

**FALKIRK COUNCIL**

**Subject:** INTERNAL AUDIT PLAN 2016/17  
**Meeting:** AUDIT COMMITTEE  
**Date:** 18 April 2016  
**Author:** INTERNAL AUDIT MANAGER

**1. INTRODUCTION**

- 1.1 The Public Sector Internal Audit Standards 2013 (PSIAS) require me to prepare a risk based Internal Audit Plan (the Plan) setting out the Section's annual work programme.
- 1.2 The Plan should take account of the Council's risk and performance management arrangements. It should also detail 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 stable for some years now, and has been sufficient to allow us to provide robust, evidence based, assurance. All 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 an excellent mix of knowledge and experience.
- 2.3 The Internal Audit Plan for 2016/17 has been developed on the assumption that the Team will continue to be adequately resourced. Time will be allocated as follows:

Activity	Planned Days
Direct Internal Audit Time	655
Ad Hoc / Consultancy Work	120
Work on Recommendations Outstanding	5
<b>Total Direct Internal Audit Activity</b>	<b>780 <sup>1</sup></b>

- 2.4 I have increased slightly the days allocated to ad hoc and consultancy work. This allows us to work closely with Services on 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.

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<sup>1</sup> Including provision of Internal Audit service to Falkirk Community Trust, Falkirk Pension Fund, and Falkirk Integration Joint Board.

2.5 Correspondingly, I've reduced the days allocated to 'Work on Recommendations Outstanding' from 15 to 5. All recommendations are now logged on the corporate Covalent system, with responsibility for monitoring implementation largely now sitting with Service managers. Services update progress on Covalent, and provide evidence to Internal Audit to support those updates.

**3. DEVELOPMENT OF THE INTERNAL AUDIT PLAN, PLANNED AUDIT COVERAGE, AND REPORTING ARRANGEMENTS**

3.1 As required by PSIAS, this Plan has been developed taking account of risk, via:

- review of the Corporate Risk Register;
- consultation with senior managers; and
- consideration of our own Internal Audit Needs Assessment model.

3.2 On that basis, then, our planned 2016/17 work programme is set out at **Appendix 1**.

3.3 On completion of each assignment Internal Audit will issue a draft report to the relevant manager. In most instances, this 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**.

3.4 In some instances 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 we are involved as part of a longer term workstream.

3.5 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, with progress implementing recommendations monitored and managed via Covalent.

3.6 I will provide periodic reports to the Audit Committee on our progress with completing 2016/17 work, and summarising the findings arising from each completed review. In June 2017 I will provide an Annual Assurance Report giving an overall opinion on the Council's risk management, governance, and control arrangements, based on the work that Internal Audit has carried out over the course of the year.

**4. RECOMMENDATIONS**

**4.1 Members are invited to:**

- 4.1.1 note the resources available to Internal Audit;**
- 4.1.2 agree planned Internal Audit coverage for 2016/17; and**
- 4.1.3 note that progress will be reported to Audit Committee on an ongoing basis.**

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**Internal Audit Manager**

**Date: 8 April 2016**

**ASSIGNMENTS PLANNED FOR PERIOD APRIL 2016 TO MARCH 2017**

No.	Service	Purpose and Scope of Assignment
A1	All Services	<p><b>Code of Corporate Governance</b> This review will focus on the Council's overarching framework of corporate governance documents and practices, based on the principles set out in the CIPFA / SOLACE 'Delivering Good Governance in Local Government' Framework.</p>
A2	All Services	<p><b>Compliance with Financial Regulations</b> Internal Audit will undertake a programme of checking compliance with elements of Financial Regulations across all Services. This will focus on key controls where failure would have significant or material consequences.</p>
A3	All Services	<p><b>Welfare Reform</b> To cover planning and change management, and arrangements for assessing and addressing impact.</p>
A4	All Services	<p><b>Corporate Purchasing and Contract Monitoring</b> To cover arrangements for ensuring compliance with the purchasing and contract monitoring elements of Financial Regulations and Contract Standing Orders (including the monitoring of capital contracts).</p>
A5	All Services	<p><b>Serious Organised Crime / CONTEST / PREVENT</b> Internal Audit will continue to have a role in reviewing and facilitating arrangements established in relation to national strategies on Serious Organised Crime, CONTEST, and PREVENT. This will involve close working with colleagues in other Council Services and partner organisations such as Police Scotland.</p>
A6	Children's / All Services	<p><b>Building Security (Council Buildings)</b> Internal Audit will review controls established to manage the risks to the security of Council buildings, including physical security and the provision of out of hours access and security. Particular emphasis will be placed on school security.</p>
A7	Corporate and Housing / All Services	<p><b>Redundancy and Severance Arrangements</b> We will review arrangements established to ensure compliance with the agreed Policy, including roles and responsibilities; application, assessment, and approval processes; the accuracy and consistency of benefit calculation; payment arrangements; and management information.</p>

No.	Service	Purpose and Scope of Assignment
A8	Corporate and Housing / All Services	<p><b>Payroll – Temporary and Permanent Adjustments</b> To include starters and leavers, acting-up arrangements, additions to and deductions from salary, changes to payee details, as well as any other amendments.</p>
A9	Corporate and Housing	<p><b>Integrated Housing Management System – Security and Management</b> We will review application and operating system security, as well as business continuity and disaster recovery arrangements.</p>
A10	Corporate and Housing	<p><b>Housing Rents</b> Internal Audit work will focus on compliance with policy and regulations, calculation of rent due, rent collection, and management information.</p>
A11	Corporate and Housing	<p><b>ICT Service Desk and Support</b> To include service levels, customer service and performance monitoring, ordering of equipment, and the disposal of obsolete equipment.</p>
A12	Corporate and Housing / Children's / Adult Social Work	<p><b>Procurement of Services from External Providers of Social Work Services</b> This work will cover all aspects of procurement, including the setting up and use of central contracts, ordering, payment, and verification of receipt of services.</p>
A13	Development	<p><b>Refuse Collection</b> To cover domestic (including special uplifts) and trade waste, policies, procedures, and performance monitoring, and expenditure / budget monitoring.</p>
A14	Development	<p><b>Financial Vetting, Insurance, and Performance Bonds</b> We will review arrangements for ensuring that contractors are subject to the appropriate level of financial vetting prior to the award of contract, that they have the required insurances in place, and that performance bonds are requested and received for significant capital and revenue contracts.</p>
A15	All Services	<p><b>National Fraud Initiative</b> To co-ordinate and manage the NFI process (2016/17 data submission and match investigation) for Falkirk Council.</p>
A16	All Services	<p><b>Continuous Auditing</b> To consider, review, and test transactional systems on an ongoing basis.</p>

No.	Service	Purpose and Scope of Assignment
A17	To Be Confirmed	<p><b>Reciprocal Audit Review with West Lothian Council</b> West Lothian Council Internal Audit will undertake a review of an agreed Falkirk Council system, and vice versa.</p>
A18	Internal Audit	<p><b>External Quality Assessment – Participation in External Quality Assurance Programme</b> This exercise has been deferred from 2015/16. Falkirk Council's Internal Audit section will be subject to External Quality Assessment (EQA). Five yearly EQA 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.</p>
A19	Falkirk Pension Fund	<p><b>Falkirk Pension Fund</b> Falkirk Council's Internal Audit Section provide Internal Audit services to Falkirk Pension Fund. For 2016/17, coverage will focus on Pension Investments, Governance, and the migration of data to the Altair Pensions administration system.</p>
A20	Falkirk Integration Joint Board	<p><b>Falkirk Integration Joint Board</b> The Chief Internal Auditor of NHS Forth Valley is fulfilling that role for the IJB for the three years from 01 April 2016. An IJB Internal Audit Plan for 2016/17 will be presented to the Board meeting in June 2016.</p> <p>Falkirk Council's Internal Audit Section will provide resource to support the IJB Chief Internal Auditor in discharging his duties.</p>
A21	Falkirk Community Trust	<p><b>Falkirk Community Trust</b> To be determined and agreed with Trust management.</p>

## DEFINITION OF INTERNAL AUDIT ASSURANCE CATEGORIES

Level of Assurance	Definition
<b>Substantial Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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.