

FALKIRK COUNCIL

Subject: INTERNAL AUDIT PROGRESS REPORT
Meeting: AUDIT COMMITTEE
Date: 03 April 2009
Author: INTERNAL AUDIT MANAGER

1. INTRODUCTION

- 1.1 The purpose of this paper is to update Members on progress with completing the agreed 2008/09 Internal Audit Plan (the Plan), as presented to the Best Value and Audit Forum on 27 March 2008. As with previous updates to Members, this report includes a section on Services' progress with implementing recommendations made by Internal Audit in reports issued during 2007/08.

2. AUDIT PROGRESS

- 2.1 Progress with completing 2008/09 Internal Audit work is summarised in the tables below, and set out in more detail at Appendix 1.

Status	Number	%
Final Reports Issued	18	78%
Draft Reports Issued	5	22%
Audits In Progress	0	0%
Audits Not Started	0	0%
Total	23	100%

Adjustments to Plan During 2008/09	
Audits Added During Year	2
Audits Deferred During Year	5

- 2.2 As can be seen from the above tables, 23 audits have been completed to draft or final report stage. As expected, there have been a number of alterations to the Plan as new risks have emerged and demands on Internal Audit time have changed as a result of, for example, requests for ad hoc and investigative work from Services.
- 2.3 Of the audits deferred, Legionella Safety Arrangements will be reviewed during 2009/10, with the remaining areas considered within the context of future audit Plans.

- 2.4 Internal Audit has been able to provide substantial assurance in respect of 11 reviews complete to final report stage (see Appendix 2 for definitions and Appendix 3 for key findings). Assurance in relation to Building Security and Fleet Management Arrangements has been allocated on a Service specific basis (with Service specific reports issued).
- 2.5 Our work on Fleet Management covered arrangements in place within Corporate and Neighbourhood Services Building Maintenance Division, Social Work Services, and Law and Administration Services. The focus of the review was on ensuring that vehicles were being used efficiently and effectively, and that the framework of control was sufficiently robust to ensure that Services could achieve and demonstrate best value.
- 2.6 Notwithstanding differences in the mix and use of vehicles maintained, we found no evidence that any of the three Services were actively managing and monitoring vehicle usage to ensure best value. In particular, we found there to be a need for formal review of the number and type of vehicles required, and for better control over the logging of journeys and the use of short-term hire vehicles. There was also a need to clarify management information requirements to allow more proactive management and monitoring of vehicle use.
- 2.7 Responses to recommendations have been received from all three Services and we are content that appropriate action has been agreed to address issues identified by Internal Audit. An update on the practical implementation of recommendations will be provided to Members once follow-up work has been completed.
- 2.8 The 5 reports issued in draft are the subject of discussion with the relevant Services to agree action to address recommendations raised. A summary of key findings will be provided to Members in our Annual Assurance Report, to be included on the agenda of the May meeting of this Committee.

3. KEY PERFORMANCE INDICATORS

- 3.1 As Members will be aware, Internal Audit use a set of 5 Key Performance Indicators to measure and monitor performance. The table below sets out performance to date.

Key Performance Indicator	2008/09 Performance	2007/08 Performance
Complete 85% of main audit programme:	100%	96%
Have 90% of recommendations accepted:	100%	99%
Spend 75% of time on direct audit work:	79%	77%
Issue 75% of draft reports within 3 weeks of completion of fieldwork:	78%	92%
Complete (to issue of final report) 75% of main audits within budget:	67%	55%

- 3.2 Members should note that performance is as expected, and I am content that Internal Audit is on target to exceed all five performance measures.

4. FOLLOW-UP AUDITS AND OUTSTANDING RECOMMENDATIONS

- 4.1 Internal Audit continue to work on following-up recommendations made in reports issued during 2007/08.
- 4.2 The table below sets out those areas in which follow-up work has been undertaken and, for each area, progress with the implementation of recommendations.

2007/08 Audit	Service	Recommendations		
		Made	Fully Implemented	Action Ongoing and Revised Action Dates Agreed
Business Support	Community	12	12 (100%)	0 (0%)
Sports Development	Community	15	6 (40%)	9 (60%)
Procurement	Corporate and Neighbourhood	21	16 (76%)	5 (24%)
Corporate Risk Management Arrangements	Development	10	2 (20%)	8 (80%)
Emergency Planning and Civil Contingencies	Development	7	2 (29%)	5 (71%)
New Community Schools Contract Monitoring Arrangements	Education	5	5 (100%)	0 (0%)
Insurance Arrangements	Finance	8	4 (50%)	4 (50%)
Council Tax Arrangements	Finance	3	2 (67%)	1 (33%)
Bed and Breakfast Arrangements	Corporate and Neighbourhood	10	9 (90%)	1 (10%)
Residential Childcare Arrangements	Social Work	29	24 (83%)	5 (17%)
Homecare	Social Work	11	8 (73%)	3 (27%)
DPA and FoI Arrangements	Law and Administration, Corporate and Neighbourhood	13	12 (92%)	1 (8%)
	TOTAL:	144	102 (71%)	42 (29%)

4.3 Key issues relating to follow-up work are as follows:

- Responsibility for follow-up work relating to Gas Safety Management Arrangements has been handed over to the Health and Safety Adviser, who is undertaking further work in this area;
- Progress is being made in relation to Corporate Risk Management Arrangements. The Corporate Risk Register has been subject to review at a special meeting of the Corporate Risk Management Group and this will be used to drive progress within Services. Revised action dates have been agreed for putting in place risk management guidance, and for providing training; and
- Recommendations made in relation to Insurance Arrangements have been picked up by the new Insurance Supervisor, and a revised action plan put in place for implementation of all recommendations by the end of 2009/10 quarter 2.

4.4 Internal Audit will continue to track progress with the implementation of recommendations, and will report to Members on an on-going basis.

5. RECOMMENDATIONS

5.1 Members are invited to note that:

5.1.1 progress being made in completing planned work is as reported at paragraph 2.1;

5.1.2 performance against KPIs is as reported at paragraph 3.1;

5.1.3 progress with work on following-up recommendations made during 2007/08 is as reported at paragraph 4.2.



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Internal Audit Manager

Date: 24 March 2009

2008/09 Internal Audit Plan – Progress at 24 March 2009

No	Service/Status	Audit	Level of Assurance
<i>Final Reports Issued</i>			
1.	Social Work	Supporting People Arrangements ¹	Substantial
2.	Finance	General Services Capital Programme	Substantial
3.	Various	Statutory Performance Indicators	N/A
4.	Law and Administration	Member Expenses and Allowances	Substantial
5.	Law and Administration	Registration Services	Substantial
6.	Various	Building Security: <ul style="list-style-type: none"> • Municipal Buildings; • Abbotsford House; • Brockville; • The Forum. 	None Substantial Substantial Limited
7.	Finance	Integra Supplier Management and Payments	Substantial
8.	Various	Cash Counts	Substantial
9.	Corporate and Neighbourhood	Voids Management Arrangements	N/A
10.	Corporate and Neighbourhood	Email and Internet Security	Substantial
11.	Education	Bo'ness Academy School Site Visit	Substantial
12.	Education	Braes High School Site Visit	Substantial
13.	Various	Fleet Management: <ul style="list-style-type: none"> • Corporate and Neighbourhood Building Maintenance Division; • Social Work Services; and • Law and Administration. 	Limited None None
14.	Education	New Community Schools Contract Monitoring Arrangements	Substantial
15.	Community	Commercial Property Portfolio	Substantial
16.	Finance	Benefits	N/A
17.	Education	Supply Teacher Provision	Limited
18.	Central Scotland Fire and Rescue Service	Utilities, Catering and Follow-Up	N/A

¹ Carried forward from 2007/08 Internal Audit Plan

Appendix 1

No	Service/Status	Audit	Level of Assurance
	<i>Draft Reports Issued</i>		
19.	Development	Licensing (Liquor and Civic)	Substantial
20.	Social Work	Social Work Information Systems	Limited
21.	Corporate and Neighbourhood	Recycling Centre (Kinneil Kerse) Security Arrangements ²	None
22.	Education	Education Services Overtime Arrangements ³	None
23.	Development	EPlanning	Substantial
	<i>Audits In Progress</i>		
	N/A		
	<i>Audits Not Started</i>		
	N/A		
	<i>Audits Deferred</i>		
24.	Community	Income Collection Across Community Services	N/A
25.	Community	Museum and Visitor Services	N/A
26.	Corporate and Neighbourhood	Legionella Safety Arrangements	N/A
27.	Social Work	Protection of Vulnerable Adults	N/A
28.	Education	Devolved School Management Arrangements	N/A

² Additional review undertaken at request of management – replaced review of Legionella Safety Arrangements

³ Additional Review undertaken in agreement with management – replaced review of Devolved School Management Arrangements

Definition of Audit Assurance Categories

Level of Assurance	Definition
Comprehensive assurance	Sound systems for risk, control and governance are in place and should be effective in mitigating risks to the achievement of business and control objectives. Some improvements to existing controls in a few, relatively minor, areas may be required.
Substantial assurance	The systems for risk, control and governance are largely satisfactory, but there is some scope for improvement as the present arrangements could undermine the achievement of business and/or control objectives and/or leave them vulnerable to some risk of error/abuse.
Limited assurance	The systems for risk, control and governance have some satisfactory aspects, but contain a number of significant weaknesses that are likely to undermine the achievement of business and/or control objectives and leave them vulnerable to an unacceptable risk of error/abuse.
No assurance	The systems for risk, control and governance are ineffectively designed and/or are operated ineffectively such that business and/or control objectives are not being achieved and the risk of serious error/abuse is unacceptable. Significant improvements are required.

Final Reports Issued - Summary of Key Findings 2008/09

No	Audit Area and Service	Assurance and Key Findings
1.	Supporting People Arrangements Social Work	<p>Substantial Assurance</p> <p>Covered roles, responsibilities, policies and procedures, the commissioning of services and compliance with terms and conditions of grant, financial control, and the provision of management information.</p> <p>While we found arrangements to be generally sound, there was some scope for enhancing existing controls. In particular, there was a need to further embed risk management, finalise the Commissioning Strategy, review and update the approved provider list, and monitor service provider performance.</p>
2.	General Services Capital Programme Finance	<p>Substantial Assurance</p> <p>Covered roles, responsibilities, policies and procedures, the capital bid and decision making process, budget monitoring and payment arrangements, and the provision of management information.</p> <p>We found arrangements to be robust, but made a number of recommendations relating to the update of guidance, monitoring arrangements, and the prioritisation of projects by Services.</p>
3.	Statutory Performance Indicators Various	<p>Reported on Internal Audit's role in collecting and validating SPI information and returns prepared by Services. For each of the SPIs falling within Internal Audit's remit, we found that the information gathered for publication was accurate and complete.</p>
4.	Member Expenses and Allowances Law and Administration	<p>Substantial Assurance</p> <p>Covered rules and guidance, checking, approving, processing, monitoring and payment arrangements, and the provision of management information.</p> <p>We found arrangements to be generally sound, though noted some scope for improving arrangements for checking Member claim forms and supporting documentation.</p>

No	Audit Area and Service	Assurance and Key Findings
5.	Registration Services Law and Administration	<p>Substantial Assurance Covered the collection, processing and banking of income, budgetary and financial controls, Registration Office security, records management, and the provision of management information.</p> <p>We found that, in general, sound systems of control were in place with regards to records management, incurring and monitoring expenditure, and the provision of management information. We found some scope for improving arrangements for receiving, recording and banking income received, and the need to develop procedural guidance for staff.</p>
6.	Building Security Various	<p>We reviewed arrangements relating to security roles and responsibilities, physical security, measures for controlling and monitoring staff and public access, and arrangements relating to security incidents, at the following buildings:</p> <p>Municipal Buildings – No Assurance We found significant weaknesses in all areas reviewed. In particular, there was a need to formalise security roles and responsibilities and put in place a building security policy. At an operational level, we found there to be fundamental and widespread weaknesses in the security framework, as well as a need to improve staff and visitor access arrangements.</p> <p>Abbotsford House – Substantial Assurance In general, we found robust arrangements to be in place, although we noted the need for a formal building security policy and more frequent fire evacuation drills.</p> <p>Brockville – Substantial Assurance In general, we found arrangements to be sound, although we noted the need for a formal building security policy and better control in relation to key and fob holders. We also identified a number of matters relating to the physical security of the building.</p>

No	Audit Area and Service	Assurance and Key Findings
		<p>The Forum – Limited Assurance</p> <p>We found there to be scope for improving controls in a number of areas, particularly the formalisation of security roles and responsibilities and the need for a building security policy. We also noted scope for improving access, and business continuity arrangements.</p>
7.	<p>Integra Supplier Management and Payments</p> <p>Finance</p>	<p>Substantial Assurance</p> <p>Covered the input and authorisation of supplier data, central payment processing controls, the processing of invoices, BACS processing, emergency payment arrangements and the provision of management information.</p> <p>In general, we found sound systems of control to be in place in relation to supplier management. We did, however, find there to be some scope for improving the supplier set-up process, and for reviewing and cleansing supplier standing data.</p> <p>We found that the creditors payment process, including the processing of BACS and cheques, was well controlled, and that the flexibility of the Integra system has allowed the application of appropriate automated controls. There is some scope for improving the effectiveness of arrangements associated with authorised signatories, and for building on existing business continuity arrangements.</p>
8.	<p>Cash Counts</p> <p>Various</p>	<p>Substantial Assurance</p> <p>Internal Audit visited a number of locations to review local cash handling and administrative arrangements. In general we found arrangements to be sound.</p>

No	Audit Area and Service	Assurance and Key Findings
9.	<p data-bbox="316 275 598 349">Voids Management Arrangements</p> <p data-bbox="316 394 598 468">Corporate and Neighbourhood</p>	<p data-bbox="630 275 1345 506">Internal Audit reviewed arrangements relating to terminations arising as a result of death in tenancy, eviction due to rent arrears, and abandonment. The review focussed on the working arrangements between Finance: Revenues and Corporate and Neighbourhood: Housing Management.</p> <p data-bbox="630 551 1345 815">In overall terms, we found that progress was being made in developing joined-up working arrangements. We did, however, find there to be scope for improvement in a number of areas, including improving policies and procedures, the linking of process flowcharts, and the development of risk management arrangements.</p>
10.	<p data-bbox="316 864 598 938">Email and Internet Security</p> <p data-bbox="316 983 598 1057">Corporate and Neighbourhood</p>	<p data-bbox="630 864 954 891">Substantial Assurance</p> <p data-bbox="630 902 1345 1088">Covered policies, procedures and guidance, monitoring of security incidents, control over user access to Email and internet, measures to control and monitor Email and internet use, and the effectiveness of virus protection software.</p> <p data-bbox="630 1133 1345 1397">We found controls to be generally robust. We did, however, find scope for improving the set up and de-activation of Email accounts. We also found there to be a need for stronger network password control, for better management information in relation to internet usage, and for improving Email and internet contingency arrangements.</p>
11. & 12.	<p data-bbox="316 1453 598 1554">Bo'ness Academy and Braes High School Site Visits</p> <p data-bbox="316 1599 598 1626">Education</p>	<p data-bbox="630 1453 954 1480">Substantial Assurance</p> <p data-bbox="630 1491 1345 1635">Covered controls in place for cash and income handling, banking arrangements, ordering and receipt of goods/services, inventory management, and building security.</p> <p data-bbox="630 1680 1345 1823">In general, we found sound administrative arrangements to be in place, although a number of recommendations were made to build on existing controls.</p>

No	Audit Area and Service	Assurance and Key Findings
13.	<p>Fleet Management</p> <p>Various</p>	<p>We reviewed arrangements relating to roles and responsibilities, policies and procedures, recording and monitoring vehicle usage and determining continuing need, expenditure on maintenance and fuel, use of short term hires, and vehicle storage and security arrangements, within the following Services:</p> <p>Corporate and Neighbourhood Services Building Maintenance Division – Limited Assurance</p> <p>There was a need to formally review vehicle need and usage to ensure best value. A more robust administration and monitoring regime relating to journey logging and the use of fuel was required, and there was scope for reviewing the best value associated with the use of short term hires.</p> <p>Social Work Services – No Assurance</p> <p>There were significant shortcomings in the framework of control. Roles and responsibilities were unclear, and there had been no review of vehicle need or usage to determine best value. There was scope for improving arrangements in relation to the purchase of vehicles, the use of short term hires, the logging of journeys, and the review and distribution of management information.</p> <p>Law and Administration Services – No Assurance</p> <p>There were significant shortcomings in the framework of control. There was no formal policy for use of the vehicles, and no review of the best value arrangements relating to these vehicles. There was scope for improving guidance, fuelling arrangements, and the logging of journeys.</p>
14.	<p>New Community Schools Contract Monitoring Arrangements</p> <p>Education</p>	<p>Substantial Assurance</p> <p>This review was undertaken following initial work completed during 2007/08, with the aim of providing assurance that monitoring continued to form a key part of the construction and operational phases. We found that monitoring arrangements remained robust, although there was a need to ensure that a Monitoring Officer was in place.</p>

No	Audit Area and Service	Assurance and Key Findings
15.	Commercial Property Portfolio Community	<p>Substantial Assurance</p> <p>We reviewed planning and risk management, arrangements for managing, monitoring and co-ordinating the portfolio, budgetary and financial controls, and compliance with legislation / guidance.</p> <p>We found arrangements to be generally sound. There was, however, a need to update procedural guidance and more fully embed risk management. There was also a need for a formal service level agreement between Community and Corporate and Neighbourhood Services for the delivery of a property maintenance service.</p>
16.	Benefits Finance	<p>Internal Audit, in conjunction with the Finance: Revenues: Benefits Manager undertook an assessment of the adequacy of the framework of control in preparation for an inspection by Audit Scotland. The output from this work formed the basis of the submission to Audit Scotland.</p>
17.	Supply Teacher Provision Education	<p>Limited Assurance</p> <p>Covered arrangements for ensuring compliance with legislation and guidance, for identifying supply requirements, and for monitoring the quality of provision. Also covered budgetary, financial and administrative controls and the adequacy of management information.</p> <p>We found arrangements for ensuring compliance with national legislation to be sound with guidance in place. There was, however, non-compliance relating to the monitoring of periods of continuous service. There were also issues relating to financial control and the availability of management information and the analysis of trends. There was a need to review and refresh the supply pool.</p>
18.	Utilities, Catering and Follow Up Central Scotland Fire and Rescue Service	<p>As discussed and agreed with CSFRS management and presented to CSFRS Best Value and Scrutiny Committee.</p>