

FALKIRK COUNCIL

Subject: INTERNAL AUDIT PROGRESS REPORT
Meeting: AUDIT COMMITTEE
Date: 14 December 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 2015/16 Internal Audit Plan. It also provides information on Services' implementation of Internal Audit recommendations.

2. AUDIT PROGRESS AND PERFORMANCE

- 2.1 Progress with completing planned 2015/16 Internal Audit work is as follows:

Assignment Status	Number	%
Complete	9	42%
In Progress	6	29%
Not Started	6	29%
Total	21	100%

- 2.2 Internal Audit work is progressing as planned. A summary of current assignment status is set out at **Appendix 1** along with the assurance level provided (see **Appendix 2** for definitions). Key findings arising from completed assignments which have not previously been reported to Committee are set out at **Appendix 3**.
- 2.3 Performance against our established 5 Key Performance Indicators is as set out in the table below. This is broadly comparable to performance to the same point last year:

Key Performance Indicator	2015/16 - to date	2014/15 (at same time last year)	2014/15 (whole year)
Complete 85% of main audit programme	42%	53%	100%
Have 90% of recommendations accepted	100%	100%	99%
Spend 75% of time on direct audit work	76%	79%	78%
Issue 75% of draft reports within 3 weeks of completion of fieldwork	89%	92%	96%
Complete (to issue of final report) 75% of main audits within budget	100%	100%	87%

3. REPORTING OF RECOMMENDATIONS OUTSTANDING

- 3.1 At the last meeting of Audit Committee in September 2015 a total of 13 recommendations were reported as being outstanding.
- 3.2 Since that meeting, Internal Audit have again engaged with all Services to ensure that appropriate actions are taken to close off recommendations where the original or revised implementation date has lapsed.
- 3.3 As a result of that engagement, the number of recommendations outstanding has reduced significantly. The current position is as follows:
- Integra Supplier Management and Payments (1 Rec).
- 3.4 Details of each of these recommendations are set out at **Appendix 4**.

4. RECOMMENDATIONS

4.1 Members are invited to note:

- 4.1.1 progress with completing planned 2015/16 Internal Audit work;
- 4.1.2 Internal Audit performance, as reported at paragraph 2.3
- 4.1.3 the position in relation to Recommendations Outstanding.

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Internal Audit Manager

Date: 04 December 2015

INTERNAL AUDIT PLAN 2015/16 – PROGRESS AT 04 DECEMBER 2015

No.	Service/Status	Assignment	Level of Assurance
<i>Assignments Complete</i>			
1.	Corporate and Housing	Pensions Administration and Pension Fund Governance	Substantial
2.	Corporate and Housing	Investment (non-Pension Fund)	Substantial
3.	Corporate and Housing	Integra Supplier Data Management and Payments	Substantial
4.	All Services	Corporate Purchasing and Contract Monitoring (Interim Report)	Substantial
5.	Development	Employment and Training Unit	Substantial
6.	Corporate and Housing	Members' Training, Allowances, Expenses, and Civic Events and Receptions	Substantial / Limited
7.	Children's	SEEMIS Security and Management	Substantial
8.	All Services	Continuous Auditing	Not Applicable
9.	All Services	National Fraud Initiative	Not Applicable
<i>Assignments In Progress</i>			
10.	Social Work – Adult Services	Health and Social Care Integration	TBC
11.	Children's	Reducing Bureaucracy in Schools	TBC
12.	Corporate and Housing	Corporate Fraud	TBC
13.	All Services	Financial Regulations – Review and Update	TBC
14.	West Lothian Council	Reciprocal Review	TBC
15.	Falkirk Community Trust	SLAs, Cash Counts, and Follow Up of Previous Recommendations	TBC
<i>Assignments Not Started</i>			
16.	Corporate and Housing	Corporate Risk Management Arrangements	TBC
17.	All Services	Data and Information Security – Governance and Practice	TBC
18.	Corporate and Housing	Revenues IT Systems Security and Management	TBC
19.	Corporate and Housing	Mobile Device Security	TBC
20.	Corporate and Housing	LEADER Funding	TBC
21.	Internal Audit	External Quality Assessment by South Ayrshire Council	TBC

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 Key Findings Arising From Assignments Not Previously Reported To Audit Committee

No.	Assignment Area and Service	Assurance and Key Findings
1.	<p>Members' Training, Allowances, Expenses, and Civic Events and Receptions</p> <p>Corporate and Housing Services</p>	<p>Training – Substantial Assurance We reviewed the control framework in relation to training, including the elected Member induction process; procedures for assessing training needs; the programme of training offered to elected Members; budgetary control; and management information.</p> <p>In general, sound systems of control were in place. All elected Members are invited to participate in an induction course when first elected, with a survey of Members also undertaken during their term of office to identify potential development needs. There is mandatory training for Members prior to appointment to several Boards and Committees, and regular Members' briefing sessions are held.</p> <p>We made recommendations relating to the need for a training programme on the Council's decision making structure and Members' roles within that structure; the development of formal role descriptors for Members; the drafting of Personal Development Plans for all elected Members; and the introduction of annual, formal, one to one meetings to discuss past and future training and development needs.</p> <p>Allowances and Expenses – Substantial Assurance We reviewed rules and guidance on claiming and processing; procedures for checking, approving, processing, and monitoring claims and making payments; and management information.</p> <p>All staff were clear about their roles and responsibilities, with elected Members advised of entitlements and the re-imbursement process. There was some scope for improving the level of detail on completed forms.</p> <p>Civic Events and Receptions – Limited Assurance Focussed on policies and procedures; application, assessment, approval, and organisation arrangements; and budgetary and financial controls.</p> <p>There is a need to improve written policies and procedures, particularly in relation to the criteria against which applications are assessed, the factors to be considered when determining the location / format of events and receptions, and the actions to be taken to organise each element of an event or reception.</p> <p>In addition, a clear audit trail should be maintained in relation to the requesting, authorisation, and organisation of civic events and receptions, including the rationale for approving / rejecting requests.</p>

No.	Assignment Area and Service	Assurance and Key Findings
2.	SEEMIS Data Security and Management Children's Services	<p>Substantial Assurance</p> <p>Work focussed on review of the roles and responsibilities of those accountable for the management of SEEMIS data and security; procedures, guidance, and training; physical and environmental controls; access management arrangements; the quality and continuity of service provision; and contract management and monitoring arrangements.</p> <p>In overall terms we found controls to be sound. User set up and administration controls were working effectively, and there was regular dialogue and close working between Children's Services, the SEEMIS service provider (SEEMIS Group LLP) and the wider SEEMIS community.</p> <p>There was, however, some scope for enhancing the existing framework of control.</p> <p>For example, there is no agreement between the Council and SEEMIS Group LLP in relation to the retention and disposal of the Council's data. In addition, there is a need for a System Security Statement formalising management administration and data security responsibilities, and for an Access Control Policy clarifying and documenting arrangements for managing users' access to the SEEMIS system.</p>
3.	Continuous Auditing All Services	<p>Not Applicable – Ongoing Reporting and Assurance</p> <p>Work has focussed on creditors duplicate payments. To date 38 duplicate payments, with a total value of c£36k have been identified.</p> <p>All identified duplicate payment amounts have been, or are being, recovered.</p>
4.	National Fraud Initiative All Services	<p>Not Applicable</p> <p>The purpose of the NFI exercise is to review and investigate the outcomes of data matching undertaken by Audit Scotland on behalf of the Cabinet Office. 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.</p> <p>The 2014/15 NFI exercise is well underway. To date, 810 (of a total of 1,271 recommended matches) have been reviewed and investigated, with no material fraud or error detected.</p> <p>In addition to the core NFI exercise, Falkirk Council participates in a related exercise designed to detect wrongly claimed Council Tax Single Person Discount. To date, as a result of participation in this exercise (which matches Council Tax and Electoral Roll data), 154 frauds or errors have been detected, totalling c£110k, with recovery action taken or underway.</p>

INTERNAL AUDIT – RECOMMENDATIONS OUTSTANDING

No.	Target Imp Date	Service	Audit Name	Assurance Level	Recommendation Details	Responsible Officer	Agreed Management Action	Revised Imp Date	Latest Update Position
1.	31 October 2015	Corporate and Housing	Integra Supplier Management and Payments	Substantial	Management checks on the validity and accuracy of reissued payments should be introduced.	Accountancy Services Manager	Options to be explored for introducing checks.	N/A	Action Remaining Outstanding Options are being considered to work within system functionality. Procedure to be finalised.