

The background of the slide features a large, light blue watermark of the University of Alberta crest. The crest is a shield divided into four quadrants. The top-left quadrant contains a cross with a chevron. The top-right quadrant contains a stag's head with antlers. The bottom-left quadrant contains a sailing ship on wavy lines. The bottom-right quadrant contains a beaver. Above the shield is a crown with four maple leaves. Below the shield is a banner with the motto 'ANNE FOR A'.

Agenda Item

4

Internal Audit Progress Report

Falkirk Council

Title: Internal Audit Progress Report
Meeting: Audit Committee
Date: 9 April 2018
Submitted By: Internal Audit, Risk, and Corporate Fraud Manager

1. Purpose of Report

- 1.1 The purpose of this short report is to provide an update on progress with completing the 2017/18 Internal Audit Plan. An Annual Assurance Report, summarising all work undertaken during 2017/18, will be presented to the June meeting of Audit Committee.

2. Recommendation

- 2.1 **It is recommended that the Committee notes progress being made with completing the 2017/18 Internal Audit Plan.**

3. Progress with Completing 2017/18 Internal Audit Plan

- 3.1 The Plan was agreed by Audit Committee on 13 March 2017. It set out 21 assignments to be completed by the team during the year. Two further assignments were added at the request of Development Services:
- Carbon Reduction Commitment Energy Efficiency Scheme Audit; and
 - LEADER Funding Audit.
- 3.2 Two reviews will not be undertaken as planned:
- Welfare Reform: carried forward to 2018/19 Plan, to ensure that Internal Audit input is at the most appropriate time, as risks emerge and evolve; and
 - Cyber Security: as part of the Scottish Government's Cyber Resilience Strategy for Scotland the Council will require to work towards Cyber Essentials accreditation. On that basis, our work on Cyber Security will be deferred.
- 3.3 The status of each assignment is attached at Appendix 1. All assignments have been completed, or are nearing completion.
- 3.4 Summaries of the scope of, and findings arising from, assignments complete to final report stage and not previously reported to Committee are set out at Appendix 2.

- 3.5 Definitions of the assurance categories used by Internal Audit are set out at Appendix 3.

4. Implications

Financial

- 4.1 There are no financial implications.

Resources

- 4.2 There are no resource implications.

Legal

- 4.3 There are no legal implications.

Risk

- 4.4 The role of Internal Audit is to provide Audit 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

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

Sustainability/Environmental Impact

- 4.6 A sustainability / environmental assessment was not required.

5. Conclusions

- 5.1 The team has now completed, or is in the process of completing, all planned 2017/18 work (subject to adjustments at paragraphs 3.1 and 3.2). This will allow a balanced and evidence based opinion on arrangements for risk management, governance, and control to be provided in the Internal Audit Annual Assurance Report that will be presented to the 18 June meeting of this Committee.

Internal Audit, Risk, and Corporate Fraud Manager

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Date: 26 March 2018

APPENDICES

- Appendix 1: Internal Audit Plan: Progress at 09 March 2018
- Appendix 2: Summary of Findings from Assignments Complete to Final Report – NOT Previously Reported to Committee
- Appendix 3: Definition of Internal Audit Assurance Categories

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 09 MARCH 2018

Planned Assignments (as per 2017/18 Internal Audit Plan)			
	Service	Assignment	Status
1.	Corporate and Housing / All Services	Payroll – Transactional Testing	In Progress – fieldwork underway
2.	Corporate and Housing / All Services	Recruitment and Selection	FINAL REPORT ISSUED
3.	Corporate and Housing	Housing Revenue Account – Key Controls	FINAL REPORT ISSUED
4.	All Services	Council of the Future – Assurance Role	In Progress and Ongoing
5.	Corporate and Housing / All Services	Sundry Debtors	FINAL REPORT ISSUED
6.	Corporate and Housing / All Services	Procurement Governance	FINAL REPORT ISSUED
7.	Corporate and Housing	Cyber Security	Deferred
8.	Children's / Adult Social Work Services	Public Protection (Children and Adults) - Governance	Draft Report Issued
9.	Development / Children's / Adult Social Work Services	Social Care and Education Transport	FINAL REPORT ISSUED
10.	All Services	Code of Corporate Governance	In Progress – fieldwork underway
11.	All Services	Welfare Reform	Deferred
12.	Corporate and Housing / Children's / Adult Social Work	Procurement of Services from External Providers of Social Work Services	In Progress and Ongoing
13.	All Services	Follow Up of Internal Audit Recommendations	In Progress and Ongoing
14.	All Services	Consultancy Work	In Progress and Ongoing
15.	All Services	National Fraud Initiative	2016/17 Exercise Largely Complete
16.	All Services	Continuous Auditing	In Progress and Ongoing

Planned Assignments (as per 2017/18 Internal Audit Plan)			
	Service	Assignment	Status
17.	West Lothian IJB and Falkirk Council Corporate Fraud	Reciprocal Review with West Lothian Council	Falkirk Council IA have reviewed West Lothian IJB's Risk Management arrangements West Lothian Council IA will undertake a benchmarking exercise ¹ of FC Corporate Fraud team early in 2018/19
18.	Internal Audit	External Quality Assessment	In Progress – review being undertaken by Scottish Prison Service Internal Audit. Outcome will be reported to June 2018 meeting of Audit Committee
19.	Falkirk Pension Fund	Governance, Security, and Transactional Testing	In Progress – fieldwork underway
20.	Falkirk Integration Joint Board	Financial Governance	In Progress – fieldwork underway
21.	Falkirk Community Trust	Site Visits; Cash Counts; Invoicing Arrangements.	FINAL REPORTS ISSUED

Additional Assignments			
	Service	Assignment	Status
1.	Development Services	CRC Energy Efficiency Audit	FINAL REPORT ISSUED
2.	Development Services	LEADER Audit	FINAL REPORT ISSUED

¹ Against the Scottish Government's Counter Fraud Maturity Model.

**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.	Sundry Debtors Corporate and Housing / All Services	<p>Substantial Assurance</p> <p>We reviewed roles, responsibilities, policies, and procedures; controls over the debtor set-up process; arrangements for identifying sundry debtors, raising invoices, and identifying and recording payments received from sundry debtors; debt management, arrears, and write off; and the adequacy of management information.</p> <p>In general, we found that sound systems of control were in place. All staff consulted during the review were clear about their roles and responsibilities, and arrangements for identifying and recording sundry debtor payments were robust. Debt write offs for the 2016/17 financial year were authorised in line with the Council's Financial Regulations.</p> <p>We did note a number of areas where there was some scope for further improving the existing framework of control.</p> <p>In particular, there was a need to review the user set up process for, and access rights to, the Sundry Accounts module. New user forms do not specify the user profiles available, and there were a number of users with either system administrator access or access to sensitive functions.</p> <p>There was also scope for better checking of invoices raised by Sundry Accounts staff and for updating authorised signatory lists. There were some inconsistencies in the audit trail retained, and some scope for improving written procedures and guidance for staff.</p> <p>We recommended that outstanding Social Work debts are referred to the external debt collection services responsible for following up on other categories of debt.</p>
2.	Procurement Governance Corporate and Housing Services	<p>Substantial Assurance</p> <p>Our work focussed on the adequacy of the Council's procurement strategies, policies, and guidance; the clarity of governance and accountability arrangements and the roles and responsibilities of the Procurement Board; and strategic risk management arrangements.</p> <p>All Procurement staff consulted were clear about their roles and responsibilities. We found procurement governance arrangements to be robust, with regular Procurement Board meetings and a current Procurement Strategy.</p> <p>The Council of the Future 'Procuring for the Future' project has identified a number of areas where governance arrangements can be enhanced, and an Implementation Plan has been put in place. The Procurement Board receive quarterly updates on progress against both the Procurement Strategy and the Implementation Plan.</p> <p>Corporate procurement guidance is kept under continuous review, and the Contact Standing Orders were reviewed and updated last year.</p>

No.	Assignment Area and Service	Assurance and Key Findings
3.	<p>Housing Revenue Account – Tenant Participation and Engagement Arrangements</p> <p>Corporate and Housing Services</p>	<p>Substantial Assurance</p> <p>In February 2014 the Scottish Government published ‘Guidance on the Operation of Local Authority Housing Revenue Accounts (HRAs) in Scotland. The guidance set out 5 key principles under which the HRA must operate.</p> <p>Our work focussed on Principle 4: ‘Local Authorities must have clear, published, mechanisms and procedures for discussing with Council tenants and / or Registered Tenant Organisations any matters of financial transparency relating to the HRA (in accordance with outcomes 2 and 3 of the Scottish Social Housing Charter)’.</p> <p>We reviewed tenant engagement, including the tenant participation strategy; processes for consulting with, and notifying tenants of, issues that may significantly affect them; arrangements for maintaining the Register of Tenant Organisations; and mechanisms for submitting and receiving feedback on complaints.</p> <p>We found that a comprehensive Tenant and Customer Participation Strategy has been developed by Housing Services, and agreed by elected Members, setting out the approaches adopted to ensure tenants are informed, consulted, and involved, as well as the resources available to support this.</p> <p>Consultation exercises have been undertaken in a number of areas during the last year, for example on housing rents, changes to housing policies, and on the repair and maintenance of housing stock. Robust processes were in place to plan, conduct, and record these exercises.</p> <p>A range of other mechanisms have been established to communicate with, and take account of the views of, tenants and residents. These include a formal complaints procedure, a Tenants’ and Residents’ Forum, and a tenant magazine. It was evident that tenants can obtain information about services and influence the type and level of service received from Housing Services.</p> <p>Well defined procedures are in place for tenant groups applying to the Council to become a Registered Tenants’ Organisation (RTO), with clear criteria to facilitate assessment. A register of RTOs is maintained, with all organisations subject to further assessment at least once every three years.</p> <p>We did note areas where arrangements could be further improved.</p> <p>In particular, there was a need to update the Council’s online platforms in a timely manner with the outcomes of engagement exercises, and a centralised, consolidated, register of consultation exercises should be maintained.</p> <p>There was also scope for improving guidance for non-capital and non-communal repair related consultation exercises.</p>

Definition of Internal Audit Assurance Categories

Level of Assurance	Definition
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.