

A28. Internal Audit Progress Report

The Committee considered a report by the Internal Audit Risk and Corporate Fraud Manager setting out progress in completing the 2018/19 Internal Audit Plan.

The Audit Plan for 2018/19 had set out 23 assignments. Since the start of the year a further 3 assignments had been added to the plan:-

- Revenues and Benefits Data Handling / Bulk Mailing;
- Council of the Future Board – Scrutiny of Programme and Project Progress; and
- Scottish Social Housing Charter – Annual Return.

Two assignments had been rescheduled, these were:-

- Implementation of Headteachers' Charter: this assignment had been included in the Plan on the basis that the Education (Scotland) Bill would be passed during 2018/19. As this had not been the case this item would be deferred.
- Social Work Adult Services Financial Procedures: this assignment would be rescheduled into early 2019/20, dovetailing with the implementation of the new Social Work information system.

Of the 23 assignments for 2018/19, 13 had been completed and 5 were in progress.

With regard to Audit recommendations Internal Audit had adopted a new gradings recommendation. These were:-

Grade 1: Key risks and/or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

Grade 3: Less significant issues and/or areas for improvement which we consider merit attention but do not require to be prioritised by management.

The report also set out 25 recommendations that remained outstanding beyond the agreed implementation date.

The committee sought clarification on the procedures in place to ensure that outstanding recommendations were actioned. The Internal Audit Manager explained that out of approximately 270 recommendations 25 remained

outstanding. In some cases circumstances had changed which meant that they could either be dropped or deferred, however the majority should be actioned. The progress of implementation was monitored and there was dialogue on progress of Services. The committee acknowledged that Internal Audit was not blind to the issue but requested that the next update provided detail on the remaining outstanding actions, including any mitigating circumstances and if appropriate revised implementation dates.

Gary Greenhorn confirmed that of the 6 outstanding recommendations set out in the report in regard to schools 4 had now been actioned.

Following a question on National Fraud Initiative (NFI) data matching the Internal Audit Manager explained that 2896 recommended matches had been released to Falkirk Council (out of 8366 matches in total). All recommended matches had been investigated and the findings had been largely immaterial. This gave assurance that the remaining matches did not present a risk. Nevertheless they would be investigated. In response to a question in regard to the workload implication the Internal Audit Manager explained that Internal Audit worked closely with Services and procedures were in place to investigate matches. Rob Jones confirmed that External Audit reported bi-annually on NFI work as part of the annual audit. This would be included in the 2018/19 review.

The committee then discussed the recommendations arising from an audit on the General Capital Programme highlighting recommendations in regard to slippage of overspends. The Internal Audit Manager explained the rationale for the recommendations. The two key recommendations were that the role of Lead Project Offices should be strengthened and that they be held accountable via the Corporate Management Team or the Executive for the project overspends.

Members sought assurance in regard to an instance when costs had been allocated to the incorrect cost code. The Internal Audit Manager explained that the systems in place could rectify such errors and the finding was not particularly significant.

Decision

The Committee agreed to note progress being made with completion of the 2018/19 Internal Audit Plan.