

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

## **Agenda Item 4**

# **Internal Audit Plan 2021/22**

**Falkirk Council**

**Title:** Internal Audit Plan 2021/22  
**Meeting:** Audit Committee  
**Date:** 12 April 2021  
**Submitted By:** Internal Audit, Risk, and Corporate Fraud Manager (Acting)

**1. Purpose of Report**

1.1 This report presents a draft 2021/22 Internal Audit Plan for approval.

**2. Recommendation**

2.1 It is recommended that the Committee:

- (1) notes the resources available to Internal Audit and that the plan is flexible;
- (2) approves the Internal Audit Plan for 2021/22; 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 2021/22, the team will also deliver Internal Audit Services to Clackmannanshire Council via a Joint Working Agreement, which has been extended to cover the period to 31 March 2023. A separate Clackmannanshire Council Internal Audit Plan has also been developed.

3.2 This Plan must be considered within the context of the impact of the Covid-19 pandemic which will continue to impact during the year. Internal Audit resource will be directed to areas where there is the greatest need (for example, in relation to new and amended processes still arising as a result of Covid-19). Audit Scotland's view is that the impact of the pandemic will last for the foreseeable future, therefore, 'further challenges are likely to emerge as we move to recovery from the acute phase of pandemic'. See [https://www.audit-scotland.gov.uk/uploads/docs/report/2021/briefing\\_covid\\_what\\_it\\_means\\_for\\_public\\_audit.pdf](https://www.audit-scotland.gov.uk/uploads/docs/report/2021/briefing_covid_what_it_means_for_public_audit.pdf)

#### 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 The Committee will be aware that the former Internal Audit, Risk, and Corporate Fraud Manager left the Council in February 2021, and while interim arrangements have been put in place to manage the team and appoint a permanent successor, this will impact on the delivery of the Plan. It is expected, therefore, that priorities and Internal Audit resources will change over the course of 2021/22, and so this Internal Audit Plan must be considered flexible.

4.4 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 which 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.

4.5 The estimated resource available to deliver the 2021/22 Internal Audit Plan is summarised in the table below:

Activity	Planned Days
Annually Recurring Assignments	175
Committed Assignments (April to September 2021)	125
Committed Assignments (October 2021 to March 2022)	108
Other Client Work	115
<b>Total</b>	<b>523</b>

4.6 Key points relating to each area are:

- **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 1**;
- **Committed Assignments (April to September 2021):** 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 2**;

- **Committed Assignments (October 2021 to March 2022):**  
Assignments are set out at **Appendix 3**. These may require a degree of flexibility to react to any changes in the Council's risk profile; and
- **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; and
  - Strathcarron Hospice.

Conclusions and findings arising from this work will be reported to the relevant client Committee. A summary of this work is set out at **Appendix 4**.

- 4.7 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.**
- 4.8 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.
- 4.9 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 at **Appendix 5**.
- 4.10 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.
- 4.11 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.

- 4.12 Progress with completing the 2021/22 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 complementary.
- 4.13 Each year, an Internal Audit Annual Assurance Report is presented to Committee. At the June 2021 Audit Committee we 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. The report will include a summary of the work undertaken in 2020/21.

## **5. Implications**

### **Financial**

- 5.1 There are no direct financial implications.

### **Resources**

- 5.2 There are no resource implications, however, the resources available to Internal Audit may fluctuate in 2021/22. This may impact on the delivery of the Plan.

### **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 2021/22 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.

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Internal Audit, Risk, and Corporate Fraud Manager (Acting)

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### **APPENDICES**

- Appendix 1: Internal Audit Plan 2021/22 – Annually Recurring Assignments.
- Appendix 2: Internal Audit Plan 2021/22 – Committed Assignments (April to September 2021).
- Appendix 3: Internal Audit Plan 2021/22 – Committed Assignments (October 2021 to March 2022).
- Appendix 4: Internal Audit Plan 2021/22 – Other Client Work.
- 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 2021/22 – ANNUALLY RECURRING ASSIGNMENTS

No.	Service	Purpose and Scope of Assignment
A06	All Services	<p><b>Consultancy Work</b> 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>
A07	Internal Audit	<p><b>Public Sector Internal Audit Standards – Self Assessment</b> 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><b>Risk Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Failure in financial management, control, or assurance; and</li> <li>• Failures in leadership, governance, and decision making.</li> </ul>
A08	All Services	<p><b>Continuous Auditing</b> This will focus on the testing of payments to suppliers of goods and services to identify any potential duplicate amounts paid.</p> <p><b>Risk Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Failure in financial management, control, or assurance.</li> </ul>
A09	All Services	<p><b>National Fraud Initiative</b> The National Fraud Initiative (NFI) is a bi-ennial counter fraud exercise using data matching to identify potential fraud and error. In Scotland, the NFI is administered by Audit Scotland, with the results of the data matching exercise made available to individual Councils via a secure website. Data matches relate to areas such as Housing Benefit, Council Tax Discount, Payroll, Pensions, and Creditors.</p> <p>The Internal Audit, Risk, and Corporate Fraud Manager is 'key contact' for Falkirk Council. The role of the 'key contact' is to co-ordinate the gathering of data from Services and to upload that data to the secure NFI web portal. When the outcomes arising from Audit Scotland's data matching are released back to the Council it is the responsibility of the 'key contact' to co-ordinate and support Services in their investigation of those matches.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Failure in financial management, control, or assurance.</li> </ul>

No.	Service	Purpose and Scope of Assignment
A10	Development Services	<p><b>LEADER Grant Audit</b></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. The SLA requires an annual Internal Audit of the functions and services undertaken by the Accountable Body.</p> <p>The programme has been extended by Scottish Government to 31 October 2021 as a consequence of continuing Covid-19 pressures.</p> <p><b>Risk Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Failure in financial management, control, or assurance.</li> </ul>
A11	Development Services	<p><b>Climate Change Act Public Body Duties Audit</b></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><b>Risk Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Climate Change.</li> </ul>
A12	Corporate and Housing Services	<p><b>Scottish Housing Regulator – Annual Assurance Statement Audit</b></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><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Local Housing Strategy;</li> <li>• Failures in leadership, governance, and decision making; and</li> <li>• Failure in financial management, control, or assurance.</li> </ul>
A13	All Services	<p><b>Work on Recommendations Outstanding</b></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 2021/22 – COMMITTED ASSIGNMENTS APRIL TO  
SEPTEMBER 2021**

No.	Service	Purpose and Scope of Assignment
A14	All Services	<p><b>Following the Pandemic Pound – Covid-19 Costs</b> We shall review a sample of Covid-19 related costs to ensure appropriate spend management and compliance with Sections 14 (Orders for Goods and Services) and 15 (Payment for Goods and Services) of Financial Regulations.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Covid Recovery;</li> <li>• Failure in financial management, control, or assurance; and</li> <li>• Insufficient funding to deliver services and deliver outcomes.</li> </ul>
A15	All Services	<p><b>Following the Pandemic Pound – Business Grants Arrangements</b> We shall review business grants funding arrangements via a sample of applications received across various funds. Work will focus on assessing compliance with Scottish Government guidance.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Covid Recovery;</li> <li>• Failure in financial management, control, or assurance; and</li> <li>• Insufficient funding to deliver services and deliver outcomes.</li> </ul>
A16	All Services	<p><b>Following the Pandemic Pound – Budgetary and Financial Controls</b> We shall review the budgetary and financial controls for Covid-19 related funding (non-business grants) received from the Scottish Government. This work will focus on ensuring that, for a sample of these, the Council can demonstrate that funding was used for its specified purpose.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Covid Recovery;</li> <li>• Failure in financial management, control, or assurance; and</li> <li>• Insufficient funding to deliver services and deliver outcomes.</li> </ul>
A17	Corporate and Housing Services	<p><b>Procurement and Housing Property Support and Follow Up</b> Internal Audit will review the extent to which the recommendations in the Service's fact finding management response action plan have been implemented. Plus, provide support to ensure Ernst and Young recommendations 5 and 6 are actioned.</p> <p>This work will also focus on assessing compliance with Financial Regulations, Contract Standing Orders, and Corporate Procurement Procedures.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Failure in financial management, control, or assurance;</li> <li>• Insufficient funding to deliver Services; and</li> <li>• Procurement and commissioning arrangements fail to secure best value, and demonstrate compliance with Council standards or legal requirements.</li> </ul>

No.	Service	Purpose and Scope of Assignment
A18	Development / All Services	<p><b>Fleet Management and Monitoring</b>  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 during the Covid-19 pandemic.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Covid Recovery;</li> <li>• Asset management (use, condition, suitability, availability, and reliability); and</li> <li>• Climate change.</li> </ul>

**INTERNAL AUDIT PLAN 2021/22 – COMMITTED ASSIGNMENTS (OCTOBER 2021 TO MARCH 2022)**

<b>No.</b>	<b>Service</b>	<b>Purpose and Scope of Assignment</b>
A19	Corporate and Housing Services / All Services	<p><b>Payroll Transactional Testing</b> This will focus on a sample of overtime, new starts, leavers, and payroll related change transactions to ensure that they were properly authorised, actioned in a timely manner, and accurately processed.</p> <p><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Failure in financial management, control, or assurance; and</li> <li>• Insufficient funding to deliver services and deliver outcomes.</li> </ul>
A20	Corporate and Housing Services / All Services	<p><b>IT and Information Security Governance</b> 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><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Compromised security, or inefficient use, of the Council's information asset; and</li> <li>• Cyber security incident compromises IT infrastructure, corporate application, social media channel, or data / information.</li> </ul>
A21	Corporate and Housing Services / All Services	<p><b>Legionella Management Arrangements</b> We shall review the corporate policies, procedures, guidance, and training for ensuring consistency and compliance with relevant legislation/regulations.</p> <p>We will also review the monitoring and inspection procedures, and arrangements for ensuring that all risk assessment and preventative work is undertaken by qualified individuals.</p> <p>We will also review operational arrangements at a number of Council premises (pandemic constraints permitting).</p> <p><b>Risk Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Covid Recovery; and</li> <li>• Failure to provide a safe environment for employees and visitors.</li> </ul>
A22	All Services	<p><b>Savings and Transformation Tracking</b> We shall 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><b>Risks Mitigated:</b></p> <ul style="list-style-type: none"> <li>• Failures in leadership, governance, and decision making;</li> <li>• Failures to recognise, and act upon, the need for transformational change and continuous improvement;</li> <li>• Failure in financial management, control, or assurance; and</li> <li>• Insufficient funding to deliver services and deliver outcomes.</li> </ul>

## INTERNAL AUDIT PLAN 2021/22 – OTHER CLIENT WORK

No.	Service	Purpose and Scope of Assignment
A01	Falkirk Community Trust	<b>Falkirk Community Trust (the Trust)</b> Plan to be determined and agreed with the Trust Audit and Performance Sub-Group. The coverage must be considered within the context of the decision by Council on 20 January 2021 to bring the services provided by the Trust back in-house by the target date 01 April 2022.
A02	Falkirk Integration Joint Board	<b>Falkirk Integration Joint Board</b> 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.  The 2021/22 IJB Internal Audit Plan was agreed by the IJB Audit Committee on 05 March 2021, and comprises reviews of: <ul style="list-style-type: none"> <li>• Directions; and</li> <li>• Business Continuity and Resilience.</li> </ul> <b>Risk Mitigated:</b> <ul style="list-style-type: none"> <li>• Health and social care integration.</li> </ul>
A03	Falkirk Pension Fund	<b>Falkirk Pension Fund</b> Coverage will be agreed with the Pensions Committee and Board.  <b>Risk Mitigated:</b> <ul style="list-style-type: none"> <li>• Failure in financial management, control, or assurance.</li> </ul>
A04	Strathcarron Hospice	<b>Strathcarron Hospice</b> 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.  An Annual Plan for 2021/22 will be presented to the Hospice's Audit Committee on 07 April 2021.
A05	Internal Audit – Risk Management	<b>Reciprocal Audit Review with West Lothian Council</b> West Lothian Council Internal Audit will 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.

## DEFINITION OF INTERNAL AUDIT ASSURANCE CATEGORIES

Level of Assurance	Definition
<b>Substantial Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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.