

**FALKIRK COUNCIL**

**Subject: INTERNAL AUDIT PLAN 2009/10**  
**Meeting: AUDIT COMMITTEE**  
**Date: 03 April 2009**  
**Author: INTERNAL AUDIT MANAGER**

**1. INTRODUCTION**

- 1.1 The CIPFA Code of Practice for Internal Audit in Local Government 2006 (the Code) requires the Internal Audit Manager, on an annual basis, to prepare a risk based Internal Audit Plan, taking account of the Council's risk management, performance management, and other assurance processes. In line with this requirement I attach, at Appendix 1, a copy of the proposed Plan for 2009/10.
- 1.2 As part of their responsibilities under CIPFA's guidance on Audit Committee principles, Members are required to consider the Internal Audit Plan. This report, therefore, provides details of the resources available to Internal Audit, the basis of the preparation of the Plan, and the mechanism for reporting on findings arising from Internal Audit work.

**2. INTERNAL AUDIT RESOURCES**

- 2.1 The Code states that Internal Audit should be adequately resourced to meet its objectives, with the appropriate mix of experience, qualifications and personal attributes. The structure of the Internal Audit Section has not changed during 2008/09 (see Appendix 2), and I am content that the structure and mix of staff continues to allow the delivery of planned work in a timely and thorough manner.
- 2.2 The Internal Audit Plan for 2009/10 has been developed on the assumption that the Section will be fully staffed throughout the year. On this basis, and taking account of time spent on indirect activities such as leave, training, and development, the resources available for direct audit activity are as follows:

<b>Activity</b>	<b>Planned Days</b>
Direct Audit Time	900
Contingency / Irregularities	75
Follow up of 2008/09 Recommendations	80
<b>Total Direct Audit Activity</b>	<b>1055</b>

- 2.3 Members should note that while the Total Estimated Resources remains unchanged from 2008/09, the risk based methodology used by Internal Audit in preparing the Plan means that the profile of days allocated to Services varies year on year. Sufficient days have been allocated to each Service, however, to ensure the appropriate breadth of audit coverage and to enable the provision of a balanced opinion on the Council's overall framework of control.
- 2.4 As with previous years, the Plan contains an allowance for investigating any frauds or irregularities that may require Internal Audit input, and to accommodate any other unforeseen work. Time has also been built into the Plan for following-up recommendations made during 2008/09.

### **3. DEVELOPMENT OF THE INTERNAL AUDIT PLAN**

- 3.1 In line with the Code, preparation of the Internal Audit Plan has taken account of the outcomes of the Council's risk management processes, as well as Internal Audit's own assessment of risk analysed via our Audit Needs Assessment model.
- 3.2 Consideration of the outcomes of the Council's risk management processes included review of the Corporate Risk Register and subsidiary Service Risk Management Plans. Review of other documentation, such as Service Performance Plans, and discussion with senior staff also helped drive planned coverage. As with previous years, the Plan has been drafted to ensure that appropriate Internal Audit coverage is provided to all Council Services.
- 3.3 Internal Audit will continue to review, on an ongoing basis, emerging and developing risks, and these will be built into our Audit Needs Assessment for consideration in future Internal Audit Plans. Where appropriate, and in consultation with senior management, changes may be made to the 2009/10 Plan to take account of emerging risks or changing circumstances. Any changes to the Plan will be reported to Members at the earliest opportunity.

### **4. PLANNED INTERNAL AUDIT COVERAGE**

- 4.1 As per paragraph 1.1 above, planned 2009/10 Internal Audit coverage is set out at Appendix 1. With regard to the detail of the Plan, Members may wish to note the following:
- 4.1.1 The review of Energy and Carbon Emissions Management (Audit A7) will focus on the Council's arrangements for ensuring best value from its own use of energy. This will include systems for billing and payment, with emphasis also placed on arrangements within Services for reacting to management information and for actively managing their own energy usage and expenditure;

- 4.1.2 Internal Audit will review the activities of the Council's External Funding Unit, including arrangements for Following the Public Pound (Audit A9). In particular, the review will cover arrangements for ensuring that organisations in receipt of funding from Falkirk Council are operating in line with the joint working agreement, and that agreed outcomes are being achieved. Internal Audit will also review arrangements for ensuring that best value is secured, and that robust systems are in place for reporting on funding activity to Officers and elected Members;
  - 4.1.3 The review of ICT Governance and Security Arrangements within Education Services (Audit A13) will build on a corporate review undertaken during 2007/08. The review will focus on liaison between the Education Services and corporate ICT teams, and for ensuring that this arrangement secures best value. The review will also cover arrangements for ensuring that the c21,000 pupils using ICT in Falkirk's schools are properly protected through the application of robust ICT security;
  - 4.1.4 Internal Audit will review the Council's Treasury Management arrangements (Audit A15), focussing on the practical application of the Treasury Management Strategy and compliance with the CIPFA Code of Practice on Treasury Management. Internal Audit will seek to ensure that the risks associated with the Council's investments are being actively and prudently managed in a way that ensures transparency and best value; and
  - 4.1.5 The planned review of the Joint Loan Equipment Service (Audit A21) will be undertaken jointly with NHS Forth Valley Internal Audit Section. Work will focus on compliance with the agreed Consortium Agreement as well as on arrangements for ensuring best value. The resultant report will provide assurance to Falkirk Council, Stirling Council, and NHS Forth Valley as service users.
- 4.2 Subject to Members' comments on the Plan, we will develop full terms of reference for all planned reviews following preliminary visits to discuss the risks and controls present, prior to the start of each audit. Before then, Directors will be consulted about the broad timetable for audit reviews in their areas.

## **5. REPORTING ARRANGEMENTS**

- 5.1 Matters arising from each Internal Audit exercise will be reported to management in the form of a draft report. Each audit report will provide a statement on the level of assurance that can be provided on the systems of risk management, governance and control, as well as an action plan setting out specific audit recommendations. The overall assurance will be provided in line with the definitions set out at Appendix 3, and management will be expected to provide responses to each recommendation in line with timeframes agreed at the outset of the review. The report and completed action plan will form the final record of each audit, and the basis for subsequent follow-up work.

- 5.2 Reports will be provided to the Audit Committee in November and March detailing progress in completing the 2009/10 Internal Audit Plan and highlighting any key findings or themes emerging from work carried out.
- 5.3 Finally, Internal Audit will produce an Annual Assurance Report providing an opinion on the overall adequacy and effectiveness of the Council's control environment. This report will include a summary of work undertaken and a comparison of work completed against work planned.

## **6. RECOMMENDATIONS**

### **6.1 Members are invited to note:**

- 6.1.1 planned Internal Audit coverage for 2009/10;
- 6.1.2 the resources available to Internal Audit; and
- 6.1.3 that progress against the Plan will be reported to the Audit Committee in November and March, and summarised in an Annual Assurance Report.



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**Internal Audit Manager**

**Date : 24 March 2009**

## AUDITS PLANNED FOR PERIOD APRIL 2009 – MARCH 2010

Audit No.	Service	Purpose and Scope of Audit
A1	All Services	<b>National Fraud Initiative</b> The Internal Audit Manager, in his capacity as Key Contact for Falkirk Council, is responsible for co-ordinating and monitoring progress in investigating and reporting on data match information provided by the Audit Commission based on its interrogation of Falkirk Council data files.
A2	All Services	<b>Statutory Performance Indicators</b> Internal Audit has a role in assisting with the collation and validation of Statutory Performance Indicator information provided by Services. Internal Audit will primarily focus on the validation of financial indicators.
A3	Community Services	<b>Community Learning Strategy and Community Education</b> Internal Audit will review controls established to manage the risks to efficiently and effectively meeting youth, adult and family community learning and development needs. Areas of potential coverage include: <ul style="list-style-type: none"> <li>• development of, and compliance with, the Council's Community Learning and Development Strategy;</li> <li>• arrangements for the provision of good quality training based on a transparent assessment of learning and development needs;</li> <li>• outcome monitoring;</li> <li>• budgetary, financial and operational controls;</li> <li>• liaison and joint working with partner organisations and stakeholders.</li> </ul>
A4	Community Services	<b>Land / Asset Disposal</b> Internal Audit will review controls established to manage the risks to the efficient and effective disposal of land/assets surplus to operational requirements.  This will include arrangements for ensuring compliance with the Council's corporate asset management plan, seeking and acting on appropriate legal and professional advice, collecting and accounting for all income due, and for reporting activity to elected Members.

Audit No.	Service	Purpose and Scope of Audit
A5	Corporate and Neighbourhood Services	<p><b>Legionella Safety Arrangements</b></p> <p>Internal Audit will review controls established to manage the risks to the efficiency and effectiveness of Legionella safety arrangements. Areas of potential coverage include:</p> <ul style="list-style-type: none"> <li>• policies, procedures and guidance, and compliance with relevant legislation/HSE regulations;</li> <li>• roles and responsibilities of those involved with Legionella safety, and associated training;</li> <li>• risk management arrangements and processes for managing and monitoring identified risks;</li> <li>• systems for ensuring contractor compliance with Legionella Management Plans;</li> <li>• emergency planning arrangements.</li> </ul>
A6	Corporate and Neighbourhood Services	<p><b>Housing Allocations</b></p> <p>Internal Audit will review controls established to manage the risks to the efficient, effective and transparent allocation of Council properties to prospective tenants.</p> <p>This will include roles and responsibilities, policies and procedures, and arrangements for ensuring consistent and evidence based application of the allocations policy.</p>
A7	Corporate and Neighbourhood Services	<p><b>Energy and Carbon Emissions Management</b></p> <p>Internal Audit will review controls established to manage the risks to efficient and effective energy management. Areas of potential coverage include:</p> <ul style="list-style-type: none"> <li>• development of, and compliance with, policy;</li> <li>• the promotion of energy awareness;</li> <li>• billing and payment arrangements;</li> <li>• the dissemination of management information to Services and the local monitoring of energy usage and costs;</li> <li>• arrangements for securing and demonstrating best value and for identifying and reporting on savings and outcomes;</li> <li>• liaison with partner organisations such as the Carbon Trust.</li> </ul>

Audit No.	Service	Purpose and Scope of Audit
A8	Corporate and Neighbourhood Services	<p><b>Telecommunications</b></p> <p>Internal Audit will review controls established to manage the risks relating to fixed and mobile telephone and fax communication. Areas of potential coverage include:</p> <ul style="list-style-type: none"> <li>• policies and procedures relating to fixed and mobile telecommunications use and security;</li> <li>• billing and payment arrangements;</li> <li>• the dissemination of management information to Services and the local monitoring of line usage and call costs;</li> <li>• arrangements for securing and demonstrating best value.</li> </ul>
A9	Corporate and Neighbourhood Services	<p><b>External Funding Unit Including Following the Public Pound</b></p> <p>Internal Audit will review controls established to manage the risks to the efficient and effective allocation, award and distribution of funding to third party organisations. Areas of potential coverage include:</p> <ul style="list-style-type: none"> <li>• policies, procedures and guidance for officers and applicants;</li> <li>• the application, assessment and approval process;</li> <li>• budgetary and financial controls, and arrangements for making payment to recipient organisations;</li> <li>• outcome monitoring and the provision of management information;</li> <li>• arrangements for reporting on activity to elected Members.</li> </ul>
A10	Development Services	<p><b>Development Management and Enforcement</b></p> <p>Internal Audit will review controls established to manage all aspects of the development management process, from inception, through application, monitoring and completion.</p> <p>Particular emphasis will be placed on arrangements for ensuring compliance with agreed planning constraints and guidance, appeals and enforcement.</p>

Audit No.	Service	Purpose and Scope of Audit
A11	Development Services	<p><b>Sustainability Strategy</b></p> <p>Internal Audit will review controls established to manage the risks to the delivery of sustainable economic and social development. Areas of potential coverage include:</p> <ul style="list-style-type: none"> <li>• development of, and compliance with, the Sustainable Falkirk Strategy 2006-10 and associated Action Plan;</li> <li>• the provision of management information and the reporting of outcomes to elected Members, the public, and other stakeholders;</li> <li>• arrangements for embedding sustainability in the policy and decision making process and for encouraging a culture of sustainability amongst Falkirk Council staff.</li> </ul>
A12	Education Services	<p><b>Childcare Strategy and Early Years</b></p> <p>Internal Audit will review controls established to manage the risks to the efficient and effective provision of pre-school education and childcare services. Areas of potential coverage include:</p> <ul style="list-style-type: none"> <li>• strategy, policies and procedures, and links to, and liaison with, partners;</li> <li>• arrangements for the provision of pre-school places and the prioritisation and placement process;</li> <li>• provision of childcare training;</li> <li>• arrangements for assisting with the provision of childcare, including the Falkirk Childcare Information Service.</li> </ul>



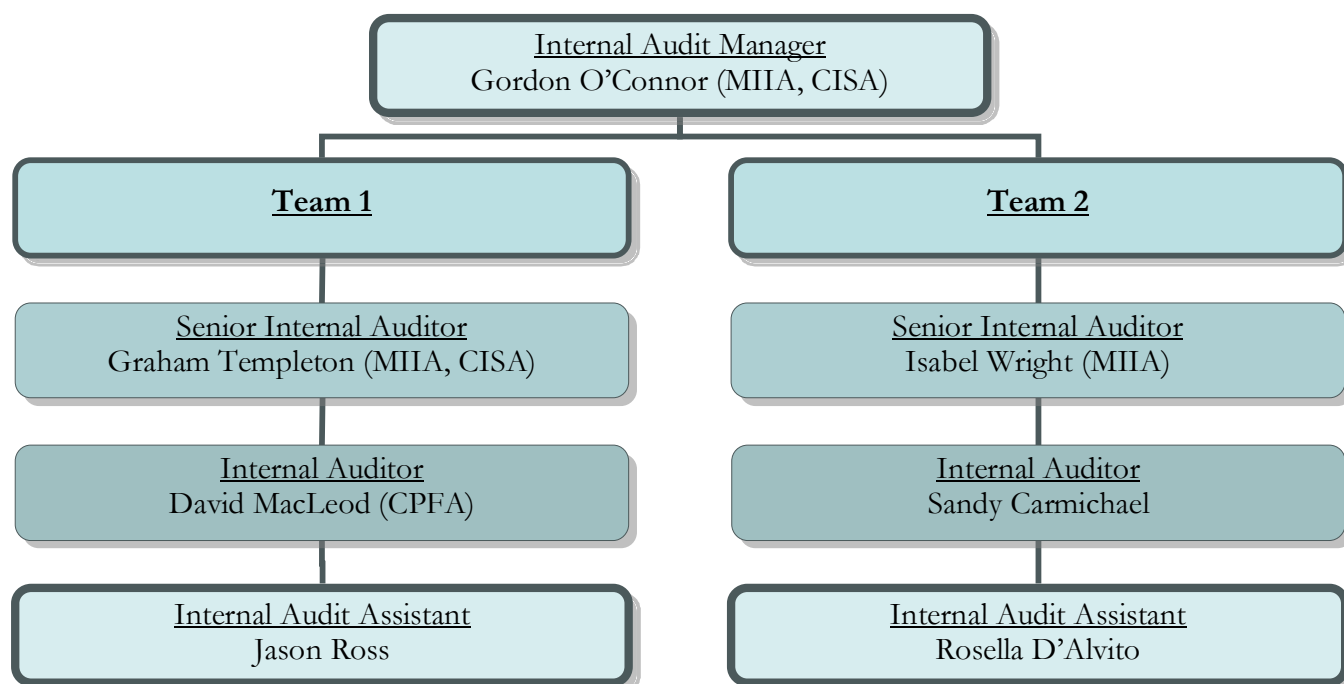
Audit No.	Service	Purpose and Scope of Audit
A13	Education Services	<p><b>Education Services ICT Governance and Security Arrangements</b></p> <p>Internal Audit will review controls established to manage the risks relating to Education Services' ICT governance and security arrangements. Areas of potential coverage include:</p> <ul style="list-style-type: none"> <li>• preparation and review of Education Services' ICT Strategy;</li> <li>• ICT governance and security management framework within Education Services;</li> <li>• arrangements for monitoring and enforcing ICT security across the Service's network and applications, and for reporting incidents;</li> <li>• ICT budget setting and monitoring arrangements;</li> <li>• links to, and liaison with, corporate ICT.</li> </ul>
A14	Education Services	<p><b>Additional Support For Learning</b></p> <p>Internal Audit will review controls established to manage the risks to the efficient and effective provision of support for children and young people with additional support needs. Areas of potential coverage include:</p> <ul style="list-style-type: none"> <li>• policies and procedures, and compliance with the Education (Additional Support for Learning) (Scotland) Act 2004;</li> <li>• systems for the identification and assessment of need and associated mediation arrangements;</li> <li>• outcome monitoring;</li> <li>• the effectiveness of the transition process;</li> <li>• administrative arrangements and the provision of management information.</li> </ul>

Audit No.	Service	Purpose and Scope of Audit
A15	Finance Services	<p><b>Treasury Management</b></p> <p>Internal Audit will review controls established to manage the risks to delivery of robust and effective treasury management services. Areas of potential coverage include:</p> <ul style="list-style-type: none"> <li>• preparation of the Council's Treasury Management Strategy;</li> <li>• compliance with the CIPFA Code of Practice on Treasury Management;</li> <li>• controls over the management of investments and the provision of accurate and timely management information;</li> <li>• arrangements for the use of Treasury Advisers.</li> </ul>
A16	Finance Services	<p><b>Overtime and Allowance Administration</b></p> <p>Internal Audit will review controls established to manage the risks relating to the payment of overtime and allowances to Falkirk Council staff. Areas of potential coverage include:</p> <ul style="list-style-type: none"> <li>• rules and guidance on overtime and allowances, including compliance with relevant legislation and the principles of best value;</li> <li>• arrangements for checking, approving, processing and monitoring overtime claims and allowances;</li> <li>• payment and recovery arrangements;</li> <li>• the adequacy of management information.</li> </ul>
A17	Finance Services	<p><b>Revenues IT Systems</b></p> <p>Internal Audit will review controls established to manage the risks to the efficient and effective management and security of Revenues IT systems and data. Areas of potential coverage include:</p> <ul style="list-style-type: none"> <li>• compliance with ICT security standards;</li> <li>• access control arrangements;</li> <li>• change control and business continuity;</li> <li>• the adequacy of licensing, support and system administration arrangements.</li> </ul>

Audit No.	Service	Purpose and Scope of Audit
A18	Law and Administration Services	<b>Mail Management and Support Services</b> Internal Audit will review the provision of mailroom and courier services. The review will consider the adequacy of the control framework and arrangements for ensuring best value.
A19	Social Work Services	<b>Fostering and Adoption</b> Internal Audit will review controls established to minimise the risks associated with the provision of both short and long term fostering and adoption. Areas of potential coverage include: <ul style="list-style-type: none"> <li>• governance arrangements, policies and procedures, including the implementation of national standards;</li> <li>• links to, and consistency with, the Children's Integrated Services Plan;</li> <li>• application, assessment and approval arrangements;</li> <li>• the adequacy of the support, monitoring and quality assurance frameworks.</li> </ul>
A20	Social Work Services	<b>Direct Payments</b> Internal Audit will review controls established to manage the risks to the efficient and effective operation of the Direct Payments Scheme. Areas of potential coverage include: <ul style="list-style-type: none"> <li>• policies, procedures and guidance, and arrangements for ensuring their practical application;</li> <li>• systems for prioritisation and the assessment of need;</li> <li>• financial and operational controls, including payment and verification arrangements;</li> <li>• outcome monitoring and reporting.</li> </ul>

Audit No.	Service	Purpose and Scope of Audit
A21	Social Work Services	<p><b>Joint Loan Equipment Service</b></p> <p>This review will be undertaken in conjunction with NHS Forth Valley's Internal Audit team. Areas of potential coverage include:</p> <ul style="list-style-type: none"> <li>• governance arrangements, including roles, responsibilities, and accountability;</li> <li>• financial and operational management and control;</li> <li>• arrangements for securing and demonstrating best value;</li> <li>• the adequacy and accuracy of management information provided to partner agencies.</li> </ul>
A22	All Services	<p><b>Cash Spot Checks</b></p> <p>Internal Audit will undertake a programme of visits to cash-handling sites across Council Services to ensure that systems are in place to protect Council and client funds/valuables, and the staff responsible for handling any such cash/valuables.</p>
A23	Central Scotland Fire and Rescue Service	<p><b>Central Scotland Fire and Rescue Service</b></p> <p>Internal Audit coverage will be agreed in discussion with CSFRS management.</p>

## INTERNAL AUDIT ORGANISATIONAL CHART 2009/10



**Responsible for providing  
Internal Audit coverage to  
the following Services:**

- Corporate and Neighbourhood Services;
- Development Services;
- Finance Services;
- Central Scotland Fire and Rescue Service.

**Responsible for providing  
Internal Audit coverage to  
the following Services:**

- Law and Administration Services;
- Education Services;
- Community Services;
- Social Work Services.

## DEFINITION OF AUDIT ASSURANCE CATEGORIES

Level of Assurance	Definition
<b>Comprehensive assurance</b>	Sound systems for risk, control and governance are in place and should be effective in mitigating risks to the achievement of business and control objectives. Some improvements to existing controls in a few, relatively minor, areas may be required.
<b>Substantial assurance</b>	The systems for risk, control and governance are largely satisfactory, but there is some scope for improvement as the present arrangements could undermine the achievement of business and/or control objectives and/or leave them vulnerable to some risk of error/abuse.
<b>Limited assurance</b>	The systems for risk, control and governance have some satisfactory aspects, but contain a number of significant weaknesses that are likely to undermine the achievement of business and/or control objectives and leave them vulnerable to an unacceptable risk of error/abuse.
<b>No assurance</b>	The systems for risk, control and governance are ineffectively designed and/or are operated ineffectively such that business and/or control objectives are not being achieved and the risk of serious error/abuse is unacceptable. Significant improvements are required.