

The background of the slide features a large, light blue watermark of the University of Victoria crest. The crest is a shield divided into four quadrants. The top-left quadrant shows a building with a flag. The top-right quadrant shows a stag's head with large antlers. The bottom-left quadrant shows a three-masted sailing ship on the water. The bottom-right quadrant 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 5

Internal Audit Plan 2020/21

Falkirk Council

Title: Internal Audit Plan 2020/21
Meeting: Audit Committee
Date: 24 August 2020
Submitted By: Internal Audit, Risk, and Corporate Fraud Manager

1. Purpose of Report

1.1 This report presents a 2020/21 Internal Audit Plan 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 2020/21; 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 2020/21, this has again been done alongside the delivery of Internal Audit Services to Clackmannanshire Council via a Joint Working Agreement (this Agreement has been extended to cover the period to 31 March 2023).

3.2 This Plan must be considered within the context of the impact of the COVID-19 pandemic. Priorities, resource, and Service capacity will fluctuate and change over the course of 2020/21, and so this Internal Audit Plan must be considered indicative and flexible. It is unlikely that all planned assignments will be completed, and Internal Audit resource will be directed to areas where there is the greatest need (for example in relation to new and amended processes arising as a result of COVID-19).

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 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 members of the Internal Audit team are experienced and professionally qualified. The role, authority, and responsibility of the team is formalised within an Internal Audit Charter, and an updated Charter is included elsewhere on this Agenda. 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 2020/21 Internal Audit Plan is summarised in the table below:

Activity	Planned Days
Other Client Work	115
Annually Recurring Assignments	95
Priority Assignments	120
Indicative Assignments	145
Consultancy Work and Income Generation	70
Work on Recommendations Outstanding	10
Total	555

4.5 Key points relating to each area are:

- **Other Client Work:** this covers time allocated to the delivery of Internal Audit services to:
 - Falkirk Community Trust;
 - Falkirk Integration Joint Board;
 - Falkirk Pension Fund;
 - Strathcarron Hospice.

Conclusions and findings arising from this work will be reported to the relevant client Committee. The level of overall assurance provided will be reported to this Committee.

A summary of this work is set out at Appendix 1.

- **Annually Recurring Assignments:** these are assignments that Internal Audit is committed to undertaking on an annual basis. A summary of each of these assignments is set out at Appendix 2;

- **Priority Assignments:** Largely as a result of COVID-19, it is inevitable that there will be changes to the Council's risk profile over the course of the year. On that basis, Internal Audit will commit to undertaking a programme of priority assignments. Details of these reviews are set out at Appendix 3.
 - **Indicative Assignments:** Indicative assignments are set out at Appendix 4. These will be undertaken if time allows.
- 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); 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 5.
- 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 2020/21 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 Each year, an Internal Audit Annual 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 and contract with Strathcarron Hospice generate income for Falkirk Council.

Resources

- 5.2 The resource available to Internal Audit remains unchanged from 2019/20.

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 2020/21 Internal Audit Plan will allow Internal Audit to provide balanced and evidenced based assurance on the Council's arrangements for risk management, governance, and control.

Internal Audit, Risk, and Corporate Fraud Manager

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APPENDICES

- Appendix 1: Internal Audit Plan 2020/21 – Other Client Work.
- Appendix 2: Internal Audit Plan 2020/21 – Annually Recurring Assignments.
- Appendix 3: Internal Audit Plan 2020/21 – Priority Assignments.
- Appendix 4: Internal Audit Plan 2020/21 – Indicative Assignments.
- Appendix 5: 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 2020/21 – OTHER CLIENT WORK

No.	Service	Purpose and Scope of Assignment
A01	Falkirk Community Trust	<p>Falkirk Community Trust Plan to be determined and agreed with the Trust Audit and Performance Sub-Group.</p>
A02	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>The 2020/21 IJB Internal Audit Plan was agreed by the IJB Audit Committee on 06 March 2020, and comprises reviews of:</p> <ul style="list-style-type: none"> • Risk Management Arrangements; and • Directions. <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Health and social care integration.
A03	Falkirk Pension Fund	<p>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.
A04	Strathcarron Hospice	<p>Strathcarron Hospice On the basis of competitive tender, Falkirk Council's Internal Audit team will provide Internal Audit services to Strathcarron Hospice for the period 01 April 2020 to 31 March 2023.</p> <p>An Annual Plan for 2020/21 was agreed with the Hospice's Audit Committee on 18 March 2020.</p>
A05	Internal Audit – Risk Management	<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. This arrangement facilitates provision of independent assurance on activities that fall within the operational remit of the Internal Audit, Risk, and Corporate Fraud Manager.</p>

INTERNAL AUDIT PLAN 2020/21 – ANNUALLY RECURRING ASSIGNMENTS

No.	Service	Purpose and Scope of Assignment
A06	All Services	<p>Consultancy Work and Income Generation 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; and short term assignments requested by Services.</p> <p>Internal Audit will also seek out further, relevant, income generation opportunities, for example by bidding to provide services to other public or third sector organisations.</p>
A07	Internal Audit	<p>Public Sector Internal Audit Standards – Self Assessment The Internal Audit team 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>On that basis, a self assessment will be undertaken during 2020/21.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Failure in financial management, control, or assurance.
A08	All Services	<p>Continuous Auditing 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.
A09	All Services	<p>National Fraud Initiative 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 (October 2020). When the outcomes arising from Audit Scotland's data matching are released back to the Council (January 2021) 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.

No.	Service	Purpose and Scope of Assignment
A10	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.
A11	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"> • Climate Change.
A12	Corporate and Housing Services	<p>Scottish Housing Regulator – Annual Assurance Statement Audit</p> <p>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.
A13	All Services	<p>Work on Recommendations Outstanding</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>

INTERNAL AUDIT PLAN 2020/21 – PRIORITY ASSIGNMENTS

No.	Service	Purpose and Scope of Assignment
A14	All Services	<p>Savings and Transformation Tracking We will review a sample of Council of the Future projects to assess the extent to which progress is being made, and savings realised, in line with approved Business Plan, Project Initiation Document, and Project Plan. This will include arrangements for administration and oversight of COTF Change Fund.</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; and • Insufficient funding to deliver services and deliver outcomes.
A15	All Services	<p>Staff Wellbeing and Support Arrangements A Wellbeing Strategy and Action Plan were agreed by the Executive on 29 October 2019. These set out a plan to further embed and mainstream the Council’s approach to staff wellbeing, both operationally and culturally. A Wellbeing Group was also established to oversee implementation of the Strategy.</p> <p>The COVID-19 pandemic accelerated the need to ensure that staff are appropriately supported. While the actions taken were different to those set out in the Action Plan, they were in line with the sentiment and ethos of the Strategy.</p> <p>This review will cover the governance, oversight, and decision making structure around staff wellbeing. It will also examine the steps being taken across all Services to ensure that momentum is not lost, and that revised actions are being planned and delivered to build on work undertaken during COVID-19.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> • Reducing corporate resource – impact on staff wellbeing; • Resilience: COVID-19 - Response, Recovery, and Lessons; • Failure to provide a safe environment for employees and visitors; and • Failures in workforce planning, including absence, vacancy management, and succession planning.

No.	Service	Purpose and Scope of Assignment
A16	Corporate and Housing Services	<p>Housing Property – Contract Management and Monitoring We will review contract monitoring and management arrangements in relation to a sample of Housing Property contracts. This sample may include:</p> <ul style="list-style-type: none"> • CHS/259/18: Provision of Metal and Timber Fencing; • CHS/166/19: Scaffolding to Council Housing Properties (Hire, Erection, Maintaining & Dismantling); • CNS/224/16: Electrical Installation Condition Reports and Subsequent Repairs to Occupied and Void Falkirk Council Housing Properties; • CHS/274/17: Provision of Roughcasting Works to Council Houses; and • CNS/180/16: Timber Preservation and Dampness Remedial Works. <p>Work will focus on assessing compliance with sections 14.7 (ordering) and 15.5 (payment) of Financial Regulations.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> • Failure in financial management, control, or assurance; and • Procurement and commissioning arrangements fail to secure best value, and demonstrate compliance with Council standards or legal requirements.
A17	Development Services	<p>Waste Management – Contract Management and Monitoring The Serious Organised Crime and Business Exploitation document issued in February 2020 by the Scottish Serious Organised Crime Taskforce highlights Environmental Services as an emergent risk area, stating that:</p> <p>“Exploitation by Serious Organised Crime Groups operating in and around the environmental sector are an increasing trend, particularly relating to opportunities through skip hire, scrap metal / yards, recycling and waste disposal. This sector has become highly profitable for SOC due to changes in legislation for municipal landfill and an additional need for recycling facilities. There is a void of service provision in this business area, which will be filled by SOC operating ‘sham’ recycling companies as evident in other European countries.”</p> <p>We will review contract management and monitoring arrangements within Waste Services. In particular, we will review systems for the ongoing vetting and monitoring of suppliers, and for validating that services are delivered in line with contract specification and pricing.</p> <p>Risks 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; and • CONTEST, Integrity, and Serious Organised Crime.

INTERNAL AUDIT PLAN 2020/21 – INDICATIVE ASSIGNMENTS

No.	Service	Purpose and Scope of Assignment
A18	Corporate and Housing Services	<p>Office 365 – Project Management and Roll Out We will focus on project management, monitoring, and reporting arrangements.</p> <p>In particular, we will assess the clarity and adequacy of project governance, including accountabilities, roles, responsibilities</p> <p>In addition, we will review project progress against business case, project initiation documentation, and project plan. This will include financial monitoring, and alignment of spend with approved funding.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> • Failure to recognise, and act upon, the need for transformational change and continuous improvement; and • Compromised security, or inefficient use, of the Council's information asset.
A19	All Services	<p>Contract Management and Monitoring We will review contract monitoring and management arrangements in relation to a sample of contracts across various Council Services. Work will focus on assessing compliance with sections 14.7 (ordering) and 15.5 (payment) of Financial Regulations.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> • Failure in financial management, control, or assurance; and • Procurement and commissioning arrangements fail to secure best value, and demonstrate compliance with Council standards or legal requirements.
A20	Corporate and Housing Services	<p>IT and Information Security Governance This high level review will cover governance arrangements in relation to IT and information security, including accountabilities, roles (group and individual), responsibilities, and the framework of policies, guidance, and training.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> • Compromised security, or inefficient use, of the Council's information asset; and • Cyber security incident compromises IT infrastructure, corporate application, social media channel, or data / information.

No.	Service	Purpose and Scope of Assignment
A21	Development / All Services	<p>Operational Fleet – Management and Monitoring This review will focus on arrangements for ensuring that the mix and number of operational vehicles owned and rented (across all Services) is aligned with business need.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> • Asset management (use, condition, suitability, availability, and reliability); and • Climate change.

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.