

The background of the slide features a large, light blue watermark of the University of Aberdeen crest. The crest is a shield divided into four quadrants. The top-left quadrant shows a castle tower, the top-right shows a stag's head with a cross on its forehead, the bottom-left shows a three-masted sailing ship on waves, and the bottom-right shows an eagle with its wings spread. Above the shield is a crown with four floral motifs. Below the shield is a banner with the motto 'ANE FOR A'.

Agenda Item 4

Internal Audit Annual Assurance Report 2018/19

Falkirk Council

Title: Internal Audit Annual Assurance Report 2018/19
Meeting: Audit Committee
Date: 17 June 2019
Submitted By: Internal Audit, Risk, and Corporate Fraud Manager

1. Purpose of Report

1.1 This report provides an overall assurance on the Council's arrangements for risk management, governance, and control, based on Internal Audit work undertaken during 2018/19.

2. Recommendations

2.1 It is recommended that the Committee notes:

- (1) that sufficient Internal Audit work was undertaken to support a balanced assurance;
- (2) that Internal Audit can provide **SUBSTANTIAL** assurance on the Council's arrangements for risk management, governance, and control for the year to 31 March 2019;
- (3) that Internal Audit met, or exceeded, each of its Key Performance Indicators; and
- (4) that the Internal Audit section is broadly compliant with **Public Sector Internal Audit Standards**.

3. Background

3.1 It is senior managers' responsibility to establish and maintain effective and proportionate risk management, governance, and control arrangements. Internal Audit is not an extension of, or substitute for, operational management.

3.2 The 2017 Public Sector Internal Audit Standards (the Standards) require the Internal Audit, Risk, and Corporate Fraud Manager to prepare an Annual Assurance Report. This report should include:

- a statement on the overall adequacy of the Council’s control environment;
- a summary of Internal Audit work undertaken during the year; and
- a statement on the Internal Audit Section’s conformance with Public Sector Internal Audit Standards (PSIAS).

3.3 This report has been prepared to meet those requirements.

4. OVERALL ADEQUACY OF THE COUNCIL’S CONTROL ENVIRONMENT AND SUMMARY OF INTERNAL AUDIT WORK UNDERTAKEN DURING 2018/19

4.1 Twenty three main assignments were completed by Internal Audit during 2018/19. Sufficient Internal Audit work was undertaken to support a balanced opinion on the overall adequacy of the Council’s control environment.

4.2 Internal Audit use a set of Assurance Categories. A summary of these is set out at Appendix 1.

4.3 On the basis of work undertaken, Internal Audit can provide Substantial Assurance in relation to the Council’s arrangements for risk management, governance, and control for the year to 31 March 2019.

4.4 Internal Audit’s Annual Plan for 2018/19 was agreed by Audit Committee on 09 April 2018. It proposed twenty three main assignments. Over the course of the year two assignments were added to the plan, with two deferred.

4.5 A summary of completed assignments is set out at Appendix 2, with details on the scope of, and findings arising from, each set out at Appendix 3.

4.6 Internal Audit measures performance against the following Key Performance Indicators:

| Key Performance Indicator | 2018/19 Performance | 2017/18 Performance | 2016/17 Performance |
|---|----------------------------|----------------------------|----------------------------|
| 1. Complete 85% of agreed audits. | 100% | 100% | 95% |
| 2. Have 90% of recommendations accepted. | 100% | 99% | 100% |
| 3. Issue 85% of draft reports within 3 weeks of completion of fieldwork. | 100% | 100% | 100% |

4.7 For 2018/19 actual performance exceeded target, and was comparable with previous years.

5. COMPLIANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS

5.1 Internal Audit seeks to undertake all work in compliance with the Public Sector Internal Audit Standards 2017 (PSIAS). These standards have four objectives:

- to define the nature of Internal Auditing within the UK public sector;
- to set basic principles for carrying out Internal Audit in the UK public sector;
- to establish a framework for providing Internal Audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- to establish the basis for the evaluation of Internal Audit performance and to drive improvement planning.

5.2 The Standards require the Internal Audit Manager to establish a Quality Assurance and Improvement Programme (QAIP) to allow evaluation of compliance with the Standards. This comprises an annual self assessment and a five yearly external assessment.

5.3 The Scottish Prison Service's (SPS) Head of Audit and Assurance reported on his independent validation of the annual self assessment undertaken by the Internal Audit, Risk, and Corporate Fraud Manager at the 18 June 2018 meeting of Audit Committee. In his report, the SPS Head of Audit and Assurance concluded that the Internal Audit section is broadly compliant with PSIAS.

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 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

- 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 Internal Audit undertook sufficient work during 2018/19 to support a balanced and evidence based opinion that Substantial Assurance could be placed on the Council's arrangements for risk management, governance, and control.
- 7.2 In providing that opinion, Internal Audit operated in compliance with the Public Sector Internal Audit Standards.

Internal Audit, Risk, and Corporate Fraud Manager

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Date: 17 May 2019

APPENDICES

- Appendix 1 – Definition of Internal Audit Assurance Categories.
- Appendix 2 – Summary of 2018/19 Internal Audit Programme.
- Appendix 3 – Details of 2018/19 Internal Audit Programme.

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.

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. |

SUMMARY OF 2018/19 INTERNAL AUDIT PROGRAMME

| Planned Assignments (as per 2018/19 Internal Audit Plan) | | | |
|---|---------------------------------|--|---|
| | Service | Assignment | Level of Assurance |
| 1. | All Services | Ad Hoc / Consultancy Work | Not Applicable |
| 2. | All Services | Continuous Auditing | Duplicate Creditors payments of £62k identified during 2018/19 |
| 3. | All Services | National Fraud Initiative | Not Applicable |
| 4. | All Services | Follow Up of Internal Audit Recommendations | Not Applicable |
| 5. | Development Services | LEADER Grant Audit | Substantial Assurance |
| 6. | Development Services | Carbon Reduction Scheme Energy Efficiency Audit | Substantial Assurance |
| 7. | Development Services | Climate Change Act Public Body Duties Audit | Substantial Assurance |
| 8. | Development Services | Falkirk Townscape Heritage Initiative Audit | Substantial Assurance |
| 9. | Internal Audit | Reciprocal Audit Review with West Lothian Council | Not Applicable – Corporate Fraud Support |
| 10. | Internal Audit | External Quality Assessment of Internal Audit Compliance with Public Sector Internal Audit Standards | Broadly Compliant with PSIAS |
| 11. | Falkirk Pension Fund | Transactional Testing and Pension Fund Investment Management | Substantial Assurance |
| 12. | Falkirk Integration Joint Board | Performance Management | To be reported to IJB Audit Committee on 27 June |
| 13. | Falkirk Community Trust | Building Security | Substantial Assurance – Reported to Trust Audit and Performance Sub-Group on 16 May 2019 |
| 14. | All Services | Welfare Reform | Not Applicable – Position Statement |

| Planned Assignments (as per 2018/19 Internal Audit Plan) | | | |
|---|--------------------------------------|---|--|
| | Service | Assignment | Level of Assurance |
| 15. | Corporate and Housing / All Services | GDPR Readiness | Substantial Assurance |
| 16. | Corporate and Housing / All Services | Capital Planning and Expenditure Monitoring | Substantial / Limited Assurance |
| 17. | All Services | Building Security (Operational Buildings) | Limited Assurance |
| 18. | Children's Services | Pupil Equity Fund | Substantial / Limited Assurance |
| 19. | Development Services | Stores (Streetlighting / Blacksmith's) | Limited Assurance |
| 20. | All Services | Serious Organised Crime Readiness | Substantial Assurance |
| 21. | Corporate and Housing / All Services | Insurance (Claims Process and Lessons Learnt) | Substantial Assurance |

| Additional Assignments | | | |
|-------------------------------|-----------------------|--|------------------------------|
| | Service | Assignment | Level of Assurance |
| 1. | Corporate and Housing | Revenues and Benefits Data Handling / Bulk Mailing | Substantial Assurance |
| 2. | Corporate and Housing | Scottish Social Housing Charter – Annual Return | Substantial Assurance |

| Assignments Deferred | | | |
|-----------------------------|----------------------------|---|--|
| | Service | Assignment | |
| 1. | Social Work Adult Services | Social Work Adult Services Financial Procedures | |
| 2. | Children's Services | Implementation of Headteachers' Charter | |

DETAILS OF 2018/19 INTERNAL AUDIT PROGRAMME

| Assignment | Service | Assurance |
|---|---|-----------------------|
| Ad Hoc / Consultancy Work | All Services | Not Applicable |
| Scope | Summary | |
| <p>The Public Sector Internal Audit Standards are clear that the role of Internal Audit encompasses assurance and consultancy activity. As part of our 2018/19 Internal Audit Plan, time was specifically set aside for undertaking ad hoc and consultancy work (either at the request of Services, or as a result of new or emerging risks).</p> | <p>Examples of work that Internal Audit input to, or was involved in, include:</p> <ul style="list-style-type: none"> • input into operational procedures, eg, Financial Procedures for Care and Support at Home Employees, and Construction Industry Scheme procedures; • Bus Service Operator's Grant verification and sign off; • input into various Council of the Future workstreams; and • attendance at, and input to, meetings of the Scottish Local Authorities Chief Internal Auditors' Group and its Computer Audit Sub-Group. | |

| Assignment | Service | Assurance |
|--|---|-----------------------|
| Continuous Auditing | All Services | Not Applicable |
| Scope | Summary | |
| <p>This involves analysing Creditors payment file data (payments to suppliers of goods and services) to identify any potential duplicate payments.</p> <p>We use audit interrogation software to identify any matches on invoice date, invoice amount, and invoice number. We then check our initial results on TechOne to identify any cancelled payments; payments made to different suppliers; and duplicate payments that have already been identified and either cancelled or monies recovered.</p> | <p>For the period April 2018 to December 2018 we identified 55 potential duplicate payments, with a value of c£62k. Details of these have been passed to the Chief Finance Officer for appropriate recovery action.</p> | |

| Assignment | Service | Assurance |
|---|---|-----------------------|
| National Fraud Initiative | All Services | Not Applicable |
| Scope | Summary | |
| <p>The purpose of the NFI exercise is to review and investigate the outcomes of data matching undertaken by Audit Scotland on behalf of the Cabinet Office. Matches cover areas such as Payroll, Pensions, Housing and Council Tax Benefit, Council Tax Single Person Discount, and Creditors.</p> <p>The Internal Audit, Risk, and Corporate Fraud Manager acts as Key Contact for NFI, with responsibility for co-ordinating the process of ensuring that relevant matches are followed-up.</p> | <p>The 2016/17 exercise is now complete. 2,896 'Recommended' matches were released to Falkirk Council for review and investigation (8,366 matches in total). Services have investigated and closed 3,354 matches. No instances of fraud, and a total of 14 errors (with a total value of £18,501), were identified, with recovery underway.</p> <p>In addition to the core NFI exercise, Falkirk Council participates in a related exercise designed to detect wrongly claimed Council Tax Single Person Discount. Since 19 December 2018, as a result of participation in this exercise (which matches Council Tax and Electoral Roll data), frauds or errors totalling c£47k have been detected, with recovery action taken or underway.</p> <p>The 2018/19 NFI exercise is now underway. The required data has been gathered from Services and uploaded via the secure on-line NFI application. The resultant data matches were made available on 31 January 2019, and work is underway to prioritise and investigate.</p> | |

| Assignment | Service | Assurance |
|---|---|-----------------------|
| Follow Up of Internal Audit Recommendations | All Services | Not Applicable |
| Scope | Summary | |
| <p>All Internal Audit recommendations are recorded on the corporate Pentana performance management system. Services are responsible for ensuring that the agreed actions are taken to implement recommendations, and for updating Pentana to reflect this. Prior to recommendations being 'closed', Services are required to provide relevant evidence to Internal Audit.</p> | <p>The number of recommendations outstanding beyond their agreed implementation date fluctuates over the course of the year. While, ideally, no recommendations should remain outstanding, there can be operational, risk based, reasons for delay, or for reappraising the need for implementation. Any such assessments are done in conjunction with the Internal Audit team.</p> | |

| Assignment | Service | Assurance |
|---|--|-------------|
| LEADER Grant Audit | Development Services | Substantial |
| Scope | Final Report Executive Summary | |
| <p>The SLA requires an annual Internal Audit of the functions and services undertaken by the Accountable Body, including a review of compliance with SLA requirements.</p> <p>For 2018/19 our work covered the period 16 October 2017 to 15 October 2018 and focussed on reviewing:</p> <ul style="list-style-type: none"> • the terms of the SLA, and arrangements in place to cover these terms; the clarity of Local Action Group and Accountable Body governance and management processes; and review of LEADER administration processes; • Local Action Group processes for considering project and funding applications, handling of enquiries and expressions of interest, project application development, and scoring and decision making; and • LEADER administration grant claim processes. To include payments to the Accountable Body and applicants. | <p>LEADER is a national programme using European funds to deliver community led local rural development projects. LEADER is delivered through partnerships between the Scottish Government and community led Local Action Groups (LAG) who operate as a Board, defining a Local Development Strategy (LDS) and distributing funds against that Strategy.</p> <p>Falkirk Council is the Accountable Body for the Kelvin Valley and Falkirk 2014 – 2020 LEADER Programme. The Accountable Body is accountable to the Scottish Government for the delivery and cash flow of the LEADER Programme.</p> <p>Since October 2015 the LAG have approved awards to 30 projects with a total value of £1,944,554.</p> <p>Our work focussed on ensuring that the high level governance approach that is documented in paragraph 2.1 of the Kelvin Valley and Falkirk LEADER Business Plan is in place. We discussed the approach with the Programme Manager and also reviewed key documentation. We were content that appropriate arrangements are in place.</p> <p>We reviewed a sample of five LEADER funding applications to assess compliance with established procedures. From our review of the paper and electronic files for these applications, we were content that the established procedures have been complied with.</p> <p>We reviewed a sample of five recent grant claims from projects. We were content with the arrangements for paying grant claims to project applicants.</p> <p>The Accountable Body also submits LEADER grant claims to the Scottish Government. From reviewing the claims submitted to date on the LARCs system we were content that the grant claims were for valid LEADER costs, could be reconciled to the supporting documentation on LARCs, and had been appropriately checked and authorised.</p> | |

| Assignment | Service | Assurance |
|--|---|--------------------|
| Carbon Reduction Scheme Energy Efficiency Audit | Development Services | Substantial |
| Scope | Final Report Executive Summary | |
| <p>Work focussed on 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 were content that roles, responsibilities, and risks were well understood, and that up to date procedural instructions were in place. The annual report was submitted on time. We tested reported data for a sample of properties to ensure it reconciled to Systems Link and, other than a few minor queries, we were content that this was the case.</p> <p>We were also content that the Council had in place arrangements to ensure that sufficient allowances were in place to cover the level of emissions reported.</p> <p>The evidence pack maintained to demonstrate compliance with carbon reduction commitments contained all mandatory evidence and was appropriately structured.</p> | |

| Assignment | Service | Assurance |
|---|--|--------------------|
| Climate Change Act Public Body Duties | Development Services | Substantial |
| Scope | Final Report Executive Summary | |
| <p>The Climate Change (Scotland) Act 2009 introduced the requirement for public bodies to report on their climate change duties. An Annual Report must be submitted to the Sustainable Scotland Network by 30 November, covering:</p> <ul style="list-style-type: none"> • Organisational Profile; • Governance, Management, and Strategy; • Corporate Emissions, Targets, and Project Date; • Adaptation; • Procurement; and • Validation and Declaration. <p>We undertook validation work on the Council's 2017/18 Annual Report.</p> | <p>We were able to provide Substantial Assurance on the Council's reporting arrangements and the accuracy of the information in the Annual Report.</p> | |

| Assignment | Service | Assurance |
|---|--|--------------------|
| Falkirk Townscape Heritage Initiative Audit | Development Services | Substantial |
| Scope | Final Report Executive Summary | |
| Our work focussed on ensuring compliance with the relevant sections of the Conservation Area Regeneration Scheme grant contract. This included reviewing the application assessment and approval, grant award, and grant claim processes, and grant payments for a sample of funded projects. | <p>Based on the sample of Falkirk Townscape Heritage Initiative (THI) projects and payments reviewed we provided Substantial Assurance that grant claim payments have been properly paid in line with valid and assessed applications.</p> <p>To provide this assurance Internal Audit completed the following work in relation to Falkirk THI:</p> <ul style="list-style-type: none"> • validated the roles and responsibilities for the awarding and monitoring of grant funding; • reviewed a sample of projects and payments; • confirmed quarterly progress reports were submitted by the THI Project Officer to the Council's THI Steering Group / Heritage Lottery Fund / Historic Environment Scotland. | |

| Assignment | Service | Assurance |
|--|---|-------------------------------------|
| External Quality Assessment of Internal Audit Compliance with Public Sector Internal Audit Standards | Internal Audit | Broadly Compliant with PSIAS |
| Scope | Final Report Executive Summary | |
| <p>PSIAS require that the Internal Audit, Risk, and Corporate Fraud Manager develops a Quality Assurance and Improvement Programme (QAIP). The purpose of the QAIP is to enable evaluation of the section's conformance with PSIAS.</p> <p>The QAIP must include annual internal self assessments and five yearly independent external assessment.</p> | <p>The Internal Audit, Risk, and Corporate Fraud Manager undertook a detailed self assessment against PSIAS in early 2018.</p> <p>To fulfil the requirement for five yearly external assessment, the Scottish Prison Service's (SPS) Head of Audit and Assurance and the Internal Audit, Risk, and Corporate Fraud Manager undertook reciprocal peer reviews. For each, this took the form of independent validation of the annual self assessment.</p> <p>The SPS Head of Audit and Assurance concluded that the Council's Internal Audit section is broadly compliant with PSIAS (this is equivalent to 'Substantial Assurance').</p> | |

| Assignment | Service | Assurance |
|--|---|--------------------|
| Pension Fund – Transactional Testing and Investment Management | Corporate and Housing | Substantial |
| Scope | Final Report Executive Summary | |
| <p>Transactional Testing We reviewed:</p> <ul style="list-style-type: none"> • calculation of new member contributions; • transfers into, and out of, the Pension Fund; • payments to retiring and deceased members; • iConnect system controls; and • receipt of employer contributions. <p>Investment Management We reviewed:</p> <ul style="list-style-type: none"> • Fund Manager performance, governance and oversight; • fees charged and services delivered by Fund Managers, in accordance with agreements; • processing of Fund Manager invoices. | <p>We were able to provide Substantial Assurance in both of these areas.</p> <p>In relation to transactional testing, we found the operational controls associated with the calculation of new member contributions; for paying or receiving transfer values; for refunding contributions; for calculating deferred pensions; and for making payments to retiring members or in respect of deceased Fund members, were working effectively.</p> <p>The Fund has engaged various external managers to manage its assets of c £2.4 billion. We were content with the governance and oversight arrangements in relation to investment management, including the monitoring of Fund Manager performance against agreed benchmarks.</p> <p>From our review of a sample of management fee invoices, we confirmed that the fee rates matched those specified in the Investment Management Agreements with the Fund Managers; that invoices were approved by authorised signatories with appropriate financial authority; and that there was segregation of duties in the processing of the invoices.</p> | |

| Assignment | Service | Assurance |
|---|--|--|
| Welfare Reform | All Services | Not Applicable – Position Statement |
| Scope | Final Report Executive Summary | |
| <p>We reviewed how Falkirk Council has prepared for the introduction of Universal Credit (UC) as part of the wider implementation of Welfare Reform. This included actions taken to prepare for the introduction of UC and the mechanisms for reporting and monitoring those actions.</p> | <p>We issued a Position Statement setting out work undertaken to date, and work planned.</p> <p>This includes working with partners to understand the changes, timescales, and how the Council can more fully support UC claimants. A Frontline Services Improvement Group is in place to oversee the development of the Council's Advice and Support Hubs and its work to support people on a low income.</p> <p>In preparation for the UC full service roll out in March 2018 two targeted groups, the DWP / Falkirk Council UC Operational Delivery Group and the Falkirk Council UC Steering Group, were established. Both of these Groups, as well as staff from across multiple service areas, have a role in monitoring and ensuring progress and preparedness.</p> | |

| Assignment | Service | Assurance |
|---|---|--------------------|
| GDPR Readiness | Corporate and Housing / All Services | Substantial |
| Scope | Final Report Executive Summary | |
| <p>We reviewed:</p> <ul style="list-style-type: none"> the clarity of accountability arrangements and roles and responsibilities, including the role of the Information Management Working Group; overall project planning and management arrangements, including the reporting of progress with the GDPR action plan; and communications and awareness raising, including the availability of Council wide guidance and training. | <p>In relation to roles, responsibilities, and accountability arrangements we were, in general, content. A Data Protection Officer was appointed by the Council on 09 May 2018 and the Information Management Working Group (IMWG) is overseeing the Council's preparations for GDPR. There have been progress reports to the Corporate Risk Management Group, Corporate Management Team, and to the Executive.</p> <p>An updated Data Protection Policy was approved by the Executive on 15 May 2018 to reflect the implementation of GDPR, and this includes the Council's ten core commitments on data protection. There are not yet arrangements in place to assess whether these commitments have been achieved, and we recommended that this is addressed.</p> <p>The overall project planning and management arrangements were robust. An action plan for the implementation of GDPR has been developed, and is regularly updated by the Information Governance Manager. This is overseen by the IMWG. The action plan does not include target implementation dates for incomplete tasks, and we recommended that these are added.</p> <p>There have been a range of actions taken to raise awareness of GDPR within the Council. Comprehensive guidance has been prepared and training sessions held for employees. Elected members have still to receive GDPR training, and we recommended that this is held as soon as is feasible.</p> | |

| Assignment | Service | Assurance |
|--|--|------------------------------|
| General Capital Programme – Expenditure Recording, Monitoring, and Reporting | Corporate and Housing / All Services | Substantial / Limited |
| Scope | Final Report Executive Summary | |
| <p>We reviewed:</p> <ul style="list-style-type: none"> roles and responsibilities of those accountable for recording, monitoring, and reporting expenditure; policies, procedures, and guidance for recording, monitoring, and reporting expenditure, including the provision of training; and mechanisms for recording, monitoring, and reporting expenditure, including project slippage. | <p>We provided Substantial Assurance in relation to the adequacy of the procedures in place to record, monitor, and report capital expenditure, and Limited Assurance in relation to the level of compliance with these procedures.</p> <p>All staff consulted during the review were clear about their roles and responsibilities, albeit that the accountabilities of Lead Project Officers (LPOs) have not been formalised. Training is available to staff on the processes for recording and monitoring capital expenditure.</p> <p>Each project within the General Capital Programme (GCP) is allocated an individual cost centre code to which expenditure should be recorded in the Integra Finance system, with monthly reports issued to senior Service management by the Capital Section setting out expenditure against approved budgets.</p> <p>Channels are in place for senior Service management to inform the Capital Section of expected project slippage or overspends, with regular reports subsequently submitted to elected Members setting out progress with the GCP.</p> <p>We did, however, note several issues. In particular, there is a need for senior Service management to discuss capital monitoring reports with all LPOs (accountable for project</p> | |

| | |
|--|---|
| | <p>delivery), and to provide the Capital Section with more timely and accurate forecasts on the expected year end outturns for projects. This is demonstrated by the material variance in the 2017/18 year end underspend (£0.5m) which was projected for the approved GCP budget in February 2018, and the actual underspend (£5.3m) incurred as at March 2018.</p> <p>Significant slippage and overspends have been incurred by several projects in the GCP, with a number of these variances occurring on a regular basis over prolonged periods of time. It is accepted that some slippage is always likely to be incurred in programmes of this nature, with issues relating to weather and planning consent, for example, out with the LPO's control. The validity of the reasons provided for slippage and overspends for a sample of projects reviewed by Internal Audit was, however, sometimes unclear, for example: insufficient staffing resources; inadequate project funding; and uncertainty over project budgets at the start of tendering exercises.</p> <p>We made several recommendations to limit the extent to which project slippage / overspends are incurred, and to enhance accountability for project slippage / overspends. These include amendments to the format of the capital project bid process to require: a detailed breakdown of the staffing resources needed to undertake the project; written confirmation from the respective Service areas that they can dedicate this level of resource to the project; and formal agreement between Service representatives on the Capital Planning and Review Working Group (CPRWG) and senior Service management / LPOs that re-profiled funding timescales are adequate for approved project bids. We have also recommended that LPOs for projects with a >25% budget variance at financial year end (subject to a de minimis value of £100k) attend Corporate Management Team and / or Executive meetings to fully explain reasons for the delay / overspends.</p> <p>Expenditure is not always charged to the correct cost centre in the Integra Finance system. This has been caused, in part, through the miscoding of contract certificates by Development Services. Cost centre codes should be re-issued to Development Services along with clear guidance on the circumstances in which each code is to be used.</p> <p>We also found one instance where an adjustment to a project budget could not be reconciled to available documentation (eg, prior year capital monitoring spreadsheet and Integra cost centre report). Details of this anomaly, which totalled c£200k, have been provided to the Capital Section for review and correction.</p> |
|--|---|

| Assignment | Service | Assurance |
|---|---|-----------|
| Building Security | All Services | Limited |
| Scope | Final Report Executive Summary | |
| <p>The purpose of this review was to evaluate and report on the adequacy of the controls in place to ensure that Falkirk Council's operational buildings, and the contents therein, are secure.</p> | <p>We undertook unannounced visits to a sample of nine operational buildings and reviewed the physical security measures in place at each building to prevent unauthorised access. Particular emphasis was placed on buildings in which vulnerable people (eg, pupils and elderly residents) and Council vehicles are located.</p> <p>Robust security measures were found to be in place to prevent and deter unauthorised access to the majority of the sampled buildings. These included, for example, a combination of two or more of the following controls:</p> <ul style="list-style-type: none"> • perimeter fencing around the building and it's grounds; • remote locking entry doors to the main reception area; • locked and secure external doors (eg, fire exits and boiler room); • CCTV cameras and intruder alarms. <p>Based on the full sample of buildings visited, however, we could only provide Limited Assurance in relation to the adequacy of building security arrangements. We found there to be a number of significant weaknesses that require to be addressed, including:</p> <ul style="list-style-type: none"> • unauthorised entry was gained to three operational Council buildings, and an adjoining Council building, via fire exits which had been left ajar and / or a 'push button' door entry system. Only one of these buildings did not contain vulnerable persons (children and vulnerable adult service users); • we were not challenged by staff once unauthorised entry had been gained to operational buildings (and their grounds) despite the absence of an ID or visitors badge, and trying to open classroom and vehicle doors at random; and • unauthorised entry was gained to Council vehicles at a depot, with keys left in three of the unlocked and unattended vehicles. | |

| Assignment | Service | Assurance |
|--|---|-----------------------|
| Pupil Equity Fund | Children's | Substantial / Limited |
| Scope | Final Report Executive Summary | |
| <p>We reviewed:</p> <ul style="list-style-type: none"> roles, responsibilities, policies, and procedures; governance arrangements, including: alignment of spend to individual school PEF Plans; financial monitoring to meet the conditions of the grant; and mechanisms for monitoring and reporting those actions; and provision of robust management information. | <p>We provided a separate assurance level for each of the remit items as follows:</p> <ul style="list-style-type: none"> roles, responsibilities, policies, and procedures – Substantial Assurance; governance arrangements, including: alignment of spend to individual school PEF Plans; financial monitoring to meet the conditions of the grant; and mechanisms for monitoring and reporting those actions – Limited Assurance; and provision of robust management information – Substantial Assurance. <p>All staff consulted during the review were clear about their roles and responsibilities, with adequate training available on the key principles of PEF.</p> <p>In general, robust local operational guidance has been developed to guide Headteachers in planning for, and incurring, expenditure. There remains some scope for further improvement, however, for example by including greater clarity on the arrangements for evaluating, verifying, and reporting PEF outcomes.</p> <p>Each school is allocated an individual cost centre code to which income and expenditure should be recorded in the Integra Finance System. Regular reports are issued to Headteachers by the PEF Resource Officer and Secondary School Resource Managers setting out spend against PEF allocations.</p> <p>Significant slippage was incurred across the school estate during the 2017/18 academic year, with c£476k (13%) of the PEF allocation remaining unspent at the year end. Teething issues were anticipated by the Scottish Government for the new PEF scheme, however, with schools allowed to carry forward unspent funds into the new 2018/19 financial year.</p> <p>Our work on the validity of expenditure incurred from PEF allocations, and posted to individual school cost centres, was restricted. Five out of seven Headteachers did not respond to requests for information on a sample of transactions selected for review by Internal Audit. This meant that we were unable to confirm whether the sampled spend aligned to School Improvement / PEF Plans.</p> <p>A performance monitoring regime has been established. This includes an overall evaluation of the impact of interventions through the development of School Improvement Plans and completion of annual Standards and Quality (SAQ) reports. In our opinion, there remains some scope for further improvement, for example, guidance should be amended to suggest that schools use 'SMART' criteria when defining improvement priorities and outcomes, and more quantitative data included in SAQ reports.</p> <p>The Council has complied with all reporting requirements to the Scottish Government.</p> | |

| Assignment | Service | Assurance |
|---|---|-----------|
| Stores (Streetlighting / Blacksmith's) | Development | Limited |
| Scope | Final Report Executive Summary | |
| <p>We reviewed the adequacy of stock management controls at the Street Lighting and Blacksmiths Stores. Specifically:</p> <ul style="list-style-type: none"> physical security measures. In particular, controls for restricting staff and visitor access to the building and its contents, and arrangements for minimising the risk of damage to stock; procedures for determining appropriate stock levels, including stock re-order quantities; controls over the stock ordering and receipting process; arrangements for picking stock from the Store; and the adequacy of stock checking arrangements. In particular, controls over physical stock counts, and arrangements for writing off obsolete and damaged stock. | <p>We were able to provide Limited Assurance in relation to the adequacy of stock management controls at both Stores, and noted a number of areas where there was scope for improving the existing framework of controls.</p> <p>In particular, there is a lack of clarity over the volume and value of stock held, with incomplete stock records kept. No physical stock counts are undertaken.</p> <p>A robust system is not in place to ensure that stock is only removed from each Store for valid reasons. Stock can be removed by any member of staff, without the need for the completion or authorisation of any documentation.</p> <p>In relation to the Blacksmiths' Store, contracts are not in place with those suppliers with whom there is repeated business, while three written quotations are not always obtained for purchases in excess of £1k. In addition, the Quick Quotes facility on the Public Contracts Scotland website is not used.</p> <p>Our work on systems for ordering, receiving, and paying for stock at both Stores did, however, identify that appropriate arrangements are in place, and adequate segregation of duties was found to exist.</p> | |

| Assignment | Service | Assurance |
|--|--|-------------|
| Serious Organised Crime Readiness | All Services | Substantial |
| Scope | Final Report Executive Summary | |
| <p>We reviewed:</p> <ul style="list-style-type: none"> the clarity of governance and accountability arrangements, and roles and responsibilities; and progress with deployment of the corporate Serious Organised Crime delivery plan. | <p>We provided Substantial Assurance in relation to the Council's compliance with the key requirements of the 'Deter' work strand of Scotland's Serious Organised Crime Strategy.</p> <p>All staff consulted during the review were fully aware of their roles and responsibilities, with clear governance arrangements established and formalised.</p> <p>Self assessment exercises were undertaken by the Council in 2015 and 2018, albeit that not all elements of the Local Authority Serious Organised Crime Readiness checklist were fully completed. We found there was some scope to improve self assessment arrangements through the annual refresh of the full checklist, and greater scrutiny of ratings and responses by the CONTEST / Integrity Group.</p> <p>Work to address key areas of improvement from the 2015 self assessment has been largely concluded, with consideration currently being given to the 2018 findings. In our opinion, the transparency of the process for managing and delivering improvement requirements could be enhanced through the development of a formal Action Plan.</p> | |

| Assignment | Service | Assurance |
|---|---|--------------------------------|
| Insurance (Claims Process and Lessons Learnt) | Corporate and Housing / All Services | Substantial |
| Scope | | Final Report Executive Summary |
| <p>We reviewed:</p> <ul style="list-style-type: none"> • the clarity of roles and responsibilities for the processing of claims by the Insurance Section following the reporting of incidents by Services; • arrangements for the handling and management of insurance claims; and • the provision of management information to Services. This included contacting Services to discuss any lessons that have been learned. | <p>We were able to provide Substantial Assurance in relation to Insurance arrangements.</p> <p>All employees consulted during the review were fully aware of their roles and responsibilities, with established procedures in place for the handling and processing of claims.</p> <p>To ensure that the Council's overall approach to insurance is formally documented, we recommended that an Insurance Strategy is developed.</p> <p>Procedures and guidance have been prepared for use by the Insurance Section and to provide information to Services. This includes a claims flowchart and procedure notes. We identified areas where they could be more widely available or further enhanced.</p> <p>From our review of a sample of claim files, we were content that the files contained the expected documentation and that claims were being promptly processed by the Insurance Section.</p> <p>We did, however, find that Services are not always complying with the deadlines per the claims flowchart for providing documentation to the Insurance Section, and Services should be reminded of these requirements.</p> <p>We were also content with the arrangements for reconciling the claims data from the ledger to the Figtree database and to the Gallagher Bassett imprest account.</p> <p>Management information is regularly provided to Services by the Insurance Section. To ensure that appropriate action is taken by Services, including action to prevent repeated claims, we recommended that the Insurance Section specifies what is expected of Services.</p> | |

| Assignment | Service | Assurance |
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| Revenues and Benefits Data Handling / Bulk Mailing | Corporate and Housing | Substantial |
| Scope | | |
| <p>We reviewed:</p> <ul style="list-style-type: none"> the controls over each of the bulk mailing types, including operational roles and responsibilities, the documenting of procedures, and the adequacy of management checks; the controls over the use of email for bulk mailings; and the steps taken to ensure that all Revenues and Benefits staff are aware of their data handling responsibilities, including the availability of guidance and training. | <p style="text-align: center;">Final Report Executive Summary</p> <p>Revenues and Benefits have made a number of changes to the bulk mailing arrangements recently and revised bulk mailing procedures are in place. This includes the introduction of an outgoing bulk mail control sheet that is used to ensure the number of bills / reminders / notifications that are initially printed agrees to the number that are subsequently prepared for posting. We tested these arrangements and confirmed they were operating effectively.</p> <p>The other main change to the process has involved amending the format of the bills and reminders to ensure they are two pages in length. We have recommended that this approach is applied to all bill and reminder types.</p> <p>We have also made recommendations about changing the format of the outgoing bulk mail control sheet, preparing written procedural instructions for the printing of bulk mailing types, and advising all Revenues and Benefits staff of the policy that under no circumstances should eMail be used for bulk mailings, unless under the explicit direction and supervision of the Benefits Manager, or Revenue and Benefits Manager.</p> <p>We also visited all five offices where Revenues and Benefits staff are based. We spoke to a range of Revenues and Benefits staff at each of these locations to determine their awareness of their data handling responsibilities and the data handling guidance and training they had received.</p> <p>We were content that Revenues and Benefits staff were able to describe the personal data they were handling or had access to; their responsibilities for ensuring this data is held securely; and the guidance and training that is available.</p> <p>A small number of Revenues and Benefits staff have yet to complete the Council's online Data Protection and Information Security 2018 training module. The Revenue and Benefits Manager has instructed all those staff to complete it as soon as possible. We have also recommended that all Revenues and Benefits staff are reminded of their responsibilities in relation to the Data Protection Principles; the steps to be taken by Revenues and Benefits to reduce the likelihood of any personal data breach; and that the contents of the Council's Data Protection Guidance is reiterated.</p> | |

| Assignment | Service | Assurance |
|---|--|--------------------------------|
| Scottish Social Housing Charter – Annual Return | Corporate and Housing Services | Substantial |
| Scope | | Final Report Executive Summary |
| <p>Internal Audit undertook validation work in relation to Falkirk Council's Annual Return for 2017/18 on the Scottish Social Housing Charter. This work was requested by the Head of Housing.</p> <p>Our work involved:</p> <ul style="list-style-type: none"> • ensuring that the reported performance information agreed to the December 2017 Technical Guidance for the Scottish Social Housing Charter (published by the Scottish Housing Regulator); • conducting testing to ensure that reported performance information was underpinned by adequate and robust supporting documentation; and • checking arithmetical accuracy. | <p>For the majority of the indicators we reviewed (13 out of a total of 37) we were content that the data reported was accurate and complete, and that supporting documentation was available. We found some areas, however, where arrangements could be further enhanced.</p> | |