

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

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

- 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	<p>Corporate Risk Management Arrangements</p> <p>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.</p>
A2	Finance Services	<p>Pensions Administration and Pension Fund – Governance Arrangements</p> <p>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.</p>
A3	Social Work Services	<p>Adult Health and Social Care Integration</p> <p>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.</p>
A4	All Services	<p>Data and Information Security – Governance and Practice</p> <p>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.</p>
A5	Finance Services	<p>Revenues IT Systems Security and Management</p> <p>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.</p>
A6	Education Services	<p>Reducing Bureaucracy in Schools</p> <p>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.</p>

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.