

The background of the slide features the coat of arms of the Government of Nunavut. It is a shield divided into four quadrants. The top-left quadrant shows a yellow diagonal cross on a blue background. The top-right quadrant features a white reindeer head with large antlers on a blue background. The bottom-left quadrant depicts a white sailing ship on blue wavy lines representing water. The bottom-right quadrant shows a white eagle with spread wings on a blue background. Above the shield is a crown with four yellow maple leaves. A white banner at the bottom contains the text 'ANE FOR A' in blue capital letters.

Agenda Item 5

Internal Audit Progress Report

Falkirk Council

Title: Internal Audit Progress Report

Meeting: Audit Committee

Date: 26 September 2016

Submitted By: Internal Audit Manager

1. Purpose of Report

- 1.1 The purpose of this report is to provide an update on progress with completing the 2016/17 Internal Audit Plan.

2. Recommendation

- 2.1 **It is recommended that the Committee notes that good progress is being made with completing the 2016/17 Internal Audit Plan.**

3. Background

- 3.1 The 2016/17 Internal Audit Plan was agreed by Audit Committee at its 18 April 2016 meeting. The Plan set out a total of 21 assignments to be completed by the team during the year. This included the provision of Internal Audit services to Falkirk Community Trust and to Falkirk Pension Fund, and the allocation of resource to support the Integration Joint Board Chief Internal Auditor in discharging his duties.

4. Considerations

- 4.1 A summary of planned assignments, along with the current status of each, is attached as Appendix 1.
- 4.2 It is normal for adjustments to be made to the Plan as the year progresses, to take account of new or emerging risks or specific requests from Services. To date no assignments have been deferred, but the following reviews have been added to our work programme:
- Carbon Reduction Commitment Energy Efficiency Scheme Audit;
 - Contact Centre – Data and Information Security;
 - Social Work Intermediary Accounts;
 - Residential and Non Residential Charging – Debt Management; and
 - LEADER Funding.
- 4.3 Final Reports have been issued in respect of the first two, and a summary of the scope of, and findings arising from, these reviews is set out in Appendix 2.

- 4.4 Findings arising from the other assignments listed in Appendix 1 will be included in future reports to Committee once final reports are agreed and have been issued.
- 4.5 Each year, Internal Audit allocate time within our Annual Plan to undertake ad hoc / consultancy work. Examples of the type of work we have been involved in to date include:
- streamlining of monthly Payroll report process for Children's Services, in conjunction with that Service and the Head of HR and Business Transformation;
 - continuing assurance role in relation to Business Transformation project;
 - input into various corporate working groups, such as Corporate Risk Management Group and Covalent User Group;
 - input into Corporate Finance workforce planning exercise;
 - attendance at, and input to, meetings of the Scottish Local Authorities Chief Internal Auditors' Group and its Computer Audit Sub-Group (including secretarial role of the latter);
 - review and refresh of Internal Audit report format; and
 - ongoing integration of the Internal Audit, Risk Management, and Corporate Fraud Teams.
- 4.6 In addition, the Internal Audit Team continues to play a trusted 'critical friend' role, interacting with Services on a daily basis to discuss, and provide advice on, developing systems, processes, and controls, and emerging risks.

5. Community Halls

- 5.1 At its last meeting, in June 2016, Members of the Audit Committee requested an update on compliance with procedures in relation to Community Hall accounts.
- 5.2 The 'Community Facilities: Funds and Asset Management Procedures for Management Committees or Community Associations' (the Procedures) was reviewed and updated in November 2015, and issued to all Community Hall Management Committees in December 2015.
- 5.3 Section 4 of the Procedures deals with Financial Governance Arrangements, including the audit of Annual Accounts by an 'independent examiner' and subsequent submission of Accounts to the Council.

- 5.4 On an annual basis, Community Hall Management Committees submit Accounts to the Corporate Finance Division of Corporate and Housing Services. Corporate Finance, in liaison with Children's Services, follow up on Accounts that are not submitted in line with the timescales set out in the Procedures.
- 5.5 On receipt of Accounts, Corporate Finance undertake a reasonableness check that they have been independently reviewed, and that there is broad compliance with the Procedures (a signed Office of the Scottish Charity Regulator Independent Examiner's Report, or a report that follows the wording set out at Section 4.6 of the Procedures).
- 5.6 If the Accounts do not broadly comply with the Procedures, Corporate Finance, in liaison with Children's Services, return the Accounts to the Management Committee with a reminder of the requirements in relation to independent examination / audit.
- 5.7 To ensure that all Management Committees remain aware of their obligations (including those relating to independent examination of Accounts), Corporate Finance wrote to each Committee in August 2016 re-attaching a copy of the Procedures.

6. Consultation

- 6.1 The report has been circulated to members of Corporate Management Team.

7. Implications

Financial

- 7.1 The role of Internal Audit is to provide Members with assurance on the Council's arrangements for risk management, governance, and control. This includes controls which are designed to help safeguard the finances of the Council.

Resources

- 7.2 Recommendations or advice from Internal Audit may impact on the way in which resources are deployed and utilised.

Legal

- 7.3 Internal Audit may, on occasion, comment on the legality of transactions, activity, or processes.

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 Although it is relatively early in the year, progress in relation to planned assignments, and also the wide range of ad hoc / consultancy work the team continue to be involved in, will allow a balanced and evidenced based opinion on arrangements for risk management, governance, and control to be provided in the Internal Audit Annual Assurance Report (to the summer 2017 meeting of the Committee).

Internal Audit Manager

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Date: 13 September 2016

APPENDICES

- **Appendix 1** – Internal Audit Plan 2016/17 – Progress at September 2016; and
- **Appendix 2** – Summary of Key Findings Arising From Assignments Complete to Final Report.

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:

- Community Facilities: Funds and Asset Management Procedures for Management Committees or Community Associations.

INTERNAL AUDIT PLAN 2016/17 – PROGRESS AT SEPTEMBER 2016

Planned Assignments (as per 2016/17 Internal Audit Plan)			
	Service	Assignment	Status
1.	All Services	Code of Corporate Governance	Not Started
2.	All Services	Compliance with Financial Regulations	Not Started
3.	All Services	Welfare Reform	Not Started
4.	All Services	Corporate Purchasing and Contract Monitoring	In Progress – interim report to be issued October 2016
5.	All Services	Serious Organised Crime / CONTEST / PREVENT	In Progress - input at national and local level on-going
6.	All Services	Building Security (Council Buildings)	Draft Report Issued
7.	Corporate and Housing / All Services	Redundancy and Severance Arrangements	In Progress – fieldwork underway
8.	Corporate and Housing / All Services	Payroll – Temporary and Permanent Adjustments	Draft Report Issued
9.	Corporate and Housing	Integrated Housing Management System – Security and Management	Not Started
10.	Corporate and Housing	Housing Rents	In Progress – fieldwork underway
11.	Corporate and Housing	ICT Service Desk and Support	Not Started
12.	Corporate and Housing / Children's / Adult Social Work	Procurement of Services from External Providers of Social Work Services	Not Started
13.	Development	Refuse Collection	In Progress – fieldwork underway
14.	Development	Financial Vetting, Insurance, and Performance Bonds	Not Started
15.	All Services	National Fraud Initiative	In Progress – 2014/15 well progressed, 2016/17 data to be submitted in October 2016
16.	All Services	Continuous Auditing	In Progress – Creditors Duplicate Payments of £7.5k identified to date and being recovered
17.	Corporate and Housing	Reciprocal Audit Review with West Lothian Council (WLC)	Not Started – WLC's Audit and Risk Manager will follow up his 2015/16 review of Falkirk Council's Risk Management Arrangements

Planned Assignments (as per 2016/17 Internal Audit Plan)			
	Service	Assignment	Status
18.	Internal Audit	External Quality Assessment – Participation in External Quality Assurance Programme	Not Started – This review will be undertaken by South Ayrshire Council's Chief Internal Auditor during 2016/17
19.	Falkirk Pension Fund	Falkirk Pension Fund	Not Started
20.	Falkirk Integration Joint Board	Falkirk Integration Joint Board	In Progress – via support to IJB Chief Internal Auditor, and in line with IA Plan approved by IJB in August 2016
21.	Falkirk Community Trust	Falkirk Community Trust	In Progress – in line with IA Plan approved by Trust Audit and Performance Sub-Group in August 2016

Additional Assignments			
	Service	Assignment	Status
1.	Development	CRC Energy Efficiency Scheme Audit	Final Report Issued – Substantial Assurance
2.	Corporate and Housing	Contact Centre – Data and Information Security	Final Report Issued – Limited Assurance
3.	Adult Social Work	Social Work Intermediary Accounts	Draft Report Issued
4.	Corporate and Housing / Children's / Adult Social Work	Residential Charging and Non Residential Charging – Debt Management	In Progress – fieldwork underway
5.	Development	LEADER Funding	In Progress – fieldwork underway

Summary Of Key Findings Arising From Assignments Complete to Final Report

No.	Assignment Area and Service	Assurance and Key Findings
1.	Carbon Reduction Commitment Energy Efficiency Scheme Audit Development Services	<p>Substantial Assurance</p> <p>This work focussed on ensuring the Council:</p> <ul style="list-style-type: none"> • is discharging its statutory responsibilities and has effective controls in place to manage the implementation and operation of the Scheme; • is able to submit its CO₂ emissions annual report within the permitted tolerance for accuracy and has appropriate processes to collect, collate, and maintain energy consumption data; • has appropriate financial activities, processes, and controls to purchase and surrender allowances in accordance with statutory requirements; and • has sufficient evidence to demonstrate regulatory compliance. <p>We found that roles and responsibilities were well understood and that procedural instructions had been recently updated. The annual report was submitted timeously, and we were content that reported data reconciled to Systems Link data and that the list of 'included' buildings was up to date.</p> <p>The Council had sufficient allowances to cover the quantity of CRC emissions reported, and an evidence pack was maintained containing all mandatory evidence.</p>
2.	Contact Centre – Data and Information Security Corporate and Housing Services	<p>Limited Assurance</p> <p>We reviewed roles and responsibilities of staff responsible for receiving and allocating data / information from the Forth Valley Social Work Emergency Duty Team; procedures, guidance, and training available to Customer First Team staff in relation to the Information Security Policy; existing information sharing protocols; and email system access management arrangements for Customer First Team staff.</p> <p>We found areas where the framework of control could be improved. In particular, we found there to be a need to ensure that emails were being properly directed to '.gcsx' secure mailbox accounts.</p> <p>There was scope to reduce the number of people with access to secure mailboxes, both within the Customer First Team and in Children's Services / Social Work Adult Services area offices.</p> <p>In addition, the procedures for handling information received from the Emergency Duty Team require to be agreed with all relevant Services, and the information sharing protocol needs to be updated to reflect the involvement of the Customer First Team.</p>