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Mr Bryan Smail
Chief Finance Officer
Falkirk Council
Municipal Buildings
West Bridge Street
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7 January 2014

Dear Bryan

Falkirk Council
Review of Internal Audit 2013/14

Audit Scotland's Code of Audit Practice (the 'Code') sets out the wider dimension of public sector audit. The Code requires the external auditor to undertake an annual assessment of the adequacy of the internal audit function. Also, based on this assessment we plan to rely on areas of internal audit in terms of International Standard on Auditing 610 (*Considering the work of internal audit*).

Our annual review of internal audit is based on a standard review programme and, importantly, communication with the internal audit manager. Our objective is to establish the effectiveness of internal audit arrangements and to identify areas of internal audit work where we plan to place formal reliance particularly in relation to our financial statements responsibilities.

From 1 April 2013 internal audit were required to adopt the Public Sector Internal Audit Standards (PSIAS). These standards replace the 2006 CIPFA Code of Practice for Internal Audit in Local Government on which we have based our assessment in previous years. We have identified a number of areas where internal audit are still working to achieve full compliance with the new standards. This includes the production of an internal audit charter and a quality assurance and improvement programme, including external validation arrangements. We have obtained assurances from the internal audit manager that action is being taken to ensure full compliance with PSIAS in future.

Overall, we have concluded that the areas of non-compliance with PSIAS do not impact on the range and quality of work carried out by internal audit. Moreover, we are satisfied that the existing quality assurance framework operated by internal audit is soundly based.

For our financial statements responsibilities we plan to place formal reliance on aspects of internal audit's work in the following areas:

- General services capital programme
- Debtors (reviewed in 2012/13)

In terms of our wider dimension responsibilities we also plan to consider internal audit work in the following areas:

- Welfare reform
- Strategic projects (TIF)

We will continue to monitor and review completed internal audit assignments to ensure that work on which we are placing reliance has been delivered. Any failure to complete areas where formal reliance has been agreed could impact on our plan and audit fee.

Finally, I would like to thank the Internal Audit Manager for his co-operation during our review. If you have any questions on this matter please do not hesitate to contact me.

Yours sincerely

James Rundell
Senior Audit Manager

By e-mail: Gordon O'Connor, Internal Audit Manager
John Flannigan, Depute Chief Finance Officer