

FALKIRK COUNCIL

Subject: INTERNAL AUDIT PROGRESS REPORT
Meeting: AUDIT COMMITTEE
Date: 23 September 2013
Author: INTERNAL AUDIT MANAGER

1. INTRODUCTION

- 1.1 The purpose of this paper is to update Members on progress with completing the agreed 2013/14 Internal Audit Plan (the Plan), as presented to Audit Committee on 25 March 2013.

2. AUDIT PROGRESS

- 2.1 Progress with completing 2013/14 Internal Audit work is summarised in the table below.

Status	Number	%
Final Reports Issued	6	24%
Draft Reports Issued	1	4%
In Progress	7	28%
Not Started	11	44%
Total	25	100%

- 2.2 In short, progress is as anticipated and no significant adjustments have been made. **Appendix 1** lists each planned review and current status, along with the assurance level provided (see **Appendix 2** for definitions) for those completed to draft or final report stage.
- 2.3 Key findings arising from those reports completed to final report stage are set out at **Appendix 3**.

3. INTERNAL AUDIT PERFORMANCE

- 3.1 Internal Audit continues to monitor its performance against a set of 5 Key Performance Indicators. The table overleaf sets out performance to date.

Key Performance Indicator	2013/14 - to date	2012/13	2011/12
Complete 85% of main audit programme	28%	100%	100%
Have 90% of recommendations accepted	100%	99%	99%
Spend 75% of time on direct audit work	73%	78%	77%
Issue 75% of draft reports within 3 weeks of completion of fieldwork	100%	96%	82%
Complete (to issue of final report) 75% of main audits within budget	83%	87%	82%

- 3.2 Although it is relatively early in the year, performance against each of the 5 indicators is broadly as expected.
- 3.3 In my Annual Assurance Report, presented at the June 2013 meeting of the Committee, I confirmed that Falkirk Council Internal Audit Section would adopt the national balanced scorecard indicators being developed by the Scottish Local Authority Chief Internal Auditors' Group (SLACIAG). SLACIAG members have agreed to pilot the balanced scorecard during 2013/14 with a view to full adoption during 2014/15.
- 3.4 For information, I have set out, at **Appendix 4**, the agreed indicators and our current position against each.

4. RECOMMENDATIONS

4.1 Members are invited to note that:

4.1.1 Good progress is being made with planned Internal Audit work;

4.1.2 performance against KPIs is as reported at paragraph 3.1; and

4.1.3 Internal Audit have adopted the nationally agreed balanced scorecard, with current performance as per Appendix 4.

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Internal Audit Manager

Date: 13 September 2013

2013/14 INTERNAL AUDIT PLAN – PROGRESS AT SEPTEMBER 2013

No.	Service/Status	Audit	Level of Assurance
<i>Final Reports Issued</i>			
1.	Corporate and Neighbourhood	Fleet Management – Operator's Licence Requirements	Substantial
2.	Finance	Debtors	Substantial
3.	Governance	Records Management	Substantial
4.	Social Work	Clients' Funds / Intermediary Accounts	Limited
5.	All Services	Statutory Performance Indicator Verification	Substantial
6.	Social Work	Cash Spot Checks	Substantial
<i>Draft Reports Issued</i>			
7.	Corporate and Neighbourhood / Finance	Chip and Pin and Paye.Net	Substantial
<i>Audits In Progress</i>			
8.	All Services	Corporate Purchasing and Contract Management	N/A
9.	Development / Finance	Strategic Projects	N/A
10.	All Services	Data and Information Security – Governance and Practice	N/A
11.	Finance	General Services Capital Programme	N/A
12.	All Services	National Fraud Initiative	N/A
13.	All Services	Continuous Auditing	N/A
14.	All Services	Serious Organised Crime	N/A
<i>Audits Not Started</i>			
15.	All Services	Welfare Reform	N/A
16.	Education	Education Services – Financial Governance and Management	N/A
17.	All Services	Business Continuity Planning	N/A
18.	All Services	Premises Managers' Handbook Compliance	N/A
19.	Social Work	Self Directed Support	N/A
20.	Development	Falkirk Townscape Heritage Initiative	N/A

Appendix 1

No.	Service/Status	Audit	Level of Assurance
21.	Finance	Corporate Fraud	N/A
22.	All Services	Site Key Control Testing	N/A
23.	TBC	Reciprocal Review with West Lothian Council	N/A
24.	Internal Audit	Income Generation	N/A
25.	Falkirk Community Trust	To be agreed with Trust Board	N/A

DEFINITION OF INTERNAL AUDIT ASSURANCE CATEGORIES

Level of Assurance	Definition
Comprehensive assurance	Sound risk, control, and governance systems are in place. These should be effective in mitigating risks to the achievement of objectives. Some improvements in a few, relatively minor, areas may be required.
Substantial assurance	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.
Limited assurance	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.
No assurance	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.

FINAL REPORTS ISSUED – SUMMARY OF KEY FINDINGS 2013/14

No	Audit Area and Service	Assurance and Key Findings
1.	<p>Fleet Management – Operator's Licence Requirements</p> <p>Corporate and Neighbourhood</p>	<p>Substantial Assurance</p> <p>Covered arrangements for ensuring compliance with the conditions attached to the Standard National Goods Vehicle Operator's Licence granted to Falkirk Council in August 1995.</p> <p>In general, adequate arrangements were in place. A robust vehicle servicing and maintenance programme has been developed, with all vehicles covered by the Licence subject to regular inspection.</p> <p>We did, however, note scope for improving: training for drivers, Service Transport Officers and line managers; risk management; first use vehicle checks; line manager sample checking; driver infringement reports; and management information.</p>
2.	<p>Debtors</p> <p>Finance</p>	<p>Substantial Assurance</p> <p>Covered controls over the identification, input, and authorisation of debtor information on Integra; arrangements for recording payments; debt management, arrears, and write-offs; reconciliations; and management information.</p> <p>Sound systems of control were in place, with clear roles, responsibilities, and guidance. There was some scope for further improving system access and administration; authorised signatory lists; debt-write off and recovery arrangements; and performance information.</p>
3.	<p>Records Management</p> <p>Governance</p>	<p>Substantial Assurance</p> <p>Covered arrangements for ensuring an effective records management function, focussing on compliance with the Public Records (Scotland) Act 2011.</p> <p>We found that work in relation to the six compulsory elements of the Act was substantively complete, with work planned to address any remaining outstanding areas. Of the remaining eight, non-compulsory, elements, we noted that there were several where improvements are planned or in progress.</p> <p>In overall terms, however, we found that the Records Management Plan submitted to the Keeper of the Records of Scotland complied, in general terms, with the requirements of the Act.</p>

No	Audit Area and Service	Assurance and Key Findings
4.	Clients' Funds / Intermediary Accounts Social Work	<p>Limited Assurance</p> <p>Covered policies, procedures, and guidance; financial and operational controls; the security and retention of clients' funds records; and the production of management information. Internal Audit visited Brockville, Camelon, and Grangemouth Area Offices to review local arrangements.</p> <p>While we noted that operational guidance had recently been updated and that training had taken place, there remained a number of weaknesses.</p> <p>In particular, we made recommendations in relation to criteria for appointeeship; the application of segregation of duties; management checks; reconciliations and record keeping; reviewing account balances; and management information.</p>
5.	Statutory Performance Indicator Verification All Services	<p>Substantial Assurance</p> <p>Reported on Internal Audit's role in collecting and validating SPI returns prepared by Services. For each of the SPIs falling within our remit, we found that the information gathered for publication was accurate and complete.</p>
6.	Cash Spot Checks Social Work	<p>Substantial Assurance</p> <p>We reviewed procedures for the receipt, recording, and reconciliation of cash (imprest, donations, and client funds) at Torwoodhall and Grahamston House Care Homes, and at Caledonia Clubhouse.</p> <p>While arrangements were generally sound, we made a number of recommendations relating to security and record keeping.</p>

INTERNAL AUDIT BALANCED SCORECARD

Objective	Measure	Target	Initiative	Falkirk Council IA Performance	Supporting Information
Audit Committee					
To maintain our understanding of key stakeholders.	Number of meetings with AC Chair.	One per quarter.	Propagate best practice to AC members.	COMPLIANT	Formal meetings held prior to each Audit Committee.
To continue to align our work to key corporate risks.	%age corporate risks audited in a reporting period.	Audit planning approach uses a risk based methodology.	Ensure that Annual IA Plan identifies the risks which will be audited and which assurance will be provided on.	PARTIALLY COMPLIANT	Risk Registers considered when preparing IA Plan.
	Compliance with our IA Charter			PARTIALLY COMPLIANT	Dependent on development of corporate risk management arrangements. IA Strategy in place. This will be replaced with a PSIAS compliant Charter during 2013/14.
Management / Customers					
To be the provider of choice of IA Services.	Involvement of IA staff in major change initiatives.	Set as part of IA Charter.	Incorporate into regular meetings with Chief Officers.	COMPLIANT	IA are involved with, or consulted on, all major change initiatives.
To maintain strong relationships with Departments and Chief Officers.	%age high satisfaction rates from Client surveys.	Planned quarterly meetings with Chief Officers – particularly if there is on-going work in the quarter.		NOT COMPLIANT	IA do not routinely issue CSQs. Annual CSQs were issued to Directors in April 2012. This exercise may be repeated during 2013/14.
	Number of meetings held with CEX and Chief Officers.			COMPLIANT	IA meet with CEX and Chief Officers as and when required.
Internal Audit Process					
To adopt an effective follow up process.	%age points followed up on.	100% follow up.		COMPLIANT	IA seek updates from Services and report on outstanding recommendations to CMT and Audit Committee.
To promote the highest professional and ethical standards.	%age adoption of PSIAS across SLACIAG.	100% compliance.	Recognising PSIAS as the key code of practice for IA.	PARTIALLY COMPLIANT	IA will work towards full compliance with PSIAS.
To maintain the highest quality and content in our IA reports	%age customer satisfaction with audit reports.	100% compliance.	Survey end users on effectiveness of reporting.	COMPLIANT	Workshops held in February 2013 with DMT's confirmed broad satisfaction with style, format, and structure.
Innovation / Capabilities					
To have a high quality staff complement (capability and training).	%age qualified staff.	All staff to have minimum professional qualifications with recognised professional bodies.	Competence matrix for each grade of staff.	COMPLIANT	All Falkirk Council IA staff are professionally qualified.
	Staff compliance with CPD.		Personal development plans for staff, based on career progression and business needs.	COMPLIANT	IA Section is CIIA CPD Accredited. Finance Services is CIPFA CPD Accredited. Development discussed as part of APDS process.
	Training hours per year per auditor (grade).		Review training needs based on personal development plans.	COMPLIANT	As above.