



# **Agenda Item**

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## **Internal Audit Annual Assurance Report 2017/18**

**Falkirk Council**

**Title:** Internal Audit Annual Assurance Report 2017/18  
**Meeting:** Audit Committee  
**Date:** 18 June 2018  
**Submitted By:** Internal Audit, Risk, and Corporate Fraud Manager

**1. Purpose of Report**

- 1.1 This report provides an overall assurance on the Council's arrangements for risk management, governance, and control, based on Internal Audit work undertaken during 2017/18.

**2. Recommendations**

- 2.1 It is recommended that Audit Committee notes:

**(1) that sufficient Internal Audit work was undertaken to support a balanced assurance;**

**(2) that Internal Audit can provide SUBSTANTIAL assurance on the Council's arrangements for risk management, governance, and control for the year to 31 March 2018;**

**(3) that Internal Audit met, or exceeded, each of its five Key Performance Indicators; and**

**(4) that independent external assessment confirmed that the Internal Audit section is broadly compliant with Public Sector Internal Audit Standards.**

**3. Background**

- 3.1 It is senior managers' responsibility to establish and maintain effective and proportionate risk management, governance, and control arrangements. Internal Audit is not an extension of, or substitute for, operational management.
- 3.2 The 2017 Public Sector Internal Audit Standards (the Standards) require the Internal Audit, Risk, and Corporate Fraud Manager to prepare an Annual Assurance Report. This report should include:

- a statement on the overall adequacy of the Council's control environment;
- a summary of Internal Audit work undertaken during the year; and
- a statement on the Internal Audit Section's conformance with Public Sector Internal Audit Standards (PSIAS).

3.3 This report has been prepared to meet those requirements.

#### **4. OVERALL ADEQUACY OF THE COUNCIL'S CONTROL ENVIRONMENT**

- 4.1 Twenty one main assignments were completed by Internal Audit during 2017/18. Sufficient Internal Audit work was undertaken to support a balanced opinion on the overall adequacy of the Council's control environment.
- 4.2 Internal Audit use a set of Assurance Categories. A summary of these is set out at Appendix 1.
- 4.3 On the basis of work undertaken, Internal Audit can provide **SUBSTANTIAL** assurance in relation to the Council's arrangements for risk management, governance, and control for the year to 31 March 2018.

#### **5. SUMMARY OF INTERNAL AUDIT WORK UNDERTAKEN DURING 2017/18**

- 5.1 Internal Audit's Annual Plan for 2017/18 was agreed by Audit Committee on 13 March 2017. It proposed 21 main assignments. Over the course of the year two assignments were added to the plan, with two deferred.
- 5.2 A summary of completed assignments is set out at Appendix 2, with details on the scope of, and findings arising from, each set out at Appendix 3.
- 5.3 Internal Audit measures performance against the following five Key Performance Indicators.

Key Performance Indicator	2017/18 Performance	2016/17 Performance	2015/16 Performance
1. Complete <b>85%</b> of agreed audits.	<b>100%</b>	<b>95%</b>	<b>100%</b>
2. Have <b>90%</b> of recommendations accepted.	<b>99%</b>	<b>100%</b>	<b>100%</b>
3. Spend <b>75%</b> of time on direct audit work.	<b>75%</b>	<b>75%</b>	<b>75%</b>
4. Issue <b>75%</b> of draft reports within 3 weeks of completion of fieldwork.	<b>100%</b>	<b>100%</b>	<b>95%</b>
5. Complete (to issue of final report) <b>75%</b> of main audits within budget.	<b>76%</b>	<b>75%</b>	<b>84%</b>

- 5.4 For 2017/18 actual performance met or exceeded target, and was broadly comparable with previous years.

## 6. COMPLIANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS

- 6.1 Internal Audit seeks to operate in compliance with the requirements of the Public Sector Internal Audit Standards (PSIAS). PSIAS were first established in 2013 and updated in 2017, and apply to all Internal Audit service providers.
- 6.2 One of the requirements of PSIAS is that the Internal Audit, Risk, and Corporate Fraud Manager develops a Quality Assurance and Improvement Programme (QAIP). This should comprise an annual internal self assessment and five yearly independent external assessment.
- 6.3 The Scottish Prison Service's (SPS) Head of Audit and Assurance has completed an independent validation of the annual self assessment undertaken by the Internal Audit, Risk, and Corporate Fraud Manager. The findings arising from this work are set out in more detail in a separate report to Audit Committee.
- 6.4 In summary, the SPS Head of Audit and Assurance concluded that the Internal Audit section is broadly compliant with PSIAS.

## 7. Implications

## **Financial**

- 7.1 There are no financial implications.

## **Resources**

- 7.2 There are no resource implications.

## **Legal**

- 7.3 There are no legal implications.

## **Risk**

- 7.4 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.

## **Equalities**

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

## **Sustainability / Environmental Impact**

- 7.6 A sustainability / environmental assessment was not required.

## **8. Conclusions**

- 8.1 Internal Audit undertook sufficient work during 2017/18 to support a balanced and evidence based opinion that Substantial Assurance could be placed on the Council's arrangements for risk management, governance, and control.
- 8.2 In providing that opinion, Internal Audit operated in compliance with the Public Sector Internal Audit Standards.

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Internal Audit, Risk, and Corporate Fraud Manager

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## **APPENDICES**

- Appendix 1 – Definition of Internal Audit Assurance Categories.
- Appendix 2 – Summary of 2017/18 Internal Audit Programme.
- Appendix 3 – Details of 2017/18 Internal Audit Programme.

### **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.

### 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 is, however, some scope for improvement as current arrangements could 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.

**SUMMARY OF 2017/18 INTERNAL AUDIT PROGRAMME**

<b>Planned Assignments (as per 2017/18 Internal Audit Plan)</b>			
	<b>Service</b>	<b>Assignment</b>	<b>Level of Assurance</b>
1.	Corporate and Housing / All Services	Payroll – Transactional Testing	<b>Substantial Assurance</b>
2.	Corporate and Housing / All Services	Recruitment and Selection	<b>Substantial / Limited Assurance</b>
3.	Corporate and Housing	Housing Revenue Account – Key Controls	<b>Substantial Assurance</b>
4.	All Services	Council of the Future	<b>N/A – Ongoing Involvement</b>
5.	Corporate and Housing / All Services	Sundry Debtors	<b>Substantial Assurance</b>
6.	Corporate and Housing / All Services	Procurement Governance	<b>Substantial Assurance</b>
7.	Children's / Adult Social Work Services	Public Protection (Children and Adults) - Governance	<b>Substantial Assurance</b>
8.	Development / Children's / Adult Social Work Services	Social Care and Education Transport	<b>Limited Assurance</b>
9.	All Services	Code of Corporate Governance	<b>Substantial Assurance</b>
10.	Corporate and Housing / Children's / Adult Social Work	Procurement of Services from External Providers of Social Work Services	<b>N/A – Ongoing Involvement</b>
11.	All Services	Follow Up of Internal Audit Recommendations	<b>N/A – Ongoing</b>
12.	All Services	Consultancy Work	<b>N/A – Ongoing</b>
13.	All Services	National Fraud Initiative	<b>2016/17 Exercise Complete</b>
14.	All Services	Continuous Auditing	<b>N/A – Ongoing</b>



Planned Assignments (as per 2017/18 Internal Audit Plan)			
	Service	Assignment	Level of Assurance
15.	West Lothian IJB and Falkirk Council Corporate Fraud	Reciprocal Review with West Lothian Council	Falkirk Council IA reviewed West Lothian IJB's Risk Management arrangements  West Lothian Council IA will undertake a benchmarking exercise <sup>1</sup> of FC Corporate Fraud team early in 2018/19
16.	Internal Audit	External Quality Assessment	<b>Broadly Compliant with PSIAS (Substantial Assurance)</b>
17.	Falkirk Pension Fund	Governance, Security, and Transactional Testing	<b>Substantial Assurance</b>
18.	Falkirk Integration Joint Board	Financial Governance	<b>As reported to IJB Audit Committee</b>
19.	Falkirk Community Trust	Site Visits; Cash Counts; Invoicing Arrangements.	<b>As reported to Trust Audit and Performance Sub-Group</b>

Additional Assignments			
	Service	Assignment	Level of Assurance
1.	Development Services	Carbon Reduction Commitment Energy Efficiency Scheme Audit	<b>Substantial Assurance</b>
2.	Development Services	LEADER Audit	<b>Substantial Assurance</b>

Assignments Deferred		
	Service	Assignment
1.	Corporate and Housing	Cyber Security
2.	All Services	Welfare Reform

<sup>1</sup> Against the Scottish Government's Counter Fraud Maturity Model.

## DETAILS OF 2017/18 INTERNAL AUDIT PROGRAMME

No.	Assignment Area and Service	Assurance and Key Findings
1.	Payroll – Transactional Testing  Corporate and Housing / All Services	<p><b>Substantial Assurance</b></p> <p>Internal Audit testing focussed on:</p> <ul style="list-style-type: none"> <li>controls over the processing, checking, and authorisation of new appointments;</li> <li>controls over the processing, checking, and authorisation of payroll changes for existing employees. In particular: promotion / acting up allowances; increases / reductions to contractual working hours; deductions from salary; and changes to payee details;</li> <li>controls over the processing, checking, and authorisation of leavers; and</li> <li>the accurate and timely production of management information. In particular, the production, review, and authorisation of 'payroll verification' reports and 'accuracy of Payroll input' reports.</li> </ul> <p>Change request documentation was held to support each of the seventy five payroll changes within our sample, with the vast majority of documentation appropriately authorised. Only a small number of immaterial pay errors were found, with action undertaken, or ongoing, to fully recover identified overpayments.</p> <p>We did, however, identify areas where there was scope for further improving the existing framework of control.</p> <p>There was a need for the Payroll Section to improve their checking regime through the production and independent review of reports from ResourceLink setting out all responsibility payments and changes to contractual hours. In addition, an audit trail should be maintained to confirm that adequate segregation of duties was applied for the input and verification of all permanent amendments to ResourceLink (eg, new appointments and changes to contractual hours).</p> <p>At Service level, documentation to request temporary and permanent amendments to ResourceLink is not always completed and submitted on a timely basis to the Payroll Section. As a result, we found examples of delayed and incorrect payments to staff, albeit the pay errors were not material.</p> <p>Verification reports are provided by the Payroll Section to Service Management on a monthly basis to facilitate checks on the accuracy of payments made to staff in the preceding month. Not all Services are responding to Payroll Section in a timely manner to confirm that the payments were accurate and / or to provide details of any necessary corrections.</p>

No.	Assignment Area and Service	Assurance and Key Findings
2.	<p>Recruitment and Selection</p> <p>Corporate and Housing / All Services</p>	<p><b>Substantial / Limited Assurance</b></p> <p>We reviewed the control framework relating to the recruitment and selection of permanent, temporary, and casual staff. We focussed on:</p> <ul style="list-style-type: none"> <li>• policies, procedures, and guidance;</li> <li>• arrangements for the identification and approval of recruitment requests;</li> <li>• advertisement, application, assessment, and approval arrangements, including pre-employment checks;</li> <li>• arrangements for appointing successful candidates; and</li> <li>• procedures for notifying HR, Payroll, and Pensions of the outcome of recruitment exercises.</li> </ul> <p>We were able to provide Substantial Assurance on the adequacy of the Recruitment and Selection Policy, and Limited Assurance on compliance with the Policy at Service level.</p> <p>In general, a clear and robust Policy has been established to control the recruitment and selection process, with adequate training available to recruiting managers. There was some scope for improving the Policy further by clarifying the pre-employment checks required when recruiting internal candidates to a different post.</p> <p>Our work on compliance with the Policy highlighted several instances where temporary posts were filled directly from the casual pool, or by permanent staff on a secondment basis, for periods in excess of four months with no advertisement, application, or interview exercise.</p> <p>We also found instances where the audit trail was incomplete. This included several cases where there was no documentation to confirm why applicants had, and had not, been selected for interview, and that the post was awarded to the most suitable applicant (eg shortlisting and interview scoring matrices not fully completed or certified).</p> <p>Documentation was not always retained to explain why a new start was not placed on the first point of their salary scale, or of the required authorisation for this.</p>

No.	Assignment Area and Service	Assurance and Key Findings
3.	<p>Housing Revenue Account – Tenant Participation and Engagement Arrangements</p> <p>Corporate and Housing Services</p>	<p><b>Substantial Assurance</b></p> <p>In February 2014 the Scottish Government published ‘Guidance on the Operation of Local Authority Housing Revenue Accounts (HRAs) in Scotland. The guidance set out 5 key principles under which the HRA must operate.</p> <p>Our work focussed on Principle 4: ‘Local Authorities must have clear, published, mechanisms and procedures for discussing with Council tenants and / or Registered Tenant Organisations any matters of financial transparency relating to the HRA (in accordance with outcomes 2 and 3 of the Scottish Social Housing Charter)’.</p> <p>We reviewed tenant engagement, including the tenant participation strategy; processes for consulting with, and notifying tenants of, issues that may significantly affect them; arrangements for maintaining the Register of Tenant Organisations; and mechanisms for submitting and receiving feedback on complaints.</p> <p>We found that a comprehensive Tenant and Customer Participation Strategy has been developed by Housing Services, and agreed by elected Members, setting out the approaches adopted to ensure tenants are informed, consulted, and involved, as well as the resources available to support this.</p> <p>Consultation exercises have been undertaken in a number of areas during the last year, for example on housing rents, changes to housing policies, and on the repair and maintenance of housing stock. Robust processes were in place to plan, conduct, and record these exercises.</p> <p>A range of other mechanisms have been established to communicate with, and take account of the views of, tenants and residents. These include a formal complaints procedure, a Tenants’ and Residents’ Forum, and a tenant magazine. It was evident that tenants can obtain information about services and influence the type and level of service received from Housing Services.</p> <p>Well defined procedures are in place for tenant groups applying to the Council to become a Registered Tenants’ Organisation (RTO), with clear criteria to facilitate assessment. A register of RTOs is maintained, with all organisations subject to further assessment at least once every three years.</p> <p>We did note areas where arrangements could be further improved.</p> <p>In particular, there was a need to update the Council’s online platforms in a timely manner with the outcomes of engagement exercises, and a centralised, consolidated, register of consultation exercises should be maintained.</p> <p>There was also scope for improving guidance for non-capital and non-communal repair related consultation exercises.</p>

No.	Assignment Area and Service	Assurance and Key Findings
4.	Council of the Future  All Services	<p><b>N/A – Ongoing Involvement</b></p> <p>Over the course of the year Internal Audit has maintained an ongoing ‘critical friend’ role. This has included involvement with the COTF Change Group and input into the drafting of a Risk and Opportunities Strategy and COTF Programme Risk Register.</p> <p>Operationally, members of the Internal Audit team have facilitated, and been involved in, various ‘hackathons’, aimed at improving and streamlining systems and processes. Most recently, this has involved working closely with Finance and Procurement colleagues on elements of the ‘Procuring for the Future’ project workstream.</p>
5.	Sundry Debtors  Corporate and Housing / All Services	<p><b>Substantial Assurance</b></p> <p>We reviewed roles, responsibilities, policies, and procedures; controls over the debtor set-up process; arrangements for identifying sundry debtors, raising invoices, and identifying and recording payments received from sundry debtors; debt management, arrears, and write off; and the adequacy of management information.</p> <p>In general, we found that sound systems of control were in place. All staff consulted during the review were clear about their roles and responsibilities, and arrangements for identifying and recording sundry debtor payments were robust. Debt write offs for the 2016/17 financial year were authorised in line with the Council's Financial Regulations.</p> <p>We did note a number of areas where there was some scope for further improving the existing framework of control.</p> <p>In particular, there was a need to review the user set up process for, and access rights to, the Sundry Accounts module. New user forms do not specify the user profiles available, and there were a number of users with either system administrator access or access to sensitive functions.</p> <p>There was also scope for better checking of invoices raised by Sundry Accounts staff and for updating authorised signatory lists. There were some inconsistencies in the audit trail retained, and some scope for improving written procedures and guidance for staff.</p> <p>We recommended that outstanding Social Work debts are referred to the external debt collection services responsible for following up on other categories of debt.</p>

No.	Assignment Area and Service	Assurance and Key Findings
6.	<p>Procurement Governance</p> <p>Corporate and Housing Services</p>	<p><b>Substantial Assurance</b></p> <p>Our work focussed on the adequacy of the Council's procurement strategies, policies, and guidance; the clarity of governance and accountability arrangements and the roles and responsibilities of the Procurement Board; and strategic risk management arrangements.</p> <p>All Procurement staff consulted were clear about their roles and responsibilities. We found procurement governance arrangements to be robust, with regular Procurement Board meetings and a current Procurement Strategy.</p> <p>The Council of the Future 'Procuring for the Future' project has identified a number of areas where governance arrangements can be enhanced, and an Implementation Plan has been put in place. The Procurement Board receive quarterly updates on progress against both the Procurement Strategy and the Implementation Plan.</p> <p>Corporate procurement guidance is kept under continuous review, and the Contract Standing Orders were reviewed and updated last year.</p>
7.	<p>Public Protection (Children and Adults) – Governance</p> <p>Children's / Adult Social Work Services</p>	<p><b>Substantial Assurance</b></p> <p>Internal Audit reviewed:</p> <ul style="list-style-type: none"> <li>• relevant strategies, policies, procedures, and training arrangements;</li> <li>• arrangements for embedding strategies, policies and procedures, including multi Agency procedures, and training; and</li> <li>• governance structures, including risk, performance monitoring, and the accurate and timely production of management information and reports.</li> </ul> <p>We found that clear and comprehensive Public Protection strategy, policy, and procedural documentation had been developed and embedded within Children's and Social Work Adult Services.</p> <p>The formation of the Community Justice Partnership and the resultant creation of linkages across public protection roles has meant that arrangements have taken time to become embedded. Governance arrangements could, therefore, now be enhanced through the review of relevant terms of references', and the introduction of formal minuting of meetings.</p> <p>There is significant work ongoing to improve the public protection framework and to meet outcomes and priorities. It would be beneficial if committee and sub group actions were allocated milestone dates, to allow monitoring and tracking of progress.</p>

No.	Assignment Area and Service	Assurance and Key Findings
8.	<p>Social Care and Education Transport</p> <p>Development / Children's / Adult Social Work Services</p>	<p><b>Limited Assurance</b></p> <p>Internal Audit work focussed on arrangements for:</p> <ul style="list-style-type: none"> <li>ensuing that all drivers and transport assistants are vetted under the Protection of Vulnerable Groups scheme;</li> <li>checking driver licensing, vehicle and passenger insurance, and the road worthiness of vehicles. This included arrangements for the reporting of any medical conditions, vehicle accidents, or driving convictions; and</li> <li>ensuring the suitability of volunteer drivers.</li> </ul> <p>The review covered Development Services' Transport Planning Unit (for Council employed drivers and bus and taxi operators), the Social Work Transport Team (for volunteer drivers), and Children's Services (for passenger assistants).</p> <p>We found that a number of drivers, passenger assistants, and volunteer drivers had not been subject to PVG vetting, with reviews for some other drivers and passenger assistants overdue. In addition, discussion requires to be held between the Transport Planning Unit and Human Resources on the completion of Authorisation to Drive forms by drivers of Council vehicles.</p> <p>Not all volunteer drivers were found to hold appropriate insurance cover, and some policies (volunteer driver and external operator) had expired.</p> <p>There was also scope for improving and demonstrating compliance with guidance for ensuring the suitability of volunteer drivers, eg via request for, and retention of, confirmation of fitness to drive and character references, and attendance at induction and child protection training sessions.</p>
9.	<p>Code of Corporate Governance</p> <p>All Services</p>	<p><b>Substantial Assurance</b></p> <p>The CIPFA / SOLACE Delivering Good Governance in Local Government" 2016 Framework includes a self assessment checklist. Internal Audit used this checklist to assess the Council's compliance with the seven 'principles' set out in the Framework. We found sufficient evidence to conclude that, in general, the Council complies with each of the seven principles.</p>

No.	Assignment Area and Service	Assurance and Key Findings
10.	<p>Procurement of Services from Providers of Social Work Services</p> <p>Corporate and Housing / Children's / Adult Social Work Services</p>	<p><b>N/A – Ongoing Involvement</b></p> <p>Internal Audit has input into various aspects of Social Work purchasing arrangements over the course of the year. Given ongoing, significant, systems related changes, most notably the exercise to procure a replacement Social Work Information System, we have not provided an overall assurance.</p> <p>Rather, we have worked with managers to help ensure that robust and proportionate controls are embedded within new and emerging ways of working. For example, we worked with Social Work Adult Services and Procurement colleagues on Homecare invoicing arrangements, and with Adult Services in relation to aspects of arrangements around Direct Payments.</p>
11.	<p>Follow Up of Internal Audit Recommendations</p> <p>All Services</p>	<p><b>Not Applicable – Ongoing Monitoring</b></p> <p>All Internal Audit recommendations are recorded on the corporate Pentana performance management system. Services are responsible for ensuring that the agreed actions are taken to implement recommendations, and for updating Pentana to reflect this. Prior to recommendations being 'closed', Services are required to provide relevant evidence to Internal Audit.</p> <p>The number of recommendations outstanding beyond their agreed implementation date fluctuates over the course of the year. While, ideally, no recommendations should remain outstanding, there can be operational, risk based, reasons for delay, or for reappraising the need for implementation. Any such assessments are done in conjunction with the Internal Audit team.</p>
12.	<p>Consultancy Work</p> <p>All Services</p>	<p><b>Not Applicable – Consultancy Work</b></p> <p>The Public Sector Internal Audit Standards are clear that the role of Internal Audit encompasses assurance and consultancy activity. As part of our 2017/18 Internal Audit Plan, time was specifically set aside for undertaking ad hoc and consultancy work (either at the request of Services, or as a result of new or emerging risks). Examples of work that Internal Audit input to, or was involved in, include:</p> <ul style="list-style-type: none"> <li>• input to corporate groups, such as Corporate Risk Management Group, and CONTEST / Integrity Group;</li> <li>• input and advice in relation to emerging processes and systems, such as off-payroll working (IR35) and BACS payment run process;</li> <li>• Bus Service Operator's Grant verification and sign off;</li> <li>• commenting on local and national procedures and policies; and</li> <li>• attendance at, and input to, meetings of the Scottish Local Authorities Chief Internal Auditors' Group and its Computer Audit Sub-Group.</li> </ul>



No.	Assignment Area and Service	Assurance and Key Findings
13.	National Fraud Initiative  All Services	<p><b>Not Applicable – Ongoing Participation</b></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 relevant matches are followed-up.</p> <p>The 2016/17 NFI exercise is now substantively complete. A total of 2,896 'Recommended' matches were released to Falkirk Council for review and investigation (8,366 matches in total). To date, Services have investigated and closed 3,354 matches. No instances of fraud, and a total of 14 errors (totalling <b>c£18k</b>), have been identified, with recovery in progress.</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. Since 01 April 2017, as a result of participation in this exercise (which matches Council Tax and Electoral Roll data), frauds or errors totalling <b>c£142k</b> have been detected, with recovery action taken or underway.</p>
14.	Continuous Auditing  All Services	<p><b>Not Applicable – Ongoing Assurance</b></p> <p>Our work focussed on analysis of payments made via the corporate finance system to identify any potential duplicate payments.</p> <p>Over the course of 2017/18 we identified duplicate payments totalling <b>£28.6k</b> and recovery action has been, or is being, taken.</p>
15.	Reciprocal Review with West Lothian Council	<p>Falkirk Council IA have reviewed West Lothian IJB's Risk Management arrangements. The Senior Internal Auditor attended the IJB's Audit, Risk, and Governance Committee to present the findings arising from this work in March 2018.</p> <p>West Lothian Council's Audit and Risk Manager has commenced a benchmarking exercise of the Council's Corporate Fraud Team against the Scottish Government's Counter Fraud Maturity Model.</p>

No.	Assignment Area and Service	Assurance and Key Findings
16.	<p>External Quality Assessment of Internal Audit</p> <p>Corporate and Housing Services</p>	<p><b>Broadly Compliant with Public Sector Internal Audit Standards (PSIAS)</b></p> <p>PSIAS require that the Internal Audit, Risk, and Corporate Fraud Manager develops a Quality Assurance and Improvement Programme (QAIP). The purpose of the QAIP is to enable evaluation of the section's conformance with PSIAS.</p> <p>The QAIP must include annual internal self assessments and five yearly independent external assessment.</p> <p>The Internal Audit, Risk, and Corporate Fraud Manager undertook a detailed self assessment against PSIAS in early 2018.</p> <p>To fulfil the requirement for five yearly external assessment, the Scottish Prison Service's (SPS) Head of Audit and Assurance and the Internal Audit, Risk, and Corporate Fraud Manager undertook reciprocal peer reviews. For each, this took the form of independent validation of the annual self assessment.</p> <p>The SPS Head of Audit and Assurance concluded that the Council's Internal Audit section is broadly compliant with PSIAS (this is equivalent to 'Substantial Assurance').</p>

No.	Assignment Area and Service	Assurance and Key Findings
17.	<p>Transactional Testing, Governance, and Security</p> <p>Falkirk Pension Fund</p> <p>Corporate and Housing Services</p>	<p><b>Substantial Assurance</b></p> <p>Internal Audit work covered:</p> <ul style="list-style-type: none"> <li>• Transactional Testing: new member contributions; transfers in / out; pension payments;</li> <li>• Pension Fund Governance; and</li> <li>• Pensions Administration System – Data Security and Governance.</li> </ul> <p>In relation to our transactional testing, we found that, in general, the operational controls associated with the calculation of new member contributions; for paying or receiving transfer values; for refunding contributions; and for making payments to retiring members or in respect of deceased Fund members were working effectively.</p> <p>We did, however, note that the deferred pension calculations do not appear to be checked for accuracy (unlike the other transactions).</p> <p>We were, in general, content with the governance arrangements for the Fund, which changed in 2015 and again in 2017 with the establishment of the Joint Investment Strategy Panel.</p> <p>We did find some non-compliance by members of the Pensions Committee and Board with the Fund's Training Policy (which should also be updated) in terms of attendance at meetings; completing induction training; and attending a minimum number of training events each year. In addition, there is scope for updating the Fund's Risk Register.</p> <p>We were, in general, satisfied with the data security and management of the Altair Pensions Administration System, with access being controlled via each user's unique user ID and password. We were content with the Data Protection Procedure for Altair, and the disaster recovery arrangements were documented. Preparation has also been made in relation to the General Data Protection Regulation.</p> <p>We did, however, note that there is not an Access Control Policy for Altair, and recommended that this is introduced.</p>
18.	<p>Financial Governance</p> <p>Falkirk Integration Joint Board</p>	<p><b>Not Applicable – Reported to IJB Audit Committee</b></p> <p>NHS Forth Valley's Chief Internal Auditor fulfils that role for the Falkirk IJB. Auditors from the Council and Health Board Internal Audit teams jointly undertake planned Internal Audit work.</p> <p>The findings arising from all IJB Internal Audit work will be reported to the Board's Audit Committee in due course, and will be included within a future Internal Audit progress report to this Committee.</p>

No.	Assignment Area and Service	Assurance and Key Findings
19.	<p>Site Visits / Cash Counts / Invoicing Arrangements</p> <p>Falkirk Community Trust</p>	<p><b>Overall Annual Assurance - Substantial</b></p> <p>Internal Audit work comprised reviews of:</p> <ul style="list-style-type: none"> <li>• Internal Control Healthchecks at Grangemouth Stadium and the Hippodrome;</li> <li>• Cash and Income Handling at Callendar House and Muiravonside Country Park; and</li> <li>• Review of Catering and Retail Invoicing Arrangements.</li> </ul> <p>In providing our overall assurance to the Trust's Audit and Performance Sub-Group we also placed reliance on work undertaken as part of our Falkirk Council Internal Audit Plan in relation to systems used and relied upon by the Trust.</p> <p>The outcomes of 2017/18 Internal Audit work were reported to the Trust's Audit and Performance Sub Group in May 2018.</p>
20.	<p>CRC Energy Efficiency Audit</p> <p>Development Services</p>	<p><b>Substantial Assurance</b></p> <p>We reviewed 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 CO<sub>2</sub> 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>We found that roles and responsibilities were clear, and that procedural instructions had been recently updated. The Annual Report was submitted on time, and was based on 401 electricity and 111 gas supplies. We tested and queried reported data for a number of premises to ensure this reconciled to Systems Link (energy management system) data.</p> <p>The Council must ensure that it has CO<sub>2</sub> allowances at least equal to the quantity of emissions reported. The Council purchased £400k of allowances during 2016/17 and this, along with allowances carried forward from previous years, covered the emissions total in the Annual Report.</p> <p>In overall terms, we were content that the evidence pack maintained by the Council contained all of the mandatory evidence and was appropriately structured.</p>

No.	Assignment Area and Service	Assurance and Key Findings
21.	LEADER Audit  Development Services	<p><b>Substantial Assurance</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>In June 2015 the Scottish Government confirmed an indicative allocation to KVF LEADER of c£2.8m (over the programme life).</p> <p>The SLA requires an annual Internal Audit of the functions and services undertaken by the Accountable Body. Our work covered:</p> <ul style="list-style-type: none"> <li>• arrangements established to comply with SLA terms, the clarity of governance arrangements, the LEADER administration process, and information sharing by the LAG and AB;</li> <li>• LAG processes for considering and administering project and funding applications; and</li> <li>• the LEADER administration grant claim process.</li> </ul> <p>On the basis of our review (including checking of 5 projects' compliance with established procedures) we were able to provide Substantial Assurance in relation to these three areas.</p>