

The background of the slide features a large, light blue crest of the University of Alberta. The crest is a shield divided into four quadrants. The top-left quadrant shows a stylized building. The top-right quadrant shows a cross with a bird perched on it. The bottom-left quadrant shows a sailing ship on wavy lines representing water. The bottom-right quadrant shows a beaver. Above the shield is a crown with four maple leaves. Below the shield is a banner with the motto 'ANNE FOR A'.

# **Agenda Item**

**5**

**Internal Audit Plan 2018/19**

**Falkirk Council**

**Title:** Internal Audit Plan 2018/19  
**Meeting:** Audit Committee  
**Date:** 9 April 201  
**Submitted By:** Internal Audit, Risk, and Corporate Fraud Manager

**1. Purpose of Report**

- 1.1 This report proposes a Falkirk Council Internal Audit Plan for 2018/19 and seeks Committee's approval of that Plan.

**2. Recommendation**

**2.1 It is recommended that the Committee:**

- (1) notes the resources available to Internal Audit;**
- (2) approves planned Internal Audit coverage for 2018/19; and**
- (3) notes that progress will be reported to Audit Committee on an ongoing basis.**

**3. Background**

- 3.1 The Public Sector Internal Audit Standards 2017 (PSIAS) require the preparation of a risk based Internal Audit Plan setting out the team's annual work programme. For 2018/19, this has again been done within the context of a Joint Working Agreement with Clackmannanshire Council.
- 3.2 The Joint Working Agreement was initially set up as a one year pilot, with extension beyond 2017/18 dependent upon satisfactory delivery of planned Internal Audit work. On the basis that planned 2017/18 Falkirk and Clackmannanshire Council work will be delivered, the Joint Working Agreement has been rolled forward for a further two years (covering 2018/19 and 2019/20) with the option of a further year.

**4. Falkirk Council Internal Audit Plan – Internal Audit Resources and Reporting Arrangements**

- 4.1 Internal Audit's role is to provide a balanced and evidence based opinion to Members on the adequacy of the Council's arrangements for risk management, governance, and control.

4.2 To do this, the Internal Audit team must be:

- independent;
- objective in performing audit work; and
- adequately resourced, experienced, qualified, and knowledgeable.

4.3 All Internal Audit staff are professionally qualified, and all have an excellent knowledge of the Council and the changing environment within which the Council operates. The role, authority, and responsibility of the team is formalised within the Internal Audit Charter approved by Audit Committee on 21 August 2017. The Charter is clear that Internal Auditors will have no direct operational responsibility or authority over any of the activities audited, and that they must exhibit the highest level of professional objectivity at all times.

4.4 The resource available to deliver the 2018/19 Falkirk Council Internal Audit Plan is summarised in the table below (note that a further 186 days are allocated to the delivery of Clackmannanshire Council Internal Audit work):

Activity	Planned Days
Direct Internal Audit Time	450
Consultancy Work	100
Work on Recommendations Outstanding	5
<b>Total Direct Internal Audit Activity</b>	<b>555</b>

4.5 Direct Internal Audit Time can be further broken down into the following three categories:

- **Annually Recurring Assignments:** these are assignments that Internal Audit is committed to undertaking on an annual basis. They will be completed as demand requires, and time permits, over the course of the year. A summary of each of these assignments is set out at Appendix 1;
- **Committed Assignments – April 2018 to September 2018:** It is inevitable that there will be changes to the risk profile of the Council, and the wider external environment (locally and nationally) over the course of the year. On that basis, it would be prudent to ‘commit’ to undertaking a fixed programme of assignments for only the first six months of the year. Details of the reviews to be undertaken between April and September are set out at Appendix 2.
- **Indicative Plan – October 2018 to March 2019:** while it is desirable to ensure that there is a degree of flexibility in the latter part of the year to react to any changes in the Council’s risk profile, there remains a need to set out an ‘indicative’ plan for that period. This is set out at Appendix 3.

4.6 As required by PSIAS, this 2018/19 Plan has been developed taking account of key financial and other risks. This has been done by:

- reviewing and considering the High and Medium risks included on the Council's Corporate Risk Register and the associated Assurance Map (which maps sources of internal and external assurance against each corporate risk). The links between planned Internal Audit assignments and corporate risks are included within Appendices 1 to 3;
  - consulting with senior managers; and
  - considering our Internal Audit Needs Assessment model.
- 4.7 For each planned assignment, a more detailed Terms of Reference will be agreed with the relevant Chief Officer prior to the commencement of fieldwork. This will set out key risks, and the scope of work to be undertaken.
- 4.8 On completion of each review, Internal Audit will issue a draft report to the Chief Officer. In most instances, this will include an 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 4.
- 4.9 For some assignments 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 (although recommendations may still be raised), or where we are involved as part of a longer term workstream.
- 4.10 Where Internal Audit do make recommendations, the Chief Officer will be required to provide formal responses (including action dates). The report and completed action plan will then form the final record of the assignment, with the implementation of recommendations monitored and managed via the corporate Pentana system.
- 4.11 Progress with completing the 2018/19 Internal Audit Plan will be reported to Committee throughout the year. Internal Audit will work closely with the Council's appointed External Auditors, Ernst and Young, to ensure that work is co-ordinated and complimentary, and that the audit burden on Service staff is minimised.
- 4.12 On an annual basis, an Internal Audit Assurance Report will be presented to Committee. This will give an overall opinion on the Council's risk management, governance, and control arrangements, based on the work Internal Audit has carried out over the course of the year.

## **5. Implications**

### **Financial**

- 5.1 The Internal Audit Joint Working Agreement with Clackmannanshire Council will continue to generate income for Falkirk Council.

## **Resources**

- 5.2 The resource available to Internal Audit remains unchanged.

## **Legal**

- 5.3 There are no legal implications.

## **Risk**

- 5.4 The role of Internal Audit is to provide Members with assurance on the Council's arrangements for risk management, governance, and control. Recommendations made by Internal Audit aim to reduce or mitigate risk to which the Council may be exposed.
- 5.5 The Internal Audit joint working arrangement with Clackmannanshire Council will continue to require to be carefully managed and monitored to minimise any risk to completion of either Council's Internal Audit Plan.

## **Equalities**

- 5.6 An equality and poverty impact assessment was not required.

## **Sustainability / Environmental Impact**

- 5.7 A sustainability / environmental assessment was not required.

## **6. Conclusions**

- 6.1 The programme of work set out in this 2018/19 Internal Audit Plan will allow Internal Audit to provide a balanced and evidenced based assurance to Committee on the Council's arrangements for risk management, governance, and control.

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Internal Audit, Risk, and Corporate Fraud Manager

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## **APPENDICES**

- Appendix 1: Internal Audit Plan 2018/19 – Annually Recurring Assignments.
- Appendix 2: Internal Audit Plan 2018/19 – Committed Assignments – April 2018 to September 2018.
- Appendix 3: Internal Audit Plan 2018/19 – Indicative Assignments – October 2018 to March 2019.
- Appendix 4: Definition of Internal Audit Assurance Categories.

### **List of Background Papers:**

**The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act 1973:**

- None.

## INTERNAL AUDIT PLAN 2018/19 – ANNUALLY RECURRING ASSIGNMENTS

No.	Service	Purpose and Scope of Assignment
A01	All Services	<p><b>Ad hoc / Consultancy Work</b></p> <p>The Public Sector Internal Audit Standards are clear that the provision of ad hoc consultancy and advice to Services is a key element of Internal Audit's role.</p> <p>This time will be used 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 input into the investigation of actual or alleged irregularities.</p>
A02	All Services	<p><b>Continuous Auditing</b></p> <p>The purpose of continuous auditing work is to consider, review, and test transactional systems on an ongoing basis.</p> <p>For 2017/18 this focussed on the testing of payments to suppliers of goods and services to identify any duplicate amounts paid. During 2018/19 we will again direct continuous auditing resource towards the analysis of creditors payments.</p> <p>Our continuous auditing work helps mitigate the corporate risk 'Failure in financial management, control, or assurance'.</p>
A03	All Services	<p><b>National Fraud Initiative</b></p> <p>The National Fraud Initiative (NFI) is a biennial counter fraud exercise using data matching to identify potential fraud and error. In Scotland, the NFI is administered by Audit Scotland, with the results of the data matching exercise made available to individual Councils via a secure website. Data matches relate to areas such as Housing Benefit, Council Tax Discount, Payroll, Pensions, and Creditors.</p> <p>The Internal Audit, Risk, and Corporate Fraud Manager is 'key contact' for Falkirk Council. The role of the 'key contact' is to co-ordinate the gathering of data from Services and to upload that data to the secure NFI web portal. When the outcomes arising from Audit Scotland's data matching are released back to the Council it is the responsibility of the 'key contact' to co-ordinate and support Services in their investigation of those matches.</p>
A04	All Services	<p><b>Follow Up of Internal Audit Recommendations</b></p> <p>All recommendations made by Internal Audit are uploaded to the Pentana performance management system, with responsibility for implementing each recommendation allocated to the relevant manager.</p> <p>While Internal Audit will not follow up on the implementation of all recommendations, we have allocated time to the targeted follow up of a sample of these.</p>

No.	Service	Purpose and Scope of Assignment
A05	Development Services	<p><b>LEADER Grant Audit</b></p> <p>LEADER is a national programme using European funds to deliver community led local rural development projects. It is delivered via partnerships between the Scottish Government and Local Action Groups (LAG) responsible for developing a Local Development Strategy and for distributing funds against that Strategy.</p> <p>Falkirk Council acts as the 'Accountable Body' for the Kelvin Valley and Falkirk (KVF) 2014-2020 LEADER Programme. As Accountable Body (AB), Falkirk Council has overall responsibility for the delivery and cash flow of the KVF LEADER Programme – a service Level Agreement (SLA) between Falkirk Council and the Scottish Government defines this role.</p> <p>The SLA requires an annual Internal Audit of the functions and services undertaken by the Accountable Body.</p>
A06	Development Services	<p><b>Carbon Reduction Scheme Energy Efficiency Audit Scheme Audit</b></p> <p>We will review arrangements for ensuring that the Council:</p> <ul style="list-style-type: none"> <li>• is discharging its statutory responsibilities and has effective controls in place to manage the implementation and operation of the scheme;</li> <li>• is able to submit its CO2 emissions annual report within the permitted tolerance for accuracy and has appropriate processes to collect, collate, and maintain energy consumption data;</li> <li>• has appropriate financial activities, processes, and controls to purchase and surrender allowances in accordance with statutory requirements; and</li> <li>• has sufficient evidence to demonstrate regulatory compliance.</li> </ul> <p>This work and that relating to Assignment A07 below, links to the corporate risk 'Environmental risks: energy, waste, sustainability'.</p>
A07	Development Services	<p><b>Climate Change Act Public Body Duties Audit</b></p> <p>The Climate Change (Scotland) Act introduced the requirement for public bodies to report on their climate change duties. The Council must submit an Annual Report to the Sustainable Scotland Network (SSN). This report must cover areas such as climate change governance, management, and strategy, emissions, targets, and projects.</p> <p>Internal Audit will review reporting arrangements, and the accuracy of the information included in the report, prior to submission to the SSN.</p>



No.	Service	Purpose and Scope of Assignment
A08	Development Services	<b>Falkirk Townscape Heritage Initiative Audit</b> We will provide the necessary Internal Audit input ahead of scheme closure in December 2018.
A09	Corporate Fraud	<b>Reciprocal Audit Review with West Lothian Council</b> West Lothian Council Internal Audit will again undertake a review of an agreed Falkirk Council system, and vice versa.  For 2018/19 this is likely to take the form of an assessment of Falkirk Council's Corporate Fraud team against the Scottish Government's Counter Fraud Maturity Model.
A10	Internal Audit	<b>External Quality Assessment – Participation in External Quality Assurance Programme</b> This exercise was commenced during 2017/18 and will be completed during 2018/19. Falkirk Council's Internal Audit section is currently undergoing External Quality Assessment (EQA) against the requirements of Public Sector Internal Audit Standards.  The review is being undertaken by the Scottish Prison Service's Internal Audit Manager, who will attend Audit Committee in June to present his findings.
A11	Corporate and Housing Services	<b>Falkirk Pension Fund</b> Falkirk Council's Internal Audit Section provides Internal Audit Services to Falkirk Pension Fund. Coverage will be agreed with the Pensions Committee and Board, and will be designed to help mitigate the corporate risk 'Failure in financial management, control, or assurance'.
A12	Falkirk Integration Joint Board	<b>Falkirk Integration Joint Board</b> The Chief Internal Auditor of Fife, Tayside, and Forth Valley NHS Internal Audit Consortium fulfils that role for the Integration Joint Board (IJB) for the three years from 01 April 2016. He will present an Internal Audit Plan for 2018/19 to the IJB Audit Committee in due course.  Falkirk Council's Internal Audit team will again provide resource to support the IJB Audit Manager in discharging his duties. This links to the corporate risk 'Health and social care integration'.
A13	Falkirk Community Trust	<b>Falkirk Community Trust</b> To be determined and agreed with Trust management.

**INTERNAL AUDIT PLAN 2018/19 – COMMITTED ASSIGNMENTS – APRIL 2018 TO  
SEPTEMBER 2018**

<b>No.</b>	<b>Service</b>	<b>Purpose and Scope of Assignment</b>
A14	All Services	<p><b>Welfare Reform</b> This assignment is carried forward from 2017/18.</p> <p>We will discuss the potential scope and timing of Internal Audit work with the relevant Chief Officers and Service Managers. It will, however, be designed to provide assurance in relation to the corporate risk 'Failure to monitor, measure, manage, and mitigate the impacts of Welfare Reform'.</p>
A15	Corporate and Housing / All Services	<p><b>GDPR Readiness</b> This work will focus on the Council's plans and processes for implementing and embedding the General Data Protection Regulations, which come into force on 25 May 2018.</p> <p>We will review roles and responsibilities, policies and procedures, and arrangements for ensuring that all staff are aware of, and receive adequate guidance and training to comply with, the new Regulations.</p> <p>Our work in this area relates to mitigation of the corporate risk 'Compromised Security, or inefficient use, of the Council's data and information asset'.</p>
A16	Corporate and Housing / All Services	<p><b>Capital Planning and Expenditure Monitoring</b> This work will focus on the annual capital bid process (including the prioritisation of projects) and arrangements for monitoring and managing subsequent spend.</p> <p>In doing so, it will provide assurance in relation to the corporate risks:</p> <ul style="list-style-type: none"> <li>• Insufficient funding to deliver services and outcomes;</li> <li>• Asset management: maintenance, availability, and reliability; and</li> <li>• Failure in financial management, control, or assurance.</li> </ul>

No.	Service	Purpose and Scope of Assignment
A17	All Services	<p><b>Building Security (Operational Buildings)</b> This will build on work undertaken during 2016/17.</p> <p>We will review controls established to manage the risks to the security of operational Council buildings.</p> <p>We will visit a sample of buildings across all Council Services and test local security controls and arrangements. Particular emphasis will be placed on school security.</p> <p>This audit work links to the corporate risks 'Harm to vulnerable people / public protection'; 'Compromised security, or inefficient use, of the Council's data and information asset'; and 'Failure to provide a safe environment for employees and visitors'.</p>
A18	Children's Services	<p><b>Pupil Equity Fund</b> Our work will focus on: roles responsibilities, policies, procedures, and guidance for Headteachers; financial governance arrangements; the monitoring of outcomes, evaluation of the impact of funding, and provision of management information; and the reporting on plans and activity to parents, elected Members, and the Scottish Government.</p> <p>This work will help provide assurance in relation to the corporate risks 'Closing the attainment gap' and Failure in financial management, control, or assurance'.</p>

**INTERNAL AUDIT PLAN 2018/19 – INDICATIVE ASSIGNMENTS – OCTOBER 2018 TO MARCH 2019**

No.	Service	Purpose and Scope of Assignment
A19	Corporate and Housing / Development Services	<p><b>Stores (Building Maintenance Division / Roads)</b> We will review a sample of sites where stock, plant, and equipment is held. We will review security arrangements, stock requisition and replenishment, and the monitoring and management of stock levels held.</p> <p>This work links to the corporate risks 'Failure in financial management, control, or assurance', and 'Failure to provide a safe environment for employees and visitors'.</p>
A20	Development / All Services	<p><b>PREVENT (Counter Terrorism) and Serious Organised Crime Readiness</b> We will review the Council's approach to embedding the duties and principles set out in:</p> <ul style="list-style-type: none"> <li>• <a href="#">PREVENT Duty Guidance for Scotland</a>; and</li> <li>• <a href="#">Scotland's Serious Organised Crime Strategy</a>.</li> </ul> <p>This will include overarching governance arrangements, and more detailed plans setting out operational actions. This work will help provide assurance on the management of the corporate risk 'Harm to vulnerable people / public protection'.</p>
A21	Social Work Adult Services	<p><b>Social Work Adult Services Financial Procedures</b> The focus of this review will be on assessing whether robust and up to date procedures are in place to guide staff responsible for undertaking key financial tasks within Social Work Adult Services. We will seek to identify any gaps, as well as good practice that should be shared and implemented more widely.</p> <p>Given the focus on financial procedures, this links to the corporate risk 'Failure in financial management, control, or assurance'.</p>
A22	Corporate and Housing / All Services	<p><b>Insurance (Claims Process and Lessons Learnt)</b> We will focus on the reporting of incidents by Services to Insurance Section, and the subsequent handling and management of claims. We will also review arrangements for feeding back to Services on the outcome of claims, and the capture and reporting of trends and lessons learnt.</p> <p>This work will provide assurance in relation to the corporate risk 'Failure in financial management, control, or assurance'.</p>

No.	Service	Purpose and Scope of Assignment
A23	Children's Services	<p><b>Implementation of Headteachers' Charter</b></p> <p>The Education (Scotland) Bill (consultation on which closed on 30 January 2018) will include provision for a Headteachers' Charter. The purpose of the Charter is to set out the rights and responsibilities of headteachers that will empower them to be the leaders of learning and teaching in their schools.</p> <p>Given that consultation on the Bill has only recently closed, it is not possible to be prescriptive in scoping our work at this stage. It is, however, likely to be focussed on the implementation of elements of the Charter locally.</p> <p>By undertaking this work we will provide assurance in relation to the corporate risk 'Tackling bureaucracy and reducing workload in schools'.</p>

**DEFINITION OF INTERNAL AUDIT ASSURANCE CATEGORIES**

<b>Level of Assurance</b>	<b>Definition</b>
<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.