

The background of the slide features a large, light blue watermark of the City of Vancouver's coat of arms. The crest is a shield divided into four quadrants. The top-left quadrant shows a sailing ship on wavy lines representing water. The top-right quadrant depicts a stag's head with large antlers. The bottom-left quadrant shows a beaver. The bottom-right quadrant features a grizzly bear. Above the shield is a crown with four maple leaves. A banner at the bottom of the shield contains the motto "CITY OF VANCOUVER" in a stylized font.

Agenda Item 5

Internal Audit Plan 2023/24

Falkirk Council

Title: Internal Audit Plan 2023/24
Meeting: Audit Committee
Date: 17 April 2023
Submitted By: Internal Audit, Risk, and Corporate Fraud Manager

1. Purpose of Report

1.1 This report presents a draft 2023/24 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 2023/24; and
- (3) notes that progress will be reported to the Audit Committee on an ongoing basis.

3. Climate Change Implications

3.1 The recommended decision does not give rise to any material implications for the Council's climate change targets and obligations. The recommendation in this report will not lead to changes in service provision or the deployment of resources that would increase or decrease the emission of carbon.

4. Background

4.1 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 2023/24, 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 2024. A separate Clackmannanshire Council Internal Audit Plan has also been developed.

4.2 In agreeing the Plan, Committee should be aware that the priorities and Internal Audit resource could change over the course of 2023/24 and so this Plan must be considered flexible. It should also be considered within the context of the 2022/23 resourcing issues within Internal Audit. The team carried two vacancies over the last year (leaving two auditors to perform the work programme), and while interim arrangements were put in place to manage the workload and appoint permanent audit staff, this has continued to impact on the delivery of the internal audit programme.

- 4.3 Permanent staff were appointed and both were in their roles in August and October 2022 respectively. Both new members of staff have settled in well, but require ongoing support and training to meet the requirements of the roles.
- 4.4 Internal Audit resource will continue to be directed to areas where there is the greatest need. Due to the nature of the work to be undertaken two audits have been deferred from the 2022/23 Internal Audit Plan. These are:
- Fleet Management and Monitoring Arrangements: Follow-up of 2021/22 Recommendations Stage Two; and
 - Procurement and Housing Property Support and Follow Up Stage Two.

5. Falkirk Council Internal Audit Plan: Internal Audit Resources and Reporting Arrangements

- 5.1 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.
- 5.2 To do this, the Internal Audit team must be:
- independent;
 - objective in performing audit work; and
 - adequately resourced, experienced, qualified, and knowledgeable.
- 5.3 All members of the Internal Audit team are experienced and professionally qualified in either Internal Audit or Accountancy disciplines. 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.
- 5.4 The resource¹ available to deliver the 2023/24 Internal Audit Plan is summarised in the table below:

Activity	Planned Days
Annually Recurring Assignments	175
Committed Assignments	300
Other Client Work	80
Total	555

¹ Resource available takes into account the start dates of the two new members of staff and the bedding in periods required.

5.5 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: 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; and
- Other Client Work: This covers time allocated to the delivery of Internal Audit services to: 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 3.

5.6 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.

5.7 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.

5.8 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 4.

5.9 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.

5.10 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.

- 5.11 Progress with completing the 2023/24 Internal Audit Plan will be reported to Committee throughout the year. Internal Audit will work closely with the Council's appointed External Auditors to ensure that work is co-ordinated and complementary.
- 5.12 Each year, an Internal Audit Annual Assurance Report is 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.

6. Implications

Financial

- 6.1 There are no financial implications.

Resources

- 6.2 There are no resource implications, however, the resources available to Internal Audit may fluctuate in 2023/24. This may impact on the delivery of the Plan.

Legal

- 6.3 There are no legal implications.

Risk

- 6.4 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.
- 6.5 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

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

Sustainability / Environmental Impact

- 6.7 A sustainability / environmental assessment was not required.

7. Conclusions

- 7.1 The programme of work set out in this 2023/24 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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Date: 6 April 2023

APPENDICES

- Appendix 1: Internal Audit Plan 2023/24 Annually Recurring Assignments;
- Appendix 2: Internal Audit Plan 2023/24 Committed Assignments;
- Appendix 3: Internal Audit Plan 2023/24 Other Client Work; and
- Appendix 4: 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 2023/24 ANNUALLY RECURRING ASSIGNMENTS

No.	Service	Purpose and Scope of Assignment
A01	All Services	<p>Consultancy Work and Income Generation</p> <p>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>
A02	Internal Audit	<p>Public Sector Internal Audit Standards: Self Assessment</p> <p>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. The independent external assessment is expected to be carried out in quarter 2 of 2023/24.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Leadership, Decision Making, and Governance; and • Failure in financial management, control, or assurance.
A03	All Services	<p>Continuous Auditing</p> <p>This will focus on the testing of payments to suppliers of goods and services to identify any potential duplicate amounts paid. Additional work this year on the rationalisation of suppliers; checking for any duplicates and also suppliers with the same details as employees.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Failure in financial management, control, or assurance.
A04	All Services	<p>National Fraud Initiative</p> <p>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 and the Senior Internal Auditor are 'key contacts' 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 (November 2022). The outcomes arising from Audit Scotland's data matching were released back to the Council in late January 2023. It is the responsibility of the 'key contacts' to co-ordinate and support Services in their investigation of those matches.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> • Financial Sustainability: Insufficient funding to deliver Services; and • Failure in financial management, control, or assurance.

No.	Service	Purpose and Scope of Assignment
A05	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. This includes twice yearly reporting to Audit Committee.</p>
A06	Place 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.
A07	Transformation, Communities, and Corporate 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"> • Financial Sustainability: Insufficient funding to deliver Services; • Failures in leadership, governance, and decision making; • Failure in financial management, control, or assurance; • Failure to meet the priorities set out within the Local Housing Strategy; and • Potential changes to Housing Standards.

INTERNAL AUDIT PLAN 2023/24 COMMITTED ASSIGNMENTS

No.	Service	Purpose and Scope of Assignment
A08	Place Services	<p>Procurement and Housing Property Support and Follow Up Stage Two After allowing for sufficient time for all new controls and processes from Stage 1 work to be embedded within the BMD Contracts Division, review a sample of payments made to sub-contractors by BMD to ensure compliance with Financial Regulations, Contract Standing Orders, and Corporate Procurement Procedures.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> Financial Sustainability: Insufficient funding to deliver Services; 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.
A09	Place Services	<p>Fleet Management and Monitoring Arrangements: Follow-up of 2021/22 Recommendations Stage Two We will review the extent to which the previous year's Internal Audit management action plan recommendations have been implemented.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> Asset management (use, condition, suitability, availability, and reliability); Failure in financial management, control, or assurance; and Climate change.
A10	Place Services	<p>Resilience Fund Test a sample of applications to ensure that there is compliance with criteria.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> Financial Sustainability: Insufficient funding to deliver Services; Failure in financial management, control, or assurance; and Failure to provide sustainable growth, economic, and employment opportunities.
A11	Adult Social Work Services	<p>Care Home Residents Monies A review of the roles and responsibilities, policies and procedures, and security of residents bank accounts and cash on the premises.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> Public Protection: Harm to adults and children; Failure to provide a safe environment for employees and visitors; and Failure in financial management, control, or assurance.
A12	Children's Services	<p>School Admissions Policy A review to ensure that the Policy is robust and adhered to.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> Closing the attainment gap in school; Getting It Right For Every Child (GIRFEC); and Equalities.

No.	Service	Purpose and Scope of Assignment
A13	All Services	<p>Use of Purchase Cards Arrangements We will review purchase cards arrangements. This will include compliance with Financial Regulations, reviewing transaction limits and authorisations.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> Financial Sustainability: Insufficient funding to deliver Services; and Failure in financial management, control, or assurance.
A14	Transformation, Communities, and Corporate Services / All Services	<p>Health and Safety Policies A review of the effectiveness of the Council's Health and Safety Policy (or a sample of policies) and how it's implemented in a sample of services.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> Health, Safety, and Wellbeing.
A15	All Services	<p>Energy Bills Support Scheme (EBSS) We will review EBSS payment arrangements via a sample of applications. We will focus on assessing compliance with UK Government guidance.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> Failure in financial management, control, or assurance; Equalities; and Poverty.
A16	All Services	<p>Governance arrangements for fuel usage monitoring We will review the controls in place relating to fuel consumption in Council vehicles: recording, monitoring, and reporting.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> Failure in financial management, control, or assurance.
A17	Transformation, Communities, and Corporate Services / All Services	<p>Sickness Absence Management Review sickness absence arrangements. Test a sample of sickness absences to ensure they are being managed and monitored in line with the Managing Sickness Absence Policy.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> Health, Safety, and Wellbeing; Financial Sustainability: Insufficient funding to deliver Services; and HR and Workforce Planning.
A18	All Services	<p>Community Benefits Sample check contracts to understand if Community Benefits were agreed as part of the award of the contract; and if they have been completed, monitored, and reported appropriately.</p> <p>Risks Mitigated:</p> <ul style="list-style-type: none"> Financial Sustainability: Insufficient funding to deliver Services; Failures in leadership, governance, and decision making; Community Planning and Empowerment; and Failure in financial management, control, or assurance.

No.	Service	Purpose and Scope of Assignment
A19	All Services	<p data-bbox="619 237 1198 271">Strategic Asset Modernisation Board (SAMB)</p> <p data-bbox="619 271 1406 421">This is a high level audit on the embedding of the new arrangements, therefore, we will review the roles and responsibilities including terms of reference of the group; policies and procedures; and financial management information provided and reported.</p> <p data-bbox="619 454 826 488">Risks Mitigated:</p> <ul data-bbox="627 488 1406 645" style="list-style-type: none"> <li data-bbox="627 488 1406 544">• Financial Sustainability: Insufficient funding to deliver Services; <li data-bbox="627 544 1406 577">• Failures in leadership, governance, and decision making; <li data-bbox="627 577 1406 611">• Asset Management Strategies and Plans; and <li data-bbox="627 611 1406 645">• Failure in financial management, control, or assurance.

INTERNAL AUDIT PLAN 2023/24 OTHER CLIENT WORK

No.	Service	Purpose and Scope of Assignment
A20	Falkirk Integration Joint Board	<p>Falkirk Integration Joint Board</p> <p>The role of IJB Chief Internal Auditor rotates on a three yearly basis between Falkirk Council and NHS Forth Valley. From 1 April 2022 the role transferred to Fife, Tayside, and Forth Valley (FTF) Internal Audit Services.</p> <p>Falkirk Council's Internal Audit will provide an audit resource as part of the 2023/24 IJB Internal Audit Plan. The Plan will be presented by the Chief Internal Auditor of FTF Internal Audit Services and agreed by the IJB Audit Committee.</p>
A21	Falkirk Pension Fund	<p>Falkirk Pension Fund</p> <p>Coverage will be agreed with the Pensions Committee and Board on 15 June 2023.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Failure in financial management, control, or assurance.
A22	Strathcarron Hospice	<p>Strathcarron Hospice</p> <p>Strathcarron Hospice have agreed to a three year contract for Falkirk Council's Internal Audit team to provide internal audit services. The contract will start from 1 April 2023. Audit Committee should note that this is subject to Ministerial agreement.</p> <p>An Annual Plan for 2023/24 will be presented to the Hospice's Audit Committee in August 2023.</p>
A23	Internal Audit – Risk Management	<p>Reciprocal Audit Review with West Lothian Council</p> <p>West Lothian Council Internal Audit will undertake a review of an agreed Falkirk Council system, and vice versa. Agreed a Business Continuity review with West Lothian Council's Audit, Risk, and Counter Fraud Manager.</p> <p>Risk Mitigated:</p> <ul style="list-style-type: none"> • Failures in leadership, governance, and decision making; • Resilience: Business Continuity.

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.