

The background of the slide features the coat of arms of the Government of Nunavut. It is a shield-shaped emblem with a crown on top. The crown has four points, each with a stylized flower. The shield is divided into four quadrants. The top-left quadrant shows a stylized building. The top-right quadrant shows a caribou head with large antlers. The bottom-left quadrant shows a sailing ship on wavy lines representing water. The bottom-right quadrant shows a stylized eagle with spread wings. A banner at the bottom of the shield contains the text "ANE FOR A'".

Agenda Item 4

Internal Audit Progress Report

Falkirk Council

Title: Internal Audit Progress Report
Meeting: Audit Committee
Date: 20 September 2021
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 2021/22 Internal Audit Plan. It also sets out the outcomes of the two assignments from the 2020/21 Internal Audit Plan that were highlighted as 'currently in progress' at the June 2021 Audit Committee.

2. Recommendation

2.1 It is recommended that the Committee notes:

- (1) the progress being made with completing the 2021/22 Internal Audit Plan and the outcomes from the finalised 2020/21 assignments.**

3. Completion of the 2020/21 Internal Audit Plan

- 3.1 At the June 2021 Audit Committee Internal Audit reported that there were two 2020/21 reviews ongoing. These reviews were:
- Falkirk Integration Joint Board Risk Management; and
 - School Holiday Food Fund.
- 3.2 Both of these reviews have been completed (the Falkirk Integration Joint Board Risk Management review is at draft report stage and the School Holiday Fund has had a final report issued). Details on the scope of, and findings arising, are at Appendix 1. The assurance is provided in line with the definitions at Appendix 2.

Progress with Completing 2021/22 Internal Audit Plan

- 3.3 The Plan was agreed by Audit Committee on 12 April 2021. It set out 22 assignment areas (25 reviews) to be completed by the team during the year.
- 3.4 To date, 1 assignment has been completed to final report stage (other client piece of work at Strathcarron Hospice), 2 assignments are at draft report stage (our committed assignments from April to September 2021), and 11 assignments are in progress (this includes 2 pieces of other client work), which is broadly on track at this stage. A summary of progress is set out at Appendix 3.

- 3.5 At the April 2021 Audit Committee, Members were advised that the priorities and Internal Audit resource will change over the course of 2021/22 and so this Plan must be considered flexible. The appointment of the Internal Audit, Risk, and Corporate Fraud Manager has resulted in a vacancy in the Internal Audit team, therefore, there may still be an impact on the delivery of the Plan. I will keep the Committee updated as the recruitment process progresses.

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 is making good progress with 2021/22 Internal Audit work. This will contribute to a balanced and evidenced based year end opinion on arrangements for risk management, governance, and control.

Internal Audit, Risk, and Corporate Fraud Manager

Author: Isabel Wright, Internal Audit, Risk, and Corporate Fraud Manager, 01324 506342, isabel.wright@falkirk.gov.uk

Date: 27 August 2021

APPENDICES

- Appendix 1: Internal Audit Plan 2020/21: Assignment Outcomes.
- Appendix 2: Definition of Internal Audit Assurance Categories.
- Appendix 3: Internal Audit Plan 2021/22: Progress at 27 August 2021.

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 – ASSIGNMENT OUTCOMES

Summary Of Key Findings Arising from Reviews Complete to Final Report

Review	Service	Assurance
Risk Management	Falkirk Integration Joint Board	To be reported to the Integration Joint Board
Scope	Final Report Executive Summary	
Agreed with Falkirk Health and Social Care Partnership's Chief Officer and Chief Finance Officer.	Findings have been reported to the Falkirk Health and Social Care Partnership's Chief Officer and Chief Finance Officer. Internal Audit will report to the next available Falkirk Integration Joint Board.	

Additional Review	Service	Assurance
School Holiday Food Fund Grants	Corporate and Housing Services	Limited Assurance
Scope	Final Report Executive Summary	
<p>Between October 2020 and February 2021, 31 grants were awarded, totalling £25k.</p> <p>We reviewed the action take to assess and approved a sample of 12 grant applications.</p>	<p>We found segregation of duties was in place for the assessment and authorisation of all sampled applications for funding, and all grant awards were appropriately authorised. In addition, all sampled grant payments were accurately processed. Our work on compliance with written grant scheme guidance, highlighted several significant instances of non-conformance. These included:</p> <ul style="list-style-type: none"> • details were omitted from application forms in relation to the food to be provided as part of the proposed project (including a detailed breakdown of the associated costs), and on how the applicant knew it would not duplicate something that already existed in the local community. Consequently, there was a lack of clarity on whether or not a reasonable level of funding was requested by the applicant, and whether scarce resources were being directed to those community areas and people in greatest need of support; • the aggregate level of funding awarded to an applicant exceeded the £1k limit set for the school holiday period on three occasions; and • no receipts were provided by any of the successful applicants on conclusion of their projects to confirm that grants had been spent solely on the approved and intended purpose. <p>We also found there to be significant scope for improving the control environment for future grant schemes. In particular, a requirement for:</p> <ul style="list-style-type: none"> • the applicant to submit evidence to demonstrate the need for, and the reasonableness of the cost of, projects for which grant funding has been requested; • the Assessment Panel to request an 'End of Award' report (setting out how grant monies were spent and the difference the project made) from the applicant, and evaluate this report, prior to the approval and payment of a second grant to the applicant; • a comprehensive audit trail setting out the Assessment Panel's rationale for approving or rejecting an application, including reasons as to why the funding award limit has been exceeded (where applicable); and • successful applicants to provide bank statements in advance of any payments to ensure that grants are being paid into a group, as opposed to a personal, bank account. <p>We made 11 recommendations and the action plan has been agreed with management.</p>	

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.

INTERNAL AUDIT PLAN 2021/22 – PROGRESS AT 27 AUGUST 2021

Planned Assignments (as per 2021/22 Internal Audit Plan)			
	Service	Assignment	Status
Annually Recurring Assignments			
1.	All Services	Consultancy Work	In Progress - Ongoing
2.	Internal Audit	Public Sector Internal Audit Standards – Self Assessment	In Progress - Ongoing
3.	All Services	Continuous Auditing	In Progress - Ongoing
4.	All Services	National Fraud Initiative	In Progress - Ongoing
5.	All Services	Follow Up of Internal Audit Recommendations	In Progress - Ongoing
6.	Development Services	LEADER Grant Audit	Not Started
7.	Development Services	Climate Change Act Public Body Duties Audit	Not Started
8.	Corporate and Housing Services	Scottish Housing Regulator – Annual Assurance Statement Audit	In Progress
Committed Assignments – April to September 2021			
9.	All Services	Following the Pandemic Pound – Covid-19 Costs	In Progress
10.	All Services	Following the Pandemic Pound – Business Grants Arrangements: <ul style="list-style-type: none"> Discretionary Fund; and Taxi and Private Hire Vehicle Driver and Operator Support Fund 	<ul style="list-style-type: none"> Draft Report Issued In Progress
11.	All Services	Following the Pandemic Pound – Budgetary and Financial Controls	Not Started
12.	Corporate and Housing Services	Procurement and Housing Property Support and Follow Up	Draft Report Issued (Stage 1)

Planned Assignments (as per 2021/22 Internal Audit Plan)			
	Service	Assignment	Status
13.	Development / All Services	Fleet Management and Monitoring	In Progress
Committed Assignments – October 2021 to March 2022			
14.	Corporate and Housing Services / All Services	Payroll Transactional Testing	Not Started
15.	Corporate and Housing Services / All Services	IT and Information Security Governance	Not Started
16.	Corporate and Housing Services / All Services	Legionella Management Arrangements	Not Started
17.	All Services	Savings and Transformation Tracking	Not Started
Other Client Work			
18.	Falkirk Community Trust	<p>Coverage has been agreed at the Audit and Performance Sub Group meeting on 13 May 2021.</p> <p>This has been 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.</p>	Not Started
19.	Falkirk Integration Joint Board	<ul style="list-style-type: none"> • Directions; and • Business Continuity and Resilience 	<ul style="list-style-type: none"> • Not Started • In Progress
20.	Falkirk Pension Fund	Coverage has been agreed with the Pensions Committee and Board on 24 June 2021.	Not Started
21.	Strathcarron Hospice	An Annual Plan for 2021/22 was presented and agreed by the Hospice's Audit Committee on 07 April 2021.	<ul style="list-style-type: none"> • 1st review was reported to the Hospice Audit Committee on 04 August 2021. • 2nd review - In Progress
22.	Internal Audit	Reciprocal Audit Review with West Lothian Council	Not Started