

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 its roof. The top-right quadrant depicts a stag's head with large antlers. The bottom-left quadrant shows a three-masted sailing ship on the water. The bottom-right quadrant features an eagle with spread wings perched on a branch. Above the shield is a crown with four floral motifs. A banner at the bottom of the shield contains the motto "ANNE FOR A'".

Agenda Item 4

Internal Audit Progress Report

Falkirk Council

Title: Internal Audit Progress Report

Meeting: Audit Committee

Date: 28 September 2017

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 2017/18 Internal Audit Plan, and on Internal Audit recommendations that remain outstanding.

2. Recommendation

2.1 It is recommended that the Committee notes:

- (1) progress being made with completing the 2017/18 Internal Audit Plan; and**
- (2) the position in relation to recommendations outstanding.**

3. Background

- 3.1 The 2017/18 Internal Audit Plan was agreed by Audit Committee on 13 March 2017. 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. Progress With Completing 2017/18 Internal Audit Plan

- 4.1 Two additional assignments have been requested by Development Services, and have been added to the Plan. These are:
- Carbon Reduction Commitment Energy Efficiency Scheme Audit; and
 - LEADER Funding Audit.
- 4.2 A summary of planned, and additional, assignments, along with the current status of each, is attached as Appendix 1.

- 4.3 Final Reports have been issued in respect of two of these. A summary of the scope of, and findings arising from, those two assignments is set out at 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.

5. Internal Audit Recommendations Outstanding

- 5.1 A total of 15 Internal Audit recommendations are currently outstanding beyond their agreed Implementation Date. These relate to the following assignments:
- Employment and Training Unit (1 Rec);
 - Building Security (4 Recs);
 - Non-Domestic Rates (1 Rec);
 - Pension Administration and Pension Fund Governance (1 Rec);
 - Members' Services: Civic Events and Receptions, Training, Allowances and Expenses (2 Recs);
 - Mobile Device Security Arrangements (3 Recs);
 - Redundancy and Severance Arrangements (1 Rec);
 - ICT Service Desk and Support (2 Recs).
- 5.2 Details of each of these recommendations are set out at Appendix 3. Internal Audit continues to work with Services to ensure that appropriate, and proportionate, action is taken to address all recommendations made by the team.

6. Implications

Financial

- 6.1 There are no financial implications.

Resources

- 6.2 There are no resource implications.

Legal

- 6.3 There are no legal implications.

Risk

- 6.4 The role of Internal Audit is to provide Committee 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

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

Sustainability/Environmental Impact

- 6.6 A sustainability / environmental assessment was not required.

7. Conclusions

- 7.1 The team are making good progress with 2017/18 Internal Audit work. This will contribute to a balanced and evidenced based year end opinion on arrangements for risk management, governance, and control. Internal Audit will continue to work with Services to ensure that all recommendations are fully and timeously implemented.

Internal Audit Manager

Author: Gordon O'Connor, Internal Audit Manager, 01324 506339
gordon.oconnor@falkirk.gov.uk

Date: 19 September 2017

APPENDICES

- **Appendix 1** – Internal Audit Plan 2017/18 – Progress at September 2017;
- **Appendix 2** – Summary of Key Findings Arising From Assignments Complete to Final Report; and
- **Appendix 3** – Internal Audit Recommendations Outstanding.

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 2017/18 – PROGRESS AT SEPTEMBER 2017

Planned Assignments (as per 2017/18 Internal Audit Plan)			
	Service	Assignment	Status
1.	Corporate and Housing / All Services	Payroll – Transactional Testing	Not Started
2.	Corporate and Housing / All Services	Recruitment and Selection	Final Report Issued – Substantial / Limited Assurance
3.	Corporate and Housing	Housing Revenue Account – Key Controls	Not Started
4.	All Services	Council of the Future – Assurance Role	In Progress – fieldwork underway
5.	Corporate and Housing / All Services	Sundry Debtors	Draft Report Issued
6.	Corporate and Housing / All Services	Procurement / Contract Monitoring	In Progress – fieldwork underway
7.	Corporate and Housing	Cyber Security	Not Started
8.	Children's / Adult Social Work Services	Public Protection (Children and Adults) - Governance	In Progress – fieldwork underway
9.	Development / Children's / Adult Social Work Services	Social Care and Education Transport	Draft Report Issued
10.	All Services	Code of Corporate Governance	Not Started
11.	All Services	Welfare Reform	Not Started
12.	Corporate and Housing / Children's / Adult Social Work	Procurement of Services from External Providers of Social Work Services	In Progress – fieldwork underway
13.	All Services	Follow Up of Internal Audit Recommendations	In Progress - Ongoing
14.	All Services	Consultancy Work	In Progress - Ongoing
15.	All Services	National Fraud Initiative	In Progress - Ongoing
16.	All Services	Continuous Auditing	In Progress - Ongoing
17.	To Be Confirmed	Reciprocal Review with West Lothian Council	Not Started

Planned Assignments (as per 2017/18 Internal Audit Plan)			
	Service	Assignment	Status
18.	Internal Audit	External Quality Assessment	Not Started
19.	Falkirk Pension Fund	Governance, Security, and Transactional Testing	Not Started
20.	Falkirk Integration Joint Board	To Be Confirmed	Not Started
21.	Falkirk Community Trust	Site Visits, Invoicing Arrangements, Cash Counts	In Progress – fieldwork underway

Additional Assignments			
	Service	Assignment	Status
1.	Development Services	CRC Energy Efficiency Audit	Final Report Issued – Substantial Assurance
2.	Development Services	LEADER Audit	Draft Report Issued

Summary Of Key Findings Arising From Assignments Complete to Final Report

No.	Assignment Area and Service	Assurance and Key Findings
1.	Recruitment and Selection Corporate and Housing / All Services	<p>Substantial / Limited Assurance</p> <p>We reviewed the control framework relating to the recruitment and selection of permanent, temporary, and casual staff. We focussed on:</p> <ul style="list-style-type: none"> • policies, procedures, and guidance; • arrangements for the identification and approval of recruitment requests; • advertisement, application, assessment, and approval arrangements, including pre-employment checks; • arrangements for appointing successful candidate; and • procedures for notifying HR, Payroll, and Pensions of the outcome of recruitment exercises. <p>We were able to provide Substantial Assurance on the adequacy of the Recruitment and Selection Policy, and Limited Assurance on compliance with the Policy at Service level.</p> <p>In general, a clear and robust Policy has been established to control the recruitment and selection process, with adequate training available to recruiting managers. There was some scope for improving the Policy further by clarifying the pre-employment checks required when recruiting internal candidates to a different post.</p> <p>Our work on compliance with the Policy highlighted several instances where temporary posts were filled directly from the casual pool, or by permanent staff on a secondment basis, for periods in excess of four months with no advertisement, application, or interview exercise.</p> <p>We also found instances where the audit trail was incomplete. This included several cases where there was no documentation to confirm why applicants had, and had not, been selected for interview, and that the post was awarded to the most suitable applicant (eg shortlisting and interview scoring matrices not fully completed or certified).</p> <p>Documentation was not always retained to explain why a new start was not placed on the first point of their salary scale, or of the required authorisation for this.</p>

No.	Assignment Area and Service	Assurance and Key Findings
2.	<p>CRC Energy Efficiency Audit</p> <p>Development Services</p>	<p>Substantial Assurance</p> <p>We reviewed arrangements for ensuring that 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 clear, and that procedural instructions had been recently updated. The Annual Report was submitted on time, and was based on 401 electricity and 111 gas supplies. We tested and queried reported data for a number of premises to ensure this reconciled to Systems Link (energy management system) data.</p> <p>The Council must ensure that it has CO₂ allowances at least equal to the quantity of emissions reported. The Council purchased £400k of allowances during 2016/17 and this, along with allowances carried forward from previous years, covered the emissions total in the Annual Report.</p> <p>In overall terms, we were content that the evidence pack maintained by the Council contained all of the mandatory evidence and was appropriately structured.</p>

INTERNAL AUDIT – RECOMMENDATIONS OUTSTANDING

No.	Target Imp Date	Service	Audit Name	Assurance Level	Recommendation Details	Responsible Officer	Agreed Management Action	Revised Imp Date	Latest Update Position
DEVELOPMENT SERVICES									
1.	31-Mar-2016	Development Services	Employment and Training Unit	Substantial	<p>A Procurement Strategy for training programmes should be developed and implemented along with a standard checklist of payment evidence requirements.</p> <p>An approved Training Providers Framework should be developed.</p>	Employment and Training Unit Manager	Employment and Training Unit will take these points forward in partnership with the Corporate Procurement Unit.	31-Mar-2016	Work is on-going and some elements have been completed. Overall strategy and approach has been impacted upon by external funding terms and conditions. To be completed by end October 2017.
CHILDREN'S SERVICES									
2.	31-Dec-2016	Children's Services	Building Security	No	<p><u>Camelon Education Centre</u></p> <p>Management should arrange for a comprehensive review of building security arrangements to be undertaken as a matter of priority, with all necessary action taken thereafter to address any identified gaps in the security framework. This review should include both the design of, and compliance with, key security controls.</p>	Director of Children's Services	<p>Guidance on Building Security was emailed to all Children's Services establishments on 03 August 2016. This was consistent with guidance made available to all Council staff via Inside Falkirk in July 2016.</p> <p>Specific issues identified by Internal Audit are being considered and addressed in conjunction with Building Design - Facilities team.</p>	31-Dec-2016	<p>Staff issued with reminder about building security (Incl need to wear ID badges) in August 2016.</p> <p>Community Access area reception is staffed during operational times.</p> <p>Camelon Education Centre is being assessed as part of the overarching Property Review. The outcome of this review will determine future investment in the building. Work in Progress.</p>

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CORPORATE AND HOUSING SERVICES									
3.	31-Dec-2015	Corporate & Housing Services	Non-Domestic Rates (including Tax Incremental Finance scheme)	Substantial	The Council's discretionary policies on NDR should be subject to formal review.	Revenues Manager	It is accepted that discretionary policies require to be updated and to be approved by Members, and work has started on this. The date proposed is provisional, and may be impacted by the absence of the Depute Chief Finance Officer.	31-Dec-2015	New relief scheme announced by Scottish Government but now some local pressure for relief due to rates revaluation increases and Falkirk Town Centre Townscape Heritage Initiative works. This issue to be reviewed once new 2017/18 reliefs are implemented (software currently being tested) with aim to have new policy approved by end of 2017/18 financial year.
4.	31-Mar-2016	Corporate & Housing Services	Pension Administration and Pension Fund Governance	Substantial	A Register of Interests should be established to record details of any actual / potential conflicts relating to members of the Committee and the Board. The Register should be published on the Fund's website.	Pensions Manager	Recommendation Accepted.	31-Mar-2016	Subject to agreement of Governance, report will be presented to Pensions Committee on 21 September 2017 for approval of policy and process.
5.	31-Dec-2016	Corporate & Housing Services	Members' Services: Civic Events and Receptions, Training, Allowances and Expenses	Substantial	A role descriptor should be prepared for, and issued to, elected Members, setting out their key roles and responsibilities.	Business and Members' Services Manager	Prepare role descriptions for the various elected Member roles, ie Councillor, Provost, Depute Provost, etc.	31-Dec-2016	Generic role descriptions were included in the induction materials provided for Members following the local government elections in May 2017. Further work is needed to develop the draft role descriptions for specific remits such as Provost and Leader. Estimated date for completion is end of September 2017.

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6.	31-Mar-2016	Corporate & Housing Services	Members' Services: Civic Events and Receptions, Training, Allowances and Expenses	Substantial	The points relating to procedural guidance should be addressed.	Business and Members' Services Manager	Develop an action plan and implement the recommendations listed in Internal Audit report. This also accords with the action plan developed following the Best Value Audit of Falkirk Council in 2014/15.	31-Mar-2016	The procedural guidance is being revisited in the context of Member training and development for all Members, both new and returning. The Training Needs Assessment and Personal Development Plan processes will start again, with all 30 Members, and progress and policies (where relevant) will be reported to Corporate Management Team as part of the annual update in February 2018. This work was delayed due to the general election being called for June 2017 but will now recommence with a completion date of 31 January 2018 (in line with the CMT reporting timetable).
7.	31-Aug-2016	Corporate & Housing Services	Mobile Device Security Arrangements	Substantial	The Information Security Policy should be reviewed and updated.	Technology and Infrastructure Manager	Recommendation Accepted.	31-Aug-2016	The draft Acceptable Use Policy and Information Security Policy are being updated to take into account recommendations from the National Cyber Security strategy. Estimated completion date of December 2017 to allow consultation etc.
8.	31-Aug-2016	Corporate & Housing Services	Mobile Device Security Arrangements	Substantial	The Acceptable Use Policy should be reviewed and updated.	Technology and Infrastructure Manager	Recommendation Accepted.	31-Aug-2016	The draft Acceptable Use Policy and Information Security Policy are being updated to take into account recommendations from the National Cyber Security strategy. Estimated completion date of December 2017 to allow consultation etc.
9.	31-Aug-2016	Corporate & Housing Services	Mobile Device Security Arrangements	Limited	The remote standard build should be tested before installing on ipads / tablets and mobile phones.	Improvement Manager / Technology and Infrastructure Manager	Recommendation Accepted.	31-Aug-2016	The new telephony contract means that new phone handsets need to be integrated with the existing mobile device management software as a priority. This will be completed by the end of October 2017. The Ipad Device Enrolment Programme and VPP will be implemented following the work on the new phones. Estimated new completion date of December 2017.

No.	Target Imp Date	Service	Audit Name	Assurance Level	Recommendation Details	Responsible Officer	Agreed Management Action	Revised Imp Date	Latest Update Position
10.	31-Mar-2017	Corporate & Housing Services	Building Security	No	Consideration should be given to the appointment of a Building Security Officer with overall responsibility for developing, disseminating, and enforcing Building Security standards. The option for a shared resource should also be explored with neighbouring local authorities and / or other public sector bodies (eg NHS Forth Valley) to mitigate the cost implications of such an appointment.	Head of HR and Business Transformation	<p>Corporate Risk Management Group (the Group) have met and agreed to be responsible for developing, disseminating, and enforcing Building Security standards. Internal Audit recommendations will become a standing agenda item until the Group is content that all recommendations have been implemented.</p> <p>That said, the Council would benefit from a co-ordinated approach, with one Building Security Officer having overall responsibility for building security standards in the longer term. Any related working group tasked with taking this forward would benefit from the inclusion of a selection of Premises Managers from a range of Council premises of differing types.</p> <p>Each Service will take forward actions specific to their buildings in response to the Internal Audit. Services will also ask all Premises Managers to undertake a check of security arrangements to ensure they are working effectively.</p> <p>Internal Audit will undertake further unannounced spot checks in high risk premises to ensure actions are being undertaken.</p>	31-Mar-2017	All Services have reported that they have taken forward the actions specific to their buildings. External advice is being obtained on building security risk assessments and once available information will be provided within the Premises Managers' handbook and Premises Managers will be supported in implementing this. Building Security will again be considered by Corporate Risk Management Group at its September 2017 meeting.

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11.	31-Dec-2016	Corporate & Housing Services	Building Security	No	Given the findings arising from our visits to a sample of operational premises, consideration should be given to the adequacy of the security guidance provided to Premises Managers. These deliberations should include the potential need for the recruitment of professional expertise to assist with the development of more robust security standards (including the preparation of a Security Risk Assessment and Action Plan for key operational buildings).	Head of HR and Business Transformation	<p>A security expert will be identified to undertake a risk assessment in higher risk areas including a Primary School, a Secondary School, and a Care Home. These can then be used as templates for other locations.</p> <p>The Premises Manager's Handbook will be reviewed and updated to provide better guidance on building security. This will be done once template risk assessments have been developed.</p>	31-Dec-2016	The security expert has undertaken risk assessments and these will be reported to the Corporate Risk Management Group in September 2017.
12.	31-Mar-2017	Corporate & Housing Services	Building Security	No	All Premises Managers should attend a Training Workshop on the roles, responsibilities, and tasks set out in the Premises' Managers Handbook. These workshops, which are advertised on the Employee and Organisational Development Course Bulletin, are run free of charge by the Health, Safety, and Care Team.	Head of HR and Business Transformation	This will be carried out once new training material and risk assessment templates have been developed.	31-Mar-2017	This will be carried out once the Premises Managers' handbook has been amended. The aim is for training to be available by end December 2017.

No.	Target Imp Date	Service	Audit Name	Assurance Level	Recommendation Details	Responsible Officer	Agreed Management Action	Revised Imp Date	Latest Update Position
13.	31-Mar-2017	Corporate & Housing Services	Redundancy and Severance Arrangements	Substantial	The Severance Policy should be reviewed and updated.	Head of HR and Business Transformation	<p>The Severance Policy has been reviewed and will now be discussed with Corporate Management Team and Trade Unions. Points 3.3.1 and 3.3.2 have been incorporated.</p> <p>With regards to the remaining point, consideration will be given to timescales, however, sufficient flexibility requires to be in place to:</p> <ul style="list-style-type: none"> • avoid reducing possible savings options. For example, if someone applies in May 2016 to leave in March 2017, the Service may require to wait until Council agree budget options in February 2017 before an offer can be made; • recognise that certain statutory functions performed by the Pensions Section take precedence over what are essentially non-statutory estimates; and • recognise that the Pension Fund also has responsibilities in being equitable in progressing estimate requests from other Fund employers. <p>Timescales can, however, be considered for the Payroll and Pensions stages. These timescales will not, however, be detailed in the Policy.</p>	31-Mar-2017	The Severance Policy has been updated and been issued for consultation. Discussions are still ongoing on the changes and the aim is to present this to Committee by December 2017.
14.	31-Jul-2017	Corporate & Housing Services	ICT Service Desk and Support	Substantial	A Fault Reporting Form should be developed by ICT for completion by customers when requesting IT support via email.	Technology and Infrastructure Manager	A pro-forma template will be created for use with email support calls.	31-Jul-2017	Pro-forma has been developed, but this requires to be integrated into the existing Service Desk system. Estimated completion date of December 2017

No.	Target Imp Date	Service	Audit Name	Assurance Level	Recommendation Details	Responsible Officer	Agreed Management Action	Revised Imp Date	Latest Update Position
15.	31-Jul-2017	Corporate & Housing Services	ICT Service Desk and Support	Substantial	Priority Call Resolution Targets should be updated on the Council's Intranet site.	Technology and Infrastructure Manager	Intranet page to be amended.	31-Jul-2017	This is a system generated report that cannot be changed on this version. Will pick up again following the next upgrade of the HEAT call management system. Estimated completion date of April 2018.