

FALKIRK COUNCIL

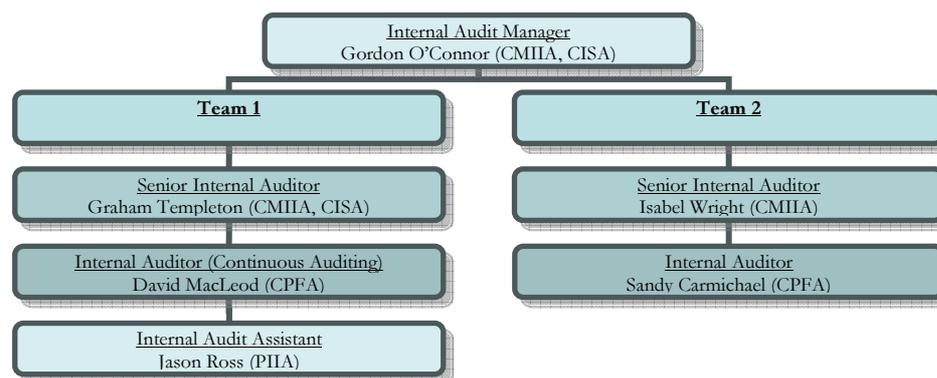
Subject: INTERNAL AUDIT PLAN 2014/15
Meeting: AUDIT COMMITTEE
Date: 24 March 2014
Author: INTERNAL AUDIT MANAGER

1. INTRODUCTION

- 1.1 The Public Sector Internal Audit Standards 2013 (PSIAS) require that the Internal Audit Manager prepares 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 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.
- 1.4 As part of their responsibilities under CIPFA's guidance on Audit Committee principles, Members are required to consider and agree the Internal Audit Plan.

2. INTERNAL AUDIT RESOURCES

- 2.1 Internal Audit must be adequately resourced to meet its objectives, in terms of knowledge, skills, and other competencies needed to complete planned work. The staffing position within the Section has been stable for some years now, with a good mix of experience, qualifications, and skills.
- 2.2 All members of the Internal Audit Team are qualified (either with CIPFA, the Chartered Institute of Internal Auditors, the Information Systems Audit and Control Association, or a combination of these) and experienced, with Continuing Professional Development requirements ensuring that all remain well versed in new and emerging working practices, issues, and risks. In addition, three members of the team have recently achieved Lean / Six Sigma Green Belt status, allowing the Section to offer new services in relation to process streamlining and re-engineering.
- 2.3 The current team structure is set out overleaf:



2.4 The Internal Audit Plan for 2014/15 has been developed on the assumption that the above position will not change ¹. Resources will be allocated as follows:

Activity	Planned Days
Direct Internal Audit Time	770
Ad Hoc / Consultancy Work	110
Work on Recommendations Outstanding	20
Total Direct Internal Audit Activity	900

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.

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 The landscape within which the Council operates continues to change, with on-going financial pressure and ever increasing onus on managers to ensure that the balance between service delivery and robust internal control is maintained. Internal Audit also recognise the need to apply common sense and pragmatism, particularly around the level of internal and external scrutiny applied to Services, and in relation to the number and type of recommendations we make.

¹ **NOTE**, the nature of Internal Audit's continued involvement in the corporate Business Transformation project may impact on the figures proposed in the table at paragraph 2.4.

- 3.3 We will seek to place reliance on work undertaken by other inspectors and assurance providers, where possible, when considering the overarching opinion we will provide on the Council's arrangements for risk management, governance, and control, in our 2014/15 Annual Assurance Report. This will include working closely with Audit Scotland, to ensure that our work is co-ordinated and programmed to avoid duplication and maximise assurance.
- 3.4 On that basis, then, our planned 2014/15 Internal Audit work programme is set out at **Appendix 1**.
- 3.5 Following this 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. The 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 The manager will be required to provide responses to each recommendation, and the report and completed action plan will form the final record of the audit.
- 4.3 I will provide periodic reports to the Audit Committee on our progress with completing the 2014/15 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 2014/15; 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: 10 March 2014

AUDITS PLANNED FOR PERIOD APRIL 2014 TO MARCH 2015

Audit No.	Service	Purpose and Scope of Audit
A1	All Services	<p>Corporate Purchasing We will assess arrangements for ensuring compliance with the purchasing elements of Financial Regulations and Contract Standing Orders. This will be done on the basis of review of a sample of payments on a weekly basis.</p>
A2	All Services	<p>Senior Officer Financial Controls Internal Audit will review the senior officer financial control framework. Areas of potential coverage include:</p> <ul style="list-style-type: none"> • pre-employment checks and vetting arrangements; • the adequacy of policies, procedures, and guidance; • arrangements for controlling and monitoring authority to commit and incur expenditure; • systems of accountability, scrutiny, performance monitoring, and management information.
A3	Social Work Services	<p>Health / Social Care Integration In conjunction with colleagues from Fife, Tayside, and Forth Valley NHS Internal Audit Consortium, we will consider roles, responsibilities, and arrangements for the management, financing, and delivery of Internal Audit services to the joint delivery of Health and Social Care services.</p>
A4	Corporate and Neighbourhood Services	<p>Procurement To cover all aspects of procurement, including the setting up, and use of, central contracts, e-procurement (PCS and Quick Quotes), and use of the corporate purchasing card. Consideration will also be given to the steps necessary to move towards the Procurement Capability Assessment 'Superior Performance' category.</p>
A5	Development and Finance Services	<p>Strategic Projects Internal Audit will continue to maintain an oversight role, particularly in relation to the ongoing TIF project.</p>
A6	All Services	<p>System Interfaces Internal Audit will ascertain existing system interfaces and seek to identify opportunities for establishing workable and cost effective interfaces where these would help eradicate unnecessary re-work.</p>
A7	Education Services	<p>Devolved School Management We will review Education Services' arrangements for devolving responsibility for budgets, and the management of those budgets, to schools.</p>

Audit No.	Service	Purpose and Scope of Audit
A8	Social Work Services	<p>Self Directed Support Internal Audit will review steps being taken to plan for, and implement, Self Directed Support, and for ensuring compliance with the Social Care (Self Directed Support)(Scotland) Bill.</p>
A9	Finance Services	<p>Overtime and Allowance Administration To cover the processing of overtime and allowance claims and payments, as well as claim authorisation and verification arrangements. Also, to review whether Service exercises to reduce overtime and allowance expenditure have achieved their aims.</p>
A10	Development Services	<p>Business Support To include the provision of support to new and growing businesses in the Forth Valley area via the management of the Business Gateway Contract.</p>
A11	Corporate and Neighbourhood and Governance Services	<p>Council House Buy Back We will review arrangements for the acquisition of privately owned housing for inclusion in the Council's housing stock.</p>
A12	Finance Services	<p>Non-Domestic Rates Internal Audit will focus on calculation, billing, collection, advice, reliefs and exemptions, appeals, accounting, and management information. We will also review the monitoring and management of arrears, and the impact of the TIF project.</p>
A13	Education Services	<p>Community Learning and Development We will review strategies, policies, procedures, roles, and responsibilities, as well as the provision of learning and development and the evaluation of outcomes.</p>
A14	All Services	<p>National Fraud Initiative To co-ordinate and manage the NFI process (data submission and data match investigation) for Falkirk Council.</p>
A15	Social Work	<p>Criminal Justice Services To cover policy, procedures, and performance monitoring, and to include the SW Unit at Polmont Young Offenders' Institute, Youth Justice, and other key initiatives.</p>
A16	Development Services	<p>Falkirk Townscape Heritage Initiative (THI) Internal Audit will prepare audit certification as required by project terms and conditions.</p>

Audit No.	Service	Purpose and Scope of Audit
A17	Finance Services	<p>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.</p>
A18	All Services	<p>Statutory Performance Indicator Verification Work To collect, collate, and verify relevant SPI returns, in conjunction with Research and Information Team.</p>
A19	All Services	<p>Continuous Auditing To consider, review, and test transactional systems on an ongoing basis.</p>
A20	All Services	<p>Site Key Control Testing Intensive, short, multi-auditor visits to a sample of Council properties / sites (including schools). This will cover financial, information, security, premises / asset management controls, HR, and governance / management key controls.</p>
A21	To Be Confirmed	<p>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.</p>
A22	Falkirk Community Trust	<p>Falkirk Community Trust To be determined and agreed with Trust management.</p>

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.