

Mr Bryan Smail
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18 November 2015

Dear Bryan

**Falkirk Council and Falkirk Council Pension Fund
Review of Internal Audit 2015/16**

Audit Scotland's Code of Audit Practice (the 'Code') sets out the wider dimension of public sector audit. The Code requires the external auditor to undertake an annual assessment of the adequacy of the internal audit function. Also, based on this assessment we plan to rely on areas of internal audit in terms of International Standard on Auditing 610 (*Using the work of internal auditors*).

We have now completed our review and assessment of the internal audit function. This included a review of the range and quality of work carried out by internal audit including reporting arrangements. We concluded that internal audit operates in compliance with the Public Sector Internal Audit Standards (PSIAS) and has appropriate documentation standards and reporting procedures in place.

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

- Investment (non-pension)
- Integra Finance System - supplier data management and payments.

The reliance on internal audit work in the areas outlined above will allow us to direct resources to the financial systems and governance areas that we have assessed as being of higher audit risk.

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:

- Corporate risk management arrangements
- Adult health and social care integration
- Data and information security - governance and practice
- Revenues IT systems security and management
- Corporate purchasing and contract management.
- Financial regulations.

Falkirk Council Pension Fund

Internal audit also provide the internal audit function for Falkirk Council Pension Fund. The 2015/16 internal audit plan now includes specific work on Pension Fund systems. In terms of our financial statement responsibilities we plan to place formal reliance on aspects of internal audit in the following area:

- Pensions administration and pension fund - governance arrangements.

We note that internal audit work in the above area used transactions relating to financial year 2014/15. Our audit approach allows us to place reliance on testing carried out in the previous year.

We will continue to monitor and review completed internal audit assignments to ensure that work on which we are placing reliance has been delivered. Any failure to complete areas where formal reliance has been agreed could impact on our plan and result in an additional audit fee.

Finally, I would like to thank the Internal Audit Manager for his co-operation during our review.

Yours sincerely

James Rundell
Senior Audit Manager

By e-mail: Gordon O'Connor, Internal Audit Manager
Stuart Ritchie, Director of Corporate and Housing Services