Agenda Item 7

Internal Audit Progress Report

Falkirk Council

Title: **Internal Audit Progress Report**

Meeting: **Audit Committee**

Date: **16 September 2019**

Submitted By: **Internal Audit, Risk, and Corporate Fraud Manager**

1.   Purpose of Report

1.1   This report provides an update on progress with completing the 2019/20 Internal Audit Plan.

2.   Recommendation

2.1   It is recommended that the Committee:

(1)   notes progress being made with completing the 2019/20 Internal Audit Plan.

3.   Progress with Completing 2019/20 Internal Audit Plan

3.1   The Plan was agreed by Audit Committee on 08 April 2019. It set out 23 assignments to be completed by the team during the year.

3.3   To date, 4 assignments have been completed to final report stage. A further 10 are in progress or have been completed to draft report stage. A summary of progress is set out at Appendix 1. The Scope and Executive Summary of each finalised report is at Appendix 2.

3.4   Assignment 04 at Appendix 1 relates to the Follow Up of Internal Audit Recommendations. As at 03 September 2019, 10 recommendations remain outstanding beyond their agreed implementation date. These are set out in full at Appendix 3, and the Internal Audit team continue to work with Services to ensure these are considered and implemented.

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 are making good progress with 2019/20 Internal Audit work. This will contribute to a balanced and evidenced based year end opinion on arrangements for risk management, governance, and control.

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Internal Audit, Risk, and Corporate Fraud Manager

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Date: 03 September 2019

APPENDICES

- Appendix 1: Internal Audit Plan: Progress at 03 September 2019.

- Appendix 2: Summary of Findings from Assignments Complete to Final Report.

- Appendix 3: Internal Audit Recommendations Outstanding Beyond Agreed Implementation Date.

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 – PROGRESS AT 03 SEPTEMBER 2019

	Service	Assignment	Status
Planned Assignments (as per 2019/20 Internal Audit Plan)			
Annually Recurring Assignments			
1.	All Services	Consultancy Work and Income Generation	**In Progress** - Ongoing
2.	All Services	Continuous Auditing	**In Progress** - Ongoing
3.	All Services	National Fraud Initiative	**In Progress** - Ongoing
4.	All Services	Follow Up of Internal Audit Recommendations	**In Progress** - Ongoing
5.	Development Services	LEADER Grant Audit	Not Started
6.	Development Services	Carbon Reduction Commitment Energy Efficiency Scheme Audit	**Final Report Issued** – Substantial Assurance
7.	Development Services	Climate Change Act Public Body Duties Audit	Not Started
8.	Corporate and Housing Services	Annual Housing Charter Return	Not Started
9.	Corporate and Housing Services	Scottish Housing Regulator – Annual Assurance Statement Audit	**Final Report Issued** – Substantial Assurance
10.	Internal Audit	Reciprocal Audit Review with West Lothian Council	Not Started
11.	Internal Audit	Public Sector Internal Audit Standards – Self Assessment	**In Progress**
12.	Corporate and Housing Services	Falkirk Pension Fund	Not Started
13.	Falkirk Integration Joint Board	• Medium Term Financial Planning; and • Carers (Scotland) Act 2016 and Participation and Engagement Strategy Arrangements	• Not Started • **In Progress**
14.	Falkirk Community Trust	• General Data Protection Regulation (GDPR) Arrangements; and • Outstanding Debtors.	• Not Started • **In Progress**

Committed Assignments – April 2019 to September 2019			
15.	All Services	Building Security (Operational Buildings)	**Final Report Issued** – Substantial Assurance
16.	Social Work Adult Services	Social Work Adult Services – Completeness of Framework of Financial Procedures and Guidance	**In Progress**
17.	Corporate and Housing / All Services	Creditors Purchase to Pay Cycle (PO / Invoice Processing and Authorisation	**In Progress**
18.	All Services	System Administration – Access Privileges to Key Corporate Systems	**Draft Report Issued**
19.	All Services	Sickness Absence	**Final Report Issued** – Substantial / Limited Assurance
Indicative Assignments – October 2019 to March 2020			
20.	Corporate and Housing	Savings Tracking	Not Started
21.	Corporate and Housing / All Services	Procurement – Quick Quotes	Not Started
22.	Development / All Services	Business Continuity Management	Not Started
23.	All Services	Equality Act 2010 (Specific Duties)(Scotland) Regulations 2012	Not Started

Summary Of Key Findings Arising From Assignments Complete to Final Report

Assignment	Service	Assurance
Continuous Auditing	All Services	**N/A – Ongoing Assurance**

Scope	Final Report Executive Summary
This involves analysing Creditors payment file data (payments to suppliers of goods and services) to identify any potential duplicate payments. We use audit interrogation software to identify any matches on invoice date, invoice amount, and invoice number. We then check our initial results on Integra to identify any cancelled payments; payments made to different suppliers; and duplicate payments that have already been identified and either cancelled or monies recovered. We also review the scanned version of the invoices on Integra.	For the period January 2019 to March 2019 we identified 46 potential duplicate payments, with a value of £42k. Details of all potential duplicate payments have been passed to the Chief Finance Officer and the Business Support Lead (Financial Transactions) for appropriate recovery action.

Assignment	Service	Assurance
National Fraud Initiative	All Services	**N/A – Ongoing Assurance**

Scope	Final Report Executive Summary
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. 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.	The 2018/19 NFI exercise is now underway. 921 'High Risk matches were released to Falkirk Council for review and investigation (7,501 matches in total). Services have investigated and closed 337 matches. No instances of fraud or error have yet been identified. 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), 107 instances of wrongly claimed discount, totalling c£113k, have been identified. Recovery action has been taken, or is underway, via adjustments to future Council Tax bills.

Assignment	Service	Assurance
Carbon Reduction Commitment Energy Efficiency Scheme Audit	Development Services	**Substantial**

Scope	Final Report Executive Summary
Internal Audit reviewed the Council's compliance with the CRC Energy Efficiency Scheme. Work focussed on ensuring the Council: • 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.	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. 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. The evidence pack maintained to demonstrate compliance with carbon reduction commitments contained all mandatory evidence and was appropriately structured.

Assignment	Service	Assurance
Scottish Housing Regulator – Annual Assurance Statement Audit	Corporate and Housing Services	**Substantial**

Scope	Final Report Executive Summary
From April 2019, the Housing Service is required to submit an Annual Assurance Statement to the Scottish Housing Regulator. The Statement provides assurance that the Service is compliant with the relevant requirements of the Regulation of Social Housing in Scotland. The Statement must be submitted by October each year, with approval by the Executive prior to that. The approach taken by Housing was to evidence compliance with the 16 outcomes and standards in the Scottish Social Housing Charter, and to highlight where the Service meets the requirements set out in the Regulation. Internal Audit's work involved: • reviewing the completeness and accuracy of the 16 draft outcome and standard statements, prepared by Housing;	We were able to provide Substantial Assurance in relation to the completeness and accuracy of the performance and numerical information in the outcome and standard statements. We were content that the performance and numerical information reported was accurate, and agreed to supporting documentation. We provided a number of comments on the draft outcome and standard statements to the Performance and Compliance Officer, and are content these were incorporated in the outcome and standard statements submitted to the Executive in August 2019 and, subsequently, to the Scottish Housing Regulator in October 2019.

- ensuring that reported performance is underpinned by adequate and robust supporting documentation; and

- checking the accuracy of all reported numerical information and percentages.

Assignment	Service	Assurance
Building Security (Operational Buildings)	All Services	**Substantial**

Scope	Final Report Executive Summary
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. We undertook unannounced visits to a sample of ten 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.	We were able to provide Substantial Assurance in relation to the adequacy of building security arrangements. 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: • 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 • CCTV cameras. We did, however, find security weaknesses that require to be addressed at Dalgrain Depot, Grangemouth, as follows: • unauthorised access was gained to three Refuse Collection Vehicles during our walk around the depot grounds, with keys also found to have been left in one of these unlocked and unattended vehicles; and • unauthorised entry was gained to the main depot building via a fire door which had been left ajar. Thereafter, access was obtained to several offices before we were formally challenged by staff.

Assignment	Service	Assurance
Sickness Absence	All Services	**Substantial / Limited**

Scope	Final Report Executive Summary
We reviewed the following: • roles and responsibilities for managing both short and long term sickness absence (including the availability of policies, procedures, guidance, and training); • a sample of current sickness absences (short and long term) throughout the Council to assess whether they are being managed and monitored in line with the Managing Sickness Absence Policy and Procedure. Ensuring that: • Statement of Short Term Sickness Absence, Medical Certificate, and	We provided a separate assurance level for each remit item: • roles, responsibilities, policies, procedures, and training – Substantial Assurance; • compliance with policies and procedures at Service level – Limited Assurance; and • availability and adequacy of management information at a Service and corporate level – Substantial Assurance. All staff consulted during the review were clear about their roles and responsibilities, with adequate training available on all aspects of the Managing Sickness Absence Policy (albeit that training modules are not always completed by managers). In general, a robust Policy has been established to manage the sickness absence process. There remains some scope for further improvement, however, for example by including greater clarity on the rules for calculating amendments to annual leave (abatements and carry overs) following a long term sickness absence, and the IT

occupational health requirements / timescales are being followed; • there is regular contact between the staff member and their manager during the period of absence; • correct adjustments have been made to pay and annual leave entitlements; and • the availability and adequacy of management information at a Service and corporate level (including the reporting of sickness absence levels, trigger points, and trends).	systems which should be used to record and monitor sickness absence. Our work on compliance with Policy responsibilities highlighted several errors in relation to the recording of sickness absence details. This included, for example, the omission of a sickness absence from MyView, and the logging of an inaccurate start and end date for a period of sickness absence. Anomalies were also identified with annual leave adjustments in all three cases within our sample. Various stages of the sickness absence management process are not, routinely, being undertaken in a timely manner, for example: referral of employees to Occupational Health; performance of Return to Work Interviews; and the input of absence end dates to MyView. Delays in undertaking these key tasks may have an adverse impact on employee attendance levels and the accuracy of sickness absence payments. We also found there to be numerous instances where the audit trail was incomplete and not in line with the Policy. In particular, there was a lack of documentation to confirm that managers had maintained regular contact with employees on long term sickness absence and, on occasion, limited documentary evidence to support a sickness absence (eg, no absence self certificate). Furthermore, absence documentation was not always uploaded to MyView. A sickness absence monitoring regime has been established. This includes a requirement for managers to evaluate individual employee attendance levels against absence trigger points, with employees who meet or exceed these triggers subject to absence review meetings and periods of attendance monitoring. Reports setting out employees who have met the trigger points are available to managers via Barrachd, and we are content with the range of information available. In addition to the individual employee absence trigger points, an overall sickness absence target (4%) is in place within the Council. Compliance with this target is measured by Human Resources and published on the Council's website on a quarterly basis. As the target has not been met in recent years, we are of the opinion that compliance levels, and progress with actions to meet the target, should be reported to the Corporate Management Team on a quarterly basis.

Internal Audit Recommendations Outstanding Beyond Agreed Implementation Date

Serious Organised Crime Readiness

IA-1819-20.01		The Integrity and CONTEST Group (ICG) Chair should remind Service management of the importance of ensuring that comprehensive and timely responses are provided to the Serious Organised Crime Readiness checklist.
Priority	**1**	
Agreed Action		Recommendation Accepted - This will be done at the next meeting of the ICG and, thereafter, at a meeting of the Corporate Management Team. The checklist will be a standing item at ICG meetings.
Latest Update		The role and remit of the CONTEST / Integrity Group is under review. The Director of Children's Services is developing an updated 'Policy for the Implementation of the UK Government Counter Terrorism Strategy (CONTEST) 2015' for consideration by Executive post recess. Concurrently, the Scottish Government's Serious Organised Taskforce (DETER Sub-Group) are reviewing and updating the Local Authority Serious Organised Crime Checklist. The role and remit of the CONTEST / Integrity Group will be considered in light of this work. This may involve the disengaging of the CONTEST and SOC strands to ensure these are progressed and considered in the most appropriate way.
Officer Responsible		Robert Naylor, Director of Children's Services
Assurance Level	Substantial	**Date Created**	04-Apr-2019
Implementation Date	30-Apr-2019		

IA-1819-20.02		All responses and ratings within the Serious Organised Crime Readiness checklist to be reviewed for reasonableness by the Integrity and CONTEST Group, and additional information sought from Service Managers where necessary to validate their returns.
Priority	**2**	
Agreed Action		Recommendation Accepted - Scrutiny and review of the checklist will be a standing agenda item at future ICG meetings.
Latest Update		The Scottish Government's Serious Organised Crime Taskforce (Deter Sub Group) is reviewing the format and content of the Local Authority Serious Organised Readiness Checklist. The Council's Internal Audit, Risk, and Corporate Fraud Manager is part of a team tasked with that review. Once signed off by the Taskforce, the updated Readiness Checklist will be issued to all Local Authority Chief Executives. At that point, the Internal Audit, Risk, and Corporate Fraud Manager (as the Council's Single Point of Contact for SOC) will co-ordinate an exercise to ensure full completion of the updated Checklist.
Officer Responsible		Robert Naylor, Director of Children's Services; Gordon O'Connor, Internal Audit, Risk, and Corporate Fraud Manager
Assurance Level	Substantial	**Date Created**	04-Apr-2019
Implementation Date	30-Apr-2019		

IA-1819-20.03		The contents of the Serious Organised Crime Readiness checklist should be reviewed and refreshed (at least) annually.
Priority	**2**	
Agreed Action		Recommendation Accepted - The Single Point of Contact will co-ordinate an annual review.
Latest Update		The Scottish Government's Serious Organised Crime Taskforce (Deter Sub Group) is reviewing the format and content of the Local Authority Serious Organised Readiness Checklist. The Council's Internal Audit, Risk, and Corporate Fraud Manager is part of a team tasked with that review. Once signed off by the Taskforce, the updated Readiness Checklist will be issued to all Local Authority Chief Executives. At that point, the Internal Audit, Risk, and Corporate Fraud Manager (as the Council's Single Point of Contact for SOC) will co-ordinate an exercise to ensure full completion of the updated Checklist.
Officer Responsible		Gordon O'Connor, Internal Audit, Risk, and Corporate Fraud Manager
Assurance Level	Substantial	**Date Created**	04-Apr-2019
Implementation Date	30-Apr-2019		

IA-1819-20.04		A formal Action Plan should be developed to deliver the areas for improvement identified through Serious Organised Crime Readiness self assessments. Thereafter, the Action Plan should become a standing agenda item at Integrity and CONTEST Group meetings.
Priority	2	
Agreed Action		Recommendation Accepted - The Single Point of Contact will develop an action plan following the next annual review.
Latest Update		The Scottish Government's Serious Organised Crime Taskforce (Deter Sub Group) is reviewing the format and content of the Local Authority Serious Organised Readiness Checklist. The Council's Internal Audit, Risk, and Corporate Fraud Manager is part of a team tasked with that review. Once signed off by the Taskforce, the updated Readiness Checklist will be issued to all Local Authority Chief Executives. At that point, the Internal Audit, Risk, and Corporate Fraud Manager (as the Council's single Point of Contact for SOC) will co-ordinate an exercise to ensure full completion of the updated Checklist. This will include development of an Action Plan where the need for further resilience is identified.
Officer Responsible		Gordon O'Connor, Internal Audit, Risk, and Corporate Fraud Manager
Assurance Level	Substantial	**Date Created**	04-Apr-2019
Implementation Date	31-May-2019		

Stores - Street Lighting and Blacksmiths

IA-1819-19.04a		Street Lighting Store - The Area Lighting Engineer should remind staff of the need to activate the intruder alarm when the building is not in use.
Priority	3	
Agreed Action		Recommendation Accepted. An instruction has been given to ensure that the alarm is routinely set.
Latest Update		Instruction was issued to Facilities Team for repair of alarm on 01 May 2019. We issued a reminder to Facilities on 10 July 2019. Staff will be instructed to activate the alarm following repair.
Officer Responsible		Dorothy Reid, Roads and Grounds Manager
Assurance Level	Limited	**Date Created**	21-May-2019
Implementation Date	31-May-2019		

Building Security

IA_141		**Camelon Education Centre** 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.
Agreed Action		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. Specific issues identified by Internal Audit are being considered and addressed in conjunction with Building Design - Facilities team.
Latest Update		A number of improvements to the "lock down" areas have been made. Further work may be needed once the SPR make recommendations as to the future use of the property. A further inspection walk round is scheduled for September 2019.
Officer Responsible		Robert Naylor, Director of Children's Services
Assurance Level	No	**Date Created**	27-Oct-2016
Implementation Date	31-Dec-2016		

IA_256	**A 'swipe card' system should be introduced to restrict internal access between Moray Primary School and Oxgang School (in both directions).**		
Agreed Action	We will review the access system / arrangements and include improvements within the school's Asset Management Plan.		
Latest Update	As a result of plans to utilise this building for Early Years use, internal alterations will be required. This will ensure these matters are addressed to suit the re-alignment of usage for that area of the property.		
Officer Responsible	Gary Greenhorn, Head of Planning & Resources		
Assurance Level	Limited	**Date Created**	26-Oct-2018
Implementation Date	30-Sep-2018		

HRA - Tenant Participation and Engagement Arrangements

IA_222	**Future iterations of the Tenant and Customer Participation Strategy should include details on the process for removing groups from the Register of Tenant Organisations.**		
Agreed Action	Tenant Participation Strategy currently being reviewed and consultation process has begun. New Strategy due to be published early 2019 covering the period 2019 – 2022. New Strategy and publication will include details of the process for removing groups from the Register of Tenant Organisations.		
Latest Update	The Tenant & Customer Participation Strategy (2019 – 2022) should be reported to Executive in October 2019.		
Officer Responsible	Alan Christie, Community Engagement Co-Ordinator		
Assurance Level	Substantial	**Date Created**	05-Mar-2018
Implementation Date	31-Mar-2019		

Public Protection

IA_228	**The Child Protection and the Adult Support and Protection Committees, and their sub groups, Terms of References should be reviewed and updated annually.** **Formal minutes should be taken at all meetings.** **All committees and sub groups should undertake an annual self assessment against their Terms of Reference.**		
Agreed Action	The Child Protection and the Adult Support and Protection Committees will schedule an annual agenda item to review the Terms of Reference for the Committees and each relevant sub group. The Committees will be informed of any material change to the Terms of References. The review will implement formal minutes and annual self assessments will also be undertaken.		
Latest Update	The Terms of Reference for Child Protection Committee has been updated. This was an agenda item for Committee in June 2019. The structure of sub groups has been under review. Committee agreed there would be 6 sub groups, of which 4 are run in collaboration with Stirling and Clackmannanshire Child Protection Committee. Each subgroup was tasked with reviewing Terms of Reference annually. 4 sub groups have completed their review. The Initial Referral Discussion (IRD) sub group and the Children's Commission Improvement Group (CCIG) are currently under review. It has been acknowledged that the Children's Commission Improvement Group (CCIG) has been focussing predominantly on child protection business and that the Terms of Reference will be updated to reflect the emphasis on Child Protection Committee improvement work. The terms of reference for the Adult Protection Committee were reviewed last year (2018) with minimal changes. There are three sub groups to the Committee – Learning & Development; Continuous Improvement; and Communication & Public Information. The L&D sub-group was only established last year and so terms of reference have not yet been reviewed. The CI sub-group and Communication sub-groups are currently in the process of reviewing their terms of reference. These reviews will be reported to the October AP Committee.		
Officer Responsible	Sara Lacey, Head of Social Work Children's Services		
Assurance Level	Substantial	**Date Created**	14-Jun-2018
Implementation Date	25-Oct-2018		

IA_233	**The Child Protection and Adult Support and Protection Committees should consider establishing governance compliance performance indicators as standing agenda items at committee meetings.**		
Agreed Action	The Child Protection and Adult Support and Protection Committees will make recommendations to the Public Protection Chief Officers Group about governance compliance and performance indicators. Once a suite of indicators has been agreed these will become standing agenda items at Committee meetings and reported to the Public Protection Chief Officers Group twice yearly.		
Latest Update	In November 2018, Child Protection Committee successfully applied to become a pilot area for the national minimum child protection dataset. Committee has been working with CELCIS, Scottish Government and Care Inspectorate to agree a set of indicators, supported by scrutiny questions. A standardised reporting template been in use for the last 2 quarters and reports are shared with the Public Protection Chief Officers Group. Governance has been discussed and strengthened. An annual reporting calendar is in place. The AP Committee had a presentation from the CP Lead Officer with regard to the national minimum child protection data set. The same presentation and more detailed discussion took place at the Continuous Improvement sub-group. It is anticipated that the AP Committee will, over time, learn from the pilot work currently underway in CP Committee with regard to agreed performance indicators supported by scrutiny questions.		
Officer Responsible	Sara Lacey, Head of Social Work Children's Services		
Assurance Level	Substantial	**Date Created**	14-Jun-2018
Implementation Date	31-Aug-2018		