

The background of the slide features a large, light blue crest of the University of Victoria. The crest is a shield divided into four quadrants. The top-left quadrant shows a building with a cross on top. The top-right quadrant shows a stag's head with antlers. The bottom-left quadrant shows a sailing ship on the water. The bottom-right quadrant shows an eagle with spread wings. Above the shield is a crown with four floral motifs. Below the shield is a banner with the motto "ANNE FOR A'".

Agenda Item 5

Internal Audit Progress Report

Falkirk Council

Title: Internal Audit Progress Report

Meeting: Audit Committee

Date: 13 March 2017

Submitted By: Internal Audit Manager

1. Purpose of Report

- 1.1 This report provides an update on progress with completing the 2016/17 Internal Audit Plan.

2. Recommendation

- 2.1 It is recommended that the Committee notes progress 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, with a further 5 assignments added over the course of the year.

4. Progress With Completing 2016/17 Internal Audit Plan

- 4.1 A summary of planned and additional assignments, along with the current status of each, is attached as Appendix 1.
- 4.2 Final Reports have now been issued in respect of 13 assignments (this includes Continuous Auditing, where findings are reported on an on-going basis throughout the year). A summary of the scope of, and findings arising from, assignments not previously reported to Committee are set out at Appendix 2.
- 4.3 As stated above, five additional assignments have been added to the work programme over the course of the year. To facilitate this, four reviews will be carried forward into future Internal Audit Plans. These are:
- Code of Corporate Governance;
 - Welfare Reform;
 - Housing Rents; and
 - Procurement from External Providers of Social Work Services.

- 4.4 In addition, it is likely that the External Quality Assessment of the Internal Audit section's compliance with Public Sector Internal Audit Standards will now be undertaken during 2017/18 rather than the current year.

5. Implications

Financial

- 5.1 There are no financial implications.

Resources

- 5.2 There are no resource implications.

Legal

- 5.3 There are no legal implications.

Risk

- 5.4 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

- 5.5 An equality and poverty impact assessment was not required.

Sustainability / Environmental Impact

- 5.6 A sustainability / environmental assessment was not required.

6. Conclusions

- 6.1 Good progress is being made with planned Internal Audit work. An Annual Assurance Report, summarising all Internal Audit work undertaken during 2016/17 and providing an overall opinion on the Council's arrangements for risk management, governance, and control based on that work, will be presented to the next meeting of the Audit Committee.

Internal Audit Manager

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Date: 3 March 2017

APPENDICES

- Appendix 1 – Internal Audit Plan 2016/17 – Progress at February 2017; and
- Appendix 2 – Summary of Key Findings Arising From Assignments Complete to Final Report – Not Previously Reported to Committee.

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:

- None.

INTERNAL AUDIT PLAN 2016/17 – PROGRESS AT FEBRUARY 2017

Planned Assignments (as per 2016/17 Internal Audit Plan)			
	Service	Assignment	Status
1.	All Services	Code of Corporate Governance	Deferred
2.	All Services	Compliance with Financial Regulations	In Progress
3.	All Services	Welfare Reform	Deferred
4.	All Services	Corporate Purchasing and Contract Monitoring	FINAL REPORT ISSUED – Substantial Assurance
5.	All Services	Serious Organised Crime / CONTEST / PREVENT	Ongoing Participation - input at national and local level on an on-going basis
6.	All Services	Building Security (Council Buildings)	FINAL REPORT ISSUED – No Assurance
7.	Corporate and Housing / All Services	Redundancy and Severance Arrangements	FINAL REPORT ISSUED – Substantial / Limited Assurance
8.	Corporate and Housing / All Services	Payroll – Temporary and Permanent Adjustments	FINAL REPORT ISSUED – Substantial Assurance
9.	Corporate and Housing	Integrated Housing Management System – Security and Management	Draft Report Issued
10.	Corporate and Housing	Housing Rents	Deferred
11.	Corporate and Housing	ICT Service Desk and Support	FINAL REPORT ISSUED – Substantial Assurance
12.	Corporate and Housing / Children's / Adult Social Work	Procurement of Services from External Providers of Social Work Services	Deferred
13.	Development	Refuse Collection	FINAL REPORT ISSUED – Substantial Assurance
14.	Development	Financial Vetting, Insurance, and Performance Bonds	FINAL REPORT ISSUED – Substantial Assurance

Planned Assignments (as per 2016/17 Internal Audit Plan)			
	Service	Assignment	Status
15.	All Services	National Fraud Initiative	Ongoing Participation – Matches released 26 January 2017 and investigations on-going. c£95k of erroneously claimed Council Tax Single Person Discount has been identified and is being recovered.
16.	All Services	Continuous Auditing	Ongoing Reporting – Creditors Duplicate Payments of c£15k identified and being recovered
17.	Corporate and Housing	Reciprocal Audit Review with West Lothian Council (WLC)	In Progress – reciprocal reviews of risk management underway in both Councils.
18.	Internal Audit	External Quality Assessment (EQA) – Participation in EQA Programme	Likely to be deferred to 2017/18
19.	Falkirk Pension Fund	Falkirk Pension Fund (Transactional Testing)	FINAL REPORT ISSUED – Substantial Assurance
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	FINAL REPORT ISSUED – Substantial Assurance
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	FINAL REPORT ISSUED – to support annual submission to Scottish Government

**Summary Of Key Findings Arising From Assignments Complete to Final Report
– NOT Previously Reported to Committee**

No.	Assignment Area and Service	Assurance and Key Findings
1.	ICT Service Desk and Support Corporate and Housing Services	<p>Substantial Assurance</p> <p>We reviewed arrangements for receiving, prioritising, and addressing customer requests relating to the resolution of hardware and software issues, and the acquisition and disposal of IT equipment. This included review of roles, responsibilities, policies, and procedures, and arrangements for monitoring performance and service standards.</p> <p>All staff were clear about their roles and responsibilities, and policies and procedures on Service Desk operations were in place.</p> <p>In general, we found that adequate arrangements had been established for receiving, recording, and resolving customer requests.</p> <p>There was, however, scope for improving the process for electronically reporting issues via development of a Fault Reporting Form, and for analysing call data to ensure that lines are appropriately staffed during known busy periods.</p> <p>There was also some scope for ensuring that all call records recoded on the HEAT system were complete and accurate, and for further developing customer satisfaction and performance monitoring arrangements.</p>
2.	Financial Vetting, Insurance, and Performance Bonds Development Services / Corporate and Housing Services	<p>Substantial Assurance</p> <p>This review focussed on three areas:</p> <ul style="list-style-type: none"> • arrangements for ensuring that contractors are subject to the appropriate level of financial vetting prior to the award of contract, and on an ongoing basis thereafter; • roles and responsibilities in relation to ensuring that contractors have the required insurance cover in place, and that these are properly considered prior to the award of contract; and • arrangements for ensuring that performance bonds are requested and received for significant contracts. <p>We found that, in general, the operational controls associated with the financial evaluation of contractors, ensuring that they have adequate insurance, and have, where applicable, provided performance bonds, were working effectively. All staff were clear about their roles and responsibilities.</p> <p>Our analysis of insurance documentation did, however, highlight that contract start dates or new insurance details are not always submitted to Insurance Section by Development Services. We also found that suppliers' insurance documentation for contracts that are not managed by Development Services is not submitted to Insurance Section for review.</p> <p>In addition, we recommended that any reason for not requesting a performance bond from a contractor should be documented by Development Services.</p>

No.	Assignment Area and Service	Assurance and Key Findings
3.	<p>Falkirk Pension Fund – Transactional Testing</p> <p>Corporate and Housing Services / Falkirk Pension Fund</p>	<p>Substantial Assurance Internal Audit work focussed on testing to ensure that:</p> <ul style="list-style-type: none"> • new member contributions to the Pension Fund were properly calculated; • the correct transfer values of pension rights either in to, or out of, the Pension Fund had been received or paid; and • the correct pension payments, including lump sum payments, were paid to retiring Fund members. <p>We found that the processes for the calculation of new member contributions, for paying and receiving transfer values, and for making pension payments, were working effectively. Supporting documentation had been appropriately authorised, calculations were correct, and the Pensions Administration system had been accurately updated.</p>