

The background of the slide features a large, light blue outline of the Coat of Arms of the Government of Nunavut. The crest includes a crown with four maple leaves, a shield divided into four quadrants (top-left: a diagonal line, top-right: a cross, bottom-left: a ship, bottom-right: a beaver), and a banner at the bottom with the motto "ANE FOR A'".

Agenda Item 4

Internal Audit Annual Assurance Report 2020/21

Falkirk Council

Title: Internal Audit Annual Assurance Report 2020/21
Meeting: Audit Committee
Date: 21 June 2021
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 2020/21.

2. Recommendation

2.1 It is recommended that the Committee notes that:

- (1) sufficient Internal Audit work was undertaken to support a balanced assurance;**
- (2) Internal Audit can provide Substantial Assurance on the Council's arrangements for risk management, governance, and control for the year to 31 March 2021;**
- (3) Internal Audit met, or exceeded, each of its Key Performance Indicators in 2020/21; and**
- (4) the Internal Audit section operated in compliance with Public Sector Internal Audit Standards.**

3. Overall Adequacy of the Council's Control Environment and Summary of Internal Audit Work Undertaken during 2020/21

- 3.1 Financial Regulations are clear that 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 Manager to prepare an Annual Assurance Report, which 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 the Standards.

- 3.3 This report has been prepared to meet those requirements.
- 3.4 Internal Audit use a set of Assurance Categories. A summary of these is at **Appendix 1**.
- 3.5 The 2020/21 Internal Audit Plan set out twenty assignment areas¹ to be undertaken by the team over the course of the year. These twenty assignment areas included twenty one audit reviews. Two reviews planned were within the Falkirk Integration Joint Board area. One of these reviews is currently ongoing.
- 3.6 The impact of the Covid-19 pandemic resulted in eight of the planned reviews not being conducted. Instead, six additional Covid-19 related audits have been undertaken by the team, with a seventh currently ongoing. Both ongoing reviews (one planned review and one additional review) will be reported to the auditees shortly. A summary of those reviews completed and those not completed (with reasons) are at **Appendix 2**, with details on the scope of, and findings arising from those completed reviews at **Appendix 3**.
- 3.7 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 2021.
- 3.8 Internal Audit measures performance against the following Key Performance Indicators:

Key Performance Indicator	2020/21 Performance ²	2019/20 Performance	2018/19 Performance	2017/18 Performance
1. Complete 85% of agreed audits.	95%	91%	100%	100%
2. Have 90% of recommendations accepted.	100%	100%	100%	99%
3. Issue 85% of draft reports within 3 weeks of completion of fieldwork.	100%	100%	100%	100%

- 3.9 For 2020/21 actual performance exceeded target, although the impact of Covid-19 meant that Internal Audit Plan completion was still below 100%.

4. **Compliance With Public Sector Internal Audit Standards**

- 4.1 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;

¹ From 2020/21 Internal Audit provide Strathcarron Hospice with its internal audit service. Strathcarron Hospice is excluded as its assignments are not reported to Falkirk Council Audit Committee.

² Our 2020/21 performance figures do not include Strathcarron Hospice as this is an external organisation. We report separately to the Strathcarron Hospice Audit Committee.

- 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.
- 4.2 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.
- 4.3 A detailed self-assessment was undertaken against the Standards in February 2021. This confirmed continuing compliance with the Standards, and will be subject to independent, external validation as part of a national review process established by the Scottish Local Authorities Chief Internal Auditors' Group.

5. Implications

Financial

- 5.1 There are no financial implications.

Resources

- 5.2 There are no resource implications.

Legal

- 5.3 There are no legal implications.

Risk

- 5.4 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

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

Sustainability / Environmental Impact

- 5.6 A sustainability / environmental assessment was not required.

6. Conclusions

- 6.1 Internal Audit undertook sufficient work during 2020/21 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.

6.2 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: 26 May 2021

APPENDICES

- Appendix 1: Definition of Internal Audit Assurance Categories.
- Appendix 2: Summary of 2020/21 Internal Audit Programme.
- Appendix 3: Details of 2020/21 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 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.

SUMMARY OF 2020/21 INTERNAL AUDIT PROGRAMME

Planned Assignments (as per 2020/21 Internal Audit Plan)			
	Service	Assignment	Level of Assurance
1.	All Services	Consultancy Work and Income Generation	Not Applicable – Ongoing Assurance
2.	All Services	Continuous Auditing	Potential Duplicate Creditors payments of £98k identified during 2020/21 (to December 2020) – Ongoing Assurance
3.	All Services	National Fraud Initiative	Not Applicable – Ongoing Assurance
4.	All Services	Follow Up of Internal Audit Recommendations	Not Applicable – Ongoing Assurance
5.	Development Services	LEADER Grant Audit	Substantial Assurance
6.	Development Services	Climate Change Act Public Body Duties Audit	Substantial Assurance
7.	Corporate and Housing Services	Scottish Housing Regulator – Annual Assurance Statement Audit	Substantial Assurance
8.	Internal Audit	Public Sector Internal Audit Standards (PSIAS) – Self Assessment	Broadly Compliant with PSIAS
9.	Corporate and Housing Services	Falkirk Pension Fund: <ul style="list-style-type: none"> Operational Cash Management Arrangements; and Transactional Testing. 	Substantial Assurance
10.	Falkirk Community Trust	No specific assignment as a result of the Covid-19 pandemic. Instead, coverage is based on Falkirk Council Pension Fund, Staff Wellbeing and Support Arrangements, and Continuous Auditing work.	Substantial Assurance

Planned Assignments (as per 2020/21 Internal Audit Plan)			
	Service	Assignment	Level of Assurance
11a.	Falkirk Integration Joint Board	Risk Management	This review is currently in progress.
12.	Corporate and Housing / All Services	Staff Wellbeing and Support Arrangements	Substantial Assurance
13.	Development Services	Waste Services – Contract Management and Monitoring Arrangements	Substantial / Limited Assurance

Planned Assignments Not Completed (as per 2020/21 Internal Audit Plan)			
	Service	Review	Comments
11b.	Falkirk Integration Joint Board (as table above)	Directions	As a result of the Covid-19 pandemic, this assignment was not conducted. Work on it has been carried forward to the 2021/22 Plan.
14.	Internal Audit	Reciprocal Audit Review with West Lothian Council	As a result of the Covid-19 pandemic, this assignment was not conducted. Work on it has been carried forward to the 2021/22 Plan.
15.	Corporate and Housing / All Services	Savings and Transformation Tracking	As a result of the Covid-19 pandemic, this assignment was not conducted. Work on it has been carried forward to the 2021/22 Plan.
16.	Corporate and Housing Services	Housing Property – Contract Management and Monitoring	As a result of the Covid-19 pandemic, this assignment was not conducted.
17.	Corporate and Housing Services	Office 365 – Project Management and Roll Out	As a result of the Covid-19 pandemic, this assignment was not conducted.
18.	All Services	Contract Management and Monitoring	As a result of the Covid-19 pandemic, this assignment was not conducted.
19.	Corporate and Housing Services	IT and Information Security Governance	As a result of the Covid-19 pandemic, this assignment was not conducted. Work on it has been carried forward to the 2021/22 Plan.

Planned Assignments Not Completed (as per 2020/21 Internal Audit Plan)			
	Service	Review	Comments
20.	Development / All Services	Operational Fleet – Management and Monitoring	As a result of the Covid-19 pandemic, this assignment was not conducted. Work on it has been carried forward to the 2021/22 Plan.

Planned Assignments Not Reported (as per 2020/21 Internal Audit Plan)			
	Service	Review	Comments
1.	Strathcarron Hospice	Agreed audit work with Strathcarron Hospice	Reported to Strathcarron Hospice Audit Committee.

Additional Reviews			
	Service	Review	Level of Assurance
1.	Corporate and Housing / Development Services	Business Support Fund (BSF) Grant Administration	Substantial Assurance
2.	Corporate and Housing / Development Services	Newly Self-Employed Hardship Fund (NSEHF) Administration	Substantial Assurance
3.	Corporate and Housing / Development Services	Data Analysis to Identify Potential Duplicate BSF and NSEHF Payments	Substantial Assurance
4.	Corporate and Housing Services	Community Action Fund Administration	Substantial Assurance
5.	Corporate and Housing / All Services	Covid-19 Impact Spend	Substantial Assurance
6.	Corporate and Housing / All Services	Processing of Weekly and Urgent Payments During Covid-19	Substantial Assurance
7.	Corporate and Housing Services	School Holiday Food Fund Grants	This review is currently in progress.

**DETAILS OF 2020/21 INTERNAL AUDIT PROGRAMME AND SUMMARY OF
ADDITIONAL COVID-19 RELATED WORK**

Assignment	Service	Assurance
Continuous Auditing	All Services	N/A – Ongoing Assurance
Scope	Final Report Executive Summary	
<p>This involves analysing Creditors payment data (payments to suppliers) to identify potential duplicate payments.</p> <p>We use audit interrogation software to identify matches on invoice date, amount, and number. We then check our initial results on Integra to identify any cancelled payments; or duplicate payments already identified (and either cancelled or monies recovered).</p>	<p>For the period April to December 2020 we identified potential duplicate payments with a value of £98k. Recovery action has been, or is being, taken.</p> <p>January to March 2021 duplicates work is ongoing.</p>	

Assignment	Service	Assurance
National Fraud Initiative	All Services	N/A – Ongoing Assurance
Scope	Final Report Executive 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 / Council Tax Benefit, Council Tax Single Person Discount, and Creditors.</p> <p>The Internal Audit 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 2020/21 NFI exercise is now underway. The required data has been gathered from Services and uploaded via the secure on-line NFI application.</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 (which matches Council Tax and Electoral Roll data).</p> <p>The resultant data matches were made available in January 2021 and work is underway to prioritise and investigate.</p>	

Assignment	Service	Assurance
Follow Up of Internal Audit Recommendations	All Services	N/A – Ongoing Assurance
Scope	Final Report Executive Summary	
<p>As Members are aware, Internal Audit reports routinely include recommendations to management, aimed at improving arrangements for risk management, governance, and control.</p> <p>Once recommendations are accepted by management they are logged on the corporate Pentana system.</p>	<p>On 26 May 2021, no recommendation remains outstanding beyond its agreed implementation date.</p>	

Assignment	Service	Assurance
LEADER Grant Audit	Development Services	Substantial
Scope	Final Report Executive Summary	
<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 and distributing funds against that Strategy.</p> <p>Falkirk Council is the Accountable Body (AB) 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 41 projects with a total value of £2,525,073.</p> <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 2020/21 our work covered the period 16 October 2019 to 15 October 2020, 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>Service Level Agreement / Governance and Management / LEADER administration</p> <p>Our work focussed on ensuring that the high-level governance approach that is documented in the Kelvin Valley and Falkirk LEADER Business Plan was in place. We discussed the approach with the Programme Manager and reviewed key documentation. We were, in general, content that appropriate arrangements are in place.</p> <p>The coronavirus pandemic has, however, understandably created challenges. In particular, no LAG Board meetings have been held during the current reporting period. Instead, electronic and / or telephone communications have taken place between the Programme Manager and LAG Board members at ad hoc intervals throughout the year, covering new project applications which require assessment; additional funding received from the Scottish Government; and progress with approved projects.</p> <p>In our opinion, the current arrangements could be further enhanced through the establishment of a formal reporting framework. This would require that all LAG Board members be issued with a quarterly email update from the Programme Manager on programme progress, spend, and issues (including outcomes from any audit reviews and AB Group meetings). We have recommended that such a framework is put in place.</p> <p>Applications and Scoring</p> <p>During the current reporting period, two project applications were approved and allocated LEADER funding: Auchingean Bike Park and Herbertshire Castle Park Improvements (HCPI) – Phase 1. The HCPI project application was subject to a review by the Scottish Government's LEADER Team in June 2020. We, therefore, reviewed the Auchingean Bike Park application to assess compliance with established procedures.</p> <p>From our review of the electronic files for this application, we were content that the established procedures had been complied with.</p> <p>LEADER grant claims</p> <p>The Accountable Body is responsible for paying grant claims to project applicants. We reviewed a sample of three 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 we were content that the grant claims were for valid LEADER costs, could be reconciled to the supporting documentation, and had been appropriately checked and authorised.</p> <p>We did, however, identify that items of expenditure incurred by the Accountable Body had been omitted from the claims in a small number of instances. Details of these instances were raised with the Operations Team, and satisfactory explanations received that these items of expenditure are being included in future claims.</p>	

Assignment	Service	Assurance
Climate Change Act Public Body Duties Audit	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 Scottish Government by 30 November, covering:</p> <ul style="list-style-type: none"> • Organisational Profile; • Governance, Management, and Strategy; • Corporate Emissions, Targets, and Projects; • Adaptation; • Procurement; and • Validation and Declaration. <p>We undertook validation work on the Council's 2019/20 Annual Report.</p>	<p>Our work focused on reviewing the reporting arrangements and the accuracy of the information included in the Annual Report. Where we identified discrepancies between the report and the supporting documentation, we recommended that the Lead Officer – Climate Change reviewed and updated the report. We also recommended that Development Services submit an Information Bulletin report to elected Members advising them of the submission to the Scottish Government of the Council's 2019/20 Public Body Duties Report.</p> <p>We reviewed the consumption data provided in the report on the Council's emission sources (electricity, gas, oil, water, fuel, and waste) and were able to reconcile it to supporting documentation and to the data that had been recorded within the Council's Carbon Footprint. We could also reconcile the consumption data on renewable heat with supporting documentation.</p>	

Assignment	Service	Assurance
Scottish Housing Regulator – Annual Assurance Statement Audit	Corporate and Housing Services	Substantial
Scope	Final Report Executive Summary	
<p>The Head of Housing and Communities is required to submit an Annual Assurance Statement to the Scottish Housing Regulator. The Statement should provide assurance that the Council's Housing Service is compliant with all relevant requirements of Chapter 3 of the Regulation of Social Housing in Scotland.</p> <p>The Statement is required to be submitted by the end of October each year and prior to that requires to be approved by the Council's Executive.</p> <p>Internal Audit:</p> <ul style="list-style-type: none"> • reviewed the completeness and accuracy of submitted information; • ensured that the performance information reported was underpinned by adequate and robust supporting documentation; and • checked the accuracy of all numerical information and percentages. 	<p>We found that performance and numerical information reported was accurate and agreed to supporting documentation. We were content, therefore, with the standard and outcome statements that were submitted to the Executive and then to the Scottish Housing Regulator in October 2020.</p>	

Assignment	Service	Assurance
Falkirk Pension Fund: <ul style="list-style-type: none"> • Transactional Testing; and • Operational Cash Management Arrangements. 	Corporate and Housing Services	Substantial
Scope	Final Report Executive Summary	
<p>Transactional Testing</p> <p>To assess the extent to which:</p> <ul style="list-style-type: none"> • new member contributions to the Pension Fund had been properly calculated by Fund employers; • transferred in rights had secured appropriate benefits for members; • transfers out and refunds had been properly calculated; • correct payments had been made to retiring, and in respect of deceased, Fund members; • controls around i-Connect (electronic transfer of data from employers creating starters and leavers) were operating effectively; and • that there were appropriate controls around the receipt of monthly contributions. <p>Operational Cash Management Arrangements</p> <p>We reviewed:</p> <ul style="list-style-type: none"> • the clarity of roles and responsibilities; • the management of day to day and longer term transactions; • the appropriateness of levels of cash held by the Fund's Custodian or deposited with other financial institutions; and • compliance with the Fund's Cash Management Policy. 	<p>Transactional Testing</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>Operational Cash Management Arrangements</p> <p>We were content that there is compliance with the Fund's Cash Management Policy. We found that the Pensions Team regularly monitors the Fund's cash flow, there is appropriate segregation of duties in relation to cash management, and that concentration risk has been avoided by the number of deposits that are held.</p> <p>We noted, however, that the balance on the Royal Bank of Scotland business reserve account regularly exceeded the limit of £8 million that is prescribed by the Fund's Cash Management Policy. We have recommended that the investment limits are reviewed and (where necessary) increased.</p>	

Assignment	Service	Assurance
Staff Wellbeing and Support Arrangements	All Services	Substantial
Scope	Final Report Executive Summary	
<p>A Wellbeing Strategy and Action Plan was 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 covered the governance, oversight, and decision-making structure around staff wellbeing. It also examined the steps being taken across all Services to ensure that momentum is not lost, and that revised actions were being planned and delivered to build on work undertaken during Covid-19.</p>	<p>As a result of Covid-19, wellbeing actions have been undertaken that are different from those that were anticipated when the Wellbeing Strategy and Action Plan was approved in October 2019. These actions include the considerable work involved in not only developing a comprehensive wellbeing section on the Council's website (containing a wide range of information and guidance), but also providing advice and support to Council Services and employees. Part of this role included conducting risk assessments to ensure a Covid-19 safe workplace.</p> <p>Although the agreed Wellbeing Strategy Action Plan actions have not all been progressed (with work on the majority of them on hold due to Covid-19), it has been evident that, across all Services, the commitment to staff wellbeing and the culture of support has continued. For example, support as part of the re-opening of schools, and the establishment of an Employee Assistance Programme to support mental wellbeing. Mental health first aiders in the workplace have also been trained, and the Occupational Health Service, including physiotherapy services for musculo skeletal support, has continued.</p> <p>In addition, to meet the hygiene and safety requirements related to Covid-19, Children's Services have recruited additional temporary employees to deliver an enhanced cleaning regime across all Council premises. The Workforce Plan notes that measures to ensure the safety and wellbeing of employees (such as ensuring appropriate physical distancing, conducting risk assessments, and providing protective equipment) "are likely to continue for many months to come".</p> <p>The Council has adapted to a changing environment and has taken steps to continue to support the wellbeing of its employees during Covid-19. On that basis, we provided substantial assurance in relation to the governance, oversight, and decision-making structure around staff wellbeing, and the actions that have been taken to date.</p>	

Assignment	Service	Assurance
Waste Services – Contract Management and Monitoring Arrangements	Development Services	Substantial / Limited
Scope	Final Report Executive Summary	
<p>Falkirk Council provides a waste collection and disposal service to local households and businesses. The services offered are many and varied, with separate collections established for various types of waste in order to comply with legislation (e.g. Waste (Scotland) Regulations 2012), and to increase the quality and quantity of waste materials for recycling.</p> <p>A variety of methods are adopted by the Council to ultimately dispose of the waste. These range from the recycling / sale of useful waste materials such as glass and metals, to the burial of non-recyclable waste such as polystyrene and disposable nappies at a landfill site.</p> <p>External contractors have been appointed by the Council to help deliver a number of waste collection and disposal services due to the volume, specialist nature, and cost of services required by law. This includes, for example: the collection of kerbside boxes, textile sacks, and food caddies from all local households; the composting of food waste via Anaerobic Digestion; and the onward sale of scrap metal from the Council's Recycling Centres.</p> <p>The purpose of this review was to evaluate and report on the arrangements in place to manage and monitor a sample of these contracts.</p>	<p>We provided a separate assurance level for each of the remit items as follows:</p> <ul style="list-style-type: none"> • overarching contract management and monitoring arrangements – Substantial Assurance; • controls over the checking, authorisation, and payment of contract invoices – Substantial Assurance; and • arrangements for billing contract suppliers for income due to the Council – Limited Assurance <p>Overall, we found that the sampled contracts were subject to a level of management and monitoring commensurate with the value, length, and criticality of the contracts. It was clear that staff had considered contract risks (and mitigating controls), with performance criteria also established, and contractor review meetings held, as appropriate.</p> <p>There was, however, some scope for further improving existing arrangements. For example, the completion of a contract variation document by contract managers where there have been any material changes to contract terms and conditions. There were also several instances where inadequate arrangements were in place for monitoring overall contract spend and income. These issues were exacerbated by an inability to record details of the contract to which spend related in the Integra system.</p> <p>In general, adequate controls are in place for the checking, authorisation, and payment of invoices relating to our sampled contracts. We found there to be a sufficient segregation of duties in relation to the ordering and receipt of, and payment for, goods and services. All invoices reviewed by Internal Audit had also been authorised by an Officer with the appropriate level of delegated authority, and were accurately and timeously paid.</p> <p>We did, however, identify several areas where arrangements could be further enhanced. For example, ordering Officers should always obtain comprehensive written (rather than verbal) quotes for non-standard services to provide clarity to checking Officers on the accuracy of final invoice prices. In addition, there was occasionally a lack of evidence to demonstrate that the contractor had used additional vehicles to deliver the kerbside box collection service during the Covid-19 pandemic.</p> <p>Our work on arrangements for billing contract suppliers for income due highlighted significant weaknesses. In particular, the Council has frequently placed reliance on the contractor's weighbridge readings to identify the quantity of uplifted materials for which the contractor should be charged. Internal Audit analysis of the Council's estimated weight of non-ferrous cans uplifted by the contractor between April and August 2020, and the contractor's recorded weight, revealed variances (and, therefore, potential lost income) in favour of the contractor.</p> <p>Documentation to request the raising of sundry account invoices is not always completed, checked, and issued by Waste Strategy staff to the Customer and Business Support Team (CBST) in a timely manner. In addition, no checks were being undertaken by Waste Strategy staff at the time of the audit to ensure that the CBST had accurately and timeously processed all requests. Finally, sundry account invoices are not always paid on time by the contractor.</p>	

Assignment	Service	Assurance
Business Support Fund (BSF) Grant Administration	Corporate and Housing / Development Services	Substantial
Scope	Final Report Executive Summary	
<p>During the period 24 March 2020 to 10 July 2020 (when the scheme closed to new applicants), Falkirk Council approved 2,169 grant applications, resulting in expenditure of c£24.3m.</p> <p>We reviewed the action taken to assess a sample of 40 grant applications, and the validity of the decisions reached by the Assessing Officers on each occasion.</p>	<p>Comprehensive documentation was held to support the decisions reached by the Assessing Officers for each application in our sample, with robust measures in place to facilitate the application assessment and grant payment processes. These measures included, for example:</p> <ul style="list-style-type: none"> the issue of emails by the Revenue and Benefits Manager (RBM) to Assessing Officers in a timely manner advising of changes to the grant eligibility criteria; the development, and regular update, of a Grant Support Database by the RBM setting out the data held by the Council for each non-domestic property in the Falkirk Council area as at 17 March 2020 (e.g., liable ratepayer, rateable value, property description (as per the Valuation Roll), type of rates relief received, and any previous grant payments). This database provided a single point of reference for Assessing Officers when considering whether an applicant satisfied the grant eligibility criteria; an independent review by the Ratepayer Grant Team of the Assessing Officer's decision to reject any grant applications, and the establishment of an appeals process for those applicants who remained dissatisfied with the decision to reject their application; and the use of scheduling software to generate management information reports on a daily basis setting out instances where: more than one grant payment had been requested or made for a property; grant payments had been requested or authorised for an individual / property not listed on the Grant Support Database; and applicants had received grant payments from both the BSF and Self Employed Hardship Fund. Anomalies highlighted in these reports were primarily investigated by the RBM, and the appropriate corrective action taken (e.g., duplicate grant payment requests cancelled). <p>We did, however, identify one area where there was scope for further improving the existing framework of control.</p> <p>The validity of the decision to reject a grant application was subject to review by an independent Officer, however, no formal independent checks were automatically undertaken on the validity of the decision to approve a grant application. In our opinion, the risk of invalid grant expenditure could have been further reduced through the introduction of a formal independent checking regime for positive grant decisions.</p>	

Assignment	Service	Assurance
Newly Self Employed Hardship Fund (NSEHF) Administration	Corporate and Housing / Development Services	Substantial
Scope	Final Report Executive Summary	
<p>Between 30 April and 18 August 2020, 145 grants were awarded, totalling £290k.</p> <p>We reviewed the action taken to assess a sample of 13 grant applications, and the validity of the decisions reached by the Assessing Officers on each occasion. We also looked at the process for investigating potential duplicates.</p>	<p>Documentation was held to support the decisions reached by the Assessing Officers for each application in our sample, with robust measures also found to be in place to facilitate the application assessment and grant payment processes. This included a member of the Corporate Fraud team reviewing the applicant's bank statements to authorise all payments prior to the release of monies to the applicant.</p> <p>In addition, management information was generated on a daily basis setting out grants awarded and any exceptions / anomalies.</p>	

Assignment	Service	Assurance
Data Analysis to Identify Potential Duplicate BSF and NSEHF Payments	Corporate and Housing / Development Services	Substantial
Scope	Final Report Executive Summary	
<p>The data analysis software used by Internal Audit to analyse creditor payments was applied to Business Support Fund Grant and Newly Self Employed Hardship Fund payments (to 23 September 2020), to identify any duplicate payments.</p>	<p>We were able to provide substantial assurance. Only two instances were identified where recovery or amendment was required, and the Revenues and Benefits Manager has taken action to address these.</p>	

Assignment	Service	Assurance
Community Action Fund Administration	Corporate and Housing Services	Substantial
Scope	Final Report Executive Summary	
<p>The Community Action Fund was set up as an emergency response measure to help community groups and voluntary organisations support people in their community who were affected by Covid-19.</p> <p>The budget of £113,487 was made up of funds that were previously allocated from the Health and Social Care Partnership (HSCP) to the Council to enhance health and wellbeing within communities, from the community grants budget, and from the Fairer Falkirk (Holiday Food Initiative) budget.</p> <p>A total of 64 applications for grants from the Covid-19 Community Action Fund were received, with a total of £95,184 requested and £53,616 awarded.</p> <p>We reviewed the supporting documentation that was available for all 64 applications.</p>	<p>We found that:</p> <ul style="list-style-type: none"> an application form was available for all approved applications and for 20 of the 23 refused applications; the intended use of the grants by the various organisations (as noted on their application forms) was appropriate for all approved applications and complied with the criteria for making payment. A valid reason for refusing applications has also been recorded; supporting emails regarding the decisions that were made by the assessment group were available for all applications approved or refused. From reviewing these emails, we were content with the level of scrutiny that the applications were subjected to by the assessment officers and the independent approval of these decisions by the Democratic Services Manager helped to prevent invalid grant expenditure being incurred; all approved applications were appropriately authorised by the Democratic Services Manager and there was supporting documentation available for the 38 CHAPS or Integra payments that were made (no grant payment was made for 1 approved application as the organisation failed to confirm their bank details); and more than one application was submitted by 8 organisations (of these 17 applications: 11 were approved, 5 were refused, and 1 was withdrawn), however, we did not find any duplicate applications or payments. <p>We did, however, identify one area where there was scope for further improvement. If an organisation fails to return an 'End of Award' report (which includes receipts, and details how the grant money was spent), and then applies for a subsequent grant, their application should not be processed until the outstanding End of Award report is completed and returned. End of Award reports had only been submitted for 8 of the 38 grant applications paid out.</p> <p>We were content that where more than one application was submitted that an End of Award report had been requested and provided before a second grant was paid.</p>	

Assignment	Service	Assurance
Covid-19 Impact Spend	Corporate and Housing / All Services	Substantial
Scope	Final Report Executive Summary	
<p>A new detail head was created in the ledger in March 2020 (4999 – Coronavirus Impact) to capture the costs associated with Covid-19. At that time, Services were asked to scan and attach any invoices that were to be charged to this detail head.</p> <p>Internal Audit reviewed the creditor invoice payment transactions that had been coded to detail head 4999 (excluding grant payments) on two occasions to ensure that adequate supporting documentation was available, and that the expenditure had been appropriately authorised.</p> <p>Our findings were reported to the Accountancy Services Manager in July 2020.</p> <p>A subsequent review (covering data to 13 April 2021) has been conducted and our draft findings were reported to the Accountancy Services Manager in May 2021.</p>	<p>As at 10 June 2020, 336 creditor invoice payments had been processed through detail head 4999. These transactions had been appropriately authorised, and we initially found that supporting documentation was available as attachments on Integra for 233 of the 336 payments (69.35%).</p> <p><u>Internal Audit Action Taken:</u></p> <ul style="list-style-type: none"> Of the 103 payments (with a total value of £524,744) where there was no available supporting documentation, we contacted the authoriser of 33 Social Work transactions (with a total value of £363,330). They have now attached supporting spreadsheets and payment vouchers to Integra for 31 of them, and have processed a correction journal for one transaction. This authoriser has also added relevant supporting documentation for one other payment; We contacted the authoriser of 3 transactions (with a total value of £133,730) to request that supporting documentation for these payments is attached to Integra. We were advised that these transactions had been cancelled and replaced with one invoice for the total amount, with a copy of the invoice being available on Integra; We noted that 31 of the 103 payments (with a total value of £7,298.36) were generated from a feeder system (Housing Repairs Interface or Profess (Procon) Feeder – Roads) and information on the authorising officer for these payments was not available; and We reviewed the remaining 36 transactions on Integra and found that the invoices had now been attached for two payments and that one payment has been cancelled. <p>As a result of these actions, supporting documentation is now available as attachments on Integra for 267 of the 336 payments (80%), with 4 payments being cancelled and 1 miscoding being corrected. The 31 feeder system payments represent 9% of the total.</p>	

Assignment	Service	Assurance
Processing of Weekly and Urgent Payments during Covid-19	Corporate and Housing / All Services	Substantial
Scope	Final Report Executive Summary	
<p>The Creditors team established a temporary process in March 2020 for the submission of urgent and weekly payment forms, which included accepting an email in place of the authorising officer's signature.</p> <p>We reviewed all urgent and weekly payments that were processed via Integra during April and May 2020.</p> <p>We also tested to ensure that no duplicate payments had been made, that appropriate supporting documentation was available for these payments, and that the expenditure had been appropriately authorised.</p> <p>We expanded our review (from the week ending 22 April 2020) to include centrally scanned payments.</p>	<p>There were 207 urgent and 4 weekly payments (with a combined gross value of £2,479,115), as well as 1,196 centrally scanned payments (with a gross value of £12,036,906) made during this period.</p> <p>From the total of 1,407 transactions, there was one potential minor duplicate payment (with a gross value under £500).</p> <p>For the 1,196 centrally scanned payments, we reviewed a random sample of 120 and found that for all of them, adequate supporting documentation was available on Integra and that the expenditure had been appropriately authorised.</p> <p>In relation to the 211 urgent and weekly payments, we also found that the expenditure had been appropriately authorised (with a small number of exceptions), with adequate supporting documentation available on Integra (a copy of an email authorising the payment or a signed request form).</p> <p>Our review, covering the nine weeks ending Wednesday 27 May 2020 has, therefore, found that the temporary arrangements that were put in place by the Creditors team for processing urgent and weekly payments had worked effectively.</p>	