess (in conjunction with Education Services colleagues) the extent to which there may be scope for streamlining administrative processes across the Council's school estate (taking account of Scottish Government guidance). This will involve Internal Audit visiting a sample of Primary and Secondary schools.

No.	Service	Purpose and Scope of Assignment
A7	Finance Services	**Integra Finance System – Supplier Data Management and Payments** This review will focus on supplier set-up and maintenance arrangements, the process of generating and making payments, and fraud control.
A8	Corporate and Neighbourhood Services	**Mobile Device Security** To cover arrangements for securing mobile devices used by Council staff and elected Members, including encryption, usage monitoring, and the process for issuing and rescinding devices. We will also review policies, procedures, and training arrangements.
A9	Finance Services	**Investment (non-Pension)** We will review investment monitoring, compliance with Investment Principles, and the adequacy of management information.
A10	All Services	**Corporate Purchasing and Contract Management** Internal Audit will continue to review arrangements for ensuring compliance with the purchasing (and contract monitoring) elements of Financial Regulations and Contract Standing Orders.
A11	Development Services	**Employment and Training Unit** This will cover arrangements for the provision of training, placement, advice and support, and aftercare services, and will include review of policies and procedures, roles and responsibilities, financial control, the sourcing of training provision, and management information (financial, activity, and outcomes).
A12	Education Services	**SEEMIS Security and Management** We will review the security and management of the SEEMIS system. This will include system, user, and password administration, guidance and training, usage monitoring and audit trail functionality, and management information (including system performance).
A13	All Services	**National Fraud Initiative** To co-ordinate and manage the NFI process (2014/15 data match investigation) for Falkirk Council.
A14	Finance Services	**Corporate Fraud** Building on previous work undertaken, Internal Audit will continue to provide input to the scoping, set-up, and operation of corporate fraud arrangements.

No.	Service	Purpose and Scope of Assignment
A15	Governance	**Members' Services, Training, Allowances, and Expenses** Internal Audit will review arrangements for support and training, the organisation of civic events, and the administration and payment of allowances and expenses to elected Members.
A16	Corporate and Neighbourhood Services	**LEADER Funding** We will prepare audit certification as required by LEADER funding programme terms and conditions.
A17	All Services	**Continuous Auditing** To consider, review, and test transactional systems on an ongoing basis.
A18	All Services	**Financial Regulations** Internal Audit will undertake a review of the Council's Financial Regulations and update / streamline these as appropriate. Work will also be undertaken to develop a summarised version of Financial Regulations drawing out the key requirements and controls.
A19	To Be Confirmed	**Reciprocal Audit Review with West Lothian Council** West Lothian Council Internal Audit will undertake a review of an agreed Falkirk Council system, and vice versa.
A20	Internal Audit	**External Quality Assessment – Participation in External Quality Assurance Programme** During 2015/16 Falkirk Council's Internal Audit section will be subject to External Quality Assessment. Five yearly External Quality Assessment is required by the Public Sector Internal Audit Standards. The review will be undertaken by South Ayrshire Council, and will require preparation and engagement on the part of Internal Audit.
A21	Falkirk Community Trust	**Falkirk Community Trust** To be determined and agreed with Trust management.

DEFINITION OF INTERNAL AUDIT ASSURANCE CATEGORIES

Level of Assurance	Definition
Substantial Assurance	Largely satisfactory risk, control, and governance systems are in place. There may be some scope for improvement as current arrangements may 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.

FALKIRK COUNCIL

Subject:	**ANNUAL EXTERNAL AUDIT PLAN 2014/15**
Meeting:	**AUDIT COMMITTEE**
Date:	**20 APRIL 2015**
Author:	**CHIEF FINANCE OFFICER**

1. INTRODUCTION

1.1 As Members will be aware, Audit Scotland are required to produce an annual audit plan each year. The purpose of this report is to introduce that plan for 2014/15 and highlight some key points from the Council perspective. This plan covers the Council and Temperance Trust only. The Pension Fund will be the subject of a separate plan.

1.2 The plan provides information on the following areas:

- Responsibilities
- Audit approach
- Audit issues and risks
- Fees and resources

2. RESPONSIBILITIES

2.1 The plan notes that it is the responsibility of the Chief Finance Officer to prepare the financial statements in accordance with relevant legislation and the Code of Practice on Local Authority Accounting in the United Kingdom.

2.2 It is the responsibility of the auditors to give an independent opinion on the financial statements and review and report on the arrangements set in place by the audited body to ensure the proper conduct of its financial affairs and to manage its performance and use of resources.

3. AUDIT APPROACH

3.1 The plan outlines Audit Scotland's approach to the audit of the Council. This approach includes consideration of key risks and challenges, and involves audit testing focussed on high risk areas during the audit of the financial statements.

3.2 Audit Scotland have considered areas of assurance, for example, systems of internal control. They have also reviewed the role of Internal Audit and concluded that the section operates in accordance with Public Sector Internal Audit Standards and has sound documentation standards and reporting procedures in place.

3.3   Audit Scotland will place reliance on the following areas of Internal Audit work:

- Non-Domestic Rates
- Payroll (overtime and allowance administration)
- Council house buy back
- Trade receivables

Other areas of internal audit work, including procurement, TIF, SPI's and Health and Social Care Integration will be considered.

3.4   Audit Scotland have revised their approach to materiality and now provide values for 2014/15 materiality levels as follows:

- Planning materiality - £6.6m (1% of gross expenditure)
- Performance materiality - £3m
- Reporting of misstatements to the Audit Committee – greater than £0.066m

Other items which fall below the quantitative materiality level but within a qualitative materiality level, i.e. failure to deliver a statutory requirement, would be highlighted in the auditor's report.

3.5   Reporting arrangements are per the Local Authority Accounting (Scotland) Regulations 2014, as previously reported to this Committee. Key dates are:

Stage	**Date**
Audit Committee approval of unaudited financial statements	22 June 2015
Submission of unaudited financial statements (Council and Temperance Trust) and working paper to audit	22 June 2015
Agreement of unsigned financial statements for Audit Committee Agenda	14 September 2015
Audit Committee date	21 September 2015
Independent Auditors report signed	By 30 September 2015

4.   AUDIT ISSUES AND RISKS

4.1   Audit Scotland have identified a number of risks for the Council. These are detailed in Appendix 2 of the plan and include the following:

Financial Statement Risk
- Accounting for non-current assets. An error was found in the 2013/14 unaudited accounts that was subsequently corrected. This area will therefore be reviewed again.
- Exit packages. These are material by nature and packages have been allocated to the incorrect year in the past although again this has been corrected.
- Equal Pay. Our provision needs to be reviewed as the legal position develops.
- Finance staffing. The plan acknowledges the loss of posts and experience in the Service.

Wider Risk
- Internal Audit. Audit Scotland have highlighted the vacancy within the section and the involvement of internal audit in the Business Transformation project as a concern in the context of delivery of the internal audit plan.
- Risk Management. Ongoing developments in respect of risk management will continue to be monitored.
- Health and Social Care Integration. Audit Scotland will review financial plans and monitor progress in implementing the governance arrangements for the new Integration Joint Board and will maintain a national oversight on developments.

5.   FEES AND RESOURCES

5.1   The fee for the 2014/15 audit of Falkirk Council will be £321,990. There is an additional fee of £200 for the audit of the Falkirk Temperance Trust.

6.   RECOMMENDATION

6.1   Members are invited to note the Audit Scotland 2014/15 Annual Audit Plan.

Chief Finance Officer

Date: 30 March 2015

Contact Officer: Amanda Templeman

<u>**LIST OF BACKGROUND PAPERS**</u>
NIL

AUDIT SCOTLAND

Falkirk Council Annual Audit Plan 2014/15

Prepared for Falkirk Council

April 2015

Contents

Key contacts

Fiona Mitchell Knight

fmitchell-knight@audit-scotland.gov.uk

James Rundell

jrundell@audit-scotland.gov.uk

David Meechan

dmeechan@audit-scotland.gov.uk

Lisa Duthie (from June 2015)

lduthie@audit-scotland .gov.uk

Audit Scotland

4th floor (South Suite)

8 Nelson Mandela Place

Glasgow

G2 1BT

Switchboard: 0131 625 1500

Website: www.audit-scotland.gov.uk

Summary

Introduction

1. Our audit is focused on the identification and assessment of the risks of material misstatement and irregularity in Falkirk Council's financial statements.

2. This report summarises the key challenges and risks facing Falkirk Council and sets out the audit work that we propose to undertake for 2014/15. Our plan reflects:

   - the risks and priorities facing Falkirk Council

   - current national risks that are relevant to local circumstances

   - the impact of changing international auditing and accounting standards

   - our responsibilities under the Code of Audit Practice as approved by the Auditor General for Scotland

   - issues brought forward from previous audit reports.

3. The Charities Accounts (Scotland) Regulations 2006 specifies the accounting and auditing rules for Scottish registered charities. Irrespective of the size of the charity, as a consequence of the interaction of section 106 of the Local Government (Scotland) Act 1973 with the regulations, a full audit is required of all registered charities where the local authority is the sole trustee. Falkirk Council has one trust falling into that category i.e. Falkirk Temperance Trust, with total assets of £0.160 million at 31 March 2014. Accordingly, we will perform the audit of the council's charitable trust in parallel with the audit of the council's financial statements.

Summary of planned audit activity

4. Our planned work for 2014/15 includes:

   - an audit of the financial statements and provision of an opinion on whether:

     − they give a true and fair view of the state of affairs of Falkirk Council as at 31 March 2015 and its income and expenditure for the year then ended

     − the accounts have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2014/15 Code of Practice on Local Authority Accounting in the United Kingdom (the Code)

   - an audit of the financial statements and provision of an opinion for the charitable trust where the local authority is the sole trustee

   - reporting the findings of the shared risk assessment process in a Local Scrutiny Plan. This will summarise identified scrutiny risks and/or any changes to the Local Area Network's (LAN's) assessment since last year.

- a review and assessment of Falkirk Council's governance and performance arrangements in a number of key areas including: review of adequacy of internal audit, ICT controls, BV review areas, annual governance statement, other performance and governance work

- provision of an opinion on a number of grant claims and returns, including Whole of Government Accounts

- reporting of National Fraud Initiative arrangements and results

- a review of the local impact of national studies as required.

5. A separate audit plan, and audit fee, has been agreed for Falkirk Council Pension Fund. These are due to be reported to the Pensions Committee on 12 March 2015.

Responsibilities

6. The audit of the financial statements does not relieve management or the Audit Committee, as the body charged with governance, of their responsibilities.

Responsibility of the appointed auditor

7. Our responsibilities, as independent auditor, are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.

8. Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements set in place by the audited body to ensure the proper conduct of its financial affairs and to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

Chief Finance Officer

9. It is the responsibility of the Chief Finance Officer, as the appointed "proper officer", to prepare the financial statements in accordance with relevant legislation and the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This means:

- maintaining proper accounting records

- preparing financial statements which give a true and fair view of the state of affairs of Falkirk Council as at 31 March 2015 and its expenditure and income for the year then ended.

Format of the accounts

10. The financial statements should be prepared in accordance with the Code which constitutes proper accounting practice. Falkirk Council prepares a Whole of Government Accounts consolidation pack annually for the Scottish Government. To enable summarisation, common accounting principles and standard formats should be used.

Audit Approach

Our approach

11. Our audit approach is based on an understanding of the characteristics, responsibilities, principal activities, risks and governance arrangements of Falkirk Council. We also consider the key audit risks and challenges in the local government sector generally. This approach includes:

- understanding the business of Falkirk Council and the risk exposure which could impact on the financial statements

- assessing the key systems of internal control, and considering how risks in these systems could impact on the financial statements

- identifying major transaction streams, balances and areas of estimation and understanding how Falkirk Council will include these in the financial statements

- assessing and addressing the risk of material misstatement in the financial statements

- determining the nature, timing and extent of the audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements give a true and fair view.

12. We have also considered and documented the sources of assurance which will make best use of our resources and allow us to focus audit testing on higher risk areas during the audit of the financial statements. The main areas of assurance for the audit come from planned management action and reliance on systems of internal control. Management action being relied on for 2014/15 includes:

- comprehensive closedown procedures for the financial statements accompanied by a timetable issued to all relevant staff

- clear responsibilities for preparation of financial statements and the provision of supporting working papers

- delivery of unaudited financial statements to agreed timescales with a comprehensive working papers package

- completion of the internal audit programme for 2014/15.

13. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an early assessment of the internal audit function. Internal audit is provided by the internal audit section within the council. Overall, we concluded that the internal audit service operates in accordance with Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

14. We plan to place formal reliance on aspects of the work of internal audit in the following areas, to support our audit opinion on the financial statements:

- Non-domestic rates
- Payroll (overtime and allowance administration)
- Council house buy back
- Continuous auditing of selected transactional systems
- Trade receivables (2012/13).

15. In respect of our wider governance and performance audit work we also plan to review the findings and consider other areas of internal audit work including:

- Procurement
- Strategic projects - TIF
- Statutory performance indicators
- Health and social care integration.

Materiality

16. International Standard on Auditing 320 provides guidance on the concept of materiality. We consider materiality and its relationship to audit risk when planning the nature, timing and extent of our audit and conducting our audit procedures. Specifically with regard to the financial statements, we assess materiality of uncorrected misstatements, both individually and collectively.

17. Based on our knowledge and understanding of Falkirk Council we have set our planning materiality at 1% of gross expenditure. For 2014/15 planning materiality is £6.6 million.

18. We set a lower level, known as performance materiality, when defining our audit procedures. This level depends on professional judgement and is informed by a number of factors including:

- extent of estimation and judgement within the financial statements
- nature and extent of prior year misstatements
- extent of audit testing coverage.

19. For 2014/15 performance materiality has been set at £3 million. We will report, to those charged with governance, the Audit Committee, all misstatements greater than £66,000.

20. In addition, an inaccuracy which would not normally be regarded as material in terms of monetary value may be important for other reasons (for example the failure to achieve a statutory requirement, or an item contrary to law). In the event of such an item arising, its materiality has to be viewed in a narrower context; such matters would normally fall to be covered in an explanatory paragraph in the independent auditor's report.

Reporting arrangements

21. The Local Authority Accounts (Scotland) Regulations 2014 require that the unaudited annual accounts are submitted to the appointed external auditor no later than 30 June each year. The authority (or a committee whose remit includes audit or governance) is required to consider the unaudited annual accounts at a meeting held by 31 August. Local authorities must publish the unaudited accounts on their websites until the date on which the audited annual accounts are published.

22. The regulations require a local authority to give public notice on its website by 17 June of the right to inspect its annual accounts. The inspection period should last for 15 working days from the date specified in the notice, and the specified date should be at least 14 days after the notice is published but cannot be later than 1 July. These inspection requirements apply also to registered charities administered by the authority.

23. The 2014 regulations require the local authority (or a committee whose remit includes audit or governance) to meet by 30 September to consider whether to approve the audited annual accounts for signature. Immediately after approval, the annual accounts require to be signed and dated by specified members and officers and then provided to the auditor. The Controller of Audit requires audit completion and issue of an independent auditor's report (opinion) by 30 September each year.

24. The authority is required to publish on its website its signed audited annual accounts, and the audit certificate, by 31 October. The local authority is also required to publish a copy of the accounts of its subsidiaries, and its registered charities, by the same date. The annual audit report is required to be published on the website by 31 December.

25. An agreed timetable is included at Exhibit 1 below which takes account of submission requirements and planned Audit Committee dates:

Exhibit 1: Financial statements audit timetable

Key stage	Date
Testing and review of internal control systems and transactions	Feb – May 2015
Meetings with officers to clarify expectations of working papers and financial system reports	Ongoing
Planned committee approval of unaudited financial statements	22 June 2015
Submission of unaudited council financial statements with working papers package	22 June 2015
Submission of unaudited charitable trust financial statements with working papers package	22 June 2015
Progress meetings with lead officers on emerging issues	As required

Key stage	Date
Latest date for final clearance meeting with Chief Finance Officer.	7 Sept 2015
Agreement of unsigned financial statements for Audit Committee agenda, and issue of combined ISA 260 and Annual Audit Report to those charged with governance.	14 September 2015
Audit Committee date	21 September 2015
Independent auditors report signed	By 30 Sep 2015
Latest date for submission of unaudited whole of government accounts to external audit	TBC
Latest date for signing of WGA return	3 October 2015

26. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the responsible head of service and relevant officers to confirm factual accuracy. Responses to draft reports are expected within three weeks of submission. A copy of all final agreed reports will be sent to the Chief Executive, Chief Finance Officer, relevant senior manager, internal audit and Audit Scotland's Performance Audit and Best Value Group.

27. We will provide an independent auditor's report, to Falkirk Council and the Accounts Commission, that the audit of the financial statements has been completed in accordance with applicable statutory requirements. As part of streamlining our audit approach, this year the Annual Audit Report will be combined with the ISA 260 report. As a result, the Annual Audit Report will be issued by 30 September which is one month earlier than previous years.

28. All annual reports produced are published on Audit Scotland's website: (**www.audit-scotland.gov.uk**).

29. Planned outputs for 2014/15 are summarised at Appendix I.

Quality control

30. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice issued by Audit Scotland and approved by the Accounts Commission. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal

quality reviews and has been subject to a programme of external reviews by the Institute of Chartered Accountants of Scotland (ICAS).

31. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We do, however, welcome feedback at any time and this may be directed to the engagement lead, Fiona Mitchell-Knight.

Independence and objectivity

32. Auditors appointed by Audit Scotland must comply with the Code of Audit Practice. When auditing the financial statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB) and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland's Ethics Partner.

33. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Falkirk Council.

Audit issues and risks

Audit issues and risks

34. Based on our discussions with staff, attendance at committee meetings and a review of supporting information, we have identified the following main risk areas for Falkirk Council. We have differentiated risks between those related to the financial statements risks and those related to the wider dimension audit. The financial statements risks, which require specific audit testing, are summarised at Appendix II.

Financial statement audit issues and risks

35. **Income**: Auditing standards (ISA 240 *The auditor's responsibility to consider fraud in an audit of financial statements*) requires auditors to presume a risk of fraud where income streams are significant. Falkirk Council receives a significant amount of funding from the Scottish Government; however some £296m is received from other sources, including service income from fees and charges. The complexity of income means there is an inherent risk that income could be materially misstated. It is our opinion that the council has mitigating controls in place to reduce this risk although risk can never be fully eliminated. To reinforce this view, we will be undertaking full controls system testing of accounts receivable, and transaction testing which will cover each service income area. This is in addition to our coverage of RSG and NDR income received during the year.

36. **Management override of controls**: ISA 240 recognises that management are in a unique position and have the ability to manipulate accounting records, and prepare fraudulent financial statements, by overriding controls that would otherwise appear to be operating effectively. ISA 240 requires that this risk be recognised in audit plans.

37. **Accounting for non current assets**: Errors made in 2013/14 in relation to asset revaluation and componentisation resulted in material audit adjustments to Reserves/CIES amounting to £4 million. Management agreed to investigate the causes of these errors and take corrective action. There is still the potential for errors to occur and this represents a significant risk of material misstatement (RoMM).

38. **Accounting for Exit packages:** In recent years there have been errors in the allocation of exit package costs to the correct year of account. There is the risk of similar errors occurring in 2014/15 and, whilst there is no possibility of any breach of accounts materiality, the correct disclosure of these transactions has to be considered material by nature.

39. **Equal pay:** The council has made a provision for equal pay, however, there is still the potential for this to be misstated as the legal position develops. We will monitor the situation throughout the year and review the equal pay provision as part of the 2014/15 financial statements audit process.

40. **Preparation of accounts:** The substantive position of Depute Chief Finance Officer is still to be filled, and presently is being covered on an acting-up basis. The finance team will also be losing a number of experienced staff through retirement. This loss of intellectual capital represents a risk to the accurate and timely completion of the unaudited financial statements.

Wider dimension audit issues and risks

41. We will monitor the council's arrangements in place to address a number of wider risks as part of our local audit work and ongoing Best Value work.

42. **Financial sustainability**: The council's financial position has worsened to where they have identified a £46 million funding gap over the three years 2015/16 to 2017/18 and, as at the end of December, 2014, savings of £15.2m remain to be identified to meet the shortfall. The necessary savings may not be achieved and therefore the funding gap is not fully bridged.

43. The council has recently reviewed the adequacy of its Reserves Strategy and has determined that the existing framework is fit for purpose, but that the position should be kept under review. The most recent forecast for 2014/15 is for an overspend, requiring that £5 million be transferred from General Fund, compared to £1.5 million per the original revenue budget. Management have acknowledged that the use of the General Fund on this scale to support the revenue budget is neither sustainable nor appropriate. Furthermore, the Reserves Strategy states that the General Fund should not be utilised to fund recurring annual expenditure.

44. **Governance and Scrutiny**: The council implemented new decision making structures in 2013, however, some members declined to participate fully in the new arrangements, and that situation has persisted up to the present. In the early part of 2014, the Local Area Network of scrutiny partners concluded that a targeted best value review should be carried out to obtain an authoritative assessment of the effectiveness of the new arrangements. That review was carried out by Audit Scotland at the end of 2014 and its findings are due to be reported in the spring of 2015. We will assess the findings of the review, while continuing to monitor ongoing governance and scrutiny activity across the council, and report accordingly in our annual report on the audit.

45. **Performance management**: New developments in the council's performance management arrangements were also reviewed as part of the best value review noted above, in order to assess how effective these were in supporting scrutiny of the council's performance. We will assess the findings from that

review and include appropriate references in our annual report on the audit.

46. **Internal audit:** Two issues came to our attention during our review of the adequacy of the council's internal audit service, and which could impact on the delivery of the internal audit plan. Firstly, the internal audit section is operating with an Internal Audit Assistant vacancy and there are no plans to fill this post in the near future. The Internal Audit Manager has assured us and the Audit Committee that this will not impact on the delivery of the internal audit plan. Secondly, the Internal Audit Manager and one of his team have been involved in the council's business transformation project. Again, we have been assured that this will not detract from the delivery of the 2014/15 internal audit plan. We will monitor the situation during 2014/15 to ensure that the audit plan is delivered.

47. **Risk management:** Our concern in 2013/14 was that there was a lack of clear quantification and ownership of corporate risks, with the possibility of mitigating actions not being put in place. Also, the Audit Committee have not received an update on risk management arrangements since September 2013 although part of the committee's remit is to provide independent assurance on the adequacy of the risk management framework and associated control environment within the council. Moreover, based on our review of minutes it appears that Corporate Risk Management is still not fully embedded across the council. We will continue to monitor ongoing developments in the council's corporate risk management processes, and report accordingly in our annual report on the audit.

48. **Infrastructure Assets**: Infrastructure assets are to be included in council financial statements, per the *Code*, at depreciated replacement cost, from 2016/17. Although not affecting the current audit year, management should already be preparing for this significant change in accounting requirements, and should be compiling, and assessing the reliability, of the necessary base information. This represents a change in accounting policy so will require full restatement of 2015/16 figures and presentation of opening balance sheet amounts as at 1 April, 2015. Failure by authorities to begin preparations in 2014/15 represents a risk to them of not having the necessary information in the required timescale. We will report on the council's preparation for these changes.

49. **Health and Social Care Integration (HSCI)**: Progress has been made in this area, and a Shadow Health and Social Care Integration Joint Board has been established. Management have advised that they are on track to submit their integration scheme by the 1 April, 2015 deadline, and to implement full integration by 1 April, 2016. However, the arrangements being put in place are complex, and involve multiple organisations working closely together, so the council will require to monitor closely the progress being made across a number of HSCI work streams.

50. One area which will require special consideration will be the management and resolution of information security risks particularly given the volume of personal data to be shared across partner bodies. Audit Scotland will review financial plans and monitor progress in implementing the governance arrangements for the new Integration Joint Board and will maintain a national oversight on developments.

Summary assurance plan

51. The financial statements risks are summarised at Appendix II. In terms of financial statements risks, actions to manage these risks are either planned or already underway within the organisation. Details of the sources of assurance that we have received for each financial statement risk and any audit work we plan to undertake is also set out in Appendix II. In the period prior to the submission of the unaudited financial statements, we will liaise with senior officers on any new or emerging issues.

National performance audit studies - impact and follow up

52. Audit Scotland's Performance Audit and Best Value Group undertake a programme of studies on behalf of the Auditor General and Accounts Commission. In line with Audit Scotland's strategy to support improvement through the audit process and to maximise the impact of national performance

audits, we will review the council's arrangements for considering and reviewing national studies published during the year.

Fees and resources

Audit fee

53. Over the past four years, Audit Scotland has reduced audit fees by 23.5% in real terms, exceeding our 20% target. Due to further refinement of our audit approach we have been able to restrict the increase in audit fees for 2014/15 to 1% which, in real terms, represents a 0.6% reduction at 2014 price levels.

54. In determining the audit fee we have taken account of the risk exposure of Falkirk Council, the management assurances in place, and the level of reliance we plan to take from the work of internal audit. We have assumed receipt of a complete set of unaudited financial statements and comprehensive working papers package by 22 June 2015.

55. The agreed audit fee for the 2014/15 audit of Falkirk Council is £321,990. Our fee covers:

    • the costs of planning, delivering and reporting the annual audit including auditor's attendance at committees

    • your organisation's allocation of the cost of national performance studies and statutory reports by the Auditor General for Scotland

    • a contribution towards functions that support the local audit process (e.g. technical support and coordination of the National Fraud Initiative), support costs and auditors' travel and subsistence expenses.

56. Also, we have charged an additional fee of £200 (£300 in 2013/14) for the audit of Falkirk Temperance Trust as required by section 106 of the Local Government (Scotland) Act 1973.

57. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Audit team

58. Fiona Mitchell- Knight, Assistant Director, Audit Services is your appointed auditor. The local audit team will be led by Jim Rundell, who will be responsible for day to day management of the audit and who will be your primary contact. Details of the experience and skills of our team are provided in Exhibit 2 (overleaf). The core team will call on other specialist and support staff as necessary.
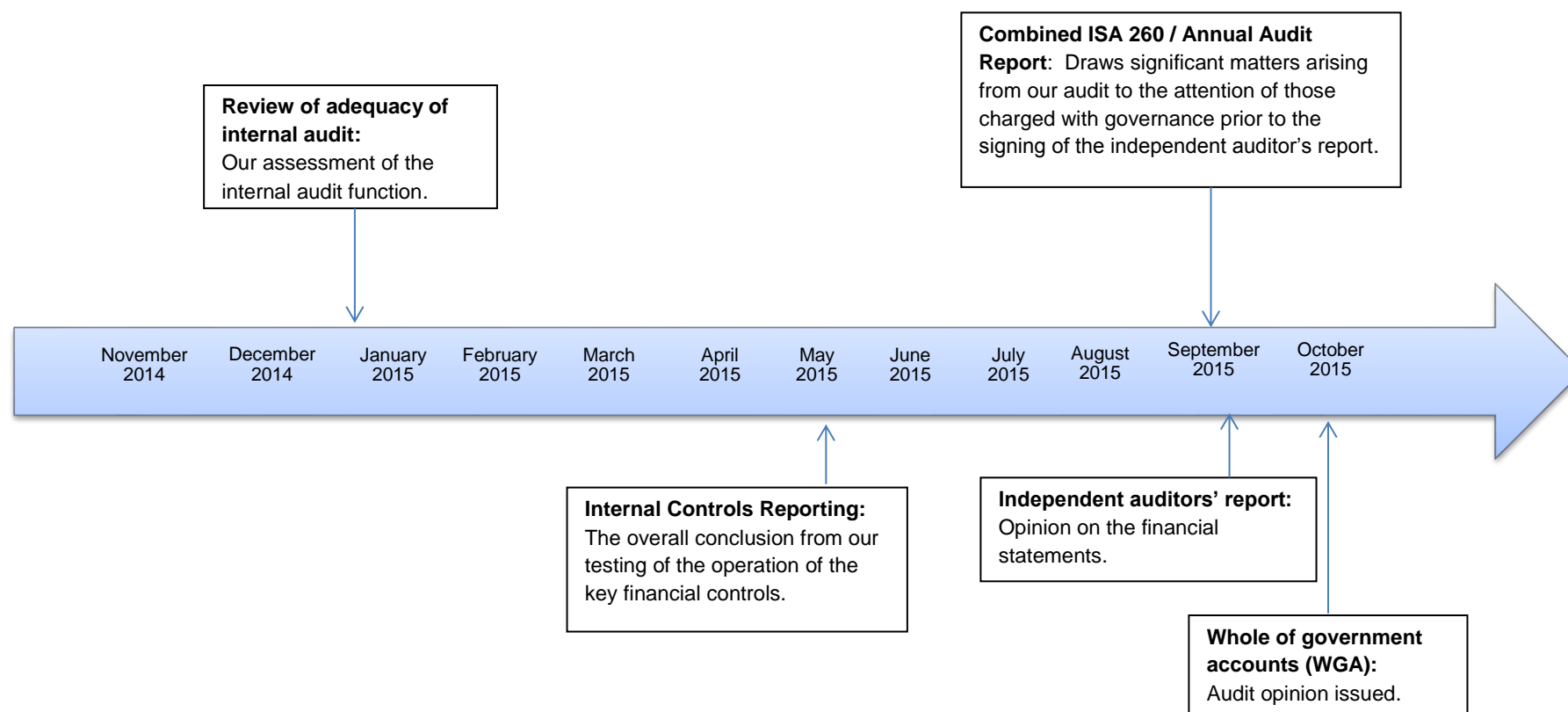
Exhibit 2: Audit team

Name	Experience
Fiona Mitchell-Knight BA (Hons) FCA - Assistant Director of Audit Services	Fiona took up post as Assistant Director of Audit in August 2007. Fiona has 21 years experience of public sector audit, covering local government, health and the further education sector. Fiona is also the officer who certifies the annual accounts
Jim Rundell MA (Hons) CPFA - Senior Audit Manager	Jim has 30 years public sector audit experience, mostly in local government and health. Recently he was for revising and updating Audit Scotland's risk management policy, strategy and assurance framework to comply with good practice, and continues to act as Risk Champion for Audit Services providing support and advice on risk. Recent audit responsibilities included City of Edinburgh Council, NHS Greater Glasgow and Clyde and Lothian Pension Fund.
David Meechan BA CA – Senior Auditor	David joined Audit Scotland 13 years ago, after 24 years in private sector audit, where he specialised latterly in the voluntary housing and independent schools sectors. Since joining Audit Scotland he has worked mainly on local government and health audits (including FVHB), most recently leading on the audits of Glasgow City Council for 2012/13 and 2013/14.
Lisa Duthie BA (Hons) CPFA - Senior Auditor	Lisa joined Audit Scotland in 2008 after graduating from the University of Glasgow in economics. Lisa has over 5 years experience in public sector audit covering local government, central government and health, and will be re-joining the team from June, 2015.
Gerry Collins - Auditor	Gerry has over 20 years experience working as an auditor/accountant. He has worked for the last 12 years in external and internal audit within the public sector, in both health and local government. Gerry is part ACCA qualified.
Russell Croal BAcc (Hons) - Professional Trainee	Russell graduated from the University of Dundee in 2014 with a BAcc (Hons) in Accountancy. He joined Audit Scotland in 2014 and is currently training for a professional accountancy qualification with ICAS.

Appendix I: Planned audit outputs

The diagram below shows the key outputs planned for Falkirk Council in 2014/15

Review of adequacy of internal audit:
Our assessment of the internal audit function.

Combined ISA 260 / Annual Audit Report: Draws significant matters arising from our audit to the attention of those charged with governance prior to the signing of the independent auditor's report.

November 2014 | December 2014 | January 2015 | February 2015 | March 2015 | April 2015 | May 2015 | June 2015 | July 2015 | August 2015 | September 2015 | October 2015

Internal Controls Reporting:
The overall conclusion from our testing of the operation of the key financial controls.

Independent auditors' report:
Opinion on the financial statements.

Whole of government accounts (WGA):
Audit opinion issued.

Appendix II: Significant financial statement audit risks

In this section we identify a range of risks facing Falkirk Council, the related source of assurance received and the audit work we propose to undertake to secure additional assurance. The management of risk is the responsibility of Falkirk Council and its officers, with the auditor's role being to review the arrangements put in place by management. Planned audit work, therefore, will not necessarily address all residual risks.

Audit Risk	Source of assurance	Assurance procedure
Income Falkirk Council receives a significant amount of income in addition to SG funding. The complexity of that income means there is an inherent risk of fraud in accordance with ISA240.	• Mitigating controls in place to reduce this risk e.g. regular reconciliations, division of duties. • Internal audit reviews.	• Controls system testing of accounts receivable, and transaction testing which will cover each service income area. • Detailed testing of revenue transactions focusing on areas considered higher risk • Testing of significant grants received. • Focussed testing on local taxation systems

Audit Risk	Source of assurance	Assurance procedure
Management override of controls ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.	• A sound system of budgetary control, including regular budget monitoring. • Regular updates of Standing Orders and Financial Regulations, which require approval by the Full Council.	• Testing on the appropriateness of journal entries and other adjustments recorded in the financial ledger and financial statements. • Review of accounting estimates for bias. • Evaluation of significant transactions outside the normal course of business. • Focussed testing of the regularity and cut-off assertions during the financial statements audit.
Accounting for non current assets There is the risk of significant error occurring in the accounting for non current asset transactions and period end balances	• The errors did not impact on the council's outturn. Management are working with Logotech to resolve the problem that caused the more significant errors. • Staff knowledge and experience.	• Early substantive testing of significant non current asset areas. • Ongoing liaison with finance officers to discuss technical / Logotech issues.
Accounting for Exit packages Any significant error in disclosure would be considered material due to the nature of these costs.	• Numbers of such packages not expected to be significant. • Finance staff rather than HR will review the accounting for exit packages.	• Early substantive testing of supporting evidence for exit packages disclosures.
Equal pay provision Uncertainty over legal position and potential volume of claims results in a risk of material underestimate of the provision required.	• Finance team are advised on current legal position by the council's legal service.	• Monitor legal developments nationally; assess potential financial impact on the council • Review of calculations and assumptions supporting provision.

Audit Risk	Source of assurance	Assurance procedure
Preparation of accounts Unaudited financial statements and/or satisfactory working papers may not be available within the necessary timescale and could include errors.	• Early consideration of potential technical issues. • Staff knowledge and experience. • Clear responsibility for managing and preparing the unaudited financial statements.	• Ongoing liaison with finance officers to discuss technical issues and overall progress.

Falkirk Council

External Audit Progress Report

AUDIT SCOTLAND

Prepared for Falkirk Council Audit Committee

April 2015

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

Contents

Annual Audit Plan 2014/15

1. Our Annual Audit Plan (AAP) 2014/15 provides a summary of planned outputs for the year and the timescales for delivery. Appendix 1, accompanying this update, provides a summary of progress against the Annual Audit Plan. To date we are on schedule to deliver all outputs by the planned dates.

Governance work

2. **Review of internal audit**. As part of our planning process we carry out an annul review of internal audit in terms of *International Standard on Auditing 610 (Using the work of internal auditors). W*e concluded that internal audit operates in compliance with the Public Sector Internal Audit Standards and has appropriate documentation standards and reporting procedures in place. Therefore, we plan to place formal reliance on aspects of internal audit's work (e.g. Non-domestic rates) to meet our financial statements responsibilities

3. Relying on internal audit *work* avoids duplication of effort and allows us to focus on other areas of risk. We also met with the Internal Audit Manager on a regular basis throughout the year to discuss audit issues and share information and intelligence.

4. **Internal controls and governance work:** We are currently updating our system notes and the testing the key controls within the main financial systems. We plan to complete this work in the next few weeks and any issues arising will be reported shortly the**r**eafter.

5. **ICT audit.** We have carried out a high level review of the ICT function as part our planning work which included the council's compliance with security measures set out in the Public Services Network (PSN) Code of Connection. There are no issues arising at his point that we require to draw members' attention.

6. **National Fraud Initiative** (**NFI).** NFI is the biennial data matching exercise whereby computerised techniques are used to compare and match information about individuals held by various public bodies on their financial systems to identify potential fraud or error. The latest NFI exercise was launched in autumn 2014. Over the next few months will be reviewing the council's approach to investigating and reporting fraud. Our findings will be surmised in our 2014/15 Annual Audit Report due to be issued in September 2015.

Performance

National Performance Studies

7. Audit Scotland's Performance Audit and Best Value Group undertake a programme of studies on behalf of the Auditor General and Accounts Commission. Several reports have been published since the last progress report to the Audit Committee in December 2014.

8. **Preparedness for the implementation of Scotland Act 2012 (December 2014).** This report assesses the Scottish Government's progress in preparing for the financial measures in the Scotland Act 2012; in particular, preparations for administering and collecting the devolved taxes and introducing the Scottish rate of income tax.

Key messages

9. The Scottish Government established clear structures for managing the set-up of Revenue Scotland and there are well-developed project plans for implementing the devolved taxes. The staff required to manage the overall programme were not in place early enough. There were also delays in procuring the IT system to collect and administer the taxes. Subsequent to the report assurances were received from the SG that plans were on track to implement the new tax arrangements.

10. The Scottish Government is working closely with HMRC to prepare for the implementation of the Scottish rate of income tax in April 2016. It has clear oversight of progress and contributes to decisions. The latest estimated set-up costs are between £35 million and £40 million, revised downwards from initial estimates of £40 million to £45 million.

11. The Scottish Government has established the Fiscal Capability 2015 programme to manage preparations for its new financial powers. It is working to incorporate the financial aspects of the new powers within its financial management arrangements.

12. **Superfast broadband for Scotland: a progress report (Feb 2015).** This report assesses the plans and arrangements in place to build a superfast broadband network in Scotland.

Key messages

13. The Scottish Government's ambition is to develop a superfast broadband infrastructure network with the capacity to deliver speeds of 40–80 Mb/s to 85–90 per cent of premises in Scotland by March 2016, and to extend this to over 95 per cent by the end of 2017. British

Telecommunications plc (BT) is responsible for installing the infrastructure through two contracts. Because detailed roll-out plans are reliant on the completion of survey work, the SG and Highlands and Islands Enterprise cannot yet state with certainty what broadband speeds they expect their contracts with BT to ultimately deliver.

14. The combined cost of building and maintaining the network as set out in the contracts with BT is £412 million, with the Scottish public sector contributing £165 million of this. BT was the only final bidder for each contract. It is difficult to conclude whether the Scottish contracts represent value for money because BT is also the sole contractor for all other UK broadband projects.

15. Based on progress to December 2014 Audit Scotland calculates that the Scottish Government will achieve its interim target to provide access to 85 per cent of premises across Scotland by March 2016. So far, BT has exceeded its contractual targets to provide access to the broadband network by 57,000 premises, although it is about 14,000 premises short of where it expected to be against its original implementation plans.

16. Arrangements for scrutinising BT's progress against the contracts are good although the Scottish Government and HIE have still to fully develop plans to measure the wider benefits of their broadband investment.

17. The report also made a number of recommendations for the Scottish Government and HIE to address and these are detailed in the report which can be accessed through Audit Scotland's website (www.audit-scotland.gov.uk).

An overview of Local Government in Scotland 2015 (March 2015)

18. This report draws on the findings from local government audit work in 2014 and provides a high-level, independent view on how councils are managed and perform. A key message in the report is that councils have managed financial pressures well but face increasingly difficult challenges and tough decisions to balance their budgets.

19. The Accounts Commission says many councils are now reporting funding gaps. Until now, they have dealt with reducing budgets largely by cutting staff numbers but this is alone is not sustainable in the longer term.

20. The report says councils need to have effective long-term financial plans to give them a good understanding of their finances and the future pressures - and provide options for addressing them.

21. In the context of overall reductions in public sector budgets, council funding has decreased. In 2013/14, the Scottish Government allocated £10.3 billion to councils - 8.5 per cent lower in real terms (allowing for inflation) than in 2010/11. At the same time, demand for council services is rising, mainly because we are all living longer.

22. The report also says councils need to ensure that governance and scrutiny arrangements keep pace with changes in their structures and the way they deliver services, including the integration of health and social care services.

23. Douglas Sinclair, chair of the Accounts Commission, said: "Councils have coped well so far but they will face pressures beyond next year of a scale not previously experienced, as budgets become even tighter and demands on services continue to increase. The challenge for councillors is to make best use of the money that is available and to take difficult decisions now to avoid storing up problems for the future. Regular reviews of   governance are essential due to continuing changes in council staff, management and political structures and delivery models, such as the use of arm's-length external organisations and the new health and social care partnerships".

Recommendations

24. The report makes a number of recommendations intended to help councillors. With the support of council officers, councillors should assess the position in their council and, where they decide action is required; ensure the recommendations are implemented successfully.

 Councillors should:

- assess whether they have appropriate knowledge and expertise to carry out their role effectively. They should review their training needs and request the training and support they require to help them consider options, make decisions and scrutinise performance

- ensure that council officers provide high-quality financial and performance information to support effective scrutiny and decision-making. This includes having relevant and up-to-date performance data and making good use of benchmarking.

- ensure that councils, when developing their priorities, use local socio-economic data and work with service users and local communities to understand their needs and explore ways of meeting them. Council budgets should then be targeted towards agreed priorities, including those designed to prevent or reduce service demand in future

- ensure that they consider all practical options for delivering services to meet the needs of service users and local communities, within the resources available. They should consider carefully the benefits and risks related to each option and make sure they receive information about the impact of the option they choose, including monitoring the risks associated with change

- ensure that their council has financial plans covering the short (1-2 years), medium (3-5 years) and longer term (5-10 years). These plans should set out the council's financial commitments, identify any challenges with the affordability of services and set out clearly how the council ensures its financial position is sustainable over an extended period

- review their council's governance arrangements following significant changes in staff, management and political structures. This includes ensuring their current management teams have the skills and capacity to provide effective leadership and management of finances, services and improvement programmes, and having succession plans for when senior managers retire or leave the council.

- ensure their council has a comprehensive workforce strategy to help manage the impact of staff reductions. The strategy should ensure that the council retains the ability to make changes and improvements, and is equipped to meet increased demand for services in the context of financial constraints.

25. The report is accompanied by a self-assessment tool for use by councillors in reviewing progress in implementing recommendations set out in the report.

26. **Borrowing and treasury management in councils (March 2015).** This audit assessed how councils show best value in borrowing and treasury management decisions. The report contained a number of key messages including:

- Borrowing is a key source of finance for councils to invest in vital public services. Overall borrowing has remained at around £12 billion for the last three years, with total assets of £39 billion. Councils have developed borrowing strategies to suit their own local priorities and needs. 17 councils have increased their borrowing levels over the last 10 years.

- Councils are following the general principles of the relevant codes of practice in demonstrating short-term affordability, but they are not always highlighting the strategic importance of borrowing and treasury management or clearly analysing and reporting the long-term affordability and sustainability of their borrowing. they represent best value for the council.

- Treasury management is a professionally run function in councils with appropriately qualified officers. Succession planning, ongoing training and the availability of appropriate professional qualifications are important. Councils have started to integrate their treasury management and capital investment functions which is a positive step.

- Councils need to improve scrutiny of borrowing and treasury management. This is a complex and technical subject and officers need to provide wider training and support to councillors, and also provide clearer, more accessible reports. The current governance structures in some councils could be improved to support more effective scrutiny.

Recommendations

27. **Council officers should:**

- use the treasury management strategy to present a wider strategic view of borrowing and treasury management. It should use clear and accessible language and be prepared for councillors as the key audience. It should include how the borrowing strategy is informed by corporate priorities and capital investment needs.

- create more detailed and longer-term borrowing and treasury management analysis as informed by the council's financial strategy. It should include an analysis of capital financing options to compare affordability and sustainability both in the short and long term.

- carry out joint planning with other councils to identify future qualification and training needs and enhance their capacity, in order to negotiate with training providers

- review the content of year-end reports to ensure they provide an assessment of the effectiveness of the year's borrowing and treasury management activities and the performance of the treasury management function. This should include appropriate indicators, comparative figures, and appropriate explanations.

28. **Council officers and councillors involved in treasury management should:**

- review governance arrangements, and update as necessary, to ensure they provide councillors with access to all reports relating to borrowing and treasury management activity including risk registers

- ensure scrutiny arrangements are robust by considering whether training for councillors provides a balance of scrutiny skills and knowledge of treasury management.

Financial statements

29. **Financial statements audit 2014/15.** The financial statements audit will commence on 22 June 2015 and we have ensured that sufficient resources will be available at that time in our resource planner.

30. In the current year we are committed to reporting a month earlier than normal. This means that the Annual Audit Report will be available for review at the September 21 meeting of the Audit Committee. Additionally, we will be combining our Annual Audit Report and ISA 260 (report to those charged with governance) into one document. This will provide members the opportunity to consider the audit report while the financial statement's audit is still current.

31. The timeframe for completing and reporting the financial statement audit is tight. We will liaise closely with finance staff to ensure the audit runs smoothly. Also, as in previous years, we will be relying on the Director of Finance and his team to provide a comprehensive working papers package in support of the financial statements.

Appendix 1

Progress against Annual Audit Plan 2014/15

Planned outputs	Target delivery date	Actual delivery date
Review of adequacy of internal audit	31 December 2014	16 December 2014
Draft Local Scrutiny Plan	13 February 2015	13 February 2015
Annual Audit Plan	31 March 2015	3 February 2015
Internal controls management letter	30 June 2015	
Combined ISA 260 and Annual Audit Report	By 30 September 2015	
Audit opinion on the financial statements	By 30 September 2015	

Note: We will perform the audit of Falkirk Temperance Trust in parallel with the audit of the council's financial statements and issue a separate audit opinion by 30 September 2015.

FALKIRK COUNCIL

Subject:	**LOCAL CONSIDERATION OF NATIONAL AUDIT REPORTS**
Meeting:	**AUDIT COMMITTEE**
Date:	**20 APRIL 2014**
Author:	**DIRECTOR OF CORPORATE & NEIGHBOURHOOD SERVICES**

1.   INTRODUCTION

1.1   This report provides Audit Committee with a summary of the National Audit Reports produced by Audit Scotland during 2014 -15 and where these reports have subsequently been considered.

2.   NATIONAL REPORTS

2.1   Reports are produced by Audit Scotland to provide findings of work undertaken in areas of national interest. These include reports relating to procurement, self-directed support and community planning partnerships.

2.2   The reports are aimed at determining areas of best practice which can be considered by Local Authorities when developing or reviewing their policies and practice.

3.   LOCAL CONSIDERATION OF THE NATIONAL REPORTS

3.1   The Council has a clearly defined process for dealing with all National Audit Reports provided by Audit Scotland to ensure the reports are dealt with effectively. A copy of the process, which was developed with the support of the Council's External Audit Manager, is attached at Appendix 1 for information.

3.2   Appendix 2 provides a table noting where each report was considered.

4.   RECOMMENDATIONS
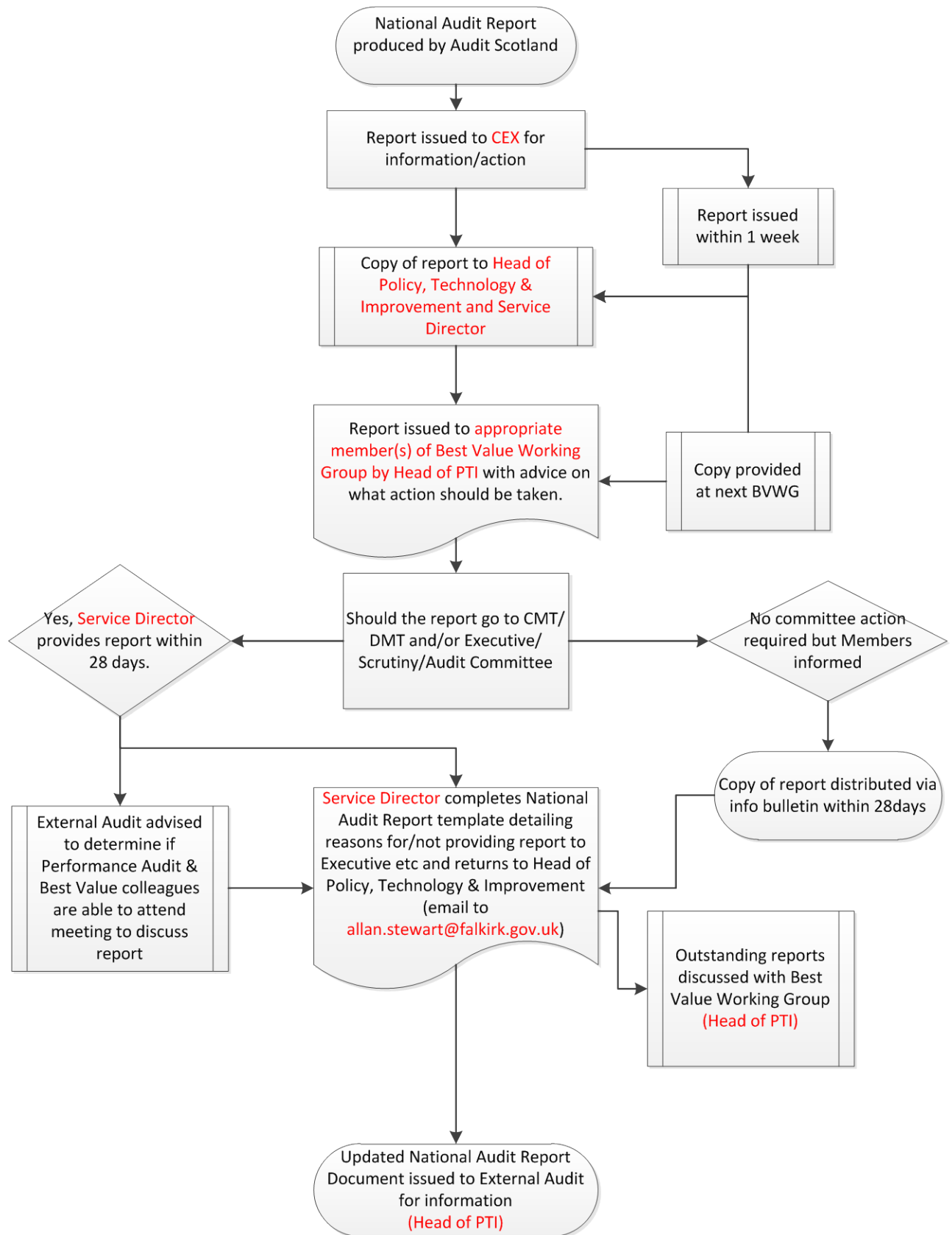
4.1   Members of the Audit Committee are asked to note the reports provided by Audit Scotland and how these have been considered.

....…………………………..
DIRECTOR OF CORPORATE & NEIGHBOURHOOD SERVICES

Date: 25 March 2015
Ref: ABB0325AS – Local Consideration of National Audit Reports
Contact Name: Allan Stewart

Local Consideration of National Audit Report Flowchart

National Audit Report produced by Audit Scotland

Report issued to CEX for information/action

Report issued within 1 week

Copy of report to Head of Policy, Technology & Improvement and Service Director

Report issued to appropriate member(s) of Best Value Working Group by Head of PTI with advice on what action should be taken.

Copy provided at next BVWG

Yes, Service Director provides report within 28 days.

Should the report go to CMT/ DMT and/or Executive/ Scrutiny/Audit Committee

No committee action required but Members informed

External Audit advised to determine if Performance Audit & Best Value colleagues are able to attend meeting to discuss report

Service Director completes National Audit Report template detailing reasons for/not providing report to Executive etc and returns to Head of Policy, Technology & Improvement (email to allan.stewart@falkirk.gov.uk)

Copy of report distributed via info bulletin within 28days

Outstanding reports discussed with Best Value Working Group (Head of PTI)

Updated National Audit Report Document issued to External Audit for information (Head of PTI)

Report title	Published	Report formally considered and reported to committee
An Overview of local government in Scotland 2015	**March 2015**	To go to Scrutiny Committee May 2015
Self-Directed Support	**June 2014**	Report due to be provided to Executive Committee. A response to the Scottish Governments Monitoring and Evaluation Questionnaire was provided in August 2014.
Falkirk Community Planning Partnership	**May 2014**	Considered by Falkirk Council on 8th October 2014.
Procurement in Councils	**April 2014**	Report considered by Scrutiny Committee on 1/12/14
Modern apprenticeships	**March 2014**	Information Bulletin in December 2014. A specific report on Modern Apprentices will be prepared after the end of Financial Year
An overview of local government in Scotland 2014	**March 2014**	Reported to the Scrutiny Committee on 31st October 2014.
Options Appraisal: are you getting it right?	**March 2014**	Reported to the Scrutiny Committee on 31st October 2014.
Reshaping Care For Older People	**February 2014**	Falkirk CHP Partnership Board considered report.

FALKIRK COUNCIL

Subject:	**LOCAL SCRUTINY PLAN 2015-16**
Meeting:	**AUDIT COMMITTEE**
Date:	**20 APRIL 2015**
Author:	**CHIEF EXECUTIVE**

1. INTRODUCTION

1.1 This report presents to Members the Local Scrutiny Plan 2015-16 for Falkirk Council prepared annually by the Local Area Network (LAN). The plan is attached as appendix one for information.

2. LOCAL SCRUTINY PLAN

2.1 The local scrutiny plan provides details of the planned scrutiny activity to be undertaken in Falkirk Council during the current financial year. The plan is based on a shared risk assessment undertaken by the Local Area Network (LAN). The LAN, led by Audit Scotland, consists of representatives from Audit Scotland, Scottish Housing Regulator, Education Scotland, Care Inspectorate and Healthcare Improvement Scotland.

2.2 The Local Scrutiny Plan (LSP) notes national risks as well as local risks and identifies how and when these risks will be audited during the financial year.

2.3 The LSP begins with an update on the work undertaken by the LAN during 2014/15. A summary of the conclusions are noted below:

Governance and Accountability

2.4 The LAN proposed a targeted best value audit to review the new decision making and scrutiny arrangements introduced in May 2013. This was proposed due to the LAN's concerns regarding the new governance and scrutiny arrangements potentially being undermined by a reduced number of Members participating in the arrangements. The best value audit was conducted by Audit Scotland in 2014 and findings will be delivered in Spring 2015.

Performance Management

2.5 In conjunction with the above, Audit Scotland also carried out a targeted best value audit to scrutinise the effectiveness of new developments in the Council's performance management arrangements. Findings will also be delivered during Spring 2015.

Housing & Homeless Services

2.6 In 2014, a request was received from the Scottish Housing Regulator (SHR) to carry out a self-assessment of specific areas of the service. The assessment was concluded with an improvement plan in November 2014 which was discussed with the Regulator.

As a result of the actions identified in the improvement plan, the Regulator was satisfied that no specific scrutiny risks were evident as the Council has a good understanding of the performance improvements required and has appropriate plans in place to improve.

Health and Social Work Services for Older People

2.7   As part of the ongoing national programme of work, a joint inspection of health and social work services for older people was undertaken in September/October 2014. The results of the inspection are awaited.

Targeted Follow up Work on National Performance Audits

2.8   Two areas of follow up work were undertaken in 2014. The first, reviewed the Council's response to the audit of Arm's Length External Organisations (ALEO). The report concluded that governance could be improved further if opposition members took up places allocated on ALEO boards. The second review concerned the actions in response to the audit of major capital investment, which concluded that improvements had been made but scope for improvement remained.

3.   SCRUTINY RISKS

3.1   A number of scrutiny risks were considered relating to financial sustainability, Education and Children's Services and Social Work/Social Care; comment was received from the LAN for each of these particular areas however, no specific scrutiny action has been identified beyond normal overview and monitoring arrangements. The LAN recognised the considerable challenges the Council faces in achieving the required savings of £46million, and acknowledged the measures being undertaken by the Council in relation to the budget approach and management of reserves.

4.   PLANNED SCRUTINY ACTIVITY

4.1   The Council will be subject to a range of risk-based and nationally driven scrutiny activity during 2015/16, although in relation to the national scrutiny activity, not all of the activity relating to which Council has been determined or timetabled as yet. While some of the Audit and inspection work is proportionate and risk driven, some inspections are timetabled.

4.2   The following areas have been noted by the Local Area Network and Audit Scotland for activity during 2015/16:
   - Review and assess developments in decision making structures and performance management, particularly relating to the response to findings from the targeted best value work;
   - Follow up work on progress made to improvement areas following the audit of the Community Planning Partnership – September 2015;
   - A performance audit of housing benefit – December 2015;
   - As part of the national scrutiny work, a joint thematic review of multi-agency public protection arrangements (MAPPA) - May 2015;
   - Working in partnership with Councils across Scotland, Education Scotland will carry out a validated self evaluation (VSE) of educational psychology services - TBD.

4.3   A joint inspection of services for children and young people is planned to take place in Autumn 2015. This is a multi-agency inspection of children's services. At its last meeting the Community Planning Leadership asked the Director of Social Work to write to the Care Inspectorate asking that this critical but time consuming inspection be postponed. This request was to recognise the current changes being made to children's services in Falkirk Council but also to acknowledge the follow up audit in Stirling and Clackmannanshire and the MAPPA audit that would involve key partners. The Care Inspectorate has confirmed that they feel unable to change the timescale of this inspection and therefore during a time of significant change there will be a significant inspection of children's services.

4.4   In addition to local inspections and audits, there will be some national work we will be asked to participate in or provide evidence for. The level of involvement in these pieces of work will vary. These include:

- Audit Scotland has three performance audits being conducted. These are in relation to:
    - Social care;
    - Health and Social Care Integration; and
    - A follow up on roads maintenance.
- The Scottish Housing Regulator has a series of thematic inquiries relating to:
    - Gipsy/Travellers;
    - Factoring services;
    - Gas safety;
    - Complaints handling;
    - Customer service standards;
    - Repairs;
    - Rent consultation;
    - Equalities; and
    - Openness and Accessibility.
- In addition the SHR will review the charter data due to be submitted by social landlords in May 2015 and identify topics for other theme studies.

5.   RECOMMENDATION

5.1   It is recommended that Members note the Local Scrutiny Plan 2015 -16 prepared by the LAN as set out in appendix one of this report.

....
CHIEF EXECUTIVE

Date: 07 April 2015
Ref: ABB0407_AS_Local Scrutiny Plan 2015_16
Contact Name: Allan Stewart   Ext: 6187

LIST OF BACKGROUND PAPERS

1.   Falkirk Council, Local Scrutiny Plan 2015/16 – Audit Scotland

Any person wishing to inspect the background papers listed above should telephone Falkirk 01324 506187 and ask for Allan Stewart.

Falkirk Council

Local Scrutiny Plan

2015/16

Falkirk Council

Local Scrutiny Plan 2015/16

Introduction

1. This local scrutiny plan sets out the planned scrutiny activity in Falkirk Council during 2015/16. The plan is based on a shared risk assessment undertaken by a local area network (LAN), comprising representatives of all the scrutiny bodies who engage with the council. The shared risk assessment process draws on a range of evidence with the aim of determining any scrutiny activity required and focusing this in the most proportionate way.

2. This plan does not identify or address all risks in the council. It covers only those risk areas that the LAN has identified as requiring scrutiny, or where scrutiny is planned as part of a national programme. Planned scrutiny activity across all councils in Scotland informs the National Scrutiny Plan for 2015/16, which is available on the Audit Scotland website.

Update on Scrutiny Plan 2014/15

3. In the 2014-17 Assurance and Improvement Plan (AIP), the LAN concluded that scrutiny was required in the area of governance and accountability. New decision-making structures were agreed by the council in March 2013, and the first meetings under the new structure commenced in May 2013, however, some members declined to participate fully in the new arrangements. The LAN, judging that local governance and scrutiny arrangements could be undermined by this unwillingness to engage in the governance and scrutiny process, proposed that targeted best value audit work should be carried out to establish the effectiveness of the new decision making and scrutiny arrangements. This work was carried out by Audit Scotland at the end of 2014, and focused on whether the council's governance arrangements are working effectively and supporting strategic decision making and scrutiny of service delivery. Findings are due to be reported in the spring of 2015.

4. In the 2014-17 AIP, the LAN also identified the need for scrutiny of the effectiveness of new developments in the council's performance management arrangements. Targeted best value work on how performance management arrangements supported scrutiny of the council's performance was planned, and was carried out in conjunction with the best value audit work noted above. The findings are also expected to be reported in the spring of 2015.

5. In addition to the scrutiny risks identified, the LAN also reported the need for more information to be obtained in connection with weaknesses in the council's housing and

homelessness services. Poorer performing areas included average times to re-let low demand housing, tenancy sustainment and rent arrears among tenants. The Scottish Housing Regulator (SHR) asked the council to carry out a self assessment covering the identified areas of weaker performance. The resulting submission and improvement plans were considered by the Regulator and discussed with the council in November 2014. No specific scrutiny risks are now evident as the council has an awareness of where improvements are needed and has put plans in place to improve its performance.

6. The LAN noted in the 2014-17 AIP that the Care Inspectorate (CI) and Healthcare Improvement Scotland would be carrying out a joint inspection of health and social work services for older people in the Falkirk area during September/October 2014 as part of their wider programme of national work. The results of this inspection are still to be reported and the CI will provide monitoring and support to achieve any required improvement during 2015/16.

7. Targeted follow up work on two national performance audits was carried out in 2014:

    - The follow up review of the council's response to the audit on *Arms length external organisations* concluded that governance could be improved further if opposition members took up places allocated on ALEO boards.

    - The review of actions taken in response to the audit of *Major capital investment in councils* concluded that the council had made improvements based on the original report, but that there was scope for further improvement.

    Progress in achieving improvement will be assessed as part of the 2014/15 annual audit process.

Scrutiny risks

8. **Financial sustainability:** Audit Scotland reported in October 2013 that the council faces a significant challenge in delivering services with resources which continue to reduce. Officers recognise this and that members will face difficult decisions over the medium term on how services are to be delivered.

9. The council's financial position worsened during 2013/14 to the point where it has identified the need to make savings of £46 million over the three years to 2017/18, with a funding gap of £10.5 million to be met in 2014/15. A budget framework document was approved by the council in November 2014 which confirmed that, to achieve the necessary savings, significant contraction in services and reduction in staffing would be required. Consultations are ongoing to consider proposals for savings and these have informed the final budget setting process in February 2015. Of particular concern is the significant overspend being forecast for Social Work Services in the current year (2014/15), however, despite the demographic pressures on social work budgets, management do not anticipate further overspends going forward.

10. £30.8 million in savings and other measures for the upcoming two years have been identified, and agreed by the council at its budget meeting held 11 February, leaving a residual budget gap of £15.2 million for 2017/18.

11. To support its future financial plans the council has recognised the need for a multi-year approach to budgeting. A review by the council of its reserves strategy has been completed, and the strategy in place confirmed as fit for purpose in a report to Executive Committee on 13 January, 2015. The LAN has concluded that whilst no specific scrutiny is required in this area, Audit Scotland will continue to review the financial position of the council, and its progress in these areas, as part of the annual audit process.

12. **Education and children's services:** The LAN has not identified the need for any specific scrutiny in this area beyond normal ongoing oversight and monitoring. Inspections carried out over the last year have been positive, and good performance has been noted against the council's local improvement priorities for education services. As a result of the previous Director of Education Services leaving and a retirement at Head of Service level, there have been some temporary changes made in the management structure of education services. Also, the council has recently agreed to bring education and social work together in a new children's services division. The appointment of the new Director of Children's Services will take place before the end of 2014/15. The impact of these structural changes on delivery of services and related outcomes will require monitoring in the short to medium term, as will the potential dilution of the council's detailed knowledge of its schools.

13. **Social Work/Social Care:** No requirement for specific additional scrutiny has been identified by the LAN. No significant concerns have been raised in relation to adult or children's services, public protection issues or criminal justice

14. Progress is being made on health and social care integration, and a shadow Health and Social Care Integration Joint Board has been established. The council are on track to submit their integration scheme by 1 April, 2015 and implement full integration by 1 April, 2016. Audit Scotland will continue to monitor progress in implementing the governance arrangements for the new Integration Joint Board and will maintain a national oversight on developments.

Planned scrutiny activity

15. As shown in Appendix 1, the council will be subject to a range of risk-based and nationally driven scrutiny activity during 2015/16. For some of their scrutiny activity in 2015/16, scrutiny bodies are still to determine within their work programmes which specific council areas they will cover. Where a council is to be involved, the relevant scrutiny body will confirm this with the council and with the appropriate LAN lead.

16. In the area of governance and accountability, Audit Scotland will review and assess developments in decision-making structures and in performance management arrangements through the 2015/16 annual audit process, and in particular the action

taken by the council in response to findings from the targeted best value work noted above.

17. Falkirk is one of eight areas where an audit of the Community Planning Partnership (CPP) has been carried out. Audit Scotland will carry out follow-up work across all eight areas during 2015/16 to assess what progress the CPP has made in addressing outstanding improvement areas. This work will be carried out as part of the annual external audit process.

18. Audit Scotland will continue to carry out a programme of housing benefit risk assessments across councils in 2015/16. For Falkirk Council this is planned for completion during December 2015.

19. The Care Inspectorate will lead a joint inspection of services for children and young people in the Falkirk area during 2015/16, involving participation by Healthcare Improvement Scotland, Education Scotland and HMICS. These inspections are part of the Care Inspectorate's wider planned programme of national scrutiny work.

20. The Care Inspectorate and HMICS will carry out a joint thematic review of multi-agency public protection arrangements (MAPPA) in Scotland during 2015. This forms part of a wider programme of national inspection, and is not a result of the LAN shared risk assessment. The purpose of the review will be to assess the state, efficiency and effectiveness of the MAPPA in Scotland, in terms of keeping people safe and reducing the potential risk of serious harm by registered sex offenders in our communities. It will cover all 32 local authorities and involve local authorities, Police Scotland, NHS Boards and the Scottish Prison Service. The joint review will cover the Falkirk Council area in May 2015.

21. Education Scotland will be working in partnership with councils to carry out validated self evaluation (VSE) of educational psychology services across all councils over a two-year period beginning in 2015/16. Education Scotland will notify councils of its VSE plans each academic term.In addition to specific work shown in Appendix 1, routine scheduled audit and inspection work will take place through the annual audit process, and the ongoing inspection of school and care establishments by Education Scotland and the Care Inspectorate respectively.

22. Audit Scotland has planned three performance audits covering local government during 2015/16. It will be working jointly with the Care Inspectorate looking at social care and jointly with both the Care Inspectorate and Health Improvement Scotland (HIS) on a Health and Social care integration position statement. It will also carry out a follow-up audit on roads maintenance. Any engagement with councils is still to be determined. Publication of these reports is scheduled for between October 2015 and February 2016.

23. The Scottish Housing Regulator (SHR) has a planned programme of thematic inquiries into housing services which will be carried out largely in the first quarter of 2015/16, with publication of inquiry reports in the first and second quarters of the year. The thematic inquiries will cover a range of housing services including: Gypsy/Travellers; factoring

services; gas safety; complaints handling; customer service standards; repairs; rent consultation; equalities; and openness and accessibility. Some of the thematic inquiries will not involve any on-site work at all and no local authority will be selected for on-site work in more than one thematic. The SHR will contact individual landlords with details about their potential inclusion.

24. During the first and second quarters of the year, the SHR will review the Charter data submitted by social landlords in May 2015 and identify topics for a further programme of thematic inquiries to be taken forward in the second and third quarters of the year.

25. Individual audit and inspection agencies will continue to monitor developments in key areas of council activity and will provide support and challenge as appropriate. This will help to inform the future assessment of scrutiny risk.

March 2015

Appendix 1: Scrutiny plan

Scrutiny body	Scrutiny activity	Date
Audit Scotland	Performance audit work	To be confirmed
	Any follow-up Best Value work will be determined when the report is issued in Spring 2015.	To be confirmed
	Follow-up work to assess what progress the CPP has made in addressing outstanding improvement areas.	September 2015 as part of the annual external audit process.
	Housing Benefit Performance Audit	December 2015
Care Inspectorate and Healthcare Improvement Scotland/HMICS	Joint inspection of children's services as part of the Care Inspectorate's wider programme of national work and not as a result of the LAN's assessment.	November/December 2015
	The Care Inspectorate and HMICS will undertake a review of the multi agency public protection arrangements (MAPPA) in Scotland.	Forth Valley fieldwork 11-15 May, 2015
Education Scotland	Education Scotland will be working in partnership with councils to carry out a validated self-evaluation (VSE) of educational psychology services across all councils over a two-year period beginning in 2015/16. Education Scotland will notify councils of its VSE plans each academic term.	Dates to be determined
Her Majesty's Inspectorate of Constabulary (HMICS)	HMICS will be inspecting local policing across Scotland over the next three years. These inspections will examine, amongst other things, local scrutiny and engagement between Police Scotland and councils. Two local Policing Divisions are programmed to be inspected in addition to Edinburgh Division in 2015/16. The Divisions will be identified approximately three months prior to inspection, the first being no earlier than October.	Dates to be determined
Her Majesty's Fire Service Inspectorate (HMFSI)	HMFSI will be inspecting local fire and rescue services across Scotland over the next five years. These inspections will examine, amongst other things, local scrutiny and engagement between the Scottish Fire and Rescue Service and councils. As part of its programme, HMFSI will inspect four local fire and rescue services during 2015/16. Falkirk is not included in the programme	Dates over the next five years to be determined.

	this year.	
Scottish Housing Regulator (SHR)	The SHR will carry out a number of thematic inquiries during 2015/16. If Falkirk Council is to be involved in a thematic inquiry, SHR will confirm this with the council and the LAN lead.	Councils involved to be determined.

FALKIRK COUNCIL

Subject:	**CRM POLICY AND FRAMEWORK REVIEW**
Meeting:	**AUDIT COMMITTEE**
Date:	**20th April 2015**
Author:	**DIRECTOR OF DEVELOPMENT SERVICES**

1.   **INTRODUCTION**

1.1   The current CRM Policy and Framework was approved in November 2013, and it was agreed at this time that an annual review would be undertaken.

1.2   An updated CRM Policy and Framework is attached, and key amendments are highlighted below:-

        a)   Inserted reference to 6-Monthly Service Risk Update to CRMG;
        b)   Maintenance of risks schedules at Corporate, Service and Project / Partnership levels;
        c)   An updated CRM Risk Reporting Framework is provided in Appendix 1; and
        d)   The Corporate Working Groups Chart has been inserted, in Appendix 2.

2.   **RECOMMENDATIONS**

2.1   **Members are invited to:**

2.1.1   **Note the contents of this report.**

…………………………………………….
Director of Development Services

Date: 8th April, 2015

Falkirk Council

CORPORATE RISK MANAGEMENT

CRM POLICY & FRAMEWORK

NOVEMBER 2014

CONTENTS

DOCUMENT HISTORY

Document Title:	CRM Policy & Framework	Lead Reviewer:	CRMG Members
Owner:	Director of Development Services	Superseded Version:	2 Sept 2014
Version No:	V21, Nov 2014	Next Review Date:	Q4, 2015

1. POLICY STATEMENT – THE COUNCIL'S APPROACH TO RISK MANAGEMENT

1.1 The purpose of this Risk Management Policy is to set out the framework for embedding risk management across Falkirk Council.

1.2 The Council encourages decision makers to be 'risk aware' rather than 'risk averse'. This includes encouraging innovation and recognising 'opportunity related risk', provided that the risk is assessed and justified in the context of the anticipated benefits for the Council.

1.3 The Council aims to embed a culture whereby risk management is recognised as a continuous process, demanding awareness and action from employees at every level, to reduce the possibility and impact of injury and loss. Risk management should be seen as an enabler to achieving the Council's objectives.

1.4 Risk management requires the identification, assessment, management, monitoring and reporting of risk by the Council, per Table 1 below, in order to effectively manage risks to service, employees, finances, operations, assets and reputation.
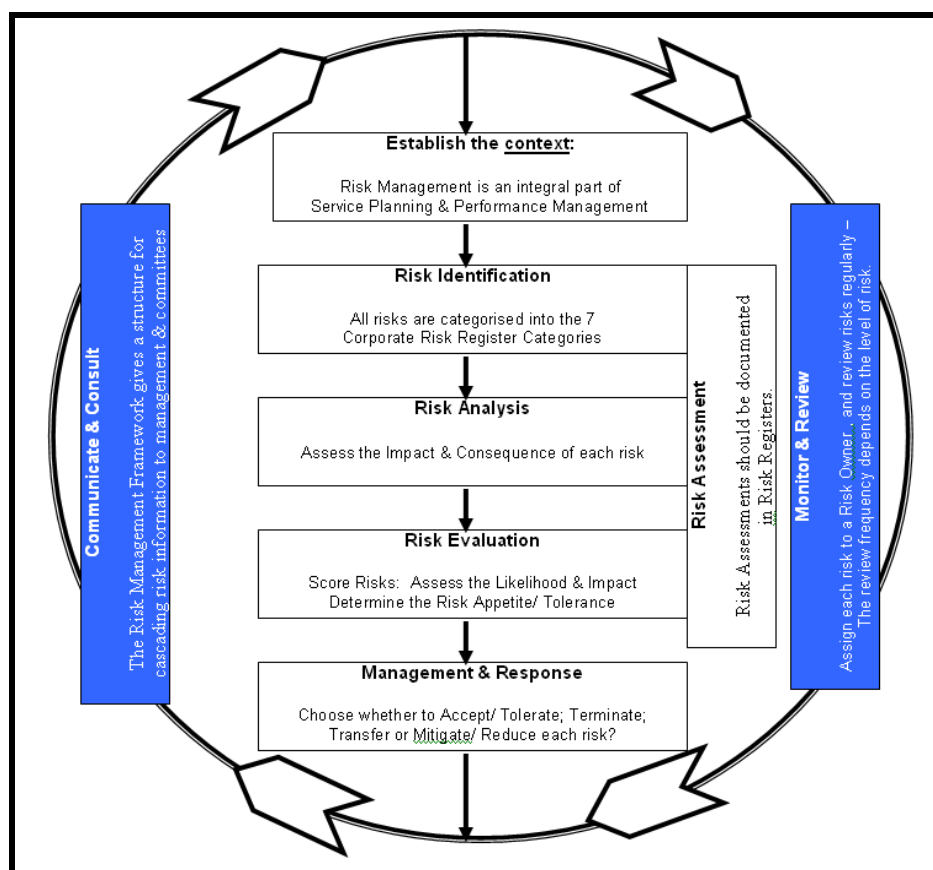
1.5 Each stage is outlined within the 'Step by step guide to managing risk', on the intranet.

1.6 Risk affects every activity to a greater or lesser degree and failure to acknowledge this can lead to serious consequences. The Council's Corporate Risk Register sets out risk under the following 7 categories:

- Failures in proper **financial** management

- Failures in proper **information** management (availability, integrity and security)

- Failures in **human resources** management (e.g. recruitment, retention, safety)

- Failure to properly manage **assets**

- Failure to properly recognise, plan for, and manage significant **change**, both internal and external

- Failures in **governance**, leadership, accountability or decision making

- Failures in **partnerships** or contracts with external bodies

1.7 The Corporate Risk Register (CRR), available on the Council's intranet, gives a general description of each risk category. Also, the Corporate Risk Schedule (CRS), circulated to CRMG Members, provides more detailed information on each risk, including the risk evaluation (scoring), controls, actions and ownership for each.

1.8 Risk management is a key component of Corporate governance and resilience, and, therefore, should be embedded within the Council's management at every level, including Community, Corporate and Service Planning and Performance Management.

1.9 If the Council is to manage risk effectively, it needs to demonstrate that risks are managed in a systematic and structured manner and that risks are subject to regular monitoring & challenge.

2. RESPONSIBILITIES

2.1 Elected Members and Officers

a) Elected Members

The CIPFA/ SOLACE Guidance – available on the intranet - and in particular Principle 4, makes explicit the elected member's decision-making role and the need to ensure that risk information contributes to the decision-making process. To support this, an analysis of relevant risks should be included within all committee papers, where appropriate.

CIPFA Guidance Note 10 (Risk Management Guidance for Elected/ Board Members) also advises that Elected / Board Members should get involved in the identification of high level, strategic risks, and outlines the following responsibilities for them:-

- To **gain** a broad understanding of risk management and its benefits;
- To **require** officials to develop and implement an effective framework for risk Management;
- To **challenge** officials to ensure risks are considered and recorded in reports;
- To **require** that risk is formally considered at the start of major projects and re-evaluated throughout the life of the project;
- To **require** officials to report significant risks on a regular basis.

b) Chief Executive

The Chief Executive has overall accountability for the Council's Corporate Risk Management Policy & Framework, and ensuring that effective arrangements are in place to manage risks.

c) Director of Development Services

The Director has delegated responsibility for overseeing corporate risk management arrangements; the effectiveness of CRMG; and for bringing risk issues to CMT. The Director will provide an Annual Report to CMT and the Audit Committee, including the risk management work-plan and self-assessment.

d) Internal Audit Manager

The IA Manager is responsible for developing and completing an Annual Risk-Based Internal Audit Plan. The aim is to provide assurance on the Council's arrangements for risk management, governance and controls.

e) Corporate Risk Manager

The CR Manager will provide training, advice and support across the Council on the management of Corporate, Service, projects and/or partnership risks. He/she will implement & maintain a process for review, maintenance and reporting of corporate risks. Key outputs will be the CRR, CRS and Annual CRM Work-Plan & Performance Review.

f) Directors and Chief Officers

Directors & Chief Officers are accountable for embedding risk management within their Service, and monitoring its effectiveness. They should ensure that controls and review mechanisms are fit for purpose and are operating effectively; and that the risks they own on the CRS are kept up to date and that risk information is shared appropriately, including:-

i) **Communications with SUMs:**

Risk management should be a standing agenda item on all DMT meetings; risk training needs should be assessed through the APDS process; and SUMs should be involved in risk schedules.

ii) **Communications with CRMG, CMT and the Executive**

Each service should, as a minimum, provide a 6-monthly Service Risk Update to CRMG, including updates on Risk Schedules, Business Continuity, Corporate Working Groups and Lessons Learnt from Incidents. A template has been agreed separately by CRMG.

iii) **Communications with the Scrutiny Panel**

Each service should include an extract of the CRS in their Scrutiny Panel Reports and Service Plans, and this should be reviewed as part of planning & performance reviews.

g) **Service Unit Managers and Project / Partnership/ Contract Leads**

Managers are responsible for ensuring that risk awareness and training is delivered to employees, and for maintaining Risk Schedules relevant to their areas of responsibility (e.g. Divisional, Team, Partnership and/or Project Risk Schedules). Managers should ensure that all current and emerging risks are identified and evaluated; and that proportionate controls, review mechanisms and performance indicators are implemented. Risk management should be a standing agenda item on all Team, Project and Partnership meetings and cascaded upwards, as appropriate, including reports outlined above.

h) **Employees**

Employees should be aware of the risks that relate to their role, and how to protect themselves and others e.g. health and safety guidance. Employees should be involved in the risk assessment process for their roles and should be encouraged openly report any concerns.

2.2 **Committees and Officer-Led Groups**

a) **Audit Committee**

The Audit Committee's Terms of Reference are defined as:-

- To review and seek assurance on the framework of risk management, governance and control.
- To review and seek assurance on the system of internal financial control.
- To review the Authority's Assurance Statements to ensure they properly reflect the risk environment,
- To produce an annual report on the above to support these statements.
- To take account of the implications of publications detailing best practice for audit, risk management, governance, and control.
- To take account of recommendations contained in the relevant reports / minutes of:
  - the External Auditor;
  - the Scottish Parliament; and
  - other external scrutiny agencies.

b) **Corporate Management Team**

- Ensure that the CRM Policy and Framework is reviewed at least every two years by the Director of Development Services, to ensure that it remains fit for purpose and reflects corporate objectives;
- Embedding a risk aware culture, proactively supporting and encouraging best practice;
- Provide appropriate risk information to Members to support decisions;
- Risk Appetite: Ensure there is good awareness of the Council's risk profile and appetite, and encourage proportionate risk taking and innovation by Services;
- Review the CRR and CRS, taking account of both current and emerging risks.

c)   Corporate Risk Management Group (CRMG)

- Monitor the implementation of the CRM Policy and Framework, Annual Work-Plan & KPIs;

- Approve reports to CMT and Audit Committee on the effectiveness of the risk framework;

- Ensure that CRMG members attend and contribute to the activities of CRMG, including the submission of 6-monthly Service Risk Updates and progressing agreed actions;

- Provide a knowledge sharing platform corporately, to inform strategy and guidance;

- Ensure that Risk Schedules, Action Plans and Performance Indicators are regularly reviewed, and that the CRS and CRR reflect e.g. Service and Project Risk Schedules.

d)   All Working Groups (see Appendix 2)

- Develop and maintain a risk schedule (or extract from the Corporate Risk Schedule) to support the group's aims and objectives;

- Facilitate the sharing of best practice and lessons learnt;

- Implement proportionate controls and performance indicators to manage risk; and

- Ensure that risks are communicated to CMT and CRMG on a regular basis.

3.   CORPORATE RISK REGISTER AND RISK SCHEDULES

3.1   Corporate Risk Register

The CRR will be an over-arching document, maintained by CRMG, which identifies risks, impacts, controls and review mechanisms for each of the 7 Risk Categories.

3.2   Risk Schedules

Risk Schedules are an extension of the CRR, but also provide more specific information on each risk e.g. a risk statement and evaluation of the impact, probability and ownership for each risk.

The risk schedule information is provided by the service(s) and/or Chief Officers who lead on specific risks. The Risk Assessment Template provided in Appendix 3 gives a pro-forma that may be useful for making changes to the risk and/or to assist during risk assessment workshops.

3.2   Risk Schedule Types

Using a consistent template for Risk Schedules enables consistent reporting, clear linkages and the ability to drill up / drill down as necessary to provide reports for different audiences. This is similar to the 'golden thread' method applied to planning and performance reporting.

a)   Corporate Risk Schedules (CRS):

- Risks rated as High and Very High (or medium, but affecting 2 or more Services);

- These have the potential to impact on the Corporate Plan or SOA; and

- These will be reported to CRMG, CMT, Scrutiny Panel and others as appropriate.

b) **Service, Project and Partnership Risks (SRS/PRS):**

- Risks rated as Low (or Medium, but affecting only one Service);

- These have the potential to impact on a Service, Project or Partnership Plan;

- Project risks are threats (positive or negative) to the delivery schedule, cost or anticipated benefits that the project will deliver; and

- These should be routinely reported to Service DMTs and Project / Partnership Boards, and corporately through e.g. Project / Partnership Highlight Reports.

3.3 **Linkages Risk Schedules to Planning & Performance Information**

Risks are recorded on Covalent and risks should be linked / cross-referred to actions and PIs. This approach ensures that there are measurable actions and PIs associated with each risk; minimises possible duplication and inconsistencies; and enables integrated planning, performance and risk reports to be produced for various audiences, including CMT, CRMG, Scrutiny Panel and Project / Partnership Boards.

3.4 **Risk Assessment Guidance and Templates**

Appendix 3:   Risk Assessment / Schedule Template;

Appendix 4:   Risk Appetite and Prioritisation Matrix; and

Appendix 5:   Guidance on scoring impacts.

CORPORATE RISK MANAGEMENT REPORTING FRAMEWORK
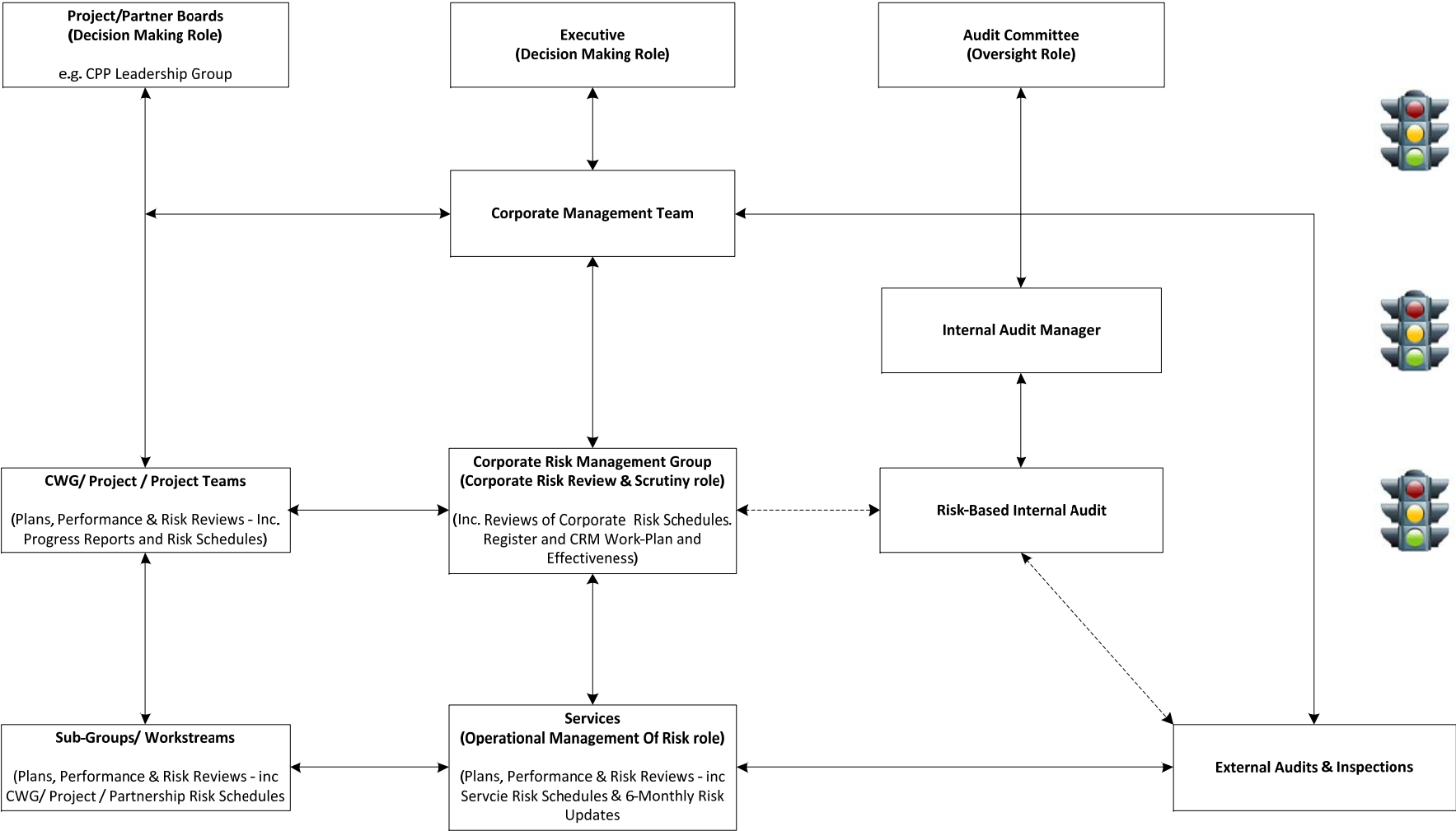
Appendix 3: RISK ASSESSMENT / REGISTER TEMPLATE

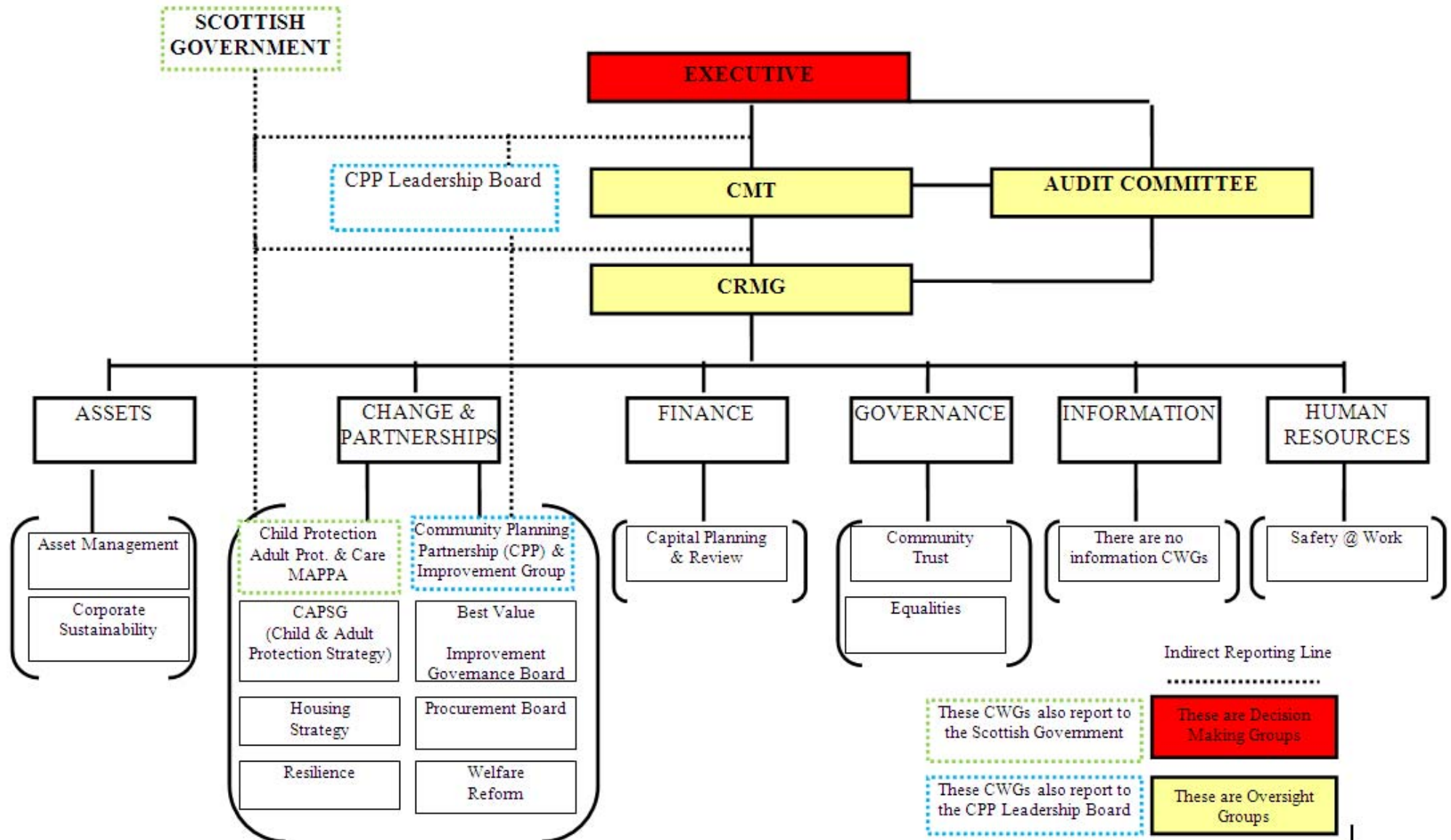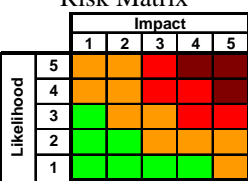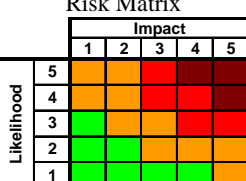| **Risk Identification**			
Date Identified		**Identified By**	e.g. CMT, SMT, Project Board?
Risk Type / Category	i.e. Assets, Change, Finance, Governance, HR, Information or Partnerships		
Risk Schedule Type	i.e. does it impact on Corporate, Service and/or Project Plans?		
Risk Title	i.e. provide a heading / identifier - not a description – of the risk		
Risk Statement Per Corporate Risk Schedule	i.e. provide a short a summary of the risk, impact and consequences.		
Impact	e.g. financial, legal, people, reputation, service / project delivery.		
Consequence	e.g. financial loss, prosecution/ sanction, good / bad PR or media interest, good / bad audits.		

Risk Evaluation (Likelihood x Impact) (see risk scoring matrix and guidance)

Current Risk Rating (after controls) (i.e. realistic likelihood & impact given current controls)		**Target Risk Rating (after actions)** (i.e. realistic likelihood & impact after additional actions)	
Risk Matrix	Likelihood and Impact Scores	Risk Matrix	Likelihood and Impact Scores
	Risk Level		Risk Level Target Date (Optional):

Control & Review Mechanisms

Controls	**Review Mechanisms**
i.e. what arrangements are currently in place to mitigate the likelihood and / or severity of the risk? e.g. policy, guidance, training, contract conditions, insurance etc.	e.g. monitoring / oversight by specific groups and committees, or inspections / audits etc.

Associated Actions (i.e. cross-reference to items on the Service Performance Plan or Project Plans etc, on Covalent software)

Ref. / Description	Owner	Date Identified	Status	Review Date	Target Date

Associated Performance Indicators (i.e. cross-reference to items on the Service Performance Plan or Project Plans etc.)

Ref. / Description	Owner	Date Identified	Status	Review Date	Target

Risk Impacts & Leads

Lead Service(s) (or Project / Partner Work-stream)	**Lead Officer(s)** (i.e. Job Title)

Other(s) Impacted (only complete this section if relevant)

Chief Executive	1	FC (default)	1	
CEO-FIN	2	Fire	2	
CEO-GOV	3	Police	3	
CNS	4	NHS FV	4	
DVS	5	Voluntary (CVS)	5	
EDS	6	Business (SE)	6	
SWS	7	Skills (SDS)	7	
	8	Training (FVCollege)	8	
FCT	9	Transport (SEStran)	9	
HSCP	10		10	
CPP	Other	Other	Other	

Additional Notes

Note Date	(only complete this section if relevant) e.g. Recent Changes made, date added to Covalent software, Covalent reference number assigned.

Appendix 4: RISK APPETITE AND PRIORITISATION MATRIX

Risk Matrix

Likelihood		Impact				
5 Almost Certain		Orange	Orange	Red	Dark Red	Dark Red
4 Likely		Orange	Orange	Red	Red	Dark Red
3 Possible		Green	Orange	Orange	Red	Red
2 Unlikely		Green	Green	Orange	Orange	Red
1 Almost Impossible		Green	Green	Green	Orange	Orange
		1 Negligible	2 Minor	3 Moderate	4 Major	5 Severe

Risk Rating	Action to be taken
Very High Risks (Priority 1) **High Risks (Priority 2)**	Risks that are above the Council's (or Project/ Partnership Boards) risk appetite. Senior managers must be made aware of the risk and robust action plans are to be developed and uploaded to Covalent to manage the risk. Risks are required to be included in reports to e.g. CMT, Audit Committee, and Project/ Partnership Boards.
Medium Risk (Priority 3)	Risks that are within Council's (or Project/ Partnership Boards) risk appetite, but could progress above the risk appetite without further actions. Effective monitoring procedures are to be put in place and professional judgement calls are to be made on the requirement of additional actions. Risks are required to be included in e.g. 6-Monthly Service Risk Updates to CRMG, and performance updates to the Scrutiny Panel.
Low Risk (Priority 4)	Risks that are well within the Council's risk appetite and therefore poses no real threat of occurrence or impact. Risk should be managed by existing processes and procedure. There is no requirement to include these risks in reports to e.g. CMT and CRMG. However, they may be included in e.g. Project / Partner Work-Stream Reports.

– – – – –	'Risk Appetite' Threshold. Any risks above this threshold should have additional actions, within Service Plans, to help reduce the level of risk to a tolerable level.

Appendix 5: GUIDANCE ON SCORING IMPACTS

CONSEQUENCE & IMPACT DEFINITIONS FOR EACH RISK CATEGORY

These take account of Imapct on Reputation/ Finances/ Services / People & Regulatory Compliance

Risk Category	Risk Description	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Extreme
Financial	Failures in proper financial management	Negligible loss (£<1k)	Minor loss (£1k - £10k) Minor impact on service/ security / reputation	Significant loss (£10k - £100k) Moderate Service / Reputation impact	Major loss (£100k-£1m) Significant impact on service and/or reputation	Severe loss (£>1m) Severe impact on customer, services and reputation
Information	Interruption/ failure in information (availability, integrity and security	Loss of non key systems or data. Service/ Reputation: Negligible impact on service / security / reputation. BCP plans not required.	Loss of key system or data for a limited period of time. Service/ Reputation: Minor impact on service/ security / reputation	Loss of key system or data for a limited period of time. Service/ Reputation: Moderate impact on service/ reputation security. Within tolerability of BCP plans.	Major impact - sustained loss of key system/ data, resulting in major Reputation/ Service: Significant impact. BCP plans implemented	Major impact (permanent loss of data/ facility) resulting in failure to meet Severe impact on customer, services and reputation
HR	Failures in HR management (including recruitment, retention, absence, competence and safety)	People: Affects a small no. of staff. Service: No disruption to service. Reputation: No adverse media.	People: Affects up to 5% of staff. Service: Minor impact on services - issues can be easily resolved. Reputation: Possible adverse local media attention.	People: Affects 5-25% of staff. Service: Ongoing problems, resulting in late delivery /moderate error in service due to lack of/ ineffective staff. Reputation: May affect our standing with a customer/ citizen group. It may also damage relations with consumer & trade bodies etc. Adverse local press reports.	People: Affects 25-50% or more staff. Service: Uncertainty over delivery of service or major error due to ineffective training. Reputation: Results in increased claims/ complaints. It may also damage relations with consumer & trade bodies etc. Adverse reports in national media.	People: Affects 50% or more staff. Service: Non delivery of service; loss of key staff; critical error due to insufficient training; multiple claims or single major claim. Reputation: Concerted, widespread or recurrent critical media coverage of the Council for a specific event.
Assets	Failure to properly manage assets, resulting in damage, loss, theft; and inefficiency by not maximising lifespan	Negligible loss (£<1k)	Minor loss (£1k - £10k) Minor impact on service/ security / reputation	Significant loss (£10k - £100k) Moderate Service / Reputation impact	Major loss (£100k-£1m) Significant impact on service and/or reputation	Severe loss (£>1m) Severe impact on customer, services and reputation
Change	Failure to recognise, plan for, and manage significant change, both internally and externally.	Barely noticeable in scope / quality / schedule of objectives. Negligible impact on reputation.	Minor reduction in scope/ quality/ schedule of objectives. Possible adverse local media attention.	Reduction in scope or quality, project objectives or schedule. Some missed opportunities and potential for bad PR.	Significant reduction in ability to meet change objectives. Significant missed opportunity(s) and likelihood of bad PR.	Inability to meet change objectives. Significant financial loss/ missed opportunity; and/or reputation severly damaged.
Governance	Failures in governance, leadership, accountability or decision making.	Barely noticeable impact on reputation / compliance / service delivery. Unlikely to damage relations with a legislative or regulatory body.	Minor impact on reputation / compliance / service delivery. Possible adverse local media attention.	Significant impact on reputation / compliance / service delivery. It may also damage relations with a legislative or regulatory body.	Major impact on reputation / compliance / service delivery The event may affect our standing with a legislative or regulatory body.	High likelihood or actual formal censure by a legislative or regulatory body. Severe impact on reputation / compliance / service delivery.
Partnerships	Failures in partnerships or contracts with external bodies.	Deteriorating performance of a non-critical 3rd party supplier or partner. Negligible impact on service or reputation	Partial Failure of a non-critical 3rd party supplier or partner Unlikely to impact on customer, service, or reputation	Partial Failure of a major 3rd party supplier or partner. Possible impact on customers and adverse local media	Significant Failure of a major 3rd party supplier or partner Significant impact on service, customers and reputation	Total Failure of a major supplier or partner Severe impact on customer, services and reputation

FALKIRK COUNCIL

Subject: **CORPORATE WORKING GROUPS REVIEW**
Meeting: **AUDIT COMMITTEE**
Date: **20ᵗʰ April 2015**
Author: **DIRECTOR OF DEVELOPMENT SERVICES**

1.   **INTRODUCTION**

1.1   Members will recall that a detailed assessment of Corporate Working Groups (CWG's) was undertaken in 2013, and that the Audit Committee requested that the Chief Executive review the CWG arrangements as there appeared to be an excessive number of groups and the potential for duplication and inefficiency.

1.2   A review has been undertaken with the aim of identifying areas for integration, and to distinguish between Corporate, Operational Working Groups (OWGs) and Multi-Agency Groups (MAGs).

1.4   The following appendixes are attached and have been reviewed previously by CMT:
       • Appendix 1 provides a CWG organisation chart; and
       • Appendix 2 provides a more detailed CWG schedule.

1.5   The list and overview for each CWG is dynamic and will be reviewed over time by each CWG. For example, the Asset Management and Corporate Sustainability Groups are reviewing their objectives and risks as part of ongoing reviews of their related strategies, plans and work-plans. There are also a number of new groups included, including Equalities and the Improvement Governance Board (was the ICT Steering Group), whose terms of reference are still to be agreed.

2.   **KEY CHANGES AND RECOMMENDATIONS**

2.1   The list of CWGs has been substantially reduced, from 52 to 14 CWGs, and they continue to be aligned with the 7 Corporate Risk Register (CRR) categories.

2.2   It is recommended that the Chair of each CWG determines the appropriate   operational arrangements for the group, including associated OWGs and MAGs.

2.3   The current OWGs and MAGs are noted within Appendix 2 for information, although it is proposed that this level of detail is excluded from any future reports to the Audit Committee and the Executive.

2.4   The key changes to the CWG structure and list are outlined below:-

       2.4.1   Assets

               The current CWG list for assets includes a number of OWGs, including the Fit Fleet and Planning Obligations groups, which have now been removed as they deal with operational issues and they will feed into the Asset Management Group. Asset CWGs are now the Asset Management and Corporate Sustainability groups.

2.4.2 <u>Change and Partnerships</u>

All services manage change and relationships with Partnerships, however, the key CWGs have been identified as Community Planning, Housing, People Protection and Resilience. A number of these groups were previously included under the Governance risk category, but have been re-assigned to this category because they are mainly MAGs and lead on significant change objectives. The Welfare Reform CWG and the Procurement Board are also included within this category.

2.4.3 <u>Performance, Best Value and Improvement</u>

This heading includes both the Best Value and Improvement groups, which are lead by Policy, Technology and Improvement Team. The Terms of Reference and Membership of the latter are still to be agreed, however it is expected that these will have similarities with the Best Value CWG and hence at present they are combined in Appendix 3. This will be updated as part of future reviews.

2.4.4 <u>People Protection</u>

This category has been significantly rationalised, and is categorised into:

- CAPSG (Child and Adult Protection Strategy Group (internal strategy); and
- Child Protection, MAPPA and Adult Support and Protection (multi-agency).

Numerous other CWGs that appeared on the previous list have been removed as they focus on operational issues and are captured within these broad headings.

2.4.5 <u>Finance</u>

The Corporate Budgeting CWG has been deleted from the schedule, as Finance Division advised that it has not met for over a year.

2.4.6 <u>Governance</u>

This risk category includes CWGs for the Community Trust and Equalities. The latter is a new CWG which is due to be formed in 2014 and will be championed by the Chief Governance Officer. The terms of reference shown in the CWG list are a draft, as they are still to be developed and approved.

2.4.7 <u>Human Resources</u>

The only CWG included in this risk category is the Safety @ Work Group. Service Based Forums have been removed as they deal with operational issues.

2.4.8 <u>Information</u>

At present there are no CWGs for information, although there are OWGs relating to Freedom of Information, Records Management and RIPSA (surveillance); and the Information Management Review includes a review of responsibilities for information risks.

3.   RECOMMENDATIONS
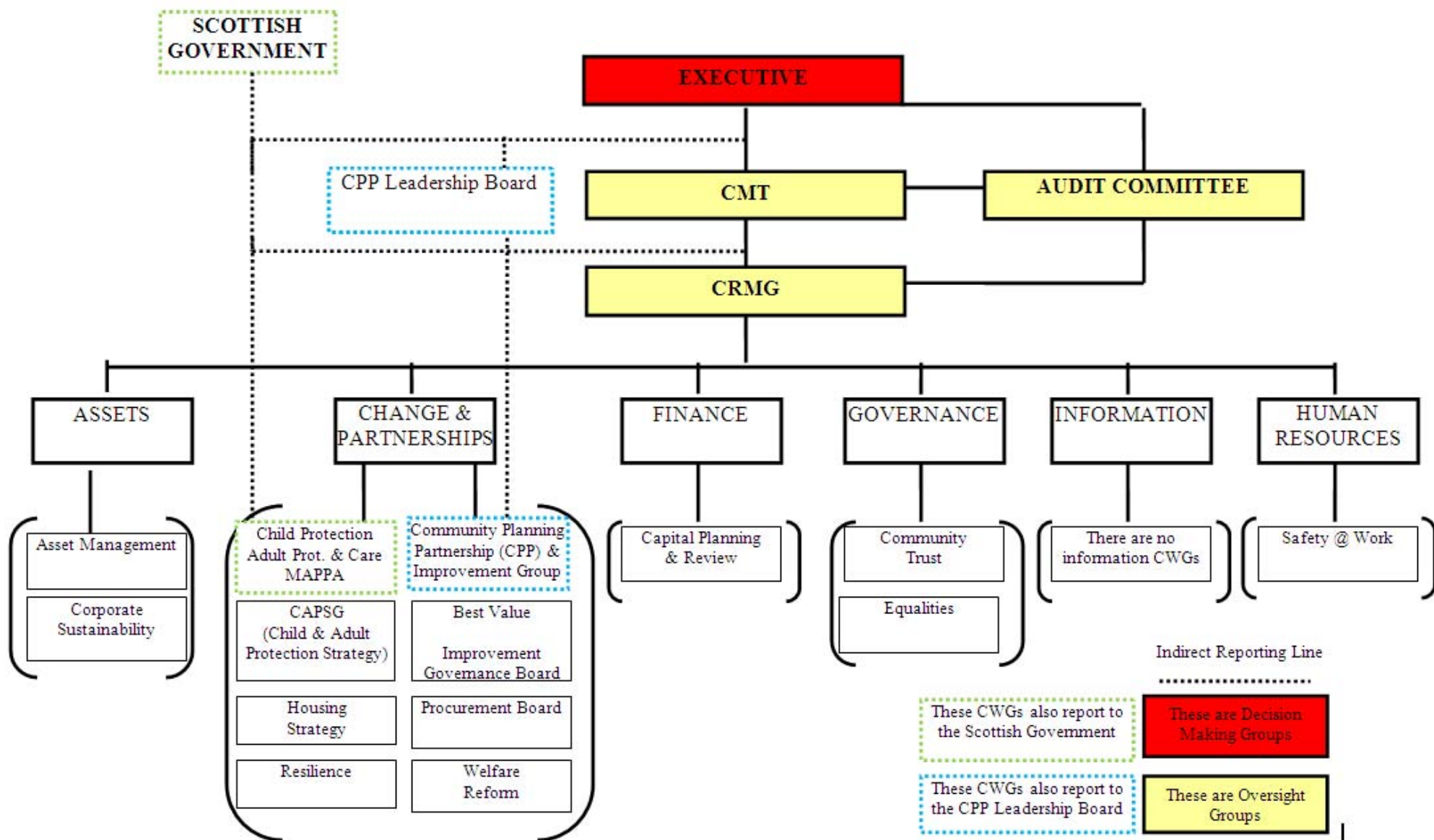
3.1   Members are invited to:

      3.1.1   note the contents of this report and attachments.

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…………………………………..
Director of Development Services

Date: 8th April 2015

*A number of groups say 'Reports to CRMG and CMT'. This means that the CWG report directly to CMT, and that Services will include an update on those CWGs which they lead on within their 6-monthly Service Risk Update to CRMG, and they will request further information on risks from CWGs as appropriate.

ASSETS

(1)   Asset Management

Objectives	Risks	Reports to	Meets
(1) To develop and monitor the Corporate Asset Management Plan and associated Asset Plans (including property, roads, open spaces, fleet, ICT and housing). (2) To monitor Best Value & Best Fit to deliver effective Services. (3) To link asset, capital and strategic planning. (4) To link the Council and FV Partners Asset Strategies. (4) To identify and implement rationalisations and efficiencies.	(1) Asset deterioration and increased depreciation. (2) Assets are not fit for purpose, leading to increased servicing, running costs and inefficient and/or ineffective services. (3) Insufficient utilisation and rationalisation of assets. (4) Environmental impacts e.g. assets are not energy efficient. (5) Financial challenges, such as: a) A need to deliver savings on external rents in order to support local businesses and the economy to grow. b) Increased running costs due to e.g. fuel prices and inflation. c) Reduced income due to lower funding and interest rates. (6) Non-alignment of asset and capital planning, which may result in capital shortfalls, and consequences thereof.	Reports to CRMG and CMT	6 x a Year

Associated OWGs and MAGs:	Chair:	Members:		
(1) Fit Fleet Group	D Duff	A Urquart R Millard R Smith	C McGhee/ A Templeman M King	K Gillespie C Bullough A Livingstone

(2)   Corporate Sustainability

Objectives	Risks	Reports to	Meets
(1) To develop and monitor the implementation of corporate sustainability policies and targets, related to, for example: a) Waste reduction; b) Energy efficiency; c) Recycling; and d) Climate change. (2) To share best practice amongst services. (3) To monitor emerging sustainability and climate change issues, and to develop strategies to meet legal obligations and plans.	(1) Failure to comply with statutory obligations, for example: a) EU Directives on waste; b) Strategic environmental impact assessments; and c) Climate change. (2) Failure to respond to financial challenges and inefficiency, e.g. a) Energy costs; b) Emerging related taxes; and c) Whole-life costing. (3) Climate change and its impact on communities, the economy, assets and services. (4) Reputation damage to the Council. (5) Failure to fulfil commitments made in Scotland's Climate Change Declaration e.g. minimising carbon emissions.	Reports to CRMG and CMT	4 x a Year

Associated OWGs and MAGs:	Chair:	Members:		
(1) Service Sustainability Teams	R Geisler	B Roddy/ J Angell R McMaster	R Cartwright M Bonnar D McGhee	J Flannigan/ B Pirie S Thomson S Rolfe

CHANGE and PARTNERSHIPS

(3) Community Planning Partnership (CPP) and CPP Improvement Group (both Multi-Agency Groups - MAGs)

Objectives		Risks		Reports to	Meets
(1) Strategic lead on Governance; Performance & Risk; Engagement & Participation; Joint Resourcing		(1) Inadequate CP performance and risk reporting. (2) CPP to undertake a risk assessment relating to risks faced by the CPP (as distinct from risks managed by CPP Members).		CPP Leadership Board	6-12 x a year

CPP theme structure:-
 (1) CPP Leadership Board
 (2) CPP Thematic Groups:-
 • Sustainable Falkirk
  - Sustainable Development Group
 • Growing business and prosperous people – 'My Future's in Falkirk' Way Forward Group
 • Fairer Falkirk – FF theme group
 • Young People who are Confident and Successful - Children's Commission
 • Safer Communities
  - Community Safety tasking & co-ord group
 • Healthier People
  - Community Health Partnership Board
 (3) CPP Improvement Group & Sub-Groups:
 • Governance
 • Performance (proposed - include risk)
 • Engagement & Participation
 • Joint Resourcing
 • Communications (proposed)
	Chair:
	 Leadership Group:
	 Council Leader
	
	 Improvem't Group:
	 Head of PT&I
		Leadership Board
		 Falkirk Council CEO
		 NHS FV CEO
		 Police Scotland
		 Community Trust
			Improve't Group
			 Officers from all Community Partners		

(4) Best Value and (5) Improvement Governance Board

Objectives		Risks		Reports to	Meets
(1) Steers implementation of Best Value and Performance Management policies and procedures across the Council. (2) A forum for sharing good practice. (3) Oversees the delivery of ICT strategy and investment. (4) Strategic leadership for change. (5) Monitor Council and external challenges and priorities. (6) Develop service change capabilities. (7) Implement REFLECT/self assessment processes. (8) To share best practice from reviews. (9) Develop Communications strategy and intranet.		(1) Unable to demonstrate best value, leading to potential increased scutiny (e.g. inspections and BV2 audits) and criticism. (2) Missed opportunities to identify best practice and efficiencies. (3) Reputation damage to the Council and/or our partners. (4) Ineffective communications with employees and other stakeholders, resulting in lack of buy-in to decisions, and services or delivery mechanisms may not meet users needs. **Please note that the objectives, risk and membership of the IGB are still to be agreed, as this is a new group. This will be reflected in future updates to the CWG list.**		Reports to CMT	6-12 x a year
Associated OWGs and MAGs: (1) Best Value Working Group (2) Improvement Governance Board (new)	**Chair:** F Campbell A Stewart	**Members:** As above, as required.	CP Partners		

(6) Housing Strategy					
Objectives (1) Develop, integrate and oversee the implementation of various housing strategies and plans, including: a) Local Housing Strategy; b) Joint Strategic Commissioning Plan; c) Housing Contribution Statement; and d) National Older Peoples' Housing Plan. (2) Monitor and respond to changing Scottish Government policy, guidance and best practice, taking account of changing Service users needs, the economy, demographics and other factors which may affect housing policy.		**Risks** (1) Failure to provide adequate care and housing services to vulnerable people in the community may lead to: a) Injuries/ harm, particularly to the elderly and disabled; b) Health and safety prosecutions and civil claims; and c) Reputation damage to the Council and/or our partners. (4) Negative audits or inspections by the Care Commission and/ or Housing Inspectorate. (5) Failure to meet SHQS (Scottish Housing Quality Standards). (6) Lack of resources to deliver housing strategy targets. (7) Changing environment, including welfare reform. (8) Housing and Social Work are delayed in delivering and implementing the Older Peoples' Housing Plan by impending health and social care integration.			Reports to CMT and CRMG	Meets 4x a Year
Associated OWGs and MAGs: (1) Local Housing Strategy (inc homeless) (2) Older Persons Strategy	**Chairs:** J Litts M Anderson Partners	**Members**: <u>External Partners:</u> Scottish Government Social Landlords Homes for Scotland Assoc. of Landlords	<u>Housing Strategy:</u> S Bentley/ E Hood/ K Gillespie D McCart S Thompson C Hemfrey	<u>Older Persons:</u> L McGhee G McNamara S Bentley D McCart S Thompson B Roddie	

				Reports to	Meetings
Objectives (1) Internal lead on child and adult protection issues. (2) Develop strategies and action plans for Child and Adult protection, including Corporate Parenting, Adult Care and Protection and MAPPA related strategies and plans. (3) Monitor and report on strategy and plans progress. (4) Ensure governance arrangements are fit for purpose. (5) Align activities with key projects and MAGs, including: a) Self-directed care; b) Integration of NHS, Community Care and other services; and, c) GIRFEC requirements.	**Risks** (1) Failure to protect individuals and communities, including: a) Offenders in the community; b) Adult Protection; and c) Child Protection. (2) Failure to support Children and Families to help themselves. (3) Negative PR, inspection reports, and compensation claims. (4) Failure to help Individuals to achieve their full potential may lead to additional dependency and demand for care. (5) MAPPA - failure to: a) Develop strategies and oversee offenders in the Community; b) Protect offenders and communities; c) Support and encourage offenders to live improved lives; d) Deliver Community Payback Orders. (5) Failure of partners and services to collaborate, including: a) Information sharing e.g. 'at risk' individuals and offenders; b) Deliver effective integrated Services; c) Respond effectively to issues e.g. abuse allegations; d) Deliver action and improvement plans; e) Meet the needs of all children and adults; and f) Make best use of change funds e.g. early years.			CMT and CRMG Children's Commission Care Commission FV and Fife MAAPA Group	4x a Year
Chairs: M Pitcaithly (People Protection Strategy and Partnerships). F Campbell (Corporate Parenting ie Looked After Children). M Anderson / M Reddie/ K McCarroll - Operational Areas.	**Members**: C Moodie F Campbell	M Anderson M Reddie K McCarroll	SWS and CNS Service Managers as required.		

(7) CAPSG (Child and Adult Protection Strategy Group (internal strategy); and

(8) Child Protection, MAPPA and Adult Support and Protection (multi-agency).

(9) Procurement Board			
Objectives (1) Maintain high standards of corporate governance. (2) Embed Sustainable procurement into all our activities. (3) Improve access to our contracts - particularly for local businesses and SMEs. (4) Improve officer skills and awareness. (5) Collaborate to deliver savings and best practice.	**Risks** (1) Failure to deliver Corporate priorities (e.g. sustainability). (2) Changes in service demands due to trends in demographics, the economy, social issues and service needs. (3) Capacity to deal with e-procurement. (4) Insufficient data to monitor spend and supplier performance. (5) Operations are not competitive and/ or do not deliver value.	Reports to CMT and CRMG	Meetings 4 x a year
Chair: W McQuillian	**Members**: Chief Officer Level		

(10) Resilience			
Objectives (1) Develop strategic and tactical responses to emergencies. (2) Develop and monitor compliance with CCA and COMAH. (3) Develop multi-agency responses with emergency services and other partners, based on different response levels: a) FV local response, via FV Local Resilience Partnership; b) Grangemouth incident responses, via MICC; and c) Regional and/or national incident response, via EOSRRP. (4) Develop, review and test plans for civil contingencies (community response) and BCP (service and asset protection), for pandemic flu and winter emergencies etc.	**Risks** (1) Injury, death and/or damage to property. (2) Disruption to services, which increases potential for harm. (3) Claims – for example, from businesses hit by flooding. (4) Reputation damage to the Council. (5) Non Compliance with statutory obligations, including: a) CCA (Civil Contingencies Act) 2004; and b) COMAH (Control of Major Accident Hazards Regulations). (5) Ineffective management of change. (7) Partnership structures do not support effective responses.	Reports to CRMG and CMT	Meetings Vary

| **Associated OWGs and MAGs:**
(1) MICC: Major Incident Control Cttee
(2) EOSRRP: East of Scotland Regional Resilience Partnership
(3) FV Local Resilience Partnership
(4) Severe Weather Planning | **Chair:**
Depends on the nature or severity of the event or issue. | **Members**: (as req'd)
M Pitcaithly
R Geisler/ M Wilson
R McMaster
M Anderson/ M King
C Binnie/ E Hood
Others as required | Category 1 and 2 Responders, e.g.
Local Authorities
Emergency Services
Key Govt. Agencies
NHS | Local partners, e.g.
Grangemouth industry
Voluntary Sector |

(11) Welfare Reforms					
Objectives (1) Oversee the implementation and impact of welfare reforms across the Council.		**Risks** Welfare Reform will substantially impact on the Council, citizens, the economy; and affect a variety of groups including employees, landlords and partners, resulting in an estimated reduction in the Falkirk area economy of £48m per annum. The impact of Welfare Reform is likely to lead to increased rent bad debts, housing demand shifts, poverty, ill-health and demand for services (in particular, welfare, finance & housing). Reduced citizen incomes also reduce spending and impact on the economy; and reduced Council income/ bad debts affects services and capital spend. The risks associated with WR are detailed in a Risk Schedule developed by the Welfare Reform Governance Group, and Associated Plans & Policies such as Finance, Housing, Anti-Poverty and Community Partnerships. The benefits/ opportunities of reform could include: • improved data sharing – in particular, reducing internal barriers to data sharing – and improved services; • operational process efficiencies; • improved skills and employability for employees and citizens; and, • improved community and personal resilience. The scale of change requires more flexible and innovative approaches to change & decision making - and being too 'risk averse' and slow to implement change could increase the risks.		Reports to CMT and CRMG	Meetings 4 x a year
Associated OWGs and MAGs:	**Chair:** S Ritchie	**Members**: M Anderson	F Campbell K Algie J Litts	B Smail S Mathers Sally Buchanan	

FINANCE

(12) Capital Planning and Review

Objectives	Risks	Reports to	Meetings
(1) To develop capital budgets and plans, and ensure that the Council delivers best value from available financial resources. (2) To monitor spend and progress with of budgets and plans. (3) To communicate budget and capital plans with stakeholders, including Members, Citizens and Partners.	(1) Capital programme is not delivered, or within budget. (2) Monies are not spent on priorities within SOA or Plans. (3) Members not kept informed of plan progress or spend. (4) Services, communities and the Council's reputation are adversely affected due to the above.	CMT and CRMG	Capital 4-6x year

Associated OWGs and MAGs:	Chair: C McGhee/ A Templeman	Members: D Duff R McMaster A Urquhart	G Greenhorn K McCarroll M Reddie RM Glackin	

GOVERNANCE

(13) Community Trust

Objectives	Risks			Reports to CMT and Community Trust Board	Meetings Vary
(1) Budgeting, business planning and performance monitoring. (2) Funding review and planning. (3) Agree and monitor SLAs for support services, such as HR, finance, assets and ICT. (4) Chief Executives and Board/ Member Liaison. (5) Capital and asset planning and reviews. (6) Ensure that both the Council and Trust operate within agreed policies and procedures (inc HandS compliance).	(1) Lack of agreed objectives. (2) Inadequate monitoring and reporting of performance and spend - failure to identify deviations from plan early. (3) Strategic Objectives / Outcomes do not support the SOA. (4) Lack of understanding between the Council and Trust on strategic plans & how each contribute to them. (5) Emerging issues are not identified or responded to effectively. (6) Inappropriate governance and risk management with Trust. (7) Inadequate forward planning (e.g. ICT, Assets, Policy and Communications) could result in under performance.				

Associated OWGs and MAGs:	Chair: M Pitcaithly M Campbell	Members: As req'd Service Managers from Council.	Council Members and Trust Board Members.	Service Managers from Trust

(14) Equalities

This CWG is to be established in 2014, and the Objectives, Risks and Membership will be more fully defined as part of the development of the group.

Objectives (DRAFT)	Risks (DRAFT)			Reports to CMT and CRMG	To Be Decided
(1) Develop policy, framework, objectives, guidance and training. (2) Monitor adherence to policies and best practice. (3) Share and develop best practice, and improve service capabilities, including Equality Impact Assessments. (4) Review and benchmark performance against both internal and external best practice standards.	(1) Failure to deliver equalities objectives, or to consistently apply policies and guidance, or to comply with statutory obligations. (2) The above may result in: a) Harm to individuals - employees and public; b) Financial costs (including Equalities Commissioner fines; Human Rights Act or injury claims, and Employment Tribunals; c) Limit to individuals personal achievements and independence Increased dependency and demand on care and welfare; d) Failure to achieve accreditations e.g. Investors in People (IIP); e) Reputation damage to the Council and our partners.				

Associated OWGs and MAGs: (1) Disabled Employee Network (DEN) (2) FV LGBT	Chair: RM Glackin	Members: C Sweeney	Other to be decided	

HUMAN RESOURCES

(15) Safety at Work

Objectives	Risks	Reports to	Meetings
(1) Monitor and discuss policy and guidance. (2) Share best practice and lessons learnt. (3) Monitor the implementation of policy and guidance.	**Risks** (1) Failure to deliver Health, Safety and Care objectives. (2) Inconsistent application of policies and guidance, or to comply with statutory obligations, resulting in potential: a) Harm to individuals - employees and public. b) Financial costs (including EL and PL claims and absence. c) Reduced performance and service standards. d) Failure to attract and retain talent. e) Failure to achieve accreditations e.g. Healthy Working Lives. f) Reputation damage to the Council.	Reports to CRMG and JCC	Meetings 6 x a Year

| Chair:
R Edward | **Members**:
J Hooper
J McTaggart | C Chapman
D Black
A Smith | A Findlay
A Patrick
E Craig | | |

INFORMATION

At present there are no CWGs for Information Risks.
There are however some operational working groups e.g. FOI, Records Management and RIPSA.