



Agenda Item 3

Minute

Draft

FALKIRK COUNCIL

Minute of meeting of the Audit Committee held on Monday 7 November 2022 at Lesser Town Hall, Falkirk at 9.30 a.m.

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

Officers: Karen Algie, Director of Transformation, Communities and Corporate Services
Malcolm Bennie, Director of Place Services
Sophie Dick, Democratic Services Graduate
Gary Greenhorn, Head of Planning & Resources
Kenneth Lawrie, Chief Executive
Sarah McPhee, Senior Internal Auditor
Brian Pirie, Democratic Services Manager
Amanda Templeman, Chief Finance Officer

Also Attending: Steven Kirkwood, Chief Finance Officer, Falkirk IJB

A9. Apologies

No apologies were intimated.

A10. Declarations of Interest

There were no declarations of interest.

A11. Minute

Decision

The minute of the meeting of the Audit Committee held on 22 August 2022 had been approved at the meeting held on 27 October 2022.

A12. Internal Audit Charter

The committee considered a report by the Internal Audit Risk and Corporate Fraud Manager seeking approval of an updated Internal Audit Charter. The charter set out the role, authority, and responsibilities of the Internal Audit team and had last been reviewed August 2020.

Following a question on whether there had been significant changes made to the Charter, the Senior Internal Auditor clarified that the changes were minimal. The purpose of the changes was to include Clackmannanshire Council in the wording.

Decision

The Committee approved the Internal Audit Charter.

A13. Internal Audit Annual Assurance Report 2021/22

The committee considered a report by the Internal Audit Risk and Corporate Fraud Manager providing an overall assurance on the Council's arrangements for risk management, governance, and control, based on Internal Audit work undertaken during 2021/22.

The Plan for 2021/22 set out 25 reviews. 22 had been completed, 1 ongoing and 2 had been deferred to the 2022/23 Internal Audit Plan.

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

- Complete 85% of agreed audits – 91% completed
- Have 90% of recommendations accepted – 100% accepted
- Issue 85% of draft reports within 3 weeks of completion of fieldwork – 100% issued

Due to resourcing constraints, the planned work on Legionella Management Arrangements had been deferred to the 2022/23 Internal Audit Plan and members asked if these constraints had been rectified. The Senior Internal Auditor assured members that that work was currently ongoing – the resourcing issue related to staffing levels as the Internal Audit Team had been recruiting an Internal Auditor and Senior Internal Auditor. Ms McPhee stated that the work was on track to being completed.

Members asked if all vacancies within the Internal Audit Team had been filled, as this was highlighted as a concern during the 2021/22 period. The Senior Internal Auditor confirmed that the Internal Audit Team had a full complement of staff since October 2022.

Following on from this point, Ms McPhee clarified that substantial assurance was provided despite the resourcing issues due to the high quality of work. She explained that the team was highly experienced, and all members of the Internal Audit Team were capable of maintaining high quality.

Fleet Management and Monitoring was provided Limited Assurance with 'some scope for furthering improving the existing controls' and members asked for assurance that this had been addressed. The Director of Place Services explained that a substantial amount of time had been spent addressing this issue – as a result of the 2021/22 Internal Audit, an additional audit was requested in June 2022 to assess the extent of improvements made. This work highlighted further areas of improvement which had since been addressed through new leadership and robust practices. Furthermore, additional improvements were expected with a new Fleet Manager having been employed in Autumn 2022.

Falkirk Council was involved in the National Fraud Initiative which was designed to detect wrongly claimed Council Tax Single Person Discount, of which there were 13 instances totalling to around £6k. The committee asked what lessons had been learned from these instances. The Senior Internal Auditor explained that the Fraud Team would notify the individual involved. In general, the main cause for wrongly claimed discount was due to a child turning 18 and the homeowner being unaware of the implication of this.

Members referred to Procurement and Housing Property Support and Follow up: Stage One and asked why the Level of Assurance was 'Not Applicable' to which Ms McPhee explained it was standard practice for follow-ups to not receive a level of assurance. She stated that the purpose was to follow-up on recommendations and identify the progress made. Assurance would only be given to full audits.

191 (14%) of Integra transactions failed to have supporting documents attached and the committee sought for further information on this. Ms McPhee explained that in situations like this, managers were notified and had to provide comment on how they would improve. The Senior Internal Auditor stated she would refer back to the committee with more in depth information.

Decision

The Committee noted:-

- (1) sufficient Internal Audit work was undertaken to support a balanced assurance;**
- (2) Internal Audit could provide SUBSTANTIAL assurance on the Council's arrangements for risk management, governance, and control for the year to 31 March 2022;**

- (3) Internal Audit met, or exceeded, each of its Key Performance Indicators; and**
- (4) the Internal Audit section operated in compliance with Public Sector Internal Audit Standards.**

A14. Internal Audit Plan 2022/23

The committee considered a report by the Internal Audit Risk and Corporate Fraud Manager presenting a draft 2022/23 Internal Audit Plan for approval.

The plan allowed for 423 audit days. This was a reduction from the previous 523 audit days.

The plan comprised:-

- Annually recurring Assignments
- Committed Assignments
- Other Client Work

The committee sought for assurance on whether the Internal Audit Team was on track to complete 100% of all audits as well as have further capacity to complete additional work if something arose. The Senior Internal Audit Manager confirmed that the Team was on track to complete 100% of all audits, however, recognised she was unable to anticipate the unknown. If something were to arise, Ms McPhee stated all work would be considered and prioritised to ensure that the most pressing would be completed.

Following a question on what was meant by 'Covid-19 Recovery' as a Risk Mitigated, the Senior Internal Auditor explained that the impact of Covid-19 was still ongoing. It was part of the Risk Register when comparing the current situation of employees returning to work rather than working from home, the risk was mitigated. Covid remained a risk due to it removing staff from the workforce, but to a smaller extent compared to previously.

Decision

The Committee:-

- (1) noted the resources available to Internal Audit and that the plan is flexible;**
- (2) approved the Internal Audit Plan for 2022/23; and**
- (3) noted that progress will be reported to the Audit Committee on an ongoing basis.**

A15. Corporate Fraud Update

The committee considered a further report by the Director of Transformation, Communities and Corporate Services previously submitted in March 2022.

The report provided an update on progress as well as an update on corporate fraud/whistleblowing related reporting as requested at the previous Audit Committee.

The Anti-Fraud and Corruption Strategy and the Procedure for Investigating Corporate Fraud Referral documents were uploaded to the Council's website, however, the Senior Internal Auditor was unsure if it was possible to track how many people were engaging with the documents online. Ms McPhee stated she would refer back to committee.

An Investment Fraud presentation was organised for March 2022, however, did not take place due to a lack of interest. Members asked if the approach to engaging with people had changed since then. Ms McPhee stated that work was ongoing to alter the approach, however, would refer back to committee with more information.

The committee asked what work was ongoing to ensure Services were aware of their involvement with Corporate Fraud and the Senior Internal Auditor stated she would refer back to committee with information on this.

Appended to the report was the 'Corporate Fraud Action Plan' which detailed when actions were to be completed, members requested if a real-time update would be available in future reports. Ms McPhee stated she would refer back to committee.

Following this, the Chief Finance Officer explained that there had been pressures on the Internal Fraud Team due to workforce absences and whistleblowing allegations. Ms Templeman believed the action plan would be completed, with the possibility of a slight delay. Work had also been ongoing with Police Scotland to create toolbox talks targeted at elected members however, discussions were ongoing to expand this to officers.

Following a question on how many financial controls were in place to prevent/restrict fraud and the associated cost for this, the Chief Finance Officer explained that financial controls were focused on how officers carried out day-to-day tasks, thus no attached financial costs. Ms Templeman highlighted that a number of different transactions took place every day and therefore it was appropriate that a number of controls were in place. These controls adapted to the working arrangements during the pandemic and have since been reviewed to ensure they reflect the current way of working. Assurance for these controls was provided through the work of Internal Audit.

In terms of resources relating to investigating fraud allegations, the Chief Finance Officer explained that investigations required a significant amount of resources which mainly came from the Corporate Fraud Team (two people). If External Auditors felt it appropriate to engage, or HR, they would.

The committee referred to the Whistleblowing Investigations, of which there were a total of 12 new and 5 carried on from 2021/22. It asked what Services were involved and sought for assurance that appropriate time was given to the investigations. Ms Templeman explained that investigations could be complicated – some allegations were able to be resolved quickly while others were more time consuming and demanded greater resources. In some cases, external partners were involved which reduced the control over time management the Council had. Furthermore, the length of time to complete wasn't a reflection on the Team, but rather the complexity of the case, for example involving more than one Service. The Chief Finance Officer emphasised that she was not concerned about the resources of the Team.

Members raised concerns around the timescales provided in the Corporate Fraud Action Plan to which the Chief Finance Officer explained that this report was intended for an earlier Audit Committee. Ms Templeman agreed to return to the committee with an update on progress.

In relation to elected members training on Fraud Prevention, the Chief Finance Officer agreed that training should be forthcoming although recognised the current pressure on the Internal Audit Team. This had delayed training and she assured that this would be resolved alongside the Internal Audit Risk and Corporate Fraud Manager.

Decision

The Committee:-

- (1) noted progress with updating the Fraud-related documents;**
- (2) noted fraud related performance and the summary of work undertaken within the Corporate Fraud Team for the year so far; and**
- (3) noted the Corporate Fraud Action Plan 2022/23, and agreed that progress will be reported to elected Members six monthly.**

A16. Risk Management Assurance Policy and Framework

The committee considered a report by the Director of Transformation, Communities and Corporate Services providing an updated Risk Management Assurance Policy and Framework (the 'Policy'), and to outline the next steps in rolling out updated risk management training and guidance.

Members raised concerns around the lateness of some training for the Audit Committee, particularly noting in relation to the budget setting process. Furthermore, the committee highlighted that Councils were risk adverse which would make it appropriate to hold discussions around risk appetite. The Chief Finance Officer acknowledged there may be limitations on capacity for both officers and members to carry out training. Ms Templeman explained that the Council was handling risk management by undertaking the work required for the budget setting process, which was impacting on resources for training. In terms of risk appetite, discussions had been held to create workshops and better understand people's ideas on it. Target Risks were also incorporated into the Corporate Risk Register, but focus should be placed on how these Target Risks inform decisions. She referred to the Committee Papers – Risk Considerations Section which she noted could be improved and adopt a more consistent approach.

Following a question on whether risk assessments would be undertaken in conjunction with motions of budget cuts, the Chief Finance Officer highlighted the link to committee reports. The committee reports should be very specific as to what the implications of a reduction and if any mitigation measures could be implemented. Furthermore, EPIAs would be utilised – any reduction/change in policy should be accompanied by an EPIA which would outline the implications and any mitigation measures.

CRM would no longer carry out Scrutiny Committee Deep Dives and members sought for clarity on where scrutiny of specific areas of performance would take place. Ms Templeman explained that Audit Committee and Executive would be able to refer a report to Scrutiny Committee if they felt it would be appropriate. The reason behind stopping the Deep Dive exercise was because the purpose of routinely doing them wasn't always clear whilst taking up a significant amount of officer/member's time. This new approach would be much more focused.

The Chief Finance Officer stated she would consider including a segment on the role of other committees (such as Scrutiny) in the Audit Committee training.

Decision

The Committee:-

- (1) noted the Policy;**
- (2) referred the Policy to the Executive for approval; and**
- (3) noted that the Chief Finance Officer will organise Risk Training for all Elected Members and Chief Officers in this financial year, and this will be supported by relevant guidance and training for other colleagues.**

A17. Corporate Risk Management Update

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

A Horizon Scanning session was planned to be undertaken by March 2023 with the suggestion that relevant elected members would also be involved. Members suggested that signposting this information would be helpful as well as a report to committee on Horizon Scanning. The Chief Finance Officer suggested that Horizon Scanning could be incorporated into the quarterly Corporate Risk Review.

The Summary of High Corporate Risks noted that seven risk assessments were still to be undertaken and the committee sought for information on timescales for these targets.

Following a question on how often the Corporate Risk Register was updated, Ms Templeman explained risk was a constant factor considered in all conversations and proved the Council was actively managing risk. One area of improvement that was identified was to incorporate risk work into what was being done so updated the Corporate Risk Register was separate to managing work. If a risk was seen to be of significance, for example Covid-19 or energy, they would be flagged up in many reports and discussed how it was actively managed.

Poverty was rated a high risk however was provided Substantial Assurance on the actions taken to address income maximisation, the committee asked what actions were in place to support individuals in poverty. The Chief Finance Officer recognised that poverty was a high risk and a likely scenario meaning it would score high in terms of impact and likelihood. Substantial Assurance was provided through the work carried out. The Director of Transformation, Communities and Corporate Services explained that additional funding was provided to support poverty through the Housing Support Grants and Leader Funding as well additional posts to support income maximisation. A briefing note was provided to elected members on more actions being undertaken. A full report was to be presented to the Council in December on a full range of actions for all elected members.

In terms of reducing 'Public Protection: Harm to Adults or Children' to a medium impact would not be possible as the impact of harm was inherently high. The Council could affect the likelihood of impact to a certain extent, but regardless, the impact would remain high.

Members suggested that a review of the way reports present information, namely implications on poverty, climate change and equalities, be considered. The Democratic Services Manager stated that a review of report formats would be undertaken in 2023 and would consider all comments. In terms of the current format, Council agreed in 2021 that climate change should appear after recommendations. The implications section had historically been at the end of the report.

Many of the comments within the Summary of High Corporate Risks noted 'Reduced from Medium to High', the committee sought for clarification on what was meant by this. Ms Algie summarised that as the risk had increased, the situation had reduced – she noted that this was complex wording and offered to review it. Ms Templeman echoed that the wording could be confusing and could be improved.

The Director of Transformation, Communities and Corporate Services agreed with the committee that it was important to fill the posts related to income maximisation quickly. Ms Algie explained that it was essential that people with the correct skills were brought in for the job and therefore the role was redesigned to ensure this. She assured committee that a significant amount of work had been undertaken across the Council to support communities with poverty.

Decision

The Committee:-

- (1) noted the contents of the report; and**
- (2) referred to the Executive for approval.**