

FALKIRK COUNCIL

Subject: INTERNAL AUDIT PROGRESS REPORT
Meeting: AUDIT COMMITTEE
Date: 29 October 2012
Author: INTERNAL AUDIT MANAGER

1. INTRODUCTION

- 1.1 The purpose of this paper is to update Members on progress with completing the agreed 2012/13 Internal Audit Plan (the Plan), as presented to Audit Committee in March 2012. The report also includes information on the Section's performance against established key performance indicators.

2. AUDIT PROGRESS

- 2.1 Progress with completing 2012/13 Internal Audit work is summarised in the table below.

Status	Number	%
Final Reports Issued	5	24%
Draft Reports Issued	3	14%
In Progress	7	33%
Not Started	6	29%
Total	21¹	100%

- 2.2 There have, to date, been no significant adjustments to the 2012/13 Plan, and progress is as anticipated.
- 2.3 For each finalised review, Internal Audit has provided an assurance in respect of arrangements for risk management, governance, and control (see **Appendix 1** for definitions). Details of progress to date are set out at **Appendix 2**, with key findings arising from reviews completed to final report stage set out at **Appendix 3**.
- 2.4 As well as the 5 audits completed to final report stage, a further 3 reports have been issued in draft and are the subject of discussion with management to agree action to address recommendations raised. A summary of key findings arising from these reviews, as well as those where work is on-going, will be included in my next Progress Report to Members.

¹ Note this does not include Continuous Auditing work, which is reported on an on-going basis.

3. INTERNAL AUDIT PERFORMANCE

- 3.1 Internal Audit continues to monitor its performance against a set of 5 Key Performance Indicators. The table below sets out performance to date.

Key Performance Indicator	2012/13 - to Oct 2012	2011/12	2010/11
Complete 85% of main audit programme	36%	100%	100%
Have 90% of recommendations accepted	100%	99%	100%
Spend 75% of time on direct audit work	77%	77%	78%
Issue 75% of draft reports within 3 weeks of completion of fieldwork	100%	82%	88%
Complete (to issue of final report) 75% of main audits within budget	80%	82%	88%

- 3.2 Performance is as expected, and I am content that, at this stage, Internal Audit is on target to meet or exceed all five performance measures.

4. RECOMMENDATIONS

- 4.1 Members are invited to note that:

4.1.1 progress being made in completing planned work is as reported at paragraph 2.1;

4.1.2 performance against KPIs is as reported at paragraph 3.1.

.....

Internal Audit Manager

Date: 12 October 2012

DEFINITION OF INTERNAL AUDIT ASSURANCE CATEGORIES

Level of Assurance	Definition
Comprehensive assurance	Sound risk, control, and governance systems are in place. These should be effective in mitigating risks to the achievement of objectives. Some improvements in a few, relatively minor, areas may be required.
Substantial assurance	Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement as current arrangements could 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.

2012/13 INTERNAL AUDIT PLAN – PROGRESS AT OCTOBER 2012

No.	Service/Status	Audit	Level of Assurance
<i>Final Reports Issued</i>			
1.	Finance	Pensions – Transactional Systems	Substantial
2.	All Services	Premises Managers' Handbook Compliance	Limited
3.	Finance	Payroll	Substantial
4.	All Services	Statutory Performance Indicator Validation	Substantial
5.	Social Work / Governance	Administrative Procedures and Cash Count (ASSET, Criminal Justice, Rowan Short Breaks, SW Business Support, Laurieston SW Office, and Bo'ness Registration Office)	Substantial
<i>Draft Reports Issued</i>			
6.	All Services	Appointment of Consultants	TBC
7.	Development	Corporate Risk Management Arrangements	TBC
8.	Corporate and Neighbourhood / All Services	Recruitment and Selection	TBC
<i>Audits In Progress</i>			
9.	All Services	Corporate Purchasing and Contract Management	TBC
10.	Corporate and Neighbourhood	Refuse Collection – Improvement and Procurement	TBC
11.	Corporate and Neighbourhood	Council House Maintenance	TBC
12.	Corporate and Neighbourhood	Council House Construction	TBC
13.	All Services	National Fraud Initiative	TBC
14.	Falkirk Community Trust	Business Continuity Planning, Compliance with Financial Regulations, Premises Visits	TBC
15.	Central Scotland Fire and Rescue Service	Payroll and Transition Arrangements	TBC
<i>Continuous Auditing</i>			
16.	All Services	Creditors Duplicate Payments, Creditor Payment Analysis, Overtime Payments, Contract Expenditure, System Access Control.	N/A

Appendix 2

	<i>Audits Not Started</i>		
17.	Social Work	Central Matching Team	N/A
18.	Development	Development Management and Enforcement	N/A
19.	Finance	Integra Supplier Management and Payments	N/A
20.	Finance	Benefits	N/A
21.	Development	Tax Incremental Finance Scheme	N/A
22.	West Lothian Council	Reciprocal Review	N/A

FINAL REPORTS ISSUED - SUMMARY OF KEY FINDINGS 2012/13

No	Audit Area and Service	Assurance and Key Findings
1.	Pensions – Transactional Systems Finance	<p>Substantial Assurance</p> <p>Covered governance and operational roles and responsibilities; admission of new members; calculation and collection of contributions; payment and receipt of transfer values; payments; and arrangements for actuarial valuations.</p> <p>In general, sound controls were in place. Operational controls around the calculation and collection of contributions, transfer values, and payments were well managed and working effectively. Roles and responsibilities were clear and well understood, with comprehensive procedural instructions in place.</p> <p>There was some scope for improving risk management, and for formalising Standards of Service for Scheduled and Admissions bodies.</p>
2.	Premises Managers' Handbook Compliance All Services	<p>Limited Assurance</p> <p>Focussed on the allocation of Premises Manager (PM) responsibilities; the availability of guidance and training; compliance with Handbook requirements; arrangements for identifying and addressing non-compliance; and the annual Statement of Assurance process.</p> <p>There was significant scope for improvement. More robust systems for identifying changes to operational premises and PMs were required, as was better training.</p> <p>We were unable to confirm compliance with the Handbook in a number of areas, with numerous instances where the frequency of checking was not in line with guidance. There was a need to better document checking undertaken.</p> <p>There was also scope for improving the annual Statement of Assurance process.</p>
3.	Payroll Finance	<p>Substantial Assurance</p> <p>Reviewed policies, procedures, roles, and responsibilities; administrative and operational controls; service standards and performance monitoring; and the security of payroll related data and administration.</p> <p>Operational controls relating to new starts, leavers, and other changes were working effectively, and roles and responsibilities were clear.</p> <p>There was scope for better monitoring of under and overpayments, and the Payroll Data Handling Register required to be finalised.</p>

No	Audit Area and Service	Assurance and Key Findings
4.	Statutory Performance Indicator Validation All Services	Substantial Assurance Reported on Internal Audit's role in collecting and validating SPI returns prepared by Services. For each of the SPIs falling within our remit, we found that the information gathered for publication was accurate and complete.
5.	Administrative Procedures and Cash Count Social Work / Governance	Substantial Assurance We reviewed cash and general administration arrangements at ASSET, Criminal Justice, Rowan Short Breaks, SW Business Support, Laurieston SW Office, and Bo'ness Registration Office. Arrangements were generally sound, although we made a number of recommendations relating to security, cash handling, and record keeping.
6.	Continuous Auditing All Services	N/A – Ongoing Reporting and Assurance Work has focussed on: <ul style="list-style-type: none"> • creditors duplicate payments; • creditor payment analysis; • overtime payments; • contract expenditure; • system access control.