FALKIRK COUNCIL

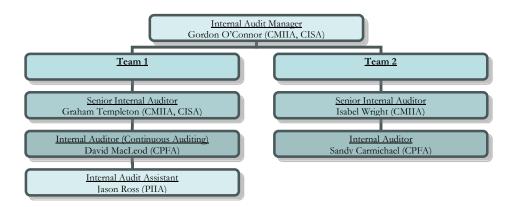|	
Subject:	**INTERNAL AUDIT PLAN 2013/14**
Meeting:	**AUDIT COMMITTEE**
Date:	**25 March 2013**
Author:	**INTERNAL AUDIT MANAGER**

1.   INTRODUCTION

1.1   The CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 (the Code) requires me to prepare an annual risk based Internal Audit Plan. This is also required by the Public Sector Internal Audit Standards (PSIAS), which will replace the Code from 01 April 2013.

1.2   The Plan 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 2013/14.

1.3   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 information on the resources available to Internal Audit, the development of the Plan, our planned work for the year, and arrangements for reporting on that work.

2.   INTERNAL AUDIT RESOURCES

2.1   Internal Audit must be adequately resourced to meet its objectives. The staffing position within the Section has been stable for some years now, with a good mix of experience, qualifications, and skills. The current team structure is set out below:

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2.2   The Internal Audit Plan for 2013/14 has been developed on the assumption that the above position will not change. Resources will be allocated as follows:

Activity	Planned Days
Direct Internal Audit Time	780
Ad Hoc Work / Contingency	100
Work on Recommendations Outstanding	20
Total Direct Internal Audit Activity	**900**

2.3   Direct Internal Audit time will be allocated across the 25 assignments set out at **Appendix 1**.

2.4   Ad hoc work arises throughout the year, and relates to things like involvement in corporate projects and working groups; the provision of advice on guidance, procedures, and controls; short-term assignments requested by Services; and involvement in the investigation of actual or alleged irregularities. Our revised follow up approach has allowed additional resource to be released to this strand of value adding work.

3.   DEVELOPMENT OF THE INTERNAL AUDIT PLAN

3.1   As required by the Code (and PSIAS), the Plan has been developed taking account of risk. In practice, this comprised:

- review of corporate and Service Plans and Risk Registers;
- short workshops with each Departmental Management Team to gather perceptions of local and corporate risk;
- consideration of our own Audit Needs Assessment model.

3.2   Underpinning that, it was necessary to consider the wider risk profile and context within which the Council operates, and the challenges it faces. Financial pressures, for example, reinforce the need to ensure that every pound is spent wisely, and within a robust, yet practical and proportionate, framework of control.

3.3   The budget papers discussed and agreed by Council in February 2013, and Audit Scotland's Assurance and Improvement Plan Update 2013-16, emphasise the challenging economic climate within which the Council will, for the foreseeable future, operate. In preparing this Internal Audit Plan I have sought to balance Internal Audit's traditional assurance role with the need to contribute positively and proactively to the Council's management of some of the key risks it faces.

3.4   Notwithstanding the above, the Council's risk profile may evolve or shift over the course of the year, requiring Internal Audit to review our planned work programme. Any such changes will be discussed and agreed with senior management, and I will ensure that the Audit Committee is consulted and advised at the earliest opportunity.

4.   PLANNED INTERNAL AUDIT COVERAGE

4.1   As per paragraph 1.2 above, planned 2013/14 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 Welfare Reform (**Audit A1**) will be used to assess overarching arrangements for the co-ordination and management of the implementation of the reform agenda. Particular emphasis will be placed on communication and consultation, and the change management approach adopted to ensure that risks are assessed and managed;

4.1.2   failure in proper information management is one of the seven Corporate Risk Register key risk categories. Continued media coverage and increasing fines and censure from the Scottish Information Commissioner underline the need for good information and data security and management. Reviews of Data and Information Security – Governance and Practice (**Audit A6**) and Records Management (**Audit A12**) will seek to provide assurance on the robustness of the Council's arrangements; and

4.1.3   Audit Scotland continue to place reliance on work undertaken by Internal Audit. This reliance helps ease the audit burden on Council Officers, and has a positive impact on the fee charged by Audit Scotland. During 2013/14, reviews of Debtors (**Audit A11**) and of the General Services Capital Programme (**Audit A13**) will by undertaken by Internal Audit, using work programmes discussed and agreed with External Audit colleagues.

4.2   Following this Committee meeting I will agree the broad timing of each planned review with the relevant Chief Officer, and allocate work within the Internal Audit Section.

5.   REPORTING ARRANGEMENTS

5.1   On completion of each planned review Internal Audit will issue a draft report to the relevant manager or Chief Officer. The report will include an overall opinion on the adequacy of risk management, governance, and control arrangements in the area under review, and an action plan setting out our recommendations for improvement. The overall assurance will be provided in line with the definitions set out at **Appendix 2**.

5.2   The manager or Chief Officer will be required to provide responses to each recommendation, and the report and completed action plan will form the final record of the audit.

5.3   I will provide periodic reports to the Audit Committee on our progress with completing the 2013/14 Plan, and summarising the findings arising from each completed review. In May / June each year I will provide an Annual Assurance Report providing an overall opinion on the Council's risk management, governance, and control arrangements based on Internal Audit work carried out.

6.   RECOMMENDATIONS

6.1   Members are invited to:

6.1.1   agree planned Internal Audit coverage for 2013/14;

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: 15 March 2013

AUDITS PLANNED FOR PERIOD APRIL 2013 TO MARCH 2014

Audit No.	Service	Purpose and Scope of Audit
A1	All Services	**Welfare Reform** To cover planning and change management, and arrangements for assessing and addressing impact.
A2	All Services	**Corporate Purchasing and Contract Management** Continuation of 2012/13 work on reviewing compliance with the purchasing and contract monitoring elements of Financial Regulations and Contract Standing Orders.
A3	Education Services	**Education Services – Financial Governance and Management** Focussing on the clarity of roles and responsibilities; availability of, and compliance with, guidance; and prioritisation and monitoring.
A4	Development Services / Finance Services	**Strategic Projects** Internal Audit will maintain an oversight and assurance role in relation to strategic corporate projects, eg TIF, MFIF.
A5	All Services	**Business Continuity Planning** To cover roles and responsibilities, policy and procedures, compliance with good practice, and BCP testing regime.
A6	All Services	**Data and Information Security – Governance and Practice** To include information security governance, guidance, culture, and practice. Internal Audit will also review existing information sharing protocols, and arrangements for developing these in conjunction with relevant stakeholders, eg Police Scotland.
A7	All Services	**Premises Managers' Handbook Compliance** To review compliance, building on work undertaken by Internal Audit during 2012/13.
A8	Social Work Services	**Self Directed Support** To cover the planning for, and implementation of, Self Directed Support, and compliance with the Social Care (Self Directed Support) (Scotland) Bill. As part of our coverage of Social Work Services, Internal Audit will also undertake a high level review of arrangements for health and social work integration.

Audit No.	Service	Purpose and Scope of Audit
A9	Corporate and Neighbourhood Services	**Fleet Management – Operator's Licence Requirements** Focus on systems and processes established to ensure compliance with Operator's Licence requirements.
A10	All Services	**Serious Organised Crime** Building on work previously undertaken by Internal Audit. This review will focus on arrangements for ensuring that the requirements of the SOC Taskforce Implementation Plan are progressed, managed, and monitored across the Council.
A11	Finance Services	**Debtors** To cover arrangements for the identification, invoicing, and collection of debts. Internal Audit will plan and undertake this work in line with Audit Scotland's Debtors work programme.
A12	Governance	**Records Management** To focus on arrangements for ensuring compliance with the Public Records (Scotland) Act 2011.
A13	Finance Services	**General Services Capital Programme** Internal Audit will review roles and responsibilities, the bid and decision making process, budget monitoring and payment arrangements, and management information. The work will be planned and undertaken to allow Audit Scotland to rely on Internal Audit's working papers and report.
A14	Corporate and Neighbourhood Services / Finance Services	**Corporate Payment System** To cover project planning, implementation and mid / post project evaluation.
A15	Development Services	**Falkirk Townscape Heritage Initiative** Internal Audit will prepare audit certification as required by project terms and conditions.
A16	Finance Services	**Corporate Fraud** Building on work undertaken during 2012/13, Internal Audit will continue to provide input to the scoping, set-up, and operation of corporate fraud arrangements.
A17	All Services	**Site Key Control Testing** Intensive, short, multi-auditor visits to a sample of Council sites. To cover financial, information, security, asset, HR, and governance / management key controls.

Audit No.	Service	Purpose and Scope of Audit
A18	Social Work	**Clients' Funds** To cover the secure recording, storage, and return of client funds, valuables, and other possessions.
A19	All Services	**Statutory Performance Indicator Verification Work** To collect, collate, and verify relevant SPI returns, in conjunction with Research and Information Team.
A20	All Services	**National Fraud Initiative** To co-ordinate and manage the NFI process (data submission and data match investigation) for Falkirk Council.
A21	All Services	**Continuous Auditing** To consider, review, and test transactional systems on an ongoing basis.
A22	All Services	**Cash Spot Checks** Programme of reviews of local cash handling and administrative arrangements at a sample of Council premises.
A23	To Be Confirmed	**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.
A24	Internal Audit	**Internal Audit Income Generation** Internal Audit will seek opportunities to generate income via joint working or by the provision of Internal Audit services to other public authorities.
A25	Falkirk Community Trust	**Falkirk Community Trust** To be determined and agreed with Trust management.

DEFINITION OF 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.