FALKIRK COUNCIL

Subject:	**INTERNAL AUDIT PLAN 2012/13**
Meeting:	**AUDIT COMMITTEE**
Date:	**12 March 2012**
Author:	**INTERNAL AUDIT MANAGER**

1. INTRODUCTION

1.1 The CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 (the Code) requires that the Internal Audit Manager prepares an annual risk based Internal Audit Plan. This should take 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 Plan for 2012/13.

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. I am content that this is the case [1].

2.2 The Internal Audit Plan for 2012/13 has been developed on the assumption that the Section will be fully staffed throughout the year and that other demands on Internal Audit time can be absorbed within our Ad Hoc / Contingency work allocation. On that basis, the resources available for Direct Internal Audit Activity are as follows:

Activity	Planned Days
Direct Internal Audit Time	780
Ad Hoc Work / Contingency	60
Follow up 2011/12 Recommendations	60
Total Direct Internal Audit Activity	**900**

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[1] See Organisational Chart at **Appendix 2**.

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3. DEVELOPMENT OF THE INTERNAL AUDIT PLAN

3.1   In line with the Code, preparation of this Plan has taken account of the outcomes of the Council's risk management processes. This included review of the Corporate Risk Register and other documentation such as Service Performance Plans and Reports. Consultation has been undertaken with senior staff and we have also taken account of our own assessment of risk (via our Audit Needs Assessment model).

3.2   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 2012/13 Plan (to take account of changing risks and circumstances). Any adjustments 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 2012/13 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 planned review of Corporate Purchasing and Contract Management (Audit A1) will be carried out on an ongoing basis throughout the year. This work forms an integral part of the Procurement Action Plan agreed at Best Value Forum on 02 February 2012, and will be undertaken across all Services;

4.1.2   Work on Premises Managers' Handbook Compliance (Audit A2) will focus on arrangements established to ensure that the Council's operational estate is a healthy and safe place for staff and visitors. As part of this review, Internal Audit will visit a sample of Council premises to assess local compliance. We will also consider the annual Premises Manager and Gas Safety (Audit A4) Statement of Assurance Processes;

4.1.3   Our planned reviews of Recruitment and Selection (Audit A7) and of Payroll (Audit A12) will encompass many of the potential outcomes associated with the corporate risk 'Failures in Human Resource Management' [2]. Particular emphasis will be given to pre-employment checks, the recruitment of temporary staff, and the processing of payroll related changes; and

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[2] Falkirk Council Corporate Risk Register.

4.1.4 Our planned work for 2012/13 places a strong emphasis on the Council's framework of key financial controls. As part of our review of Integra Supplier Management and Payments (Audit A14) we will review the adequacy of arrangements for maintaining the supplier database and for ensuring that payments are properly authorised and processed.

4.2 Subject to Members' comments on the Plan, we will develop full terms of reference for all planned reviews prior to the start of each audit. Before then, Directors will be consulted about the broad timetable for audits in their areas.

5. REPORTING ARRANGEMENTS

5.1 Matters arising from each audit will be set out in a draft report to management. Each 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 with any specific 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 start 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 Periodic reports will be provided to the Audit Committee detailing progress in completing the 2012/13 Internal Audit Plan and highlighting any key findings 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:**

6.1.1 **agree planned Internal Audit coverage for 2012/13;**

6.1.2 **note the resources available to Internal Audit; and**

6.1.3 **note that progress against the Plan will be reported to the Audit Committee on an ongoing basis.**

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Internal Audit Manager
Date: 02 March 2012

AUDITS PLANNED FOR PERIOD APRIL 2012 TO MARCH 2013

Audit No.	Service	Purpose and Scope of Audit
A1	All Services	**Corporate Purchasing and Contract Management** To cover arrangements for ensuring compliance with all purchasing and contract monitoring elements of Contract Standing Orders and Financial Regulations.
A2	All Services	**Premises Managers' Handbook Compliance** To cover arrangements for ensuring compliance with Premises Managers' Handbook requirements across a sample of Council premises.
A3	All Services	**Appointment of Consultants** To review the adequacy of, and compliance with, the Protocol for the Appointment of Consultants. To cover a sample of appointments across all Services.
A4	All Services	**Corporate Gas Safety – Statement of Assurance Process** To review arrangements for compiling and evidencing Service Statements of Assurance (submitted annually to Corporate Risk Management Group).
A5	Corporate and Neighbourhood Services	**Council House Stock – Construction Programme** To focus on contract award process, sub-contracting, contract management, and project management / monitoring arrangements.
A6	Corporate and Neighbourhood Services	**Council House Stock – Maintenance Programme** To cover policies and procedures, arrangements for prioritising, costing, undertaking, and reporting on work, contract monitoring, and sub-contracting. Consideration also given to systems for ensuring quality and value for money, and for monitoring against plan and budget.
A7	Corporate and Neighbourhood Services	**Recruitment and Selection** To review the recruitment of permanent, temporary, and casual staff, from identification of need through to signing of contract of employment.
A8	Corporate and Neighbourhood Services	**Refuse Collection Tender Process** To cover arrangements for the re-tendering of Refuse Collection Services.

Audit No.	Service	Purpose and Scope of Audit
A9	Development Services	**Corporate Risk Management Arrangements** To cover the adequacy of, and compliance with, the Risk Management Strategy and Policy, the role and effectiveness of Corporate Risk Management Group, and Services' arrangements for risk management.
A10	Development Services	**Development Management and Enforcement** To cover all aspects of the development planning process, from inception through monitoring to completion. Focussing on compliance with agreed planning constraints and guidance, appeals, and enforcement.
A11	Development Services and Finance Services	**Tax Incremental Finance Scheme** To cover governance, planning, risk management, and partnership working. Also to cover communication strategy and progress reporting (to Officers and Elected Members).
A12	Finance Services	**Payroll** To include policies and procedures, service standards, segregation of duties, and administrative and operational controls.
A13	Finance Services	**Pensions – Transactional Systems** To cover pension calculation, communication, administration, and payment arrangements. Also to cover long term planning and change management.
A14	Finance Services	**Integra Finance System – Supplier Management and Payments** To focus on supplier set up and maintenance, arrangements for generating and making payments, and fraud control.
A15	Finance Services	**Benefits** To cover Housing and Council Tax Benefits, and to include receipt, checking and verification of claims, maintenance of records, liaison with third party organisations, entitlement, and the identification and reclamation of overpayments.

Audit No.	Service	Purpose and Scope of Audit
A16	Social Work Services	**Central Matching Team** To review arrangements for sourcing and allocating Community Care provision, and for controlling and reconciling expenditure. Also to cover budgeting and budgetary control.
A17	All Services	**Continuous Auditing** To consider, review, and test transactional systems on an ongoing basis.
A18	Joint Working	**Reciprocal Audit Review with West Lothian Council** West Lothian Council Internal Audit will undertake an audit of an agreed Falkirk Council system, and vice versa.
A19	All Services	**National Fraud Initiative** To co-ordinate and manage NFI process (data submission and data match investigation) for Falkirk Council and Central Scotland Fire and Rescue Service.
A20	All Services	**Statutory Performance Indicator Verification Work** To collect, collate, and verify relevant SPI returns, in conjunction with Research and Information Team.
A21	Various Services	**Cash Spot Checks** Programme of reviews of local cash handling and administrative arrangements at a sample of Council premises.
A22	CSFRS	**Central Scotland Fire and Rescue Service** To be determined and agreed in conjunction with CSFRS management.
A23	Falkirk Community Trust	**Falkirk Community Trust** To be determined and agreed with Trust management.

INTERNAL AUDIT ORGANISATIONAL CHART 2012/13

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                    Internal Audit Manager
                 Gordon O'Connor (MIIA, CISA)


        Team 1                              Team 2


   Senior Internal Auditor           Senior Internal Auditor
 Graham Templeton (MIIA, CISA)        Isabel Wright (MIIA)


Internal Auditor (Continuous Auditing)    Internal Auditor
     David MacLeod (CPFA)             Sandy Carmichael (CPFA)


   Internal Audit Assistant
      Jason Ross (PIIA)
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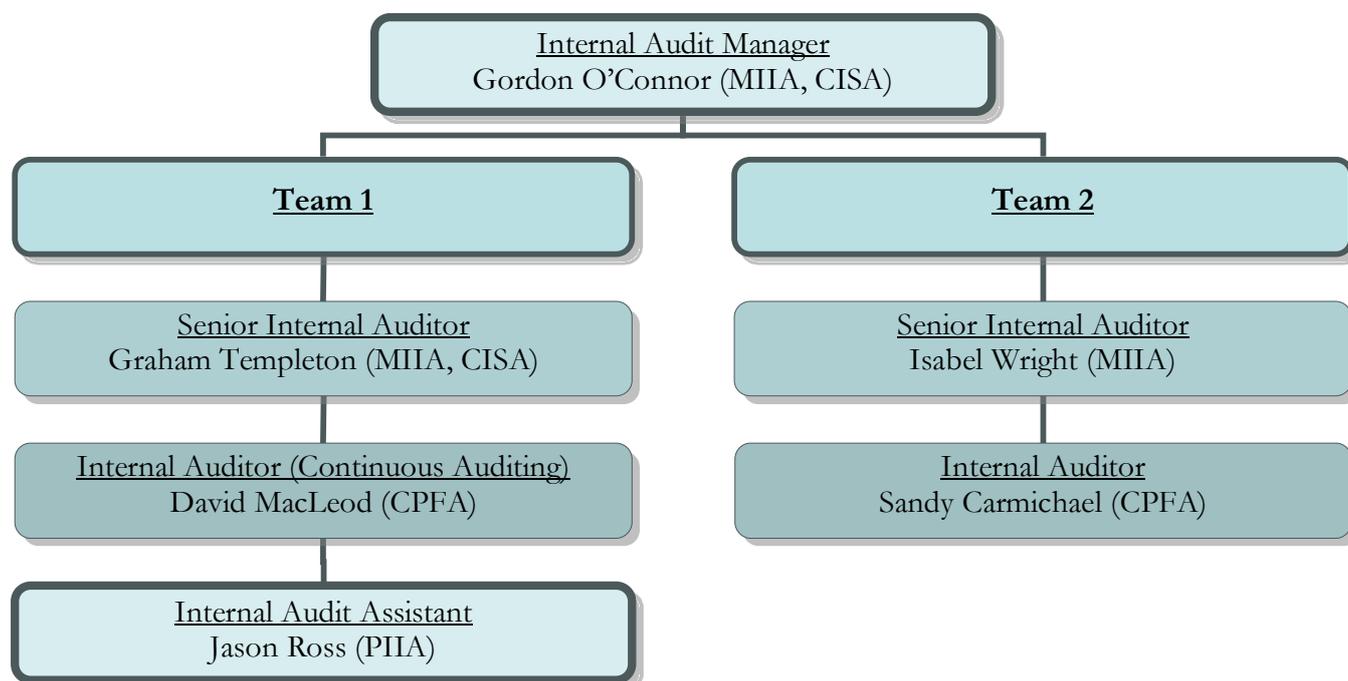
Responsible for providing Internal Audit coverage to the following Services:

- Corporate and Neighbourhood Services;

- Education Services;

- Chief Executive Office – Finance Services;

- Falkirk Community Trust.

Responsible for providing Internal Audit coverage to the following Services:

- Chief Executive Office - Governance;

- Development Services;

- Social Work Services;

- Central Scotland Fire and Rescue Service.

DEFINITION OF AUDIT ASSURANCE CATEGORIES

Level of Assurance	Definition
Comprehensive assurance	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.
Substantial assurance	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.
Limited assurance	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.
No assurance	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.