

The background of the slide features a large, light blue crest of the University of the South Pacific. The crest is shield-shaped with a crown on top. The shield is divided into four quadrants: the top-left shows a building, the top-right shows a tree, the bottom-left shows a sailing ship, and the bottom-right shows a bird. A banner at the bottom of the shield contains the text 'ANE FOR A'.

Agenda Item 4

Internal Audit Plan 2019/20

Falkirk Council

Title: Internal Audit Plan 2019/20
Meeting: Audit Committee
Date: 8 April 2019
Submitted By: Internal Audit, Risk, and Corporate Fraud Manager

1. Purpose of Report

1.1 This report presents an Internal Audit Plan for 2019/20 for approval.

2. Recommendation

2.1 It is recommended that the Committee:

- (1) notes the resources available to Internal Audit;**
- (2) approves the Internal Audit Plan for 2019/20; and**
- (3) notes that progress will be reported to the Audit Committee on an ongoing basis.**

3. Background

3.1 The Public Sector Internal Audit Standards 2017 (PSIAS) require the preparation of a risk based Internal Audit Plan setting out the team's annual work programme. For 2019/20, this has again been done within the context of a Joint Working Agreement with Clackmannanshire Council (covering 2019/20 with option of a further year).

4. Falkirk Council Internal Audit Plan – Internal Audit Resources and Reporting Arrangements

4.1 Internal Audit's role is to provide a balanced and evidence based opinion to Members on the adequacy of the Council's arrangements for risk management, governance, and control.

4.2 To do this, the Internal Audit team must be:

- independent;
- objective in performing audit work; and
- adequately resourced, experienced, qualified, and knowledgeable.

- 4.3 All Internal Audit staff are experienced and professionally qualified. The role, authority, and responsibility of the team is formalised within the [Internal Audit Charter](#) approved by the Audit Committee on 21 August 2017. The Charter is clear that Internal Auditors will have no direct operational responsibility or authority over any of the activities audited, and that they must exhibit the highest level of professional objectivity at all times.
- 4.4 The resource available to deliver the 2019/20 Falkirk Council Internal Audit Plan is summarised in the table below:

| Activity | Planned Days |
|---|--------------|
| Direct Internal Audit Time | 450 |
| Consultancy Work and Income Generation | 100 |
| Work on Recommendations Outstanding | 5 |
| Total Direct Internal Audit Activity | 555 |

- 4.5 Direct Internal Audit Time is allocated to:

- **Annually Recurring Assignments:** these are assignments that Internal Audit is committed to undertaking on an annual basis. They will be completed as demand requires, and time permits, over the course of the year. A summary of each of these assignments is set out at Appendix 1;
- **Committed Assignments – April 2019 to September 2019:** It is inevitable that there will be changes to the risk profile of the Council, and the wider external environment (locally and nationally) over the course of the year. On that basis, it would be prudent to ‘commit’ to undertaking a fixed programme of assignments for only the first six months of the year. Details of the reviews to be undertaken between April and September are set out at Appendix 2.
- **Indicative Plan – October 2019 to March 2020:** while it is desirable to ensure that there is a degree of flexibility in the latter part of the year to react to any emerging or heightened risks, there remains a need to set out an ‘indicative’ plan for that period. This is set out at Appendix 3.

- 4.6 As required by PSIAS, this Plan has been developed taking account of key financial and other risks. This has been done by:

- considering the High and Medium risks included on the Council’s Corporate Risk Register and reviewing the Integrated Assurance Map (which maps sources of internal and external assurance against each corporate risk). The links between planned Internal Audit assignments and corporate risks are included within Appendices 1 to 3; and
- consulting with senior managers.

- 4.7 For each assignment a more detailed Terms of Reference will be agreed with the relevant Chief Officer prior to the commencement of fieldwork. This will be linked to the relevant corporate risk(s) and set out the scope of work to be undertaken.
- 4.8 On completion of each review, Internal Audit will issue a draft report to the Chief Officer. In most instances, this will include an opinion on the adequacy of risk management, governance, and control arrangements in the area under review, and an action plan setting out any recommendations for improvement. The assurance will be provided in line with the definitions set out at Appendix 4.
- 4.9 For some assignments no overall assurance will be provided. This may be the case where, for example, Internal Audit undertake work in relation to a developing system and issue a Position Statement rather than a full report (although recommendations may still be raised), or where we are involved as part of a longer term workstream.
- 4.10 Where Internal Audit makes recommendations, the Chief Officer will be required to provide formal responses (including action dates). The report and completed action plan will then form the final record of the assignment. Chief Officers are responsible for ensuring that all recommendations are implemented by the agreed action date, and the corporate Pentana system is used to monitor and manage this.
- 4.11 Progress with completing the 2019/20 Internal Audit Plan will be reported to Committee throughout the year. Internal Audit will work closely with the Council's appointed External Auditors, Ernst and Young, to ensure that work is co-ordinated and complimentary.
- 4.12 On an annual basis, an Internal Audit Assurance Report will be presented to Committee. This will give an overall opinion on the Council's risk management, governance, and control arrangements, based on the work Internal Audit has carried out over the course of the year.

5. Implications

Financial

- 5.1 The Internal Audit Joint Working Agreement with Clackmannanshire Council continues to generate income for Falkirk Council.

Resources

- 5.2 The resource available to Internal Audit remains unchanged from 2018/19.

Legal

- 5.3 There are no legal implications.

Risk

- 5.4 The role of Internal Audit is to provide the Council with assurance on its 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.
- 5.5 The Internal Audit joint working arrangement with Clackmannanshire Council will continue to require to be carefully managed and monitored to minimise any risk to completion of either Council's Internal Audit Plan.

Equalities

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

Sustainability / Environmental Impact

- 5.7 A sustainability / environmental assessment was not required.

6. Conclusions

- 6.1 The programme of work set out in this 2019/20 Internal Audit Plan will allow Internal Audit to provide a balanced and evidenced based assurance to Committee on the Council's arrangements for risk management, governance, and control.

Internal Audit, Risk, and Corporate Fraud Manager

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

Date: 28 March 2019

APPENDICES

- Appendix 1: Internal Audit Plan 2019/20 – Annually Recurring Assignments.
- Appendix 2: Internal Audit Plan 2019/20 – Committed Assignments – April 2019 to September 2019.
- Appendix 3: Internal Audit Plan 2019/20 – Indicative Assignments – October 2019 to March 2020.
- Appendix 4: 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 2019/20 – ANNUALLY RECURRING ASSIGNMENTS

| No. | Service | Purpose and Scope of Assignment |
|-----|--------------|--|
| A01 | All Services | <p>Consultancy Work and Income Generation</p> <p>The Public Sector Internal Audit Standards are clear that the provision of consultancy and advice to Services is a key element of Internal Audit's role.</p> <p>This time will be used to work closely with Services on things like: involvement in corporate projects and working groups; the provision of advice on guidance and controls; short term assignments requested by Services; and input into the investigation of actual or alleged irregularities.</p> <p>Internal Audit will also seek out income generation opportunities, for example by bidding to provide services to other public sector organisations.</p> |
| A02 | All Services | <p>Continuous Auditing</p> <p>This will focus on the testing of payments to suppliers of goods and services to identify any potential duplicate amounts paid.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Failure in financial management, control, or assurance. |
| A03 | All Services | <p>National Fraud Initiative</p> <p>The National Fraud Initiative (NFI) is a bi-ennial counter fraud exercise using data matching to identify potential fraud and error. In Scotland, the NFI is administered by Audit Scotland, with the results of the data matching exercise made available to individual Councils via a secure website. Data matches relate to areas such as Housing Benefit, Council Tax Discount, Payroll, Pensions, and Creditors.</p> <p>The Internal Audit, Risk, and Corporate Fraud Manager is 'key contact' for Falkirk Council. The role of the 'key contact' is to co-ordinate the gathering of data from Services and to upload that data to the secure NFI web portal. When the outcomes arising from Audit Scotland's data matching are released back to the Council it is the responsibility of the 'key contact' to co-ordinate and support Services in their investigation of those matches.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> • Failure in financial management, control, or assurance; • CONTEST, Integrity, and Serious Organised Crime. |
| A04 | All Services | <p>Follow Up of Internal Audit Recommendations</p> <p>All recommendations made by Internal Audit are uploaded to the Pentana performance management system, with accountability and responsibility for implementing each recommendation allocated to the relevant manager.</p> <p>While Internal Audit will not follow up on the implementation of all recommendations, we have allocated time to the targeted follow up of a sample of these.</p> |

| No. | Service | Purpose and Scope of Assignment |
|-----|----------------------|---|
| A05 | Development Services | <p>LEADER Grant Audit</p> <p>LEADER is a national programme using European funds to deliver community led local rural development projects. It is delivered via partnerships between the Scottish Government and Local Action Groups (LAG) responsible for developing a Local Development Strategy and for distributing funds against that Strategy.</p> <p>Falkirk Council acts as the 'Accountable Body' for the Kelvin Valley and Falkirk (KVF) 2014-2020 LEADER Programme. As Accountable Body (AB), Falkirk Council has overall responsibility for the delivery and cash flow of the KVF LEADER Programme – a service Level Agreement (SLA) between Falkirk Council and the Scottish Government defines this role.</p> <p>The SLA requires an annual Internal Audit of the functions and services undertaken by the Accountable Body.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Failure in financial management, control, or assurance. |
| A06 | Development Services | <p>Carbon Reduction Commitment Energy Efficiency Scheme Audit</p> <p>We will review 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 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>Risk Mitigated:</p> <ul style="list-style-type: none"> • Environmental risks: energy, waste, sustainability. |
| A07 | Development Services | <p>Climate Change Act Public Body Duties Audit</p> <p>The Climate Change (Scotland) Act introduced the requirement for public bodies to report on their climate change duties. The Council must submit an Annual Report to the Sustainable Scotland Network (SSN). This report must cover areas such as climate change governance, management, and strategy, emissions, targets, and projects.</p> <p>Internal Audit will review reporting arrangements, and the accuracy of the information included in the report, prior to submission to the SSN.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Environmental risks: energy, waste, sustainability. |

| No. | Service | Purpose and Scope of Assignment |
|-----|--------------------------------|---|
| A08 | Corporate and Housing Services | <p>Annual Housing Charter Return Audit Falkirk Council is required to submit an Annual Return in relation to its compliance with the Scottish Social Housing Charter.</p> <p>Internal Audit's work will focus on:</p> <ul style="list-style-type: none"> providing assurance that the reported performance information agrees to the December 2017 Technical Guidance for the Scottish Social Housing Charter (published by the Scottish Housing Regulator); and conducting testing to ensure that reported performance information is underpinned by adequate and robust supporting documentation. <p>Risk Mitigated:</p> <ul style="list-style-type: none"> Asset management (use, condition, suitability, availability, and reliability). |
| A09 | Corporate and Housing Services | <p>Scottish Housing Regulator – Annual Assurance Statement Audit All Social Landlords are required to submit an Annual Assurance Statement to the Scottish Housing Regulator providing assurance that they operate in compliance with Chapter 3 of the 'Regulation of Social Housing in Scotland' framework (the Framework).</p> <p>Internal Audit will provide independent assurance on Falkirk Council's compliance with the Framework prior to the submission of the Annual Assurance Statement to the Scottish Housing Regulator.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> Failures in leadership, governance, and decision making; Failure in financial management, control, or assurance. |
| A10 | Internal Audit | <p>Reciprocal Audit Review with West Lothian Council West Lothian Council Internal Audit will again undertake a review of an agreed Falkirk Council system, and vice versa.</p> |

| No. | Service | Purpose and Scope of Assignment |
|-----|---------------------------------|--|
| A11 | Internal Audit | <p>Public Sector Internal Audit Standards – Self Assessment The Internal Audit Section is required to operate in compliance with Public Sector Internal Audit Standards (PSIAS).</p> <p>The Internal Audit, Risk, and Corporate Fraud Manager must establish a quality assurance and improvement programme comprising annual self assessment and five yearly independent external assessment.</p> <p>External assessment was undertaken during early 2018 and reported to Audit Committee in June 2018.</p> <p>On that basis, a self assessment, and follow up of the recommendations arising from the external assessment, will be undertaken during 2019/20.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Failure in financial management, control, or assurance. |
| A12 | Corporate and Housing Services | <p>Falkirk Pension Fund Falkirk Council's Internal Audit Section provides Internal Audit Services to Falkirk Pension Fund. Coverage will be agreed with the Pensions Committee and Board.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Failure in financial management, control, or assurance. |
| A13 | Falkirk Integration Joint Board | <p>Falkirk Integration Joint Board The role of IJB Chief Internal Auditor rotates on a three yearly basis between Falkirk Council and NHS Forth Valley. From 01 April 2019 the role falls to Falkirk Council's Internal Audit, Risk, and Corporate Fraud Manager.</p> <p>Coverage will be agreed with IJB management and Audit Committee.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Health and social care integration. |
| A14 | Falkirk Community Trust | <p>Falkirk Community Trust To be determined and agreed with Trust management.</p> |

**INTERNAL AUDIT PLAN 2019/20 – COMMITTED ASSIGNMENTS – APRIL 2019 TO
SEPTEMBER 2019**

| No. | Service | Purpose and Scope of Assignment |
|-----|--------------------------------------|--|
| A15 | All Services | <p>Building Security (Operational Buildings) This will build on work undertaken during 2017/18.</p> <p>We will again review controls established to manage the risks to the security of operational Council buildings.</p> <p>We will visit a sample of buildings across all Council Services and test local security controls and arrangements.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> • Failure to provide a safe environment for employees and visitors. • Compromised security, or inefficient use, of the Council's data and information asset. • Public protection (Adults and Children). |
| A16 | Social Work Adult Services | <p>SW Adult Services – Completeness of Framework of Financial Procedures and Guidance Carried forward from 2018/19. This will be a high level review of written guidance and procedures, focussing on:</p> <ul style="list-style-type: none"> • the extent to which guidance covers all key financial processes; • availability of guidance to staff; and • staff training aimed at ensuring compliance with that financial guidance. <p>Risks Mitigated:</p> <ul style="list-style-type: none"> • Insufficient funding to deliver services and deliver outcomes. • Failure in financial management, control, or assurance. • Procurement and commissioning arrangements fail to secure best value, and demonstrate compliance with Council standards or legal requirements. |
| A17 | Corporate and Housing / All Services | <p>Creditors Purchase to Pay Cycle (Purchase Order / Invoice Processing and Authorisation) This work will focus on transactional testing of a sample of Purchase Orders, and non-Purchase Order Invoices, for appropriate authorisation, in line with approval limits.</p> <p>The same sample will be checked against the Council's Contract Register to assess the extent of on / off contract purchasing.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Failure in financial management, control, or assurance. • Procurement and commissioning arrangements fail to secure best value, and demonstrate compliance with Council standards or legal requirements. |

| No. | Service | Purpose and Scope of Assignment |
|-----|--------------|---|
| A18 | All Services | <p>System Administration – Access Privileges to Key Corporate Systems</p> <p>Internal Audit, in conjunction with Service management, will identify all systems from which payments can be generated / processed. For each, we will review system administrator access, and other high risk access combinations, to ensure appropriate segregation of duties is maintained (within and between systems).</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> • Compromised security, or inefficient use, of the Council's data and information asset. • Failure in financial management, control, or assurance. |
| A19 | All Services | <p>Sickness Absence</p> <p>We will review the Council's corporate approach to managing and monitoring both short and long term sickness absence. This will include the availability of policy, guidance, and training to staff, and the adequacy and clarity of corporate and Service specific management information.</p> <p>We will also test a sample of short and long term sickness absences to ensure these are being managed and monitored by Services in line with the Managing Sickness Absence Policy.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Failures in workforce planning, including absence, vacancy management, and succession planning. |

INTERNAL AUDIT PLAN 2019/20 – INDICATIVE ASSIGNMENTS – OCTOBER 2019 TO MARCH 2020

| No. | Service | Purpose and Scope of Assignment |
|-----|--------------------------------------|--|
| A20 | Corporate and Housing | <p>Savings Tracking Based on the suite of savings agreed by Council in February 2019, we will review the overarching process for reporting on the achievement of those savings to Corporate Management Team and elected Members.</p> <p>We will test a sample of savings from across all Services to assess arrangements for tracking, recording, and reporting on progress.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> • Failures in leadership, governance, and decision making. • Insufficient funding to deliver services and outcomes. |
| A21 | Corporate and Housing / All Services | <p>Procurement – Quick Quotes Internal Audit will review arrangements for governing and controlling access to the Quick Quotes system. We will test a sample of Quick Quote exercises run by Services to assess compliance with guidance. In particular, work will focus on the number and appropriateness of companies invited to bid for work.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> • Procurement and commissioning arrangements fail to secure best value, and demonstrate compliance with Council standards or legal requirements. • Failure in financial management, control, or assurance. |
| A22 | Development / All Services | <p>Business Continuity Planning Work will focus on the process for co-ordinating and reporting on Business Continuity Planning at a corporate level (Policy and Corporate Business Continuity Plan).</p> <p>We will also review whether up to date Business Continuity Plans are in place across Services for all identified high risk activities, and associated arrangements for ensuring that these are properly tested.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Resilience, Business Continuity, and Emergency Planning. |

| No. | Service | Purpose and Scope of Assignment |
|-----|--------------|---|
| A23 | All Services | <p data-bbox="624 237 1406 304">Equality Act 2010 (Specific Duties)(Scotland) Regulations 2012</p> <p data-bbox="624 304 1406 472">The Integrated Assurance Map presented to Audit Committee in September 2018 (as part of a wider Risk Management Update) highlighted a gap in relation to assurance on the Council's application of the Specific Duties.</p> <p data-bbox="624 506 1406 573">There are 10 Specific Duties (http://www.legislation.gov.uk/ssi/2012/162/contents/made).</p> <p data-bbox="624 573 1406 674">This review will consider a sample of two Duties and we will review the extent to which these have been mainstreamed within Falkirk Council.</p> <p data-bbox="624 707 831 741">Risk Mitigated:</p> <ul data-bbox="624 741 1294 775" style="list-style-type: none"> <li data-bbox="624 741 1294 775">• Failure to properly discharge Equalities Duties. |

DEFINITION OF INTERNAL AUDIT ASSURANCE CATEGORIES

| Level of Assurance | Definition |
|------------------------------|--|
| Substantial Assurance | Largely satisfactory risk, control, and governance systems are in place. There may be some scope for improvement as current arrangements may 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. |