

FALKIRK COUNCIL

MINUTE of MEETING of the AUDIT COMMITTEE held in the MUNICIPAL BUILDINGS, FALKIRK on MONDAY 29 OCTOBER 2012 at 9.30 a.m.

PRESENT:- R Stevenson; Provost Reid; Depute Provost Patrick; Councillors Coleman and Paterson.

CONVENER:- R Stevenson.

ATTENDING:- Chief Executive; Directors of Education and of Social Work; Deputy Chief Finance Officer; Head of Human Resources & Customer First; Internal Audit Manager and Democratic Services Manager.

ALSO

ATTENDING:- F Mitchell – Knight, and A Pow (Audit Scotland) and K Ribbons (West Lothian Council)(Item AC11 only)

AC7. ORDER OF BUSINESS

In terms of Standing Order 15.2(i), the Convener varied the order of business from that detailed on the agenda for the meeting. The following items have been recorded in the order that they were taken at the meeting.

AC8. APOLOGIES

Apologies were received from Councillors Black and Carleschi.

AC9. DECLARATIONS OF INTEREST

None.

AC10. MINUTES

There was submitted (circulated) and **APPROVED:-**

- (a) Minute of Meeting of the Audit Committee held on 12 March 2012, and
- (b) Minute of Special Meeting of the Audit Committee held on 24 September 2012.

AC11. PEER REVIEW OF FALKIRK COUNCIL INTERNAL AUDIT

There was submitted Report (circulated) dated 21 March 2012 by West Lothian Council's Audit and Risk Manager (a) detailing the background to and outcomes of West Lothian Council's peer review of Falkirk Council Internal Audit's compliance with the CIPFA Code of Practice for Internal Audit in Local Government 2006, and (b) presenting an Action Plan to address the findings of the review.

Discussion focussed on:-

- the peer review finding relating to the prioritisation of Internal Audit recommendations
- the corporate procedure for addressing Audit recommendations
- the relationship between elected members and Internal Audit

NOTED

AC12. INTERNAL AUDIT PROGRESS REPORT

With reference to the Minute of the Meeting held on 12 March 2012 (para AC14 refers) there was submitted Report (circulated) dated 12 October 2012 by the Internal Audit Manager (a) updating on progress in completing the agreed 2012/13 Internal Audit Plan, including information on the Section's performance against established key performance indicators.

Discussion focussed on:-

- the progress made to date, and whether this was in line with the Audit Plan
- progress made in implementing recommendations arising from the audit of Premises Managers' Handbook Compliance
- the ongoing 'continuous auditing' work
- the recommendations arising from the audit of Payroll

NOTED the:-

- (1) progress being made in completing planned work is as reported at report paragraph 2.1, and
- (2) performance against KPIs is as reported at report paragraph 3.1.

AC13. INTERNAL AUDIT – OUTSTANDING RECOMMENDATIONS

There was submitted Report (circulated) dated 12 October 2012 by the Internal Audit Manager (a) summarising the number of audits completed in each of the Financial years 2007/08 to 2011/12 and the number of outstanding audit recommendations in each of the years against the number of recommendations made in each year, and (b) detailing the 127 outstanding recommendations in an Appendix to the report.

Discussion focussed on:-

- the need to avoid 'drift', whereby outstanding recommendations are not addressed
- the reasons why recommendations may be recorded as outstanding by Internal Audit
- the reasons why some recommendations are not completed
- the corporate process for regularly reviewing outstanding recommendations
- the likelihood that the actual number of outstanding recommendations will be lower than that reported

NOTED.

AC14. SCOTTISH LOCAL AUTHORITIES CHIEF INTERNAL AUDITORS' GROUP – ANNUAL REPORT 2011/12

There was submitted Report (circulated) dated 12 October 2012 by the Internal Audit Manager (a) highlighting the work of the Scottish Local Authorities' Chief Internal Auditors' Group (SLACIAG) in 2011/12, and (b) presenting the SLACIAG Annual Report 2011/12.

NOTED

AC15. ISA 580 LETTER OF REPRESENTATION

There was submitted Report (circulated) dated 15 October 2012 by the Chief Finance Officer advising that the he was required to provide a letter of representation in regard to the Audit of the Council's accounts to the external auditor, which will assist the Auditor form an opinion on whether the Accounts present a true and fair view. A copy of the letter, the International Standard in Accounting (ISA) 280 letter, was appended for information.

NOTED.

AC16. ANNUAL REPORT ON THE 2011/12 AUDIT

There was submitted Report (circulated) dated 15 October 2012 by the Chief Finance Officer presenting (a) the External Auditors' Annual Report on the 2011/12 Audit, and (b) the Annual Report and Accounts 2011/12.

Discussion focussed on:-

- the Council's reserves strategy
- the benefits in briefing members on the methodology for budget forecasting
- the advantages in re-basing service budgets
- the need to ensure that information on budget gaps is relayed to members, employees and citizens in a measured way

AGREED to refer the Annual Accounts to Council for approval.

AC17. AUDIT COMMITTEE – TERMS OF REFERENCE

There was submitted Report (circulated) dated 12 October 2012 by the Chief Executive (a) summarising the background to the establishment of the Audit Committee; (b) detailing its current remit; (c) advising that following consultation with members prior to the Local Government Elections in 2012, a draft Terms of Reference had been developed, and (d) presenting the draft Terms of Reference and associated work plan for approval.

Discussion focused on:-

- the rationale for the current quorum for meetings of 4
- the ability as set out in Standing Orders for members to attend any Committee of the Council
- the benefits in publishing the agenda earlier than the statutory minimum of 3 clear working days
- the need to ensure that, where appropriate, the Terms of Reference accord with Council's Standing Orders

AGREED:-

- (1) to authorise the Chief Executive to amend the draft Terms of Reference to reflect discussion at Committee and to refer these to Council for approval; and
- (2) the draft work plan.

FALKIRK COUNCIL

Subject: INTERNAL AUDIT PROGRESS REPORT
Meeting: AUDIT COMMITTEE
Date: 25 March 2013
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.

2. AUDIT PROGRESS

- 2.1 Progress with completing 2012/13 Internal Audit work is summarised in the table below, and set out in more detail at **Appendix 1**.

Status	Number	%
Final Reports Issued	14	61%
Draft Reports Issued	1	4%
In Progress	7	31%
Not Started	1	4%
Total	23	100%

- 2.2 As normal, for each finalised review Internal Audit has provided an assurance in respect of arrangements for risk management, governance, and control (see **Appendix 2** for definitions). In addition:

- **Appendix 3** details key findings arising from reviews completed to final report stage and included in previous Progress Reports to Audit Committee;
- **Appendix 4** details key findings arising from reviews finalised since my last Progress Report.

- 2.3 As well as the 14 audits completed to final report stage, a further 8 reports have either been issued in draft or are in progress. Findings and conclusions arising from these reviews will be included in my Annual Assurance report, which will be presented to the summer meeting of this Committee.

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 date	2011/12	2010/11
Complete 85% of main audit programme	61%	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	93%	82%	88%

- 3.2 Performance is as expected, and I am content that 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.



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Internal Audit Manager

Date: 15 March 2013

2012/13 INTERNAL AUDIT PLAN – PROGRESS AT MARCH 2013

No.	Service/Status	Audit	Level of Assurance
<i>Final Reports Issued – Previously Reported to Committee</i>			
1.	Finance	Pensions – Transactional Systems	Substantial
2.	Finance	Payroll	Substantial
3.	All Services	Statutory Performance Indicator Validation	Substantial
4.	Social Work / Governance	Administrative Procedures and Cash Counts	Substantial
5.	All Services	Premises Managers' Handbook Compliance	Limited
6.	All Services	Continuous Auditing	N/A
<i>Final Reports Issued – NOT Previously Reported to Committee</i>			
7.	All Services	Appointment of Consultants	Limited
8.	Development	Corporate Risk Management Arrangements	Limited
9.	Corporate and Neighbourhood	Recruitment and Selection	Substantial / Limited
10.	All Services	Corporate Purchasing and Contract Management	N/A
11.	Corporate and Neighbourhood	Council Housing – Construction ¹	Substantial
12.	Corporate and Neighbourhood	Council Housing – Maintenance ¹	Substantial
13.	All Services	National Fraud Initiative	N/A
14.	CSFRS	Payroll	N/A
<i>Draft Reports Issued</i>			
15.	Finance	Integra Supplier Management and Payments	Substantial
<i>Audits In Progress</i>			
16.	Corporate and Neighbourhood	Refuse Collection Improvement / Procurement Process	N/A
17.	Development	Development Management and Enforcement	N/A
18.	All Services	Corporate Gas Safety (jointly with WLC)	N/A
19.	Social Work	Modernising Technology in Homecare Project Assurance ²	N/A

¹ **NOTE** – although undertaken as two separate reviews, these were reported together.

² **NOTE** – additional review added to 2012/13 Plan.

Appendix 1

No.	Service/Status	Audit	Level of Assurance
20.	Finance	Benefits – Corporate Fraud Team Scoping Study	N/A
21.	West Lothian Council	WLC Risk Management Arrangements	N/A
22.	Falkirk Community Trust	Approval and Payment of Invoices and Business Continuity Planning	N/A
	<i>Audits Not Started</i>		
23.	Development	Tax Incremental Finance Scheme	N/A
	<i>Audits Deferred</i>		
24.	Social Work	Central Matching Team	N/A

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.

FINAL REPORTS ISSUED - SUMMARY OF KEY FINDINGS 2012/13

(Previously Reported to Audit Committee)

No	Audit Area and Service	Assurance and Key Findings
1.	Pensions – Transactional Systems Finance	<p>Substantial Assurance 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.	Payroll Finance	<p>Substantial Assurance 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>
3.	Statutory Performance Indicator Validation All Services	<p>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.</p>
4.	Administrative Procedures and Cash Count Social Work / Governance	<p>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.</p> <p>Arrangements were generally sound, although we made a number of recommendations relating to security, cash handling, and record keeping.</p>

No	Audit Area and Service	Assurance and Key Findings
5.	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>
6.	Continuous Auditing All Services	<p>N/A – Ongoing Reporting and Assurance</p> <p>Work has focussed on:</p> <ul style="list-style-type: none"> • creditors duplicate payments; • creditor payment analysis; • overtime payments; • contract expenditure; • system access control. <p>While various improvement actions have been identified, in overall terms, continuous auditing work has provided positive assurance on the adequacy of financial controls. Payment analysis has identified a number of duplicates, with c£30k recovered by the Council during 2012/13 (c£105k since continuous audit work commenced in October 2010).</p>

FINAL REPORTS ISSUED - SUMMARY OF KEY FINDINGS 2012/13

(NOT Previously Reported to Audit Committee)

No	Audit Area and Service	Assurance and Key Findings
1.	Appointment of Consultants All Services	<p>Limited Assurance Focussed on roles and responsibilities; policies, procedures, and training; selection and engagement arrangements; and management information and reporting.</p> <p>There was a need to review and update the Protocol for the Appointment of Consultants, and to improve appointment, approval, and administrative arrangements. There was, however, adequate segregation of duties in relation to the selection and engagement of, and payment for, consultants.</p>
2.	Corporate Risk Management Arrangements Development	<p>Limited Assurance Reviewed the overall framework at a corporate level; risk management policy and strategy; accountability, roles, and responsibilities; links to business planning; procedures, training, and guidance.</p> <p>There was a need to review and update the Risk Management Policy and Strategy, and for better embedding of risk management across all Services. The role and remit of the Corporate Risk Management Group requires to be reviewed, and there was a need to ensure that risk management links more clearly with business planning.</p>
3.	Recruitment and Selection Corporate and Neighbourhood	<p>Substantial / Limited Assurance Covered preparation, approval, and dissemination of Recruitment and Selection Policy; roles and responsibilities; application, assessment, and approval arrangements; and management information.</p> <p>A robust Policy was in place and roles and responsibilities were clear. There was scope for improving compliance with the Policy, and in particular the retention of documentation to support the recruitment process.</p>
4.	Corporate Purchasing and Contract Management All Services	<p>N/A – Ongoing Reporting and Assurance Internal Audit reviews a sample of payments on a weekly basis to assess compliance with Financial Regulations and Contract Standing Orders. This includes checks to ensure that a contracted supplier has been used. Where this is not the case, Internal Audit contact the invoice authorising officer to establish whether the appropriate quotation / tendering exercise was undertaken to select the supplier used.</p> <p>In general, across the sample of payments examined, we have found there to be broad compliance with Financial Regulations and Contract Standing Orders.</p>

No	Audit Area and Service	Assurance and Key Findings
5.	Council Housing – Construction and Maintenance Programmes Corporate and Neighbourhood	<p>Substantial Assurance</p> <p><u>Construction</u>: reviewed BMD’s arrangements for planning, undertaking, monitoring, and reporting on certified capital improvement and new build work; quality assurance and management; and budgetary and financial control.</p> <p>Capital investment and new build projects were generally well controlled and managed, with sound quality assurance and performance monitoring arrangements. Roles and responsibilities were clear, with guidance and procedures in place. There was some scope for improving sub-contracting arrangements.</p> <p><u>Maintenance</u>: reviewed roles and responsibilities; arrangements for identifying, prioritising, costing, undertaking, monitoring, and reporting on planned and reactive maintenance; quality assurance and management; and budgetary and financial control.</p> <p>Maintenance arrangements were generally sound, although there was some scope for improving the operational approval and processing of job lines.</p>
6.	National Fraud Initiative All Services	<p>N/A</p> <p>The 2010/11 NFI exercise is now largely complete. NFI is co-ordinated by Internal Audit, with investigations arising from the Accounts Commission’s data matching undertaken by Services.</p> <p>A total of 2,726 matches have been investigated as part of NFI 2010/11, with c£246k returned (or in the process of being recovered and returned) to the public purse as a result of successful investigation of errors or discrepancies.</p> <p>The 2012/13 NFI exercise is now underway. All of the required data has been submitted to the Accounts Commission, with the resultant matches made available in January / February. These are now being reviewed and investigated by Services.</p>
7.	Payroll Central Scotland Fire and Rescue Service	<p>N/A</p> <p>As reported to CSFRS Best Value and Scrutiny Committee.</p>

FALKIRK COUNCIL

**Subject: INTERNAL AUDIT - RECOMMENDATIONS
OUTSTANDING**
Meeting: AUDIT COMMITTEE
Date: 25 March 2013
Author: INTERNAL AUDIT MANAGER

1. INTRODUCTION

- 1.1 The purpose of this report is to provide an update to Members on recommendations made by Internal Audit which remain outstanding.

2. RECOMMENDATIONS OUTSTANDING

- 2.1 Members will recall that an initial report on outstanding Internal Audit recommendations was presented to the 29 October 2012 meeting of this Committee. It was agreed that I would provide update reports at future meetings.
- 2.2 Since the October meeting various updates have been received from Services (reducing the number of recommendations outstanding) and a number of final reports have been issued (with the opposite effect).
- 2.3 In October, a total of 127 recommendations were reported as being outstanding. As at 15 March 2013, a total of **84** recommendations are outstanding.
- 2.4 Comparison between the previous and current figures is not particularly meaningful as the latter includes recommendations made since October. It is, however, possible to reach the following broad conclusions:
- progress has been made in implementing recommendations previously reported as outstanding;
 - Services continue to recognise the value of Internal Audit recommendations and the risks of not taking action to implement them;
 - the revised follow up approach has improved the frequency and quality of dialogue on recommendations outstanding; and

- there remains scope to improve arrangements for agreeing, implementing, and reporting on Internal Audit recommendations.

2.5 All **84** current outstanding recommendations are set out at **Appendix 1**, sorted by agreed 'Target Implementation Date'. These cut across **25** individual audits and all Services.

2.6 The following tables summarise the information included at **Appendix 1**¹.

Audit Year	Audits Completed	Audits with No Outstanding Recs	Audits with Outstanding Recs
2008/09	22	19	3
2009/10	22	20	2
2010/11	21	16	5
2011/12	20	11	9
2012/13	13 (to date)	7	6
TOTAL	98	73	25

Audit Year	Audits with Outstanding Recs	Recs Made During Audits	Number of Recs Implemented	Number of Recs Outstanding
2008/09	3	43	37	6
2009/10	2	13	11	2
2010/11	5	48	24	24
2011/12	9	63	31	32
2012/13	6	28	8	20
TOTAL	25	195	111	84 ²

2.7 Within these figures there may be recommendations that have been implemented, superseded, or where managers have decided not to implement due to a changed risk profile or reduced resources. Until I am advised by Services that any of these apply, however, I will continue to report recommendations as outstanding.

2.8 For information, the following table provides a breakdown of recommendations outstanding based on the overall assurance provided at the time of the audit.

Level of Assurance	Number of Recs Outstanding
Substantial Assurance	31
Substantial / Limited Assurance	4
Limited Assurance	44
No Assurance	0
Not Applicable	5
	84

¹ **NOTE:** 2012/13 audits now included. These were not included in the figures reported to the October 2012 Audit Committee meeting.

² **NOTE:** **62** of these remain outstanding beyond their agreed implementation date.

3. RECOMMENDATIONS

3.1 Members are invited to:

3.1.1 note the report on recommendations outstanding; and

3.1.2 seek assurances from Chief Officers that recommendations will be implemented, or the risk of not implementing formally accepted.



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Internal Audit Manager

Date: 15 March 2013

	Target Implementation Date	Service	Audit Name	Assurance Level	Recommendation Details	Agreed Management Action	Responsible Officer	Responsible Officer - Service
1	31 March 2009	Social Work	Supporting People Arrangements	Substantial	Scottish Government guidance on evaluating and reporting performance against the National Outcome and Indicator Framework should be adopted once published.	The Scottish Government guidance on how to measure, achieve and report on outcomes and indicators will be adopted once issued. 04 March 2013 – Update Outcome monitoring has remained an issue across all care services and work is currently being carried out in relation to Foster Care. Intend to learn from this and adapt and adopt across other client groups.	Contracts and Commissioning Manager	Social Work
2	30 June 2009	Education	Supply Teacher Provision	Limited	A comprehensive performance evaluation and reporting framework should be developed as a matter of priority.	Performance evaluation and reporting will be considered by the Employee Resources Adviser. 11 March 2013 Performance of Supply Teacher system is being developed.	Educational Resources Manager	Education
3	30 September 2009	Social Work	SWIS	Limited	A System Security Statement should be prepared. This should include system architecture documentation.	A System Security Statement, based on Annex 3 of the Internal Audit report, will be produced for SWIS. 04 March 2013 – Update Significantly improved system documentation is now in place. In February 2013 the SWIS Management Board confirmed security as its first priority. System Security Statement to be in place within 6 months.	Senior Information / IT Co-Ordinator	Social Work
4	30 September 2009	Social Work	SWIS	Limited	The Crystal Reporting software licence review should be concluded as a matter of priority.	A report from ICT Development Team will be requested with options plus recommendations for Social Work.	Senior Information / IT Co-Ordinator ICT Project Leader	Social Work / Corporate and Neighbourhood
5	30 September 2009	Social Work	SWIS	Limited	Audit log functionality should be reviewed.	The Service Manager, Performance Management, will identify Social Work service priority areas for monitoring screen uses and then request ICT to provide a report with advice and guidance on possible options. 04 March 2013 – Update This will be done within 6 months.	Service Manager, Performance Management ICT Project Leader	Social Work / Corporate and Neighbourhood
6	31 October 2009	Education	Supply Teacher Provision	Limited	Consideration should be given to identifying the most efficient and effective method of assessing and reporting on supply teacher performance. The resulting policy and guidance should be rolled out and communicated to all relevant staff.	This will be considered within the context of NGT18. 11 March 2013 – Update Performance of Supply Teacher system is being developed	Educational Resources Manager	Education
7	31 July 2010	Governance	Falkirk Printworks	Substantial	Formal guidance relating to the ordering / payment / receipt of goods and services should be put in place. The issues relating to the ordering, receipt and payment of goods and services should be addressed.	Guidance notes and process maps showing the procedure to be adopted are currently being prepared by the Support Administrator. The points raised in Paragraph 3.17 will be addressed as recommended.	Printworks Manager	Governance

	Target Implementation Date	Service	Audit Name	Assurance Level	Recommendation Details	Agreed Management Action	Responsible Officer	Responsible Officer - Service
8	31 August 2010	Governance	Falkirk Printworks	Substantial	Stock-take results should be reconciled to computerised stock records, with discrepancies investigated and remedied.	A programme of reconciliation of stock to the Shuttleworth system will be developed.	Printworks Manager	Governance
9	31 August 2010	Governance	Falkirk Printworks	Substantial	The issues relating to the receipt, completion, delivery and billing of orders should be addressed.	The order form will be reviewed as recommended and the style of invoice will be amended to include payment terms.	Printworks Manager	Governance
10	01 September 2010	Governance	Falkirk Printworks	Substantial	Consideration should be given to installing Integra within the Printworks Unit.	Integra has been installed at Printworks. Once the staffing structure is in place following the on-going staff re-design, and after necessary training has been undertaken, all financial information will be input at the facility.	Printworks Manager	Governance
11	30 September 2010	Governance	Falkirk Printworks	Substantial	The issues relating to Business Continuity Planning should be addressed.	The existing Business Continuity Plan will be updated.	Printworks Manager	Governance
12	31 October 2010	Governance	Falkirk Printworks	Substantial	Comprehensive performance indicators and targets should be put in place.	A range of performance indicators will be developed. Customer satisfaction will be sought.	Printworks Manager Printworks Manager	Governance
13	31 December 2010	Governance	Falkirk Printworks	Substantial	The issues relating to risk management should be addressed.	The risk register will be reviewed and a full risk assessment undertaken on completion of the on-going building works.	Printworks Manager	Governance
14	31 December 2010	Governance	Falkirk Printworks	Substantial	A corporate printing and copying policy should be established.	This is part of the remit of the MFD Working Group.	Customer and Development Manager / Printworks Manager	Governance
15	31 March 2011	Education	Community Learning and Development Arrangements	Substantial	The Service should adopt the Council's Achievement and Personal Development Scheme for all staff and volunteers, with available resources aligned to identified training and development needs.	CLD will adopt, and ensure the implementation of, the APDS scheme for appropriate staff. 11 March 2013 – Update There has been a phased approach to the implementation of APDS. CLD Manager and Principal Officers are working through it with a view to rolling it out across the Service in the coming year.	CLD Manager	Education
16	31 March 2011	Social Work	Direct Payment Arrangements	Substantial	Legal Services should review all outstanding policies as a matter of priority. Once approved, these should be disseminated to relevant staff and clients, with training provided if required.	Draft policy documents have been passed to Legal Services to be examined, amended where necessary, and published when approved.	Chief Governance Officer	Governance

	Target Implementation Date	Service	Audit Name	Assurance Level	Recommendation Details	Agreed Management Action	Responsible Officer	Responsible Officer - Service
17	30 April 2011	Development	IT Contract Management Arrangements	Not Applicable	Business Development, in conjunction with Corporate and Neighbourhood Services ICT, should collate a comprehensive inventory of Development Services systems and applications.	Our current list of systems is quite comprehensive but some work would be needed to identify names or numbers of users for every system and information from ICT is required on software licences / media held by them on Development Services behalf. ICT have confirmed they would be happy to co-operate and would also update their inventory of Development Services applications / systems as required. 11 March 2013 – Update Partially implemented, revised target date of June 2013.	Business Development Manager	Development
18	30 June 2011	Development	IT Contract Management Arrangements	Not Applicable	Ownership of, and responsibility for, managing all Development Services ICT contracts should formally rest with Business Development.	Although some additional research and communication will be needed to integrate Roads Services and Economic Development. 11 March 2013 – Update Changes in personnel have delayed information gathering. New target date of May 2013.	Business Development Manager	Development
19	29 July 2011	Social Work	Budgetary and Financial Control Arrangements	Limited	The planned review of Day Care provision should include identifying existing contracts (and the need to re-tender) and gaps where no contract exists.	The Day Care review has produced an interim report that makes a number of recommendations. The report will be presented to the Acting Director of Social Work Services for approval. The recommendations will then be taken forward by the Service Manager – Older People. 01 August 2012 – Update The Service Managers for Older People and Contracts and Commissioning are currently meeting to progress the existing contracts and tender arrangements. Progress will be reviewed in October 2012.	Service Manager Older People / Service Manager Contracts and Commissioning	Social Work
20	01 September 2011	Finance	Integra System Management and Security	Substantial	Further consideration should be given to the need for an off-site contingency server. A formal Business Continuity Plan should be prepared and periodically tested.	Discussions currently taking place with ICT and detailed costs awaited. A formal business continuity plan to be produced. 11 February 2013 – Update Specification has been agreed for an off-site contingency server and ICT are placing an order for delivery this financial year. Following receipt, testing will take place to ensure operational. The formal business continuity plan has still to be completed but arrangements have been reviewed and improved for cheque production. In addition, an alternative BACS submission method for 'essential' creditors payments has been developed with only the user manual and final testing to be completed.	Depute Chief Finance Officer (Corporate Finance)	Finance

	Target Implementation Date	Service	Audit Name	Assurance Level	Recommendation Details	Agreed Management Action	Responsible Officer	Responsible Officer - Service
21	30 September 2011	Social Work	Budgetary and Financial Control Arrangements	Limited	Formal written budget monitoring procedures should be established and made available to all relevant Social Work Services staff.	<p>Current procedures will be reviewed and any new or additional guidance and procedures will be developed.</p> <p>These will be communicated across all staff groups, including briefing sessions.</p> <p>04 March 2013 – Update Within Children and Families levels of authorisation have been reviewed and re-issued and imprest procedures have been re-drafted. Within Community Care all procedures are currently being reviewed and updated, to be completed by April 2013.</p>	Head of Service Children and Families / Head of Service Community Care / Accountancy Services Manager	Social Work
22	31 December 2011	Development	Building Design: Disability Discrimination and Equality Act Arrangements	Substantial	A Service Level Agreement (or equivalent) should be put in place between BDU and the client for the delivery of a design, supervisory, and contract management service.	<p>There is a revised, finalised SLA in place with Corporate and Neighbourhood Services (Housing client) awaiting sign off, and an SLA is in draft development with the emerging Community Trust. The model SLA being developed with the Trust will be utilised as the template for roll out over the course of 2011 to other Services. The SLA defines the scope of services to be provided, and will cover aspects of design, supervision, contract management and various other service obligations.</p> <p>11 March 2013 – Update SLAs have been agreed with the Community Trust and with Corporate and Neighbourhood Services. Work is ongoing with Education Services. SLA with Social Work still to be done, and expected to follow model established with Education.</p>	Building Design Manager	Development

	Target Implementation Date	Service	Audit Name	Assurance Level	Recommendation Details	Agreed Management Action	Responsible Officer	Responsible Officer - Service
23	01 March 2012	All Services	Corporate Data Security and Transfer	Limited	CMT should confirm governance and accountability structures and arrangements in relation to corporate information security management.	<p>It would be desirable to have an Information Security Officer post with responsibility for managing the Information Security Policy and for monitoring the implementation of that Policy, as well as ownership of DPA / FoI / data sharing arrangements, and links into records management, wider building and personnel security, and corporate risk management.</p> <p>A number of years ago, CMT gave approval for an Information Security and Data Protection post to be established. It is agreed that responsibility for this area of work needs to be confirmed, and it is proposed that this is discussed by CMT again in light of this audit, but within the context of current financial circumstances.</p> <p>If a new post is required, then this should be split / paid for by all Services. A Job Description has been prepared.</p> <p>05 October 2012 – Update The Data Protection / Information Security Officer Job Description is in the process of being reviewed, with a view to its issue to CMT prior to the end of October.</p>	Corporate Management Team	All Services
24	01 March 2012	All Services	Corporate Data Security and Transfer	Limited	The exercise to update Services' Data Handling Registers should be completed, within a timescale agreed by CMT.	<p>All Services to review, and ICT Strategy Group to oversee and monitor.</p> <p>04 March 2013 Social Work Services have started a survey of data flows from SW systems to other services and external stakeholders.</p>	All Services	All Services
25	31 March 2012	All Services	Corporate Data Security and Transfer	Limited	<p>In relation to the Forth Valley Information Sharing Protocol:</p> <ul style="list-style-type: none"> • a central point of contact, responsible for collating and ensuring the consistency and quality of guidance procedures, should be established; and • separate guidance procedures for data transfers between the Council and external organisations not covered by the Protocol should be established. 	Information Security post, when established, to co-ordinate, and to feed into the new Scottish Accord for Sharing of Personal Information as appropriate.	TBC	Corporate and Neighbourhood
26	31 March 2012	Corporate and Neighbourhood	IT Contract Management Arrangements	Substantial	<p>For business critical applications a Contract Monitoring Form should be developed and used, clarifying CMO roles / responsibilities and providing a record of compliance with contract deliverables and performance.</p> <p>Where appropriate an Issues Log should also be developed and monitored.</p>	<p>The Contract Monitoring Form will be adopted for business critical applications. It will be stored with relevant records in the business continuity database.</p> <p>An Issues Log will be created where appropriate.</p>	Technology and Infrastructure Manager / System Owners / Contract Monitoring Officers	Corporate and Neighbourhood / All Services

	Target Implementation Date	Service	Audit Name	Assurance Level	Recommendation Details	Agreed Management Action	Responsible Officer	Responsible Officer - Service
27	31 March 2012	Corporate and Neighbourhood	IT Contract Management Arrangements	Substantial	All CMOs should be reminded of the need to monitor compliance with contract license terms, and to establish the potential impact of contract license breaches.	Recommendation Accepted	Technology and Infrastructure Manager / System Owners	Corporate and Neighbourhood / All Services
28	31 March 2012	Corporate and Neighbourhood	IT Contract Management Arrangements	Substantial	A formal System Security Statement should be established and maintained for Integra, IHMS, and Covalent.	All Contract Monitoring Officers will be required to put in place a formal System Security Statement.	System Owners / Contract Monitoring Officers	Corporate and Neighbourhood / All Services
29	31 March 2012	Corporate and Neighbourhood	IT Contract Management Arrangements	Substantial	An Access Control Policy should be established and maintained for Integra, IHMS, and Covalent.	All Contract Monitoring Officers will be required to put in place a formal Access Control Policy.	System Owners / Contract Monitoring Officers	Corporate and Neighbourhood / All Services
30	31 March 2012	Corporate and Neighbourhood	IT Contract Management Arrangements	Substantial	System Owners / CMOs should ensure that best value continues to be achieved and demonstrated with the current supplier prior to extending contracts or rolling over annual charges.	This will be done as a matter of course.	System Owners / Contract Monitoring Officers	Corporate and Neighbourhood / All Services
31	31 March 2012	Development	IT Contract Management Arrangements	Not Applicable	Business Development and Corporate and Neighbourhood Services ICT should review and formalise their respective responsibilities to ensure compliance with the Council's Information Security Policy Statement.	Agreed that an SLA would be beneficial. ICT have confirmed they would be happy to co-operate with this. 11 March 2013 – Update No SLA has been developed. This will be re-visited when the corporate ICT Strategy is available.	Business Development Manager	Development
32	31 March 2012	Development	IT Contract Management Arrangements	Not Applicable	Ownership and control of Development Services ICT budgets should be formally allocated to a monitoring officer within Business Development.	Recommendation Accepted 11 March 2013 – Update Budget monitoring has improved on last year due to better information being held centrally. Processes for monitoring expenditure and for communicating budget levels to Unit Managers need to be developed and approved by DMT. Target date May 2013.	Business Development Manager	Development
33	31 March 2012	Governance	Falkirk Printworks	Substantial	Formal contracts should be put in place with each external client.	Framework agreement in place with Clackmannanshire Council. In respect of the NHS, further discussion is required at a senior level.	Printworks Manager Printworks Manager / Customer and Development Manager	Governance
34	01 April 2012	All Services	Corporate Data Security and Transfer	Limited	Service Managers should liaise with their ICT Customer Contact to confirm that all mobile devices are adequately protected (encrypted and virus protected).	Guidance and advice has been, and continues to be, provided by ICT. Mobile phone guidance and simplified AUP and ISP guidance will be considered by ICT Strategy Group in April 2012. 04 March 2013 – Update Social Work Services now issue only encrypted devices and memory sticks to staff. Development Services issued guidance to staff in 2011 and continue to do so as part of the induction process.	All Services	All Services

	Target Implementation Date	Service	Audit Name	Assurance Level	Recommendation Details	Agreed Management Action	Responsible Officer	Responsible Officer - Service
35	30 April 2012	Corporate and Neighbourhood	Following The Public Pound	Limited	EFU should formally review and, if necessary, update the 'Information for Officers' guidance, taking account of recommendations made in this report.	<p>Amend guidance and communicate to all Services to ensure consistency in monitoring practice, including:</p> <ul style="list-style-type: none"> • clarity on Service responsibilities and available support; • FPP process, eg performance outcomes, financial management; • standards and timetable for reporting to Members; • monitoring checklist for MOs; • FAQ on Intranet for MOs; and • guidance for external organisations on monitoring obligations. • Report to CMT on Service compliance with FPP. <p>05 October 2012 – Update All of the aforementioned actions have been addressed, with the exception of a report to CMT on Service compliance with FPP.</p>	EFU	Corporate and Neighbourhood
36	30 April 2012	Corporate and Neighbourhood	Following The Public Pound	Limited	EFU should include core competencies expected of MOs within the 'Information for Officers' guidance.	<p>Develop guidance regarding separate monitoring duties into strategic and operational functions.</p> <p>Services to amend current monitoring structures, where appropriate.</p> <p>Review organisations by service type to assess any appropriate grouping re-design of service.</p> <p>05 October 2012 – Update Existing guidance needs to be further developed to provide greater clarity on the roles expected of Officers within the monitoring process. Service compliance with these aspects will be included within a future report to CMT. Limited service and monitoring re-design has taken place within Abuse related services and Children's Services.</p>	<p>EFU</p> <p>All Services</p> <p>All Services</p>	Corporate and Neighbourhood / All Services

	Target Implementation Date	Service	Audit Name	Assurance Level	Recommendation Details	Agreed Management Action	Responsible Officer	Responsible Officer - Service
37	30 April 2012	Corporate and Neighbourhood	Following The Public Pound	Limited	A JWA should be established for all funded organisations for 2011/12, as a matter of priority.	<p>Outstanding JWAs to be put in place as a matter of urgency.</p> <p>Review JWA template to incorporate guidance for MO in setting outcomes.</p> <p>Incorporate monitoring return into JWA to ensure that progress towards outcomes is monitored on a regular basis.</p> <p>Provide training and guidance to Officers on using outcomes and evaluating progress.</p> <p>05 October 2012 – Update Outstanding JWAs have still to be put in place and training and guidance provided to Officers on using outcomes and evaluating progress.</p> <p>04 March 2013 – Update SW Children and Families now have JWAs in place with all but three funded bodies.</p>	<p>All Services</p> <p>EFU</p> <p>EFU</p> <p>EFU</p>	Corporate and Neighbourhood / All Services
38	30 April 2012	Corporate and Neighbourhood	Following The Public Pound	Limited	MOs should perform an annual financial assessment prior to agreeing funding. This should include review of reserves held.	<p>Amend risk and financial assessment templates to include assessment of risk on level of funding provided. Merge into single document.</p> <p>Clarify and formalise Finance Services' role within financial assessment and monitoring process.</p> <p>Provide guidance and training on financial assessment and monitoring.</p> <p>Produce guidance for MOs and external organisations on reserves.</p> <p>05 October 2012 – Update Guidance has still to be developed for external organisations on reserves. In addition, guidance and training has still to be provided on financial assessment and monitoring.</p>	<p>EFU</p> <p>EFU / Finance Services</p> <p>Finance Services</p> <p>EFU / Finance Services</p>	Corporate and Neighbourhood / Finance
39	30 April 2012	Corporate and Neighbourhood	Following The Public Pound	Limited	<p>Prior to releasing funds, MOs should confirm to management that monitoring has been undertaken and that JWA terms are being met (through completion of the checklist, which should include the financial information to be collected).</p> <p>Consideration should be given to requiring Head of Service approval prior to the release of funding.</p>	<p>Develop guidance regarding separate monitoring duties into strategic and operational functions.</p> <p>Ensure JWAs are signed by Chief Officers, which will provide approval for monitoring arrangements and payment schedule.</p> <p>05 October 2012 – Update Both actions are still a work in progress.</p> <p>04 March 2013 – Update All SW Children and Families and Criminal Justice JWAs are now signed off by the Head of Service.</p>	<p>EFU</p> <p>All Services</p>	Corporate and Neighbourhood / All Services

	Target Implementation Date	Service	Audit Name	Assurance Level	Recommendation Details	Agreed Management Action	Responsible Officer	Responsible Officer - Service
40	30 April 2012	Corporate and Neighbourhood	Following The Public Pound	Limited	When renewing JWAs, consideration should be given to making funding payments in arrears.	Produce guidance for MOs and external organisations on the consideration of reserves. Ensure that JWAs are signed by Chief Officers, which will provide approval for monitoring arrangements and payment schedule.	EFU / Finance Services All Services	Corporate and Neighbourhood / Finance / All Services
41	30 April 2012	Corporate and Neighbourhood	Following The Public Pound	Limited	Detailed consideration should be given to the shape, size, and purpose of the MO role.	Develop guidance on separating monitoring duties into strategic and operational functions. Services to amend current monitoring procedures, where appropriate. Review organisations by category and consider any grouping for monitoring purposes.	EFU All Services Funding Review Group	Corporate and Neighbourhood / All Services
42	30 April 2012	Corporate and Neighbourhood	Following The Public Pound	Limited	EFU should consider preparing guidance for MOs and external organisations, in relation to measuring best value and assessing the impact per £1 of funding / return on investment.	Investigate possible methods of measuring return on investment. Develop guidance and training for MOs and external organisations, as appropriate.	EFU EFU	Corporate and Neighbourhood
43	30 April 2012	Corporate and Neighbourhood	Severance Arrangements	Substantial / Limited	Service Accountants should monitor for material differences between Payroll / Pensions Sections and Accountancy Services savings data, and investigate if and when these arise.	Service Accountants are instructed to always check the value of in-year savings per the Payroll Report with the value they calculate. This should be done as a matter of course and by default when they process the virement to reflect the saving in the ledger. 26 February 2013 – Update Finance Services and HR are currently discussing system functionality that would allow reports to be passed to Service Accountants to allow this check to be done.	Depute Chief Finance Officer	Finance
44	30 April 2012	Corporate and Neighbourhood	Severance Arrangements	Substantial / Limited	Consideration should be given to how actual savings are routinely monitored and included in management information.	Service Accountants will submit to Services, on a quarterly basis, a list of all individuals who have left under voluntary severance, with a note of the proposed savings / costs and any other relevant details such as replacement at a lower grade. Service Directors will then prepare a report noting the actual savings / costs against each individual. 04 March 2013 – Update System functionality to allow Services to run their own reports is being explored.	Service Accountants and Service Directors	Finance / All Services
45	30 April 2012	Social Work	Non-Residential Social Care Services Charging Policy	Not Applicable	Service users should be asked to confirm their income levels on an annual basis, with all change details submitted to Community Advice Services for reassessment of the user's affordability and service charge.	An annual review of service users' financial circumstances will be undertaken in April each year.	Community Advice Service Team Leader / Customer Services Manager	Social Work

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46	31 July 2012	Development	Roads Maintenance Arrangements	Substantial	Roads Section management should formally establish a policy on the completion of service inspections, which fits with Falkirk Council's approach to asset management planning. This should be included in the next review of the RAMP.	It is not deemed necessary to undertake service inspections in addition to the current safety inspections. This policy will be included in the next review of the RAMP. 11 March 2013 – Update Policy will be included in next review of the RAMP.	Asset Management Officer	Development
47	31 July 2012	Development	Roads Maintenance Arrangements	Substantial	Roads Section management should re-establish the purpose of the various customer satisfaction surveys, and review the questionnaires accordingly. Results should link directly into monthly performance information.	Feedback will be used to develop improved performance. Area Roads Officers will undertake customer satisfaction surveys as part of issue of programmed works as per Quality Process RDP014. 11 March 2013 – Update Some progress has been made with gathering information from customers, however, further progress is required. There has been some discussions nationally on the use of a common customer satisfaction survey to aid in benchmarking work and to highlight common problems across Scotland.	Area Roads Officers	Development
48	31 July 2012	Education	Commissioning and Monitoring of Major School Improvement Projects	Limited	A short life, cross-Service, working group should be set up to: <ul style="list-style-type: none"> improve financial monitoring systems; examine training requirements; and consider the capability, functionality, configuration, and role of Profess. 	Work on developing the reporting template for financial information will be developed and agreed by working group. Training needs will follow from development work as required. Configuration of Profess system information reporting will be undertaken if required, following the agreed financial reporting interface. 11 March 2013 – Update Work on developing the reporting template for financial information is on-going.	Property Manager, Design Co-Ordinator, and Capital Manager	Education / Development / Finance
49	31 July 2012	Education	Commissioning and Monitoring of Major School Improvement Projects	Limited	Development Services and Capital Section should ensure that Education Services are provided with regular internal and external fees data (covering amounts paid and anticipated), clearly showing variations from initial budget.	Reporting template for financial information will be developed and agreed by working group. Training needs will follow from development work as required. Configuration of Profess system information reporting will be undertaken if required, following the agreed financial reporting interface. 11 March 2013 – Update Work on developing the reporting template for financial information is on-going.	Property Manager, Design Co-Ordinator, and Capital Manager	Education / Development / Finance

	Target Implementation Date	Service	Audit Name	Assurance Level	Recommendation Details	Agreed Management Action	Responsible Officer	Responsible Officer - Service
50	31 July 2012	Education	Commissioning and Monitoring of Major School Improvement Projects	Limited	A monthly cost control report should be introduced by Development Services Design Teams, including both actual and estimated potential costs. This could be either via Profess reconfiguration or a standard off-system template.	Reporting template for financial information will be developed and agreed by working group. Training needs will follow from development work as required. Configuration of Profess system information reporting will be undertaken if required, following the agreed financial reporting interface. 11 March 2013 – Update Work on developing the reporting template for financial information is on-going.	Property Manager, Design Co-Ordinator, and Capital Manager	Education / Development / Finance
51	31 July 2012	Education	Commissioning and Monitoring of Major School Improvement Projects	Limited	The issues relating to post-project evaluation should be addressed.	A standardised template for undertaking post-project evaluations will be jointly developed and agreed as part of the SLA / Protocol. The SLA / Protocol will define what projects this should be undertaken for. 11 March 2013 – Update The standardised template for undertaking post project evaluations has been agreed. The SLA has yet to be finalised.	Building Design Manager, Design Co-Ordinator, Property Manager	Education / Development
52	01 August 2012	All Services	Corporate Data Security and Transfer	Limited	CMT should consider whether the application of a formal data classification scheme (for example, based on the Government Protective Marking Scheme) would be appropriate.	Information Security post, when established, to offer guidance. In the meantime, Records Management will continue to implement and promote the Local Government Classification Scheme, and give consideration to the Government Protective Marking Scheme.	Corporate Management Team	All Services
53	31 August 2012	All Services	Premises Managers' Handbook Compliance	Limited	The issues identified during testing of compliance with Premises Managers' Handbook responsibilities should be addressed as a matter of priority.	Chief Officers, via their Corporate Risk Management Group representatives, will put in place arrangements within their own Service to ensure that PMH responsibilities are fully completed and documented. 11 March 2013 – Update This will be confirmed upon completion of the 2013 Statement of Assurance process.	Chief Officers / Service CRMG Reps / all Premises Managers	All Services
54	31 August 2012	Corporate and Neighbourhood	Severance Arrangements	Substantial / Limited	The issues relating to consultation and supporting documentation should be addressed. This should include Services formally recording the operational and financial reasons for offering severance (particularly for pooled applications).	Agree that the consultation requires to be evidenced. This will be built, as far as possible, into the on-line process, and Service Directors will be required to ensure relevant actions are taken. 05 February 2013 – Update The on-line process (which is now being piloted) includes a requirement for Services to confirm consultation has taken place. The on-line system will be rolled out more widely in April 2013.	Head of HR and Customer First, and Service Directors	Corporate and Neighbourhood / All Services

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55	01 September 2012	Corporate and Neighbourhood	Procon System Management and Security	Substantial	A formal Business Continuity Plan should be prepared and periodically tested.	A formal Business Continuity Plan will be prepared and implemented for IHMS. This will be used as the basis for either a separate Procon BCP or as a joint system Plan. Business Continuity Plan will be developed in conjunction with ICT.	Performance and Compliance Co-ordinator	Corporate and Neighbourhood
56	30 September 2012	All Services	Premises Managers' Handbook Compliance	Limited	A letter confirming roles, responsibilities, and training opportunities should be issued to all nominated Premises Managers.	A letter will be prepared and issued to all Premises Managers in line with the recommendation.	Organisational Development Manager	Corporate and Neighbourhood
57	30 September 2012	Development	Roads Maintenance Arrangements	Substantial	All annual planned maintenance programme supporting documentation should be retained in line with the Council's Retention Policy.	All supporting documentation will be scanned and retained in line with the Council's Retention Policy. 11 March 2013 – Update Improvements have been made in retaining electronic copies of documents relating to the annual maintenance programme of works. For carriageway assets, all assessment documents are now scanned and hyperlinked to the Programme. Further work is required to ensure the same is done for footway assets.	Area Roads Engineers	Development
58	30 November 2012	All Services	Premises Managers' Handbook Compliance	Limited	The Premises / Premises Manager register should be reviewed and updated. A formal agreement should be established for the sharing of information on changes to operational property and Premises Managers.	Work will be undertaken to develop an improved protocol between HR, Asset Management, and Services. Methods of identifying when changes in Premises Manager happen through the use of the HR / Payroll system will also be investigated. The letter outlining responsibilities will be issued and training will be offered to all new Premises Managers identified through this process.	Organisational Development Manager	Corporate and Neighbourhood
59	31 December 2012	Education	Commissioning and Monitoring of Major School Improvement Projects	Limited	The Design Protocol should be reviewed to ensure that it is fit for purpose, and its mandatory use in projects over £500k (and high profile / risk projects) should be re-iterated to staff.	Both Services will work jointly to prepare a generic SLA which will include both the Design and Facilities team remits. An appendix (protocol) will be agreed where Education Services have separate needs / requirements. 11 March 2013 – Update Awaiting finalisation of SLA.	Head of Educational Planning and Resources, Head of Roads and Design	Education / Development
60	31 December 2012	Education	Commissioning and Monitoring of Major School Improvement Projects	Limited	The SLA should be reviewed and amended to clearly articulate the roles and management information requirements of Education Services, Design Teams, and Facilities Management Section.	Both Services will work jointly to prepare a generic SLA which will include both the Design and Facilities team remits. An appendix (protocol) will be agreed where Education Services have separate needs / requirements. 11 March 2013 – Update Awaiting finalisation of SLA.	Head of Educational Planning and Resources, Head of Roads and Design	Education / Development

	Target Implementation Date	Service	Audit Name	Assurance Level	Recommendation Details	Agreed Management Action	Responsible Officer	Responsible Officer - Service
61	31 December 2012	Education	Commissioning and Monitoring of Major School Improvement Projects	Limited	Education and Development Services should review the AI process. This should include clarifying when Education Services are to be notified and consulted on changes, and should be within an agreed financial threshold. The revised process should be reflected in the recommended revised SLA.	<p>The reporting of AIs or contract variations will be developed and integrated into the new financial reporting framework for appropriate agreement.</p> <p>The new SLA and protocols will clearly state when such contract variations need to be individually reported to Education Services for approval.</p> <p>11 March 2013 – Update The thresholds for reporting of AIs or contract variations have been agreed. Awaiting finalisation of SLA.</p>	Head of Educational Planning and Resources, Head of Roads and Design	Education / Development
62	31 January 2013	All Services	Corporate Risk Management Arrangements	Limited	CRMG should review the CRR as a matter of priority (and on a quarterly basis thereafter), and ensure consistency between the Policy and Strategy and the format and content of the CRR.	<p>The CRR remains relevant and provides a framework for the preparation of Service Risk Registers. The format and content of the CRR will, however, be considered at an early meeting of CRMG, and on a quarterly basis thereafter (as part of an agreed CRMG work programme).</p> <p>11 March 2013 – Update The CRR and Policy has been circulated to CRMG members for their comments.</p>	Director of Development Services / CRMG members	All Services
63	31 March 2013	All Services	Recruitment and Selection	Substantial / Limited	The points relating to the content of the Recruitment and Selection Policy should be addressed.	<p>The Recruitment and Selection Policy will be reviewed and amended to reflect the relevant points identified.</p> <p>08 February 2013 – Update A review of the Policy has commenced and is taking into account the recommendations from the audit as well as other changes implemented through legislation or other national developments.</p>	Head of HR and Customer First	Corporate and Neighbourhood
64	31 March 2013	All Services	Corporate Risk Management Arrangements	Limited	The Risk Management Policy and Strategy should be reviewed by CRMG and be formally approved by CMT and Audit Committee.	<p>The Policy and Strategy will be reviewed and updated, taking into account the issues raised in this report. The updated Policy and Strategy will be presented to the Spring meeting of the Audit Committee, and prior to that will be considered by CRMG and CMT.</p> <p>11 March 2013 – Update A revised Policy, framework, and draft workplan has been circulated to CRMG members for their comments. These will be presented to CMT and Audit Committee in March 2013.</p>	Director of Development Services	Development

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65	31 March 2013	All Services	Corporate Risk Management Arrangements	Limited	<p>Services should be required to develop a robust Risk Register, consistent with the CRR. These should be considered and reviewed by CRMG on a cyclical basis.</p> <p>Service Risk Registers should form an integral part of the Service Planning process. Related to that, we re-iterate our previous recommendations that:</p> <ul style="list-style-type: none"> Service Planning guidance is updated to cover the incorporation of risk management in Service Plans; Services link their risks to the corporate risk categories set out in the CRR. 	<p>The updated Policy and Strategy will more clearly set out Services' responsibilities, and will require that all Services develop and maintain a comprehensive Risk Register based on the seven agreed categories of risk.</p> <p>The Policy and Strategy will also require that Service Risk Registers are considered by CRMG on a cyclical basis (as part of an agreed CRMG work programme). This will include an update on how Services are managing identified risks.</p> <p>In addition, consideration will be given to options for embedding risk management practice in future corporate and Service planning guidance.</p> <p>11 March 2013 – Update The CRR and Policy has been circulated to CRMG members for their comments. Further guidance will be issued to support the Policy and Strategy, and support will be offered as part of the Service planning process.</p>	All Service Directors / CFO / CGO / Head of Policy, Technology, and Improvement / CRMG members	All Services
66	31 March 2013	All Services	Corporate Risk Management Arrangements	Limited	CMT should review the role and remit of CRMG, and set out its expectations of the Group in a formal Terms of Reference.	<p>The revised and updated Policy and Strategy will clearly set out the role and remit of the Group, as well as an annual work programme. The Policy and Strategy will be considered by CRMG and CMT ahead of presentation to Audit Committee in Spring 2013.</p> <p>11 March 2013 – Update A review of working groups is being undertaken, and this will help shape the membership and remit of CRMG. This will be completed in Spring 2013.</p>	Director of Development Services	Development
67	31 March 2013	Corporate and Neighbourhood	IHMS Project Management	Limited	The requirement for a Business Case (including investment appraisal) should be a mandatory requirement for any future corporate ICT projects.	No action for IHMS, but agreed for future projects.	TBC	Corporate and Neighbourhood
68	31 March 2013	Corporate and Neighbourhood	IHMS Project Management	Limited	<p>Formal risk management arrangements should be introduced for the remainder of the IHMS project.</p> <p>In addition, the requirement for ongoing risk assessment and management should be a mandatory requirement for any future corporate ICT projects.</p>	Each ICT contract is managed differently according to the needs of the project and the systems in place. We will continue to use the on-line Capita helpdesk, and note the need for appropriate risk and issues management for other projects.	TBC	Corporate and Neighbourhood
69	31 March 2013	Corporate and Neighbourhood	IHMS Project Management	Limited	<p>Project status reports should be initiated for the remainder of the IHMS project.</p> <p>In addition, formal project status reports should be a mandatory requirement for any future corporate ICT projects.</p>	We will prepare Status Reports.	TBC	Corporate and Neighbourhood

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70	31 March 2013	Corporate and Neighbourhood	IHMS Project Management	Limited	<p>There are a number of points in relation to the Project Board that we recommend are addressed:</p> <ul style="list-style-type: none"> - There are no Terms of Reference (TOR) for the Project Board. The TOR should provide clarity on roles and responsibilities and also set out any links between the Project Board and the Council's corporate ICT Strategy Group and Corporate Management Team (CMT). The governance arrangements associated with the IHMS project should be reviewed to ensure that the Council's CMT is being routinely updated on progress (which we would expect for any high risk, high visibility, corporate project). - Minutes / action points from Project Board meetings are not formally recorded. This should be introduced to ensure transparency over what is being discussed and agreed. - Due to the lack of minutes there was no record that the Project Board were receiving updates on project risks and issues; project milestones and status; and project spend against budget. These areas should be standing agenda items for Project Board meetings. 	The names and high level responsibilities of IHMS Board members and Module Champions are on the IHMS area of the Intranet. Consideration will be given to CMT reporting arrangements. In relation to minutes and action points, a more formalised record will be maintained.	TBC	Corporate and Neighbourhood
71	31 March 2013	Corporate and Neighbourhood	IHMS Project Management	Limited	This review has highlighted a number of areas in the Project Management Framework where improvements are required. We have attached, at Annex 1 , a list of the areas we have reviewed and recommend that is used as the basis of a checklist for any future corporate ICT projects. This checklist should be mandatory for all Project Sponsors and Project Managers. We have also attached, at Annex 2 , a suggested project management structure that we recommend should be the minimum requirement for any future corporate ICT projects.	Business Improvement Team will consider the required corporate approach to project management and monitoring, with input from Internal Audit and Service representatives if appropriate.	TBC	Corporate and Neighbourhood
72	31 March 2013	Finance	Pensions Transactional Systems	Substantial	The Standards of Service that the Pensions Section aims to provide to the Scheduled and Admissions Bodies should be set out formally on an annual basis.	<p>Agreed.</p> <p>14 February 2013 – Update A Pensions Administration Strategy is being prepared, for completion in Spring 2013.</p>	Pensions Manager	Finance
73	31 March 2013	Finance	Payroll	Substantial	A target date should be set for completing the exercise to update operational procedures.	Procedures in place. As per Service Plan these will maintained on an ongoing basis.	Payroll Officer	Finance
74	31 March 2013	Finance	Payroll	Substantial	The issues in relation to the administration and monitoring of over and under payments by Payroll Section staff should be addressed.	This is being considered within the context of the new Overpayments Policy which has been developed by Human Resources. Payroll will apply the Policy in all over or under payment cases.	Payroll Officer	Finance

	Target Implementation Date	Service	Audit Name	Assurance Level	Recommendation Details	Agreed Management Action	Responsible Officer	Responsible Officer - Service
75	30 April 2013	All Services	Premises Managers' Handbook Compliance	Limited	<p>Corporate Risk Management Group Service representatives should ensure that:</p> <ul style="list-style-type: none"> an annual Statement of Assurance and Action Plan is completed by all Premises Managers; Education Services' Statement of Assurance position paper is presented at the June meeting of the Corporate Risk Management Group on an annual basis; and Statements of Assurance and Action Plans are verified by an independent Officer. 	<p>Chief Officers, via their Corporate Risk Management Group representatives, will ensure that Statements of Assurance are completed and submitted for all premises.</p> <p>Prior to the submission of Statement of Assurance information to CRMG, each Service CRMG representative will ensure that the accuracy and completeness of the information is verified.</p> <p>11 March 2013 – Update This will be confirmed upon completion of the 2013 Statement of Assurance process.</p>	Chief Officers / Service CRMG Reps	All Services
76	30 April 2013	Finance	Payroll	Substantial	The issues in relation to the number of Payroll Section staff with access to run the payroll; Payroll Section staff having access to their own payroll records; and password duration / dormancy should be addressed.	<p>This is currently necessary due to staff cover arrangements. As soon as staffing arrangements return to normal we will review and limit the number of users with access to their own records and the ability to run payrolls.</p> <p>Password duration and dormancy issues will be reviewed.</p>	Payroll Officer (Systems and Control)	Finance
77	31 May 2013	All Services	Corporate Risk Management Arrangements	Limited	<p>Operational risk management guidance should be developed (following review of the Policy and Strategy).</p> <p>Risk management should be covered at staff induction, and be embedded in all other training and development (as relevant).</p> <p>All Services should review their risk management training requirements.</p>	<p>Operational guidance will be developed to support the revised and updated Policy and Strategy.</p> <p>Options relating to induction and on-going training will be considered. This will be done within the context of a wider, CRMG led, review of Service training needs.</p> <p>11 March 2013 – Update Risk Management will be included in training for Service Managers in April 2013. Further guidance and training will be developed following the above work and support will be offered as part of the implementation process.</p>	<p>Director of Development Services</p> <p>Director of Development Services / CRMG members</p>	All Services
78	01 June 2013	Governance	Appointment of Consultants	Limited	The points relating to the content of the Protocol for the Appointment of Consultants, and related guidance, should be addressed.	Legal Services, in conjunction with Finance and Procurement and in consultation with other Services, will undertake a broader review of the use of consultants. This will include review and update of the Protocol, and the need for associated guidance and training.	Legal Services	Legal Services
79	01 August 2013	Governance	Appointment of Consultants	Limited	Training and awareness arrangements should be reviewed. This should include coverage in the induction process for new starts.	Legal Services, in conjunction with Finance and Procurement and in consultation with other Services, will undertake a broader review of the use of consultants. This will include review and update of the Protocol, and the need for associated guidance and training.	Legal Services	Legal Services

	Target Implementation Date	Service	Audit Name	Assurance Level	Recommendation Details	Agreed Management Action	Responsible Officer	Responsible Officer - Service
80	31 August 2013	All Services	Appointment of Consultants	Limited	<p>A business case should always be prepared / approved.</p> <p>Unless subject to agreed exceptions, appropriate market testing should always be undertaken.</p> <p>Authorisation arrangements should be clear, and applied in full.</p> <p>Legal Services should be asked to assist in preparing appropriate formal agreements for all appointments.</p> <p>All appointments should be published in the Information Bulletin.</p> <p>Invoices should be checked / authorised, and paid promptly.</p>	Chief Officers will ensure compliance with the existing, and any future updated and revised, Protocol within their area of responsibility.	All Services	All Services
81	30 September 2013	Finance	Payroll	Substantial	The Payroll Section Data Handling Register should be updated.	This will be reviewed and updated.	Payroll Officer (Systems and Control)	Finance
82	31 December 2013	Finance	Payroll	Substantial	There should be formal notification issued to the employee by Payroll Section to confirm when their bank account details have been changed.	<p>This recommendation will not be implemented at present as current arrangements, whereby employees must provide their old account information, is considered adequate.</p> <p>The potential for automating the suggested control will, however, be explored with the Resourcelink software provider.</p>	Payroll Officer (Systems and Control)	Finance
83	31 December 2013	Finance	Payroll	Substantial	The issues in relation to the two audit reports should be addressed.	<p>A reminder email has been issued to all staff reminding them of the need to record checks.</p> <p>A checklist is not considered necessary as reports are checked for completeness by the officer who produces them. This is done when the reports are produced and when they are returned after checking.</p> <p>The threshold level will be considered. This will be based on an assessment of risk.</p>	Payroll Officer	Finance
84	31 March 2014	Development	Roads Maintenance Arrangements	Substantial	<p>Formal priority rating sample checking procedures should be developed.</p> <p>In addition, a formal rating scale in relation to the condition score awarded should be developed.</p>	<p>Priority rating sample checking procedures will be formalised and included in the revised Carriageway Lifecycle Plan.</p> <p>The rating scale will be developed further.</p> <p>11 March 2013 – Update No formal priority rating sample check procedure has been developed, as yet. The programme for 2013/14 and beyond is currently under development and a checking procedure will be developed as part of this work. The checking procedure will be included in Quality Process QP110 and in the RAMP Maintenance Manual which has to be developed.</p>	Roads Manager	Development

FALKIRK COUNCIL

Subject: PUBLIC SECTOR INTERNAL AUDIT STANDARDS
Meeting: AUDIT COMMITTEE
Date: 25 March 2013
Author: INTERNAL AUDIT MANAGER

1. INTRODUCTION

- 1.1 The purpose of this report is to advise Members of the new Public Sector Internal Audit Standards, and to summarise the implications for Internal Audit at Falkirk Council.

2. BACKGROUND

- 2.1 As Members are aware, the practice of Internal Audit in Local Government is currently governed by the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 (The Code). The Code is based around 11 Standards on, for example, the scope of Internal Audit; ethics; staffing, training, and continuing professional development; Internal Audit planning; and the practice of undertaking and reporting on Internal Audit work.
- 2.2 Since the Code was implemented in 2006, Falkirk Council has worked towards compliance. As well as annual self assessments against the Code, Members will recall that, during 2012, West Lothian Council undertook an external peer review. The outcomes of self assessment and peer review have been reported to Audit Committee previously, both confirming a high level of compliance.
- 2.3 Over the course of 2012, CIPFA and the Chartered Institute of Internal Auditors (the CIIA) have worked to develop a pan-public sector set of standards. The aim of this exercise was to bring together the key elements of the Code, the CIIA's International Standards for the Professional Practice of Internal Auditing, and various other sector specific standards (eg NHS and Central Government).
- 2.4 Draft Public Sector Internal Audit Standards were issued for consultation in July 2012, and Falkirk Council Internal Audit fed into a combined response submitted by the Scottish Local Authorities Chief Internal Auditors' Group in September 2012.
- 2.5 A final version of the Standards was issued in December 2012, with a requirement that the Standards be adopted from 01 April 2013.

3. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

3.1 The Standards are relevant to Members of the Audit Committee as they:

- define the nature of Internal Auditing within the UK public sector;
- set basic principles for carrying out Internal Audit in the UK public sector;
- establish a framework for providing Internal Audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- establish the basis for the evaluation of Internal Audit performance and to drive improvement planning.

3.2 The full text of the Standards is available via this link: <http://www.cipfa.org/Policy-and-Guidance/Standards/Public-Sector-Internal-Audit-Standards>. For Members' information, however, the following bullet points summarise the key points / changes:

- the Standards stress the need for Internal Audit to be a value adding activity;
- they are framed around Attribute Standards (characteristics of Internal Audit providers), Performance Standards (on the nature and quality of Internal Audit services), and Implementation Standards (on specific activities, eg assurance, consulting);
- there is a requirement for an Internal Audit Charter (covering the purpose, authority, and responsibilities of Internal Audit);
- Internal Audit sections are required to develop and maintain a quality assurance and improvement programme (through internal and external assessment);
- the need for Internal Audit to take account of other, alternative, sources of assurance is stressed.

3.3 Fundamentally, the new standards are an evolution of the Code to which we currently work. They are based on professionalism and common sense, which should underpin everything that Falkirk Council's Internal Audit section (individually and collectively) does.

- 3.4 In my 2012/13 Annual Assurance Report to Members, which will be presented to the summer meeting of this Committee, I will provide a statement on our compliance with the CIPFA Code. From next year, however, the Annual Assurance Report will be based around the new Standards.
- 3.5 The first step towards this will be the drafting of an Internal Audit Charter, which will also be included on the agenda of the summer Audit Committee meeting. Thereafter, it is my intention to work towards full compliance with the Standards in as short a timeframe as possible.

4. RECOMMENDATIONS

4.1 Members are invited to note:

4.1.1 that new Public Sector Internal Audit Standards will replace the previous CIPFA Code from 01 April 2013;

4.1.2 the implications for Falkirk Council Internal Audit; and

4.1.3 the commitment to work towards implementing the new Standards in full.



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Internal Audit Manager

Date: 15 March 2013

FALKIRK COUNCIL

Subject: AUDIT COMMITTEE ANNUAL REPORT 2012/13
Meeting: AUDIT COMMITTEE
Date: 25 March 2013
Author: AUDIT COMMITTEE CONVENER

1. INTRODUCTION

- 1.1 The purpose of this paper is to ask Members to consider and agree the contents of the first Audit Committee Annual Report (attached at **Appendix 1**). Should Members be minded to agree the report, it would be my intention to present it to an early meeting of Falkirk Council.

2. BACKGROUND

- 2.1 The Audit Committee considered a revised draft Terms of Reference at its 29 October 2012 meeting. These were approved by Council on 5 December 2012.
- 2.2 The Terms of Reference were drafted to take account of the relevant Chartered Institute of Public Finance and Accountancy (CIPFA) guidance. Emerging good governance practice also suggests that an Annual Report on the work of the Audit Committee is presented to Council by its Convener.
- 2.3 The Annual Report sets out the purpose of the Committee and summarises work undertaken during 2012/13. It also highlights a number of future priorities for the Committee.

3. RECOMMENDATION

- 3.1 **Members are invited to:**
- 3.1.1 **consider and agree the structure and content of the Audit Committee Annual Report 2012/13; and**
- 3.1.2 **confirm that the report be presented to an early meeting of full Council.**

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AUDIT COMMITTEE CONVENER

Date: March 2012
Contact Officer: Brian Pirie

FALKIRK COUNCIL

Subject: AUDIT COMMITTEE ANNUAL REPORT 2012/13
Meeting: FALKIRK COUNCIL
Date: XX XXXX 2013
Author: AUDIT COMMITTEE CONVENER

1. INTRODUCTION

- 1.1 Since its establishment in 2009, Falkirk Council's Audit Committee has continued to evolve in line with relevant guidance and good practice. The appointment of an external Lay Convener in 2011 demonstrated the commitment of the Council to maintaining a culture to support risk management, governance, and control, and confirmed the Committee's place within the Council's wider governance framework.
- 1.2 In January 2012 Members of the Committee met, without Council Officers present, to review its activities against previously agreed Terms of Reference. At that meeting, the Terms of Reference themselves were also reviewed, with revised Terms of Reference subsequently agreed at the December 2012 meeting of full Council.

2. AUDIT COMMITTEE

Purpose of Committee

- 2.1 The purpose of the Audit Committee is to support the Council in its responsibilities for risk management, governance, and control.
- 2.2 It does this by seeking assurance that an efficient and effective system of internal control is maintained, and that reasonable and proportionate arrangements have been established to ensure that assets are safeguarded, waste or inefficiency is avoided, reliable financial information is produced, value for money is continuously sought, and that Council activities are within the law.

Composition and Meetings

- 2.3 Following the May 2012 Local Government elections Committee membership comprised:
- Convener: Mrs. Roseann Stevenson
 - Members: Provost Reid
 Depute Provost Patrick
 Councillor Black
 Councillor Carleschi
 Councillor Coleman
 Councillor Paterson

2.4 The Committee met on three occasions during the period 01 April 2012 to 31 March 2013, on the undernoted dates:

- Monday 24 September 2012 (Special Meeting);
- Monday 29 October 2012;
- Monday 25 March 2013.

2.5 This is in accordance with the requirements of the Terms of Reference of the Committee (Appendix 1). Minutes of all meetings are submitted to full Council.

Business

2.6 The Committee considered a variety of work during the year primarily in relation to Internal and External Audit plans and reports, and the Annual Accounts process.

2.7 A schedule of specific areas considered (in line with the Committee Terms of Reference) is included at **Appendix 2**.

Annual Accounts

2.8 To accommodate Annual Accounts deadlines, the Committee held a special meeting in September 2012. At this meeting Members considered the ISA 260 Report To Those Charged with Governance, the Annual Governance Statement, and the Internal Audit Annual Assurance Report.

2.9 There were no significant matters raised by Audit Scotland following their examination of the 2011/12 accounts.

Internal Audit

2.10 The Committee reviewed and approved the 2012/13 Internal Audit Plan on 12 March 2012. The Internal Audit Plan was based on a risk assessment and took account of input from senior management. The Committee monitored the progress of the Internal Audit Plan and received reports on the key findings of the work throughout the year.

2.11 A summary of Internal Audit work undertaken during 2012/13 is attached at **Appendix 3**. (to be attached following the Internal Audit review of 2012/13)

2.12 A quality review of the Internal Audit function was carried out by West Lothian Council's Audit and Risk Manager. This was reported to the Committee on 29 October 2012, and it was pleasing to note that the results showed a high level of compliance with the CIPFA Code of Practice.

External Audit

- 2.13 Representatives of Audit Scotland, the Appointed External Auditors, attend all meetings of the Committee, and presented their Annual Audit Plan on 12 March 2012. In October 2012 the Committee considered the detailed findings from the audit of the 2011/12 annual audit, with no material matters arising.

3. FUTURE PRIORITIES

- 3.1 As well as continuing to fulfill its core functions (as per its Terms of Reference), the Committee will also consider its role in relation to:

- developments in the risk management process;
- emerging issues and areas of risk;
- governance arrangements;
- the implementation of actions agreed by management to Internal and External Audit recommendations;
- assurance on risk management, governance and internal control from bodies responsible for services provided on behalf of Falkirk Council;
- national reports from bodies such as Audit Scotland where these impact on risk management, governance, and control.

4. RECOMMENDATIONS

- 4.1 Members are invited to note this report on the work of the Audit Committee.

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AUDIT COMMITTEE CONVENER

Date: XX March 2013

AUDIT COMMITTEE – TERMS OF REFERENCE

1. PURPOSE

- 1.1 The purpose of the Audit Committee is to support the Council in its responsibilities for risk management, governance, and control. It does this by seeking assurance that an effective system of internal control is maintained, and that reasonable arrangements have been established to ensure that assets are safeguarded, waste or inefficiency is avoided, reliable financial information is produced, value for money is continuously sought, and that Council activities are within the law.

2. COMPOSITION

- 2.1 **Membership:** The membership of the Committee shall comprise 6 Elected Members and a Lay person who will act as Convener. Executive Officers of the Council are not eligible for Membership.
- 2.2 **Appointment of Convener:** The Convener of the Committee shall be appointed by the full Council on the recommendation of an Appointments Panel following a formal recruitment exercise. The appointment will be until the next Local Government Elections after that date. The post appointment may be terminated at any point by Council decision or by resignation .
- 2.3 **Attendance:** The Chief Executive, Chief Finance Officer, Chief Governance Officer, Service Directors, Internal Audit Manager, and Statutory External Auditor or their deputies shall attend meetings where appropriate. The Committee can request the attendance of any Officer of the Council. The Committee will meet in public, except where it resolves otherwise., All Council Members have the right of attendance and access to papers..

3. MEETINGS

- 3.1 **Frequency:** Meetings of the Committee will be timetabled to coincide with important events and before important decisions are made, and will take account of the annual Internal and External Audit planning and reporting cycle.
- 3.2 Meetings will be held a minimum of four times per year, based on a Core Work Programme identifying the key items of business to be discussed at each meeting.
- 3.3 **Agenda and Papers:** The Agenda and supporting papers will be sent out at least three working days in advance of the meetings. All papers will clearly state the Agenda reference, the author, the purpose of the paper, the author's recommendations in respect of the business, and the decision to be taken.
- 3.4 **Quorum:** No business shall be transacted unless a minimum of 4 Audit Committee Members (with a minimum of 3 elected members required) are present.
- 3.5 **Minutes:** Formal Minutes will be kept of proceedings and will be submitted for approval at the next meeting of the Committee. Minutes of the Audit Committee

will be presented to the next ordinary meeting of Council to ensure that all Members are aware of issues considered and decisions taken.

- 3.6 **Other:** If necessary, additional meetings of the Committee shall be convened and attended exclusively by Members of the Committee and / or the External Auditor or Internal Auditor.

4. OBJECTIVES

- 4.1 The main objectives of the Committee are to provide:
- 4.1.1 independent assurance on the adequacy of the risk management framework and associated control environment within Falkirk Council;
 - 4.1.2 independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects Falkirk Council's exposure to risk and weakens the control environment; and
 - 4.1.3 assurance that any issues arising from the process of drawing up, auditing, and certifying the Annual Accounts are properly dealt with.

5. FUNCTIONS DELEGATED TO THE COMMITTEE

Risk Management, Governance, and Control

- 5.1 To review and seek assurance on the framework of risk management, governance, and control.
- 5.2 To review and seek assurance on the system of internal financial control.
- 5.3 To review the Authority's Assurance Statements to ensure they properly reflect the risk environment, and to produce an annual report on the above to support these statements.
- 5.4 To take account of the implications of publications detailing best practice for audit, risk management, governance, and control.
- 5.5 To take account of recommendations contained in the relevant reports / minutes of external scrutiny agencies.

Internal Audit

- 5.6 To review and approve the Internal Audit Strategy and Plans ensuring that the process has due regard to risk materiality and coverage.
- 5.7 To monitor progress and review audit reports from the Internal Audit Manager.
- 5.8 To monitor management action taken in response to audit recommendations.
- 5.9 To consider the Internal Audit Manager's Annual Assurance Report.

- 5.10 To review the operational effectiveness of Internal Audit by considering its standards, resources, staffing, technical competency, and performance measures.
- 5.11 To ensure there is direct contact between the Audit Committee and Internal Audit, and the opportunity is given for discussions with the Internal Audit Manager (as required) without the presence of Executive Officers.

External Audit

- 5.12 To review the Audit Strategy and Plan, including the Performance Audit Programme.
- 5.13 To consider all statutory audit material, in particular:
 - Audit Reports (including Performance Audit Studies);
 - Annual Reports; and
 - Management Letters.
- 5.14 To monitor management action taken in response to External Audit recommendations, including Performance Audit Studies.
- 5.15 To have the ability to hold meetings with the External Auditors at least once per year without the presence of the Executive Directors.
- 5.16 To review the extent of co-operation between External and Internal Audit.
- 5.17 To note the appointment and remuneration of External Auditors.

Standing Orders and Financial Regulations

- 5.18 To periodically review Standing Orders and Financial Regulations.

Annual Accounts

- 5.19 To review changes in accounting policy.
- 5.20 To review and recommend approval to the Council of the Annual Accounts.
- 5.21 To report on the roles and responsibilities of the Audit Committee and actions taken to discharge those.

6. OTHER

- 6.1 The Committee has a duty to review its own performance, effectiveness, and terms of reference on an annual basis.
- 6.2 The Committee shall keep up-to-date with changes to topical laws and regulations.
- 6.3 An Annual Report of the work of the Committee shall be submitted to the Full Council (by the Convener of the Audit Committee).

- 6.4 The Committee has the power invite such persons with particular expertise in areas being considered by the Committee to address the Committee or to take part in meetings

AUDIT COMMITTEE - SCHEDULE OF BUSINESS
CONSIDERED - 2012/13

Agenda Item	Date Discussed	Item Discussed	Report Author
Risk Management, Governance, and Control			
AC3 (2012/13)	24 September 2012 (Special)	Corporate Governance Arrangements – Key Financial Systems Controls	Chief Finance Officer (covering Audit Scotland report)
xx	29 October 2012	Peer Review of Falkirk Council Internal Audit	West Lothian Council Audit and Risk Manager
	29 October 2012	Scottish Local Authorities Chief Internal Auditors' Group – Annual Report 2011/12	Internal Audit Manager
	29 October 2012	Audit Committee – Terms of Reference	Chief Executive
Internal Audit			
AC4 (2012/13)	24 September 2012 (Special)	Internal Audit: Annual Assurance Report 2011/12	Internal Audit Manager
	29 October 2012	Internal Audit Progress Report	Internal Audit Manager
	29 October 2012	Internal Audit – Outstanding Recommendations	Internal Audit Manager
External Audit			
Standing Orders and Financial Regulations			
N/A	N/A	N/A	N/A
Annual Accounts			
AC5 (2012/13)	24 September 2012 (Special)	Annual Governance Statement 2011/12	Chief Executive
AC6 (2012/13)	24 September 2012 (Special)	Report To those Charged With Governance On The 2011/12 Audit – ISA 260 Report	Chief Finance Officer (covering Audit Scotland report)
	29 October 2012	ISA 580 Letter of Representation	Chief Finance Officer
	29 October 2012	Annual Report on the 2011/12 Audit	Chief Finance Officer (covering Audit Scotland report)

Note:

Agenda items relate to minutes of previous meetings

FALKIRK COUNCIL

Subject: CORPORATE GOVERNANCE ARRANGEMENTS – KEY FINANCIAL SYSTEMS CONTROLS
Meeting: AUDIT COMMITTEE
Date: 25 March 2013
Author: CHIEF FINANCE OFFICER

1. INTRODUCTION

- 1.1 Members will recall that at Special Meeting of the Audit Committee on 24 September 2012, I submitted a report attaching an Action Plan prepared by the Council's External Auditors following the review of the Council's systems of Internal Control. That Action Plan is attached for reference. This report provides an update on actions taken since then.

2. ACTIONS TAKEN TO DATE

- 2.1 All the planned management actions have been completed with the following exceptions:
- Action 3 – where risk not accepted.
 - Action 5 – the majority of lists have now been returned and stragglers are being chased up. The new list should be operational from 01/04/13.
 - Action 10 – where risk not accepted.
 - Action 14 – in 2013/14 we will target resources at those properties where we have been advised they are not empty to prevent any avoidance of the new 90% charge that will be applied.

3. RECOMMENDATION

- 3.1 Members note progress to date on the Action Plan.



Chief Finance Officer

Date: 15 February 2013

Contact Officer: John Flannigan

LIST OF BACKGROUND PAPERS

NIL

Any person wishing to inspect the background papers listed above should telephone Falkirk 01324 506371 and ask for John Flannigan.

Falkirk Council 2011/12 – Systems of Internal Control
Corporation Governance Arrangements – Systems of Internal Control

Action Plan

Key Risk Areas and Planned Management Action

Point	Issues and Risk Identified	Planned Management Action	Responsible Officer / Completion Date
General Ledger			
1.	<p>Our review identified issues in relation to access to the Integra ledger system:</p> <p>There are no formal processes for:</p> <ul style="list-style-type: none"> • user departments to advise the system administrators of leavers to enable their access rights to Integra to be disabled timeously • reviewing access rights of employees to Integra. Such reviews are carried out on an infrequent basis. <p><i>Risk: individuals may be able to gain unauthorised access to the system or to perform tasks for which they do not have authorisation.</i></p>	<p>Monthly reports are received from Payroll detailing leavers that month. These are checked against the Integra user records and leavers deleted.</p> <p>On a quarterly basis reports are produced to ensure no user has both data entry and authoriser access for purchase ledger and purchase ordering to minimise potential fraud.</p> <p>On an annual basis details of current users are sent to Services together with a note of who hasn't logged on for at least 3 months. Services are requested to review the list and advise of any user id's to be deactivated. The review for 2012 has been delayed due to staff secondment and will be undertaken by September 2012.</p>	H MacArthur Accountancy Services Manager – Ongoing / September 2012
Capital Accounting			
2.	<p>Procedural guidance notes are in place for various aspects of the capital accounting process to ensure that appropriate procedures are followed. We note, however, that there are no instructions in relation to recording transactions on the Fixed Asset Register.</p>	<p>User manuals for the Logotech fixed asset register are in place and are referred to regularly. However, it is agreed that more comprehensive procedures should be available. These will be drafted as time permits.</p>	Capital Manager First draft by 31 December 2012

Action Plan

Key Risk Areas and Planned Management Action

Point	Issues and Risk Identified	Planned Management Action	Responsible Officer / Completion Date
	<i>Risk: the absence of guidance notes may result in errors being made when staff update the Fixed Asset Register.</i>		
Treasury Management			
3.	<p>Daily dealing sheets are prepared to identify the Council's daily borrowing requirements, based on available cash balances. The sheets provide for the required borrowing level to be authorised by a senior manager. From a sample of 30 daily dealing sheets checked, we noted that:</p> <ul style="list-style-type: none"> • 17 had not been authorised by a senior manager • 1 was authorised by an accountancy assistant. <p><i>Risk: without proper review borrowing requirements may be inappropriately set.</i></p>	<p>Risk not accepted. Our Treasury Management Practices give authority to accounting assistants and treasury assistants to enter into borrowing and investment decisions subject to a number of restrictions. This is essential in ensuring efficient and timeous cash management. Decisions taken are noted in the daily dealing sheets which are then typed. The typed versions are ultimately counter-signed by the Chief Finance Officer as part of a review of all transactions undertaken. No change to current practice is intended.</p>	No action
Payroll			
4.	<p>Monthly payroll reports are sent to departments for checking and verification of employee details. Services have been instructed to notify the Payroll section of the outcome of these checks to provide assurance that payroll processing is accurate. At the time of our review several services had not notified payroll staff of their outcome for a number of months. (This risk was</p>	<p>Service Directors are requested to confirm by e-mail that they have reviewed the report and investigated any anomalies. Payroll monitor and record these confirmations and issue e-mail follow ups where confirmations are not received. It is noted that the follow up procedures were not operated fully during the maternity leave of</p>	<p>Payroll Manager / Payroll Officer (Systems & Control) - 31 August 2012</p>

Action Plan

Key Risk Areas and Planned Management Action

Point	Issues and Risk Identified	Planned Management Action	Responsible Officer / Completion Date
	also highlighted in 2010/11.) <i>Risk: there is a risk that erroneous or fraudulent payments could be made to employees.</i>	the Payroll Officer (Systems & Control) in 2011/12. These procedures have now been re-introduced.	
5.	During our 2010/11 audit we identified that Payroll staff did not hold up to date authorised signatory lists for some Services. We were advised that the Payroll section was introducing a new system for authorised signatories, to be in place by the end of January 2012. However we now understand that it is now anticipated that this work will not be completed until the end of October 2012. <i>Risk: in the absence of proper authorisation, erroneous or fraudulent payments could be made.</i>	Introduction of the new Authorisation procedures was delayed due to the maternity leave of the Payroll Officer (Systems & Control). Work has re-commenced on this and it is expected that the new procedures will be operational by 1 October 2012 as referred to in the report.	Payroll Manager / Payroll Officer (Systems & Control) - 1 October 2012
6.	Payroll exception reports are produced to identify a variety of events for internal control purposes. It is important that these reports are reviewed and corrective action taken where necessary. We noted that the exception reports selected in our sample had not been signed or dated to evidence who had actioned the exception and it is not therefore possible to confirm that a review has taken place and corrective action applied.	Payroll staff involved in the checking of exceptions will be reminded of the need to evidence that the checking procedure has been completed by initialling the pages they have checked.	Payroll Manager / Payroll Officer (Operation) - 1 August 2012

Action Plan

Key Risk Areas and Planned Management Action

Point	Issues and Risk Identified	Planned Management Action	Responsible Officer / Completion Date
	<i>Risk: payroll errors may go uncorrected.</i>		
Accounts Payable			
7.	<p>High value payments originating in Finance Services are not separately authorised by a senior Finance manager.</p> <p><i>Risk: there is a risk that erroneous or fraudulent payments could be made.</i></p>	<p>There are only five Finance Managers with high value authorisation limit of £100,000 for payments originating in the Section. It is not considered feasible to have the CFO and Depute CFO counter signing these payments. If the payment is to a one-off supplier the Managers will get another signature on the payment voucher although if payment is to a regular supplier it will be authorised electronically in Integra. Pension and Payroll payments are initially processed by a different person from the authoriser.</p> <p>During the processing of the payment runs reports are produced detailing any payment for £100,000 or above and the Senior Officer authorising the run must approve this list.</p>	H MacArthur Accountancy Services Manager – Ongoing
8.	<p>During our sample testing of invoices, we identified one instance of an invoice not being appropriately authorised</p> <p>During our sample testing, we identified one instance of a purchase order not being authorised.</p>	<p>A major review of Authorisation levels is due to be completed this month and details will be forwarded to Services with a reminder that all invoices and orders should be authorised by appropriate staff and in line with</p>	H MacArthur Accountancy Services Manager – August 2012

Action Plan

Key Risk Areas and Planned Management Action

Point	Issues and Risk Identified	Planned Management Action	Responsible Officer / Completion Date
	<i>Risk: there is a risk that erroneous or fraudulent payments could be made.</i>	Council's Financial Regulations.	
9.	<p>During our sample testing of invoices relating to purchases for domestic equipment vulnerable young adults by Social Services, it was identified that when a purchase order is raised, prices for individual items are not always shown and the supplier does not always provide a GRN to support what has been delivered.</p> <p><i>Risk: the council is unable to confirm that it has received the goods ordered or that it has paid the correct price.</i></p>	During the last few months Senior Managers in all Services have been attending "refresher" training on issue of orders and contracts, compliance with financial regulations etc. Details of this particular instance to be obtained and followed up with the Social Work Services	H MacArthur Accountancy Services Manager/ Service Accountant– August 2012
Trade Receivables			
10.	<p>As part of our audit testing we reviewed a sample of amendments to customer standing data. From our sample of 30 amendments reviewed, 2 had no details of the source of the amendment. We are advised that there are instances when customers advise of amendments by telephone, however staff do not request customers to follow up in writing.</p> <p><i>Risk: fraudulent amendments may be made to customer details.</i></p>	<p>Risk Not Accepted</p> <p>To facilitate accurate and timeous billing and recovery, and to avoid correspondence being issued to incorrect addresses it is essential that the capacity to amend records based on telephone calls is retained.</p> <p>It will be last resort but there are circumstances because of reluctance, or capacity, of customer that verbal advice will be acted upon. In the majority of cases, and certainly where appropriate, confirmation of this is sought in writing.</p>	Paul Ferguson Revenues Manager No Action

Action Plan

Key Risk Areas and Planned Management Action

Point	Issues and Risk Identified	Planned Management Action	Responsible Officer / Completion Date
Council Tax			
11..	<p>During our review, we identified that there were delays in the sample checking of data input by management.</p> <p><i>Risk: errors in data input may not be identified timeously.</i></p>	<p>Risk Accepted:</p> <p>Process of migrating to real time sample checking via document management system has been slower than planned and as a result we suffered delays in sample checking.</p> <p>This will be issued monthly until real-time system can be implemented.</p>	<p>Paul Ferguson Revenues Manager</p> <p>Immediate</p>
Non-Domestic Rates			
12.	<p>Management checks are undertaken to sample check non-domestic rate outputs to ensure the appropriateness of processing. At the time of our review, there had been delays in completing these sample checks.</p> <p><i>Risk: erroneous input may not be identified and corrected.</i></p>	<p>Risk Accepted:</p> <p>Process of migrating to real time sample checking via document management system has been slower than planned and as a result we suffered delays in sample checking.</p> <p>This will be issued monthly until real-time system can be implemented.</p>	<p>Paul Ferguson Revenues Manager</p> <p>Immediate</p>
13.	<p>Although officers have recognised the comparison of the number of bills produced at annual billing with the number of properties on the assessment roll, as a key control, there is no formal reconciliation process in place.</p> <p><i>Risk: there is a risk of inaccuracies in billing.</i></p>	<p>Risk Accepted</p> <p>Formal process now in place to record this. Implemented following feedback on 2010/11 accounts but too late for 2011/12 annual billing.</p>	<p>Paul Ferguson Revenues Manager</p> <p>In Place</p>

Action Plan

Key Risk Areas and Planned Management Action

Point	Issues and Risk Identified	Planned Management Action	Responsible Officer / Completion Date
14.	<p>Discounts are given to business properties that are unoccupied. We note, however that there is no formal timetable for empty property visits to verify that properties remain unoccupied.</p> <p><i>Risk: non domestic rate income may be lost if the council fails to identify when properties are re-occupied.</i></p>	<p>Risk Accepted</p> <p>This process to is be reviewed during 2012/13 in line with new legislation expected for 2013/14 where discount will reduce to 10% from existing 50%.</p> <p>We do currently ensure that ratepayers re-apply annually (by cancelling relief at end of each financial year) and provide supporting evidence. If there is no supporting evidence, or any doubt about application targeted visits are undertaken before applying award.</p>	<p>Paul Ferguson Revenues Manager</p> <p>To be reviewed during 2012/13 in line with legislation.</p>
15.	<p>A formal reconciliation between the Assessor's records and NDR system should be undertaken 6 monthly, i.e. September and the year end. We identified that this reconciliation had not been undertaken within the appropriate timeframe.</p> <p><i>Risk: the records on the NDR system may not agree to the Assessor's records.</i></p>	<p>Risk Accepted</p> <p>Reconciliation was undertaken six monthly but due to some technical issues one of these was not fully completed.</p> <p>Remedies have been put in place that facilitated the most recent reconciliation.</p>	<p>Paul Ferguson Revenues Manager</p> <p>In Place</p>
Housing Rents			
16.	<p>As part of our audit we reviewed the unidentified income suspense account. We identified that the majority of the account balance related to aged items. If these balances cannot be identified, they</p>	<p>Agreed. All aged unidentified income will be written off.</p>	<p>Revenues Senior Accountant</p> <p>July 2012</p>

Action Plan

Key Risk Areas and Planned Management Action

Point	Issues and Risk Identified	Planned Management Action	Responsible Officer / Completion Date
	<p>should be written off.</p> <p><i>Risk: the inclusion of old balances that cannot now be identified undermines the robustness of the reconciliation process.</i></p>		
Procurement Cards			
17.	<p>We are unaware of any formal process in place to review the use of procurement cards to confirm a service's continuing need for them.</p> <p>Risk: procurement cards may be unused within services but are not being removed, thereby increasing the risk of misuse.</p>	<p>A review of card usage will be undertaken on a 6 monthly basis. Card-holders will be contacted where cards have been identified as being unused in the preceding 6 month period. Card-holder responses will be logged and where appropriate action taken to discontinue the card. Cards unused for 12 months or more will be automatically discontinued and users asked to reapply.</p>	<p>David McGhee</p> <p>September 2012</p>

Falkirk Council

Annual Audit Plan 2012/13



Prepared for Members of Falkirk Council
February 2013

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Summary Plan

Summary of planned audit activity

Based on our analysis of the risks facing Falkirk Council (the council), our planned work in 2012/13 includes:

- an audit of the financial statements and provision of an opinion on whether:
 - they give a true and fair view of the financial position of Falkirk Council as at 31 March 2013 and its income and expenditure for the year then ended
 - the accounts have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2012 Code of practice on local authority accounting in the United Kingdom (the Code)
- reporting the findings of the shared risk assessment process in an Assurance and Improvement Plan Update. This will consist of the Local Area Network (LAN) examining new evidence in terms of its impact on existing risk assessments and will include updated scrutiny plans for the period 2013/14 to 2015/16
- provision of the annual report on the audit addressed to the members of the council and the Controller of Audit
- a review and assessment of the council's governance and performance arrangements in a number of key areas including the review of: internal controls; the adequacy of internal audit; statutory performance indicators; national study follow-up work; and ICT computer service reviews
- provision of an opinion on a number of grant claims and returns, including Whole of Government Accounts
- review of National Fraud Initiative (NFI) arrangements throughout 2012/13.

Introduction

1. Our audit is focused on the identification and assessment of the key challenges and risks to the council in achieving its business objectives. We also assess the risk of material misstatement or irregularity in the council's financial statements. This report summarises specific governance and other risks that may affect the financial statements of the council, and sets out the audit work that we propose to undertake in 2012/13.
2. In addition to this annual audit plan which focuses on those risks which may impact on the financial statements, we will issue, on behalf of the Local Area Network (LAN), an Assurance and Improvement Plan Update which will update the LAN's joint assessment of the strategic and performance risks facing the council and set out the planned scrutiny activity in the council for the period April 2013 to March 2016.

Our responsibilities

3. Our responsibilities, as independent auditor, are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.
4. Audit in the public sector goes beyond simply providing assurance on the financial statements and the organisation's internal control environment. We are also required to provide a view on performance and the organisation's use of resources. In doing this, we aim to support improvement and accountability.

Our approach

5. Our audit approach is based on an understanding of the characteristics, responsibilities and principal activities, risks and governance arrangements of the council, and identification of the key audit risks and challenges in the local government sector generally.
6. We have considered and documented the sources of assurance which will make best use of our resources and allow us to focus testing on higher risk areas during the audit of the financial statements. The main areas of assurance for the audit come from planned management action and reliance on systems of internal control. Management action being relied on for 2012/13 includes:
 - comprehensive closedown procedures for the financial statements accompanied by a timetable issued to all relevant staff
 - clear responsibilities for provision of accounts and working papers being agreed
 - delivery of unaudited accounts to agreed timescales with a comprehensive working papers package
 - completion of the internal audit programme for 2012/13.
7. Auditing standards require internal and external auditors to work closely together to make optimal use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an early assessment of the internal audit function. Internal audit is provided by the internal audit section within the council. Overall, we concluded that the internal audit service operates in accordance with the 2006 CIPFA Code of Practice for Internal Audit in Local Government and has sound documentation standards and reporting procedures in place.
8. For our financial statements audit work we plan to review the findings and place formal reliance on the work of internal audit in the following areas:
 - Trade receivables
 - Payroll
 - Integra - supplier management and payments
 - Corporate purchasing and contract monitoring

9. For our governance and performance audit work we also plan to review the findings and consider other areas of internal audit work including:
 - Corporate risk management arrangements
 - National Fraud Initiative
 - SPI verification work
10. At the completion of the audit we will provide Members and the Controller of Audit with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

Responsibility for the preparation of accounts

11. It is the responsibility of the council and the chief finance officer, as proper officer, to prepare the financial statements in accordance with the Code. This means:
 - acting within the law and ensuring the regularity of transactions by putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority
 - maintaining proper accounting records
 - preparing financial statements timeously which give a true and fair view of the financial position of the council as at 31 March 2013 and its expenditure and income for the year then ended
 - reviewing the main components of the system of internal control, including the arrangements for internal audit and group entities. This should include consideration of issues identified as part of the audit process
 - preparing an explanatory foreword.

Format of accounts

12. The financial statements should be prepared in accordance with the Code which constitutes proper accounting practice for the purposes of section 12 of the Local Government Scotland Act 2003. The council prepares a Whole of Government Accounts consolidation pack annually for the Scottish Government and is required to prepare its accounts using common accounting principles and standard formats for summarisation.

Audit issues and risks

Summary assurance plan

13. This annual audit plan focuses on governance and other risks specific to the financial statements of the council. Our Assurance and Improvement Plan Update 2013-16 also provides an analysis of wider risks and issues which relate to aspects of the council's performance against agreed outcomes and targets.

14. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified a range of risks for your organisation which require further consideration as part of our 2012/13 audit. In most cases, actions to manage these risks are either planned or underway within the council. Details of the sources of assurance that we have received for each of these risks and any audit work we plan to undertake are also set out in Appendix A. In the period prior to the submission of the unaudited financial statements we will liaise with senior officers on any new or emerging risks.

Performance audit

15. Audit Scotland's Performance Audit Group undertake a programme of studies on behalf of the Auditor General and the Accounts Commission. Recent studies of relevance have included:
- Health inequalities in Scotland (December 2012)
 - Reducing re-offending in Scotland (December 2012)
 - How Councils Work - Managing Performance: Are you getting it right?
 - How Councils Work - Using Cost Information to Improve Performance: Are you getting it right?
 - Protecting consumers (January 2013)
16. Future reports will include, Major capital investment in councils (March 2013) and An overview of local government in Scotland (March 2013).
17. In line with Audit Scotland's strategy to support improvement through the audit process and to maximise the impact of national performance audits, we will follow up a number of studies at a local level. In 2012/13, this will involve the completion of impact templates to describe how the council has considered relevant national reports and a targeted follow-up review of *Scotland's Public Finances: Addressing the challenges* (published in August 2011).
18. The council should consider all relevant issues identified in national studies and take appropriate action as required.

Materiality

19. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
20. An item may be judged material for reasons other than its monetary or quantitative value. An inaccuracy, which would not normally be regarded as material by amount, may be important for other reasons. When such an item affects a critical point in the accounts, its materiality has to be viewed in a narrower context (for example the failure to achieve a statutory requirement, an item contrary to law, or areas affected by central government control).

Reporting arrangements

21. Under the Local Government (Scotland) Act 1973, there is a requirement for unaudited financial statements to be presented to the council and the Controller of Audit within 3 months of the financial year end i.e. 30 June. The non-statutory target for audit completion is 30 September. To achieve this target, it is important that a timetable for the audit of the accounts is agreed with us. An agreed timetable is included at Appendix B of this plan, which takes account of submission requirements, planned committee dates and audit resources.
22. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the responsible head of service and relevant officers to confirm factual accuracy. Responses to draft reports are expected within three weeks of submission. A copy of all final agreed reports will be sent to the chief executive, chief finance officer, relevant senior managers, internal audit and Audit Scotland's best value & scrutiny improvement group.
23. We will provide an independent auditor's report to the council and the Accounts Commission for Scotland that the audit of the financial statements has been completed in accordance with applicable statutory requirements, including an opinion on those financial statements. An annual report to members and the Controller of Audit will also be produced to summarise all significant matters arising from the audit and overall conclusions about the council's management of key risks.
24. All annual reports produced by Audit Scotland are published on our website (www.audit-scotland.gov.uk).
25. The full range of outputs to be delivered by the audit team are summarised in Exhibit 1.

Exhibit 1: 2012/13 Planned Outputs

Planned outputs	Target delivery date
Governance	
Assurance and Improvement Plan update (jointly prepared with other local government scrutiny bodies)	30 April 2013
Review of Adequacy of Internal Audit	28 February 2013
Internal controls management letter	31 July 2013
Performance	
Scotland's Public Finances: Addressing the challenges - follow up report	31 August 2013
Financial Statements	
Report to Audit Committee in terms of ISA 260 (communication of audit matters to those charged with governance)	30 September 2013

Planned outputs	Target delivery date
Independent auditor's report on the financial statements	30 September 2013
Audit opinion on Whole of Government Accounts	5 October 2013
Annual report to members and the Controller of Audit	31 October 2013
Grants	
Audit opinions on Education Maintenance Allowance, Non Domestic Rates Income return, Criminal Justice Social Work Services and Housing Benefit & Council Tax Benefit subsidy.	As required

Quality control

26. We are committed to ensuring that our audit reflects best practice and demonstrates best value to the council and the Accounts Commission. We operate a strong quality control framework that seeks to ensure that your organisation receives a high quality service. The framework is embedded in our organisational structures and processes and includes an engagement lead for every client; in your case Fiona Mitchell-Knight is responsible for ensuring that our work is carried out on time and to a high quality standard.
27. As part of our commitment to quality and continuous improvement, we may periodically seek your views. We would be grateful for any feedback on our services.

Fees and resources

28. In the context of the challenges faced by local authorities, the impact of national spending decisions, and changes made in Audit Scotland's own overall budget we have re-examined our audit fee in 2012/13.

Exhibit 2: Audit Fee

Description	Audit Fee 2011/12	Audit Fee 2012/13	% Change
Total audit fee	£333,973	£318,799	4.54%

29. Our agreed fee for the 2012/13 audit of the council is **£318,799**. Our fee covers:
- all of the work and outputs described in this plan
 - a contribution towards the costs of national performance studies and statutory reports by the Controller of Audit and the work of the Accounts Commission
 - attendance at audit committee meetings and other committees
 - access to advice and information on relevant audit issues
 - travel and subsistence costs.

- 30. In determining the agreed fee we have taken account of the risk exposure of the council, the management assurances in place and the level of reliance we plan to take from the work of internal audit. We have assumed receipt of the draft accounts and working papers by 28 June 2013.
- 31. In 2011/12 Audit Scotland were successful in delivering all of our work for less than the budgeted costs, largely as a result of our cost reduction plans continuing to be achieved faster than planned. As a result, you will receive a one off rebate equivalent to around 6% of the 2011/12 indicative fees. This is in addition to the on going reduction noted above.
- 32. We reserve the right to charge an additional fee for further audit work in such instances as late receipt of the draft financial statements, the lack of agreed management assurances or being unable to take planned reliance from the work of internal audit. An additional fee may be required if our audit cannot proceed as planned.
- 33. Fiona Mitchell-Knight, Assistant Director, Audit Services, is your appointed auditor. The local audit team will be led by Jim Rundell who will be responsible for the day to day management of the audit and who will be your primary contact. Details of the experience of our team are provided at Appendix C. The core audit team will call on other specialist and support staff as necessary.

Independence and Objectivity

- 34. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships within the audit team. We comply with ethical standards issued by the Financial Reporting Council and with Audit Scotland's requirements in respect of independence and objectivity, as summarised at Appendix D.

Appendix A - Summary assurance plan

In this section we identify a range of governance and other risks that may affect the financial statements of the council, the related source of assurance received and the audit work we propose to undertake to secure additional assurance. The management of risk is the responsibility of the council and its officers, with the auditor's role being to review the arrangements put in place by management. Planned audit work, therefore, will not necessarily address all residual risks.

Risk	Source of Assurance	Planned audit action
Financial management and sustainability		
<p>The council continues to face pressure on its budget. This comes at a time of increasing pressures on demand-led services as well as a number of planned national reforms which are likely to have an impact on the council's future financial planning. The council's financial position as at 31 March 2012 was less favourable than anticipated. In addition, the council committed to using an element of the uncommitted general fund to balance the 12/13 budget. This approach is not sustainable in the long term.</p> <p><i>There is a risk that the council will be unable to achieve the necessary savings without compromising service delivery.</i></p>	<ul style="list-style-type: none"> • A corporate working group has been established to develop a medium term financial strategy • The council has prepared indicative budgets for the years 2014/15 to 2016/17 to aid forward planning by identifying medium-term spending pressures and funding constraints • The council refreshed the public consultation exercise on service standards and customer priorities in March 2012 and the outcome from that exercise and the revised corporate plan supported the 2013/14 budget setting process. 	<ul style="list-style-type: none"> • Review the council's budget monitoring reports to the policy and resources committee • Carry out a targeted follow-up review of Audit Scotland's national performance report Scotland's Public Finances: Addressing the challenges.

Risk	Source of Assurance	Planned audit action
Equal pay claims		
<p>The potential liability resulting from equal pay claims remains uncertain and is subject to the outcome of several national test legal cases.</p> <p><i>There is a risk that the ultimate cost to the council is greater than anticipated.</i></p>	<ul style="list-style-type: none"> The council set aside a provision of £5.216m in 11/12 to deal with equal pay claims. This sum was based on the best evidence available at the time The council has a level of reserves which can be used to further increase the provision, if so required The position will be subject to review in 2012/13 and the adequacy of the provision assessed accordingly. 	<ul style="list-style-type: none"> Monitor developments throughout the year and review the equal pay provision as part of the 2012/13 financial statements audit.
Workforce reductions		
<p>The council continues to offer voluntary severance as a means of realising workforce savings, although the number of accepted applications has declined under the existing criteria.</p> <p><i>There is a risk that the council cannot continue to finance the up front costs of severance packages from within existing budgets and services could be adversely affected by the loss of staff.</i></p>	<ul style="list-style-type: none"> The council holds reserves which are available to be applied to severance on a spend to save basis Council services have regard to service delivery impact in assessing severance applications. 	<ul style="list-style-type: none"> Review a sample of exit packages as part of the financial statements audit.
Welfare reform		
<p>The changes resulting from the implementation of the Welfare Reform Act 2012</p>	<ul style="list-style-type: none"> The council has run briefing sessions for community organisations 	<ul style="list-style-type: none"> Audit Scotland will carry out a data collection exercise across Scottish

Risk	Source of Assurance	Planned audit action
<p>are likely to be significant both in terms of the impact on the council and on benefit claimants.</p> <p><i>There is a risk that the council fails to meet the challenges of supporting the delivery of the reform.</i></p>	<ul style="list-style-type: none"> • Work is on going to identify the impact on services and communities • A group of officers has been established to determine how the council will deliver and manage the changes. The group is developing options and models for service delivery for presentation to members. 	<ul style="list-style-type: none"> councils to identify the action being taken to prepare for welfare reforms. The findings will be used to inform the Accounts Commission and provide feedback to councils • Monitor preparedness through review of committee papers and discussion with officers.
Performance management		
<p>Some performance targets are being exceeded by a wide margin. In addition, some performance targets are being met but weakening trends in performance are not being identified and addressed.</p> <p><i>There is a risk that the council's performance management arrangements may not adequately manage poor performance and fail to deliver continuous improvement.</i></p>	<ul style="list-style-type: none"> • Review the self-assessment programme and the improvement planning process to ensure assessments focus on priority areas and achieve improvements • Review performance indicators to support the revised Single Outcome Agreement (SOA) and take account of the SOLACE benchmarking exercise • Review performance targets to ensure that they promote continuous improvement • Deliver training at manager level that focuses on the importance of a performance management culture • Purchase a site license for Covalent to make performance management information more readily 	<ul style="list-style-type: none"> • Meet regularly with the head of policy, improvement and technology to monitor progress against specified actions.

Risk	Source of Assurance	Planned audit action
	<p>available.</p> <p>The target date for all of the above actions is April 2013.</p>	
Risk management		
<p>In January 2013 internal audit reported weaknesses in the council's corporate risk management arrangements. Risk management is a key element of corporate governance that should play a vital role in the decision making process.</p> <p><i>There is a risk that the council fails to identify and respond to risk.</i></p>	<ul style="list-style-type: none"> • The council has recognised the need to develop risk management arrangements and strengthen links with the financial and business planning process in the 2011/12 annual governance statement • Implement action plan agreed with internal audit to address the identified weaknesses. 	<ul style="list-style-type: none"> • Review and assess the council's progress against the internal audit action plan.
Internal audit recommendations		
<p>There are a significant number of outstanding recommendations from internal audit reviews. Management are not consistently taking action to address the identified weaknesses.</p> <p><i>There is a risk that the internal control system will be weakened if management do not take action in response to internal audit findings.</i></p>	<ul style="list-style-type: none"> • Responsible officers will update internal audit when recommendations are implemented and provide evidence to support the action taken • Internal audit will carry out further testing in select cases to verify that recommendations have been implemented • The internal audit manager will provide position statements to the audit committee twice a year so that outstanding recommendations can be monitored. 	<ul style="list-style-type: none"> • Monitor position statements to the audit committee.

Risk	Source of Assurance	Planned audit action
Depreciation of council dwellings		
<p>The council does not charge depreciation on its council dwellings on the grounds that any depreciation, which is based on the gap between the carrying value and residual value, would not be material.</p> <p><i>There is a risk that circumstances change and the depreciation becomes material.</i></p>	<ul style="list-style-type: none"> • The valuer agrees with the council's valuation basis • The valuer provides assurance on materiality of depreciation. 	<ul style="list-style-type: none"> • Review 2012/13 calculation of level of depreciation to determine whether it satisfies treatment as immaterial • Obtain representations from management on treatment of depreciation.

Appendix B - Financial statements audit timetable

Key stage	Date (by)
Testing and review of internal control systems and transactions	January-June 2013
Provision of closedown procedures to audit	31 March 2013
Meetings with officers to clarify expectations of detailed working papers and financial system reports	31 March 2013
Planned committee approval of unaudited financial statements	TBC*
Latest submission of unaudited financial statements with working papers package	30 June 2013
Progress meetings with lead officers in emerging issues	As required
Latest date for final clearance meeting with chief finance officer	13 September 2013
Agreement of unsigned financial statements for audit committee agenda, and issue of report to the audit committee on the audit of financial statements (ISA 260)	TBC*
Audit Committee date	TBC*
Independent Auditor's Report signed	30 September 2013
Latest date for submission of unaudited Whole of Government Accounts (WGA) return for external audit	31 August 2013
Latest date for signing WGA return	5 October 2013
Certified accounts and annual report presented to the council	TBC*

* A special meeting of the council will be convened in late March 2013 to determine the committee timetable.

Appendix C - Audit team

A summarised curriculum vita for each core team member is set out below:

Fiona Mitchell-Knight BA (Hons) FCA

Assistant Director of Audit Services (certifying auditor)

Fiona took up post as Assistant Director of Audit in August 2007, following 6 years as the Senior Audit Manager for a number of local authority clients including Glasgow City Council. Fiona trained as an auditor in the private sector in England, and has 19 years experience of public sector audit with Audit Scotland, covering local government, health and the further education sector.

Jim Rundell MA(Hons) CPFA

Senior Audit Manager

Jim has 28 years public sector audit experience mostly in the local government and health sector. He was seconded to Audit Scotland's Audit Strategy Group (2002 to 2004) where he was responsible for quality appraisal. His more recent audits have included City of Edinburgh Council, NHS Greater Glasgow and Clyde and Lothian Pension Fund.

Lisa Proctor BA (Hons) CPFA

Senior Auditor

Lisa joined Audit Scotland in 2008 after graduating from the University of Glasgow in economics. Lisa has over 4 years experience in public sector audit covering local government, central government and health.

Mark Laird BAcc (Hons)

Professional Trainee

Mark is an accountancy graduate from Stirling University with a 1st class Honours degree. He has 3 years of experience in public sector audit and is currently studying at the final stage of the CIPFA qualification.

Gerry Collins

Auditor

Gerry has 19 years experience working as an auditor/accountant. He has spent the last 10 years working in external and internal audit within the public sector, in both health and local government.

Neil Robb

ICT Senior Auditor

Neil has 18 years experience of public sector audit with Audit Scotland, covering local government, health and the central government sectors. Prior to this, Neil spent 19 years in various IT management, security and operational roles in financial services.

Appendix D - Independence and Objectivity

Auditors appointed by the Auditor General for Scotland are required to comply with the Code of Audit Practice and standing guidance for auditors, which defines the terms of appointment. When auditing the financial statements auditors are also required to comply with the auditing and ethical standards issued by the Financial Reporting Council (FRC). The main requirements of the Code of Audit Practice, standing guidance for auditors, and the standards are summarised below.

International Standards on Auditing (UK and Ireland) 260 (Communication with those charged with governance) requires that the appointed auditor communicates:

- A statement that the engagement team, and others in the firm as appropriate, the firm and, when applicable, network firms have complied with the FRC's Ethical Standards for auditors.
- All relationships and other matters between the firm, network firms, and the entity that, in the auditor's professional judgment, may reasonably be thought to bear on independence. This shall include total fees charged during the period covered by the financial statements for audit and non-audit services provided by the firm and network firms to the entity and components controlled by the entity. These fees shall be allocated to categories that are appropriate to assist those charged with governance in assessing the effect of services on the independence of the auditor.
- The related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

The standard defines 'those charged with governance' as "the person(s) or organization(s) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process." In your case, the appropriate addressees of communications from the auditor to those charged with governance are the s95 officer and the Finance and Audit Scrutiny Committee. The auditor reserves the right to communicate directly with members on matters which are considered to be of sufficient importance.

Audit Scotland's Code of Audit Practice requires appointed auditors to carry out their work independently and objectively, and ensure they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. Appointed auditors and their staff should avoid entering in to any official, professional or personal relationships which may impair their independence, or might lead to a reasonable perception that their independence could be impaired.

The standing guidance for auditors includes a number of specific requirements. The key requirements relevant to this audit appointment are as follows:

- during the currency of an appointment, auditors should not perform non-audit work for an audited body, consultancy or otherwise, without the prior approval of Audit Scotland
- the appointed auditor and key staff should, in all but exceptional circumstances, be changed at least once every five years in line with Audit Scotland's rotation policy
- the appointed auditor and audit team are required to carry out their duties in a politically neutral way, and should not engage in high profile public party political activity
- the appointed auditor and audit team must abide by Audit Scotland's policy on gifts and hospitality, as set out in the Audit Scotland Staff Code of Conduct.

FALKIRK COUNCIL

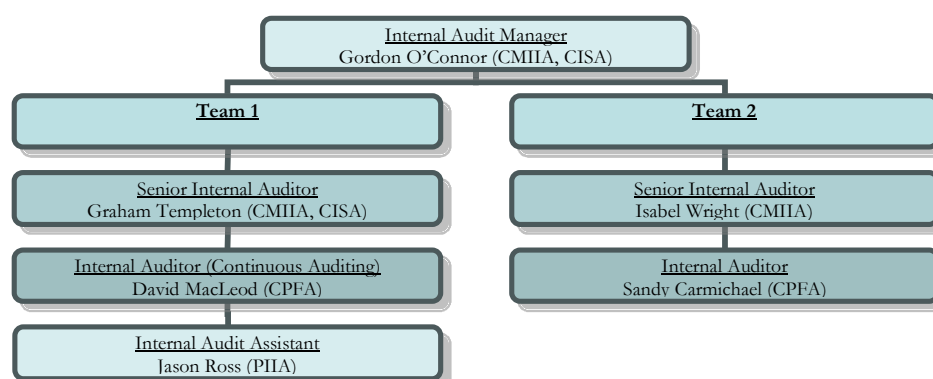
Subject: INTERNAL AUDIT PLAN 2013/14
Meeting: AUDIT COMMITTEE
Date: 25 March 2013
Author: INTERNAL AUDIT MANAGER

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:



- 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 be 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.

FALKIRK COUNCIL

Subject: CORPORATE RISK MANAGEMENT UPDATE
Meeting: AUDIT COMMITTEE
Date: 25 March 2013
Author: DIRECTOR OF DEVELOPMENT SERVICES

1. INTRODUCTION

The purpose of this report is to update Members on developments in relation to risk management. The report presents a revised Risk Management Policy; a draft Framework; and a proposed Work-Plan for 2013.

These documents were presented to the Corporate Risk Management Group (CRMG) in Feb 2013 and approved.

2. BACKGROUND

2.1 The current Risk Management Policy was developed in 2007, and management recognised the need for arrangements to be reviewed, taking account of the recent Internal Audit report.

2.2 The recommendations in the most recent Internal Audit Report are summarised:-

- Review the Risk Management Policy and Strategy, and ensure that it is effectively implemented;
- Develop guidance to be incorporated into the Service Planning process, and embed this through training;
- Ensure that CRMG is an effective scrutiny & review group, with clear terms of reference and an annual assessment of effectiveness;
- Ensure that there is a consistent approach to Risk Management throughout the Council (including Corporate, Service and Project Risk Registers), and to implement appropriate escalation and review of the same (quarterly).

2.3 Further, the Audit Scotland 'Assurance and Improvement Plan' for 2013-16 recognises that improvement is required and highlights that Audit Scotland will follow up the Council's progress against the internal audit action plan.

3. OBJECTIVES

3.1 The purpose of the Risk Management Policy and Framework is to provide a basis for embedding Risk Management processes across the Council. This will also be achieved through the delivery of the 2013 Risk Management Work-Plan.

- 3.2 The Policy and Framework will be supported by guidance, which has been drafted in advance of Service Planning in spring 2013. The guidance will be developed further in 2013 following a review of corporate working groups, including CRMG membership & terms of reference. This will define clearer roles and responsibilities of Members, Committees, Working Groups and Risk Owners (Directors, Chief Officers and Managers) in regards to managing risk.
- 3.3 The Policy & Framework aims to develop a culture where risk management is integral to business decision making. In particular, the Policy emphasises that Good risk management will allow the Council to be 'risk aware' rather than 'risk averse'.
- 3.4 The Framework emphasises that CRMG and Internal Audit will work closely, and reporting to Audit Committee will be in line with the Committee's work-plan.

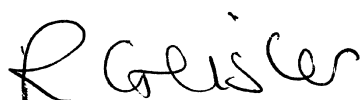
4. RECOMMENDATIONS

4.1 Members are invited to note the following:

4.1.1 Revised Risk Management Policy;

4.1.2 Risk Management Framework;

4.1.3 Risk Management Work Plan for 2013.



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Director of Development Services

Date: 15 March 2013

POLICY STATEMENT – THE COUNCIL’S RISK MANAGEMENT APPROACH

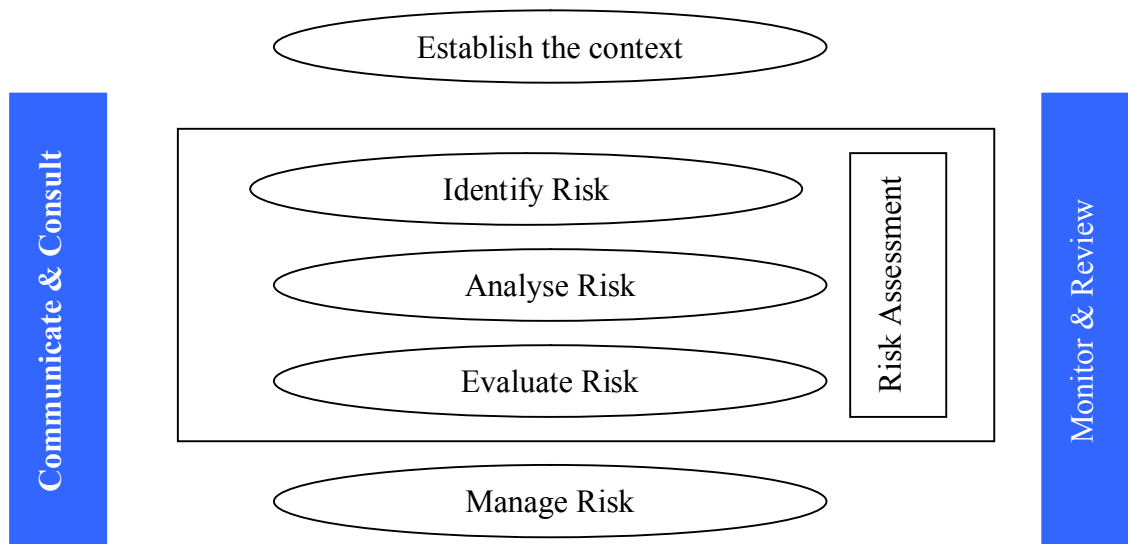
The purpose of this Risk Management Policy is to set out the framework for embedding Risk Management across Falkirk Council.

The Council encourages decision makers to be Risk ‘Aware’ rather than Risk ‘Averse’. This includes encouraging innovation and ‘opportunity related risk’, provided that the risk is assessed and justified in the context of the anticipated benefits for the Council.

The Council aims to embed a culture whereby Risk Management is recognised as a continuous process, demanding awareness and action from employees at every level, to reduce the possibility and impact of injury and loss. Risk Management should be seen as an enabler to achieving the Council’s objectives.

Risk Management requires the identification, assessment, management, monitoring and reporting of risk by the Council, in order to support the effective management of the organisation’s employees, finances, operations, assets and reputation. The following diagram summarises the required approach.

Table 1: Risk Management Process outlines the key stages of the process.



Each stage will be further defined within the Council’s Risk Management Guidance.

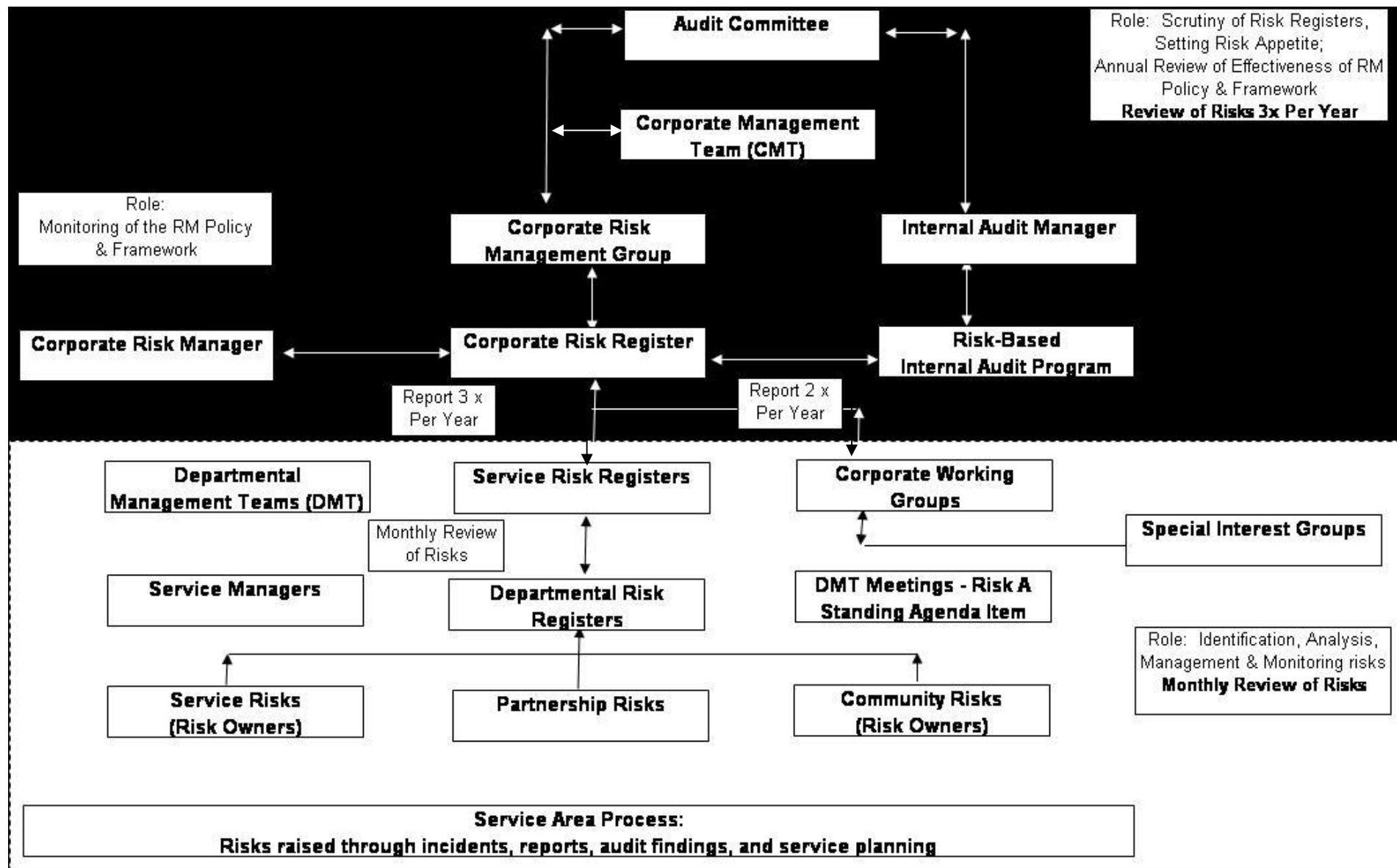
Risk affects every activity to a greater or lesser degree and failure to acknowledge this can lead to serious consequences. The Council’s Corporate Risk Register sets out risk under the following 7 headings:

- Failures in proper **financial** management
- Failures in proper **information** management (availability, integrity and security)
- Failures in **Human Resources** management (including recruitment, retention, safety)
- Failure to properly manage **assets**
- Failure to properly recognise, plan for, and manage significant **change**, both internal and external
- Failures in **governance**, leadership, accountability or decision making
- Failures in **partnerships** or contracts with external bodies

Risk Management is a key component of Corporate Governance and Resilience, and therefore, should be embedded within the Council's management at every level, including Community, Corporate and Service Planning and Performance Management.

If the Council is to manage risk effectively it will be required to demonstrate that Risk Management is carried out in a systematic and structured manner and that it is subject to monitoring & challenge.

RISK MANAGEMENT FRAMEWORK



RISK MANAGEMENT WORK-PLAN FOR 2013

Note: The focus is on delivering Stages 1 and 2. Stages 3 to 5 are draft and the content & time-line may change following development of earlier stages				2013															
Task		Audit Committee	Responsible	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec				
Stage 1: Awareness																			
1 Planning		Mar-13	HC/ RG/ GO'C																
1.1 Identify a dedicated resource to assist in Risk Management Development			RG																
1.2 Develop RM Work-Plan for 2013 (aligned with Audit Work Plan)			HC																
1.3 Review RM Policy			HC																
1.4 Draft RM Framework			HC																
1.5 Approval of the above by CRMG			CRMG																
1.6 Approval of the above by CMT, then Audit Committee			CMT/ Audit Cttee																
Stage 2: Happening																			
2 Governance (Roles & Responsibilities)		May-13	HC/ RG/ GO'C																
2.1 Identify & map out corporate working groups; their membership & terms of reference.			HC/CRMG																
2.2 Review Corporate Working Groups (Aim: Clear ToR, fewer & more effective groups)			HC																
2.3 Revise Membership & ToR of CRMG (Aim: Clear Terms of Reference & effective)			RG																
2.4 Develop workplan, including standing items (e.g. CRR) and cyclical reporting from Services (e.g. SRR's) and Working Groups (e.g. Health & Safety, ICT & BCP/EP).																			
2.5 Approval of the above by CRMG			CRMG																
2.6 Approval of the above by CMT, then Audit Committee			CMT/ Audit Cttee																
Stage 3: Working																			
3 Framework, Risk Registers and Systems. Develop guidance and framework.		Nov-13	HC/ CRMG																
3.1 Finalise Framework following review of roles & responsibilities of working groups			HC																
Approval of Framework by CRMG			CRMG																
3.2 Risk Registers:																			
Develop Guidance, linked with Service Planning & Performance Reporting			HC																
Review of Service Risk Registers by CRMG Members			CRMG																
Update Corporate Risk Register (CRR), and align with Corporate Plan			HC																
3.3 Develop CRMG Agenda (structured around Working Groups & Risk Registers)																			
Progression of outstanding items on current CRMG Agenda e.g. security review.			HC																
3.4 Align Risk Management with Business Continuity Planning & Resilience																			
3.5 Risk Systems (Aim: Streamline Risk Registers & Risk Reporting Processes)			HC																
Review of how other Councils (e.g. WLC) use Covalent to link Risk & Performance			HC																
Review any current systems used by Services to review Risk Registers.			HC																
3.6 Guidance:			HC																
Develop guidance on RM for services (Aim: Consistent but flexible approach)			HC																
3.7 Decision Making & Reporting:			HC																
RM to be a standing agenda item on DMT/ Unit / Team Meetings & Board Reports																			
3.8 Review of Service contacts for risk management and training needs.			HC/ CRMG																
3.9 Approval of Framework, and Progress Review by CMT and Audit Committee			CMT/ Audit Cttee																
Stage 4: Embedding & Integrating																			
4 Training & Communications		Nov-13	HC, CRMG & Services																
4.1 Training: Develop Risk Training Needs (including online training) - review other Council's approach and work with Organisation & Development Team.			HC																
Approval of Guidance and Training			CRMG																
Develop risk Management training for Members & Senior Managers			HC																
Develop training for Service Risk Co-ordinators			HC																
Develop training for Line Managers			HC																
4.2 Communications:																			
Develop RM Intranet			HC																
4.3 Develop CRMG Annual Report for 2013, and Work-Plan for 2014. Align with Audit Plan			HC/ RG/ GO'C																
5.1 Community Risk Register Review - align with SOA																			
5.2 Develop Partnership Risk Registers			HC, CRMG & Services																
Stage 5: Driving																			
5 Annual Risk Report & WorkPlan		2014	HC/ RG/ GO'C																
5.3 Ongoing Reviews, including:																			
Annual Review by Marsh (included within original fee)																			
Monitoring of service compliance with Strategy / Policy / Guidance (e.g. Annual Self Assessment of Effectiveness of CRMG)																			
Self Assessment by Services (align with H&S Statements of Assurance)																			
Annual Update to 3 year Assurance & Improvement Plan																			
Internal Audit Review																			
				Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec				
Notes:																			
1 The RM workplan is grouped under ALARM (Assoc Of Local Authorities RM's) 5 streams for Embedding Risk Management.																			
2 Risk Register & Annual Report submissions to CRMG by Services should be in the month preceeding the Services update to the Best Value Forum (BVF)																			
3 Add into proces time-lines for H&S Statements of Assurance to be completed by Services and to be discussed at CRMG																			
																2014 & Recurring			

CORPORATE RISK REGISTER

Risk	Potential outcomes	Potential consequences	Controls	Review mechanisms
1. Failures in proper financial management	• Breach of statutory duty to achieve best value	• Failure to deliver core services to stakeholders.	• CMT commitment to good financial governance and achievement of best value.	• CMT scrutiny;
	• Material mis-statement of financial position	• Failure to achieve and demonstrate best value;	• Clear and up to date Standing Orders and Financial Regulations.	• Internal and External audit scrutiny and other inspections.
	• Inability to fulfil financial and policy obligations	• Prosecution or other legal remedy.		• Member scrutiny via established Committee structure, including the Audit Committee.
	• Failure to collect all income due.	• Compromise the financial position of organisations.with whom we interact.	• Reliable financial management IT systems.with appropriate automated controls.	• Service management meetings;
	• Flawed borrowing or investment related decision making.	• Compromised medium to long term financial position.	• Robust budgetary control procedures.	• SPSO.
	• Fraud / irregularity;	• Financial loss;	• Timely and accurate management information to officers and members.	
	• Failure to plan for economic climate.	• Damage to reputation;	• Internal and external scrutiny.	
	• Failure to pay invoices timeously.	• Detrimental impact on partner organisations.	• CIPFA Code of Practice for Treasury Management.	
	• Failure to achieve SOA, Corporate and Service plan objectives.	• External intervention / control	• Anti-fraud arrangements;	
	• Qualification of Annual Accounts or criticism from the appointed external auditor.		• Complaints procedure	
			• SOA, Corporate and Service Plans (including Pl's).	

2. Failures in proper information management (availability, integrity and security).	• Information / data loss;	• Financial loss resulting from reliance on flawed or incomplete data.	• CMT commitment to good information governance.	• CMT scrutiny;
	• Information / data corruption.	• Prosecution or other legal remedy.	• Compliance with relevant legislation.	• Internal and External audit scrutiny and other inspections.
	• Breach of statutory duty;	Failure to deliver core services.	• Clear ICT strategy and supporting policy & procedures.	• Service Management meetings;
	• Compromised decision making.	• Detrimental impact on partner organisations.	• Clear Records management policy & procedures.	• Member scrutiny via established committee structure.
	• Adverse publicity.	• Damage to reputation.	• Acceptable Use of the internet and email policy.	• SPSO
	• Breach of confidentiality, compromising staff, public, or other stakeholders.		• Information Audit and logging of information transfers (electronic or otherwise).	• SIC
	• Flawed decision-making or reporting.		• Complaints procedure;	
	• Failure to achieve SOA, Corporate and Service plan objectives.		• SOA, Corporate and Service Plans (including PI's).	
			• SOA, Corporate and Service Plans (including PI's).	
			• Corporate working groups including ICT strategy groups, records management working groups, freedom of information working group and CRMG.	

3. Failures in human resource management	<ul style="list-style-type: none"> • Insufficient staff; 	<ul style="list-style-type: none"> • Failure to deliver core services. 	<ul style="list-style-type: none"> • Appropriate management and accountability structures. 	<ul style="list-style-type: none"> • CMT scrutiny;
	<ul style="list-style-type: none"> • recruitment and retention problems 	<ul style="list-style-type: none"> • Damage to reputation ; 	<ul style="list-style-type: none"> • Adequate and appropriate staff establishments. 	<ul style="list-style-type: none"> • Service management meetings;
	<ul style="list-style-type: none"> • absence; 	<ul style="list-style-type: none"> • Prosecution or other legal remedies e.g. employment tribunals, damages. 	<ul style="list-style-type: none"> • Up to date Member / Officer job descriptions in place. 	<ul style="list-style-type: none"> • External accreditation eg liP;
	<ul style="list-style-type: none"> • Non performing staff,; 	<ul style="list-style-type: none"> • Cost of identifying and rectifying human errors. 	<ul style="list-style-type: none"> • Clear and robust HR policies and procedures. Including job evaluation scheme. 	<ul style="list-style-type: none"> • Internal and External audit scrutiny and other inspections.
	<ul style="list-style-type: none"> • not properly qualified; 	<ul style="list-style-type: none"> • Cost of covering vacant posts. 	<ul style="list-style-type: none"> Service Plans including PI's. 	<ul style="list-style-type: none"> • SPSO;
	<ul style="list-style-type: none"> • not properly supported; 	<ul style="list-style-type: none"> • Other financial loss. 	<ul style="list-style-type: none"> Roll out of APDS to all staff. 	<ul style="list-style-type: none"> • Member scrutiny via established committee structure including JCC.
	<ul style="list-style-type: none"> • not properly trained; 		<ul style="list-style-type: none"> Premises Manager handbook and associated guidance. 	
	<ul style="list-style-type: none"> • not properly paid; 		<ul style="list-style-type: none"> • Off-site handbook; 	
	<ul style="list-style-type: none"> • Sick/injured staff; 		<ul style="list-style-type: none"> • Timely and accurate management information. 	
	<ul style="list-style-type: none"> • Inequitable treatment of staff. 		<ul style="list-style-type: none"> • SOA, Corporate and Service Plans (including PI's). 	
	<ul style="list-style-type: none"> • Failure to achieve SOA, Corporate and Service plan objectives. 		<ul style="list-style-type: none"> Corporate Working groups, including Health @ Work, Safety @ Work, CRMG. 	
			<ul style="list-style-type: none"> Service Based Forum. 	

4. Failure to properly manage assets.	Deterioration in both fixed and moveable assets resulting in:	• Failure to deliver core services	• Finance Capital Section / General Services and Housing Capital Programmes.	• CMT scrutiny
	• harm to others;	• Prosecution or other legal remedies.	• Asset register;	• Service management meetings;
	• increased repairs and maintenance obligations.	• Damage to reputation;	• Asset Management Plan;	• SPSO;
	• loss of value if realised;	• Unnecessary revenue and capital expenditure including insurance claims.	• Property and asset maintenance schedules.	• Internal and External audit scrutiny and other inspections.
	• increased replacement costs.	• Shortfall in receipts leading to capital programme slippage or compromise.		
	• not making best use of fixed assets.	• Failure to demonstrate and achieve good environmental governance and sustainability.		• Member scrutiny via established member structure.
	• environmental impact;		• Contractual repair and maintenance arrangements.	
	• Failure to achieve SOA, Corporate and Service plan objectives.		• Assessment of environmental and other risks.	
	• [Acquisition]		• Procurement Strategy, governance and advice.	
	• [Rationalisation]		• Sustainability Strategy and environmental management targets.	
			• Premises managers' handbooks, including arrangements for health and safety, legionella, etc.	
			• Off site plan;	
			• Complaints procedure;	
			• SOA, Corporate and Service Plans (including PI's).	
			• Procurement Strategy, Board and other corporate management groups, and user intelligence groups.	
5. Failure to properly recognise, plan	• Missed opportunities / failure to maximise financial position.	• Financial or reputational damage by consequences of change.	• Corporate and Service risk management arrangements.	• CMT scrutiny

for, and manage significant change, both internal and external.		• Failure to achieve SOA, Corporate and Service plan objectives.		• SPSO
		• Breach of statutory duty;	• Business continuity plans;	• Internal and External audit scrutiny and other inspections.
		• Failure to deliver core services.	• Emergency response plans.	• Member scrutiny via established committee structure.
		• Failure to achieve and demonstrate best value;	• [Horizon scanning;]	
		• Prosecution or other legal action.	• Consultation papers and outcomes.	
		• Damage to reputation.	• Service plans;	
		• Financial loss;	• External groups;	
		• Detrimental impact on partner organisations.	• Liaison with Central and Local Government partners.	
		• Failure to deliver core services.		

6. Failures in governance, leadership, accountability and decision making.	• Breakdown in relations between Members and Officers.	• Failure to achieve SOA, Corporate and Service plan objectives.	• SOA, Corporate and Service Plans (including PI's).	• CMT;
	• Members / Officers unclear/ unsure of duties and responsibilities.	• External intervention (overturn decisions and consequences thereof).	• Committee structure;	• Internal and External Audit scrutiny;
	• Poor quality decisions;	• Breach of statutory duties;	• Monitoring Officer;	• Standards Commissioner;
	• Lack of strategic vision, direction and outcomes.	• Damage to reputation;	• APDS for Members;	• Internal and external audit and other inspections.
	• Unworkable organisation;	• Failure of Members / officers to fulfil responsibilities.	• Code of conduct	• SPSO;
		• Failure to deliver core services.	• Standing orders via scheme of delegation.	• Service management meetings.
		• Prosecution and other legal action.	• Democratic process;	
		• Financial loss;	• Annual Governance Statement	
		• Detrimental impact on partner organisations.	• Corporate consultation on draft committee reports.	
			• Service/Best Value reviews.	
			• PSIF	
			• Member scrutiny via established committee structure.	

7. Failures in partnerships or contracts with external bodies.	• No delivery mechanism for plan/ project.	• Failure to deliver core services.	• Committee scrutiny.	• CMT
	• Failure of supply chain;	• Prosecution or other legal action.	• Partnership agreement.	• Member scrutiny via established committee structure.
	• Failure to achieve SOA, corporate and other objectives.	• Damage to reputation;	• Contract terms;	• Internal and external audit and other inspections.
	• Failure to achieve purpose of partnership or contract.	• Financial loss;	• SOA, Corporate and Service Plans.	• Service management meetings.
		• Detrimental impact on partner organisations.	• Corporate working groups;	
			• External working groups;	
			• Suppliers/partners business continuity arrangements.	
			• External governance arrangements.	

FALKIRK COUNCIL

Subject: STRATEGIC PROCUREMENT IN FALKIRK COUNCIL
Meeting: AUDIT COMMITTEE
Date: 25 March 2013
Author: DIRECTOR OF CORPORATE AND NEIGHBOURHOOD SERVICES

1. INTRODUCTION

1.1 In October 2011 Members considered and approved a change of contract award for the provision of tyres to the Council's Fleet Services division. The change of contract award resulted from a challenge by one of the tendering companies. This challenge led to a review of the contract being undertaken by Internal Audit and the Council's Corporate Procurement Unit. Following the review of the contract process, various operational improvement actions within Fleet Services have been implemented and the new contract for tyres has subsequently been operating effectively since commencing in late 2011. The Audit report identified the following issues:

- The need for additional guidance & training on contract management
- The respective responsibilities of Services and the purchasing unit should be clearly defined
- Each procurement exercise should include a formal review of the specification
- The functionality of current systems to enable purchase to pay should be reviewed

1.2 Additional to the specific operational and administrative changes implemented within Fleet Services, Members also asked for a corporate review of procurement processes and procedures to be undertaken. The objective of the corporate review was to provide assurance that best practice was being adopted across all Council services.

1.3 In February 2012, Members of the Best Value Forum considered a report outlining the proposed scope of a Corporate Procurement Review. The report outlined actions designed to improve performance across 5 core areas:

- Awareness, Training & Guidance
- Purchase to Pay processes (P2P)
- Consumption and compliance analysis
- Contract Management
- Commodity Strategies

1.4 Since February 2012, some of the deliverables achieved through the review include:

- Training delivered to senior staff across all Council Services, over 200 officers
- Measurable savings of c£1.6m to date, over £1m above target
- Implemented new guides in relation to Procurement Procedures; Contract Management and Procurement Journey
- Adopted a new approach to expanding the use of Community Benefits through framework agreements and with partners, which has delivered over 150 placements

- Implemented a new sustainable procurement guide and achieved WWF Silver status for sustainable timber, one of only a few Local Authorities with this status
 - Improved compliance via use of Quick Quotes c£1.6m since April 2012
- 1.5 A core measurement of progress across the key areas outlined in 2.3 above is the national PCA process. Procurement improvement across these key areas is considered essential, to enable the Council to increase its PCA outcome from the 35% score achieved in 2011. Although 35% demonstrated strong compliance against good practice it was short of the 50% national target that all 32 Councils were expected to achieve by the end of the 2012 PCA process.

2. 2012 PROCUREMENT CAPABILITY ASSESSMENT (PCA)

- 2.1 All 32 Scottish Local Authorities have now been assessed as part of the 2012 program. The assessment process was completed in December 2012 and Falkirk Council has improved its PCA performance from **35%** in 2011 to **56%** in 2012. This represents the most significant improvement of all the 32 Councils and is more than double the Scottish average increase of 9%. Falkirk Council is now firmly in the upper quartile of top forming Councils. An outline of the PCA outcomes for all 32 Councils is attached at Appendix 1.
- 2.2 The PCA is a challenging and evidenced based assessment process and this is reflected in the fact that of the 32 Councils assessed, 14 did not achieve the Local Authority target of 50% by the end of the 2012 assessment period. The Local Authority average assessment score is 47% and this further evidences the degree of difficulty of moving the Local Government sector into the improved status (i.e.: between 50% and 74%) of the PCA model.
- 2.3 The PCA is first and foremost an improvement tool and the process has been developed to cover 8 core areas. The core areas cover the full spectrum of procurement and thereby provide evidence of strengths and weaknesses, across all areas. Falkirk's score was as follows:

SECTION	SCORE	STATUS
Procurement Leadership and Governance	60%	Improved
Procurement Strategy and Objectives	73%	Improved
Defining the supply need	61%	Improved
Procurement Commodity/Project Strategies and Collaborative Procurement	61%	Improved
Contract & Supplier Management	43%	Conformance
Key Purchasing Processes & Systems	53%	Improved
People	72%	Improved
Performance Measurement	22%	Developing
TOTAL	56%	Improved

- 2.4 Whilst the above table evidences strong performance across most of the assessed areas, there is opportunity to further strengthen and improve over the forth coming financial year.

Planned developments and improvements for 2013/14 include:

Strategy and Leadership: Improved governance with the Procurement Board creating and driving stronger linkages between procurement best practice and business planning at a service level. This will involve ensuring the Procurement Board meets quarterly, with strong commitment to attendance by all Services. In addition, the Board should also receive regular reports on procurement compliance and the development of best practice. Embedding a Procurement Planning Framework will also further provide improvement within this area.

Procurement Systems: There is a need to develop smarter and joined up procurement processes and systems (i.e.: Purchase to Pay (P2P) systems, contract management tools and agreed PIs for performance reporting). System upgrades for Integra (the Council's core financial system) are now in place and a small team has been established within Finance Services to lead (in conjunction with the Central Purchasing Unit (CPU)) the implementation of smarter and more compliant P2P processes. The roll-out of new processes and procedures across Services will take place over 2013/14. The development of an integrated performance reporting framework, including improved reporting via the Council's Financial Management System will also be a key improvement action for 2013.

Contract Management: It is acknowledged that there needs to be clearer definitions of accountability for staff, where commodity specialists (who need not be in the CPU) have access to quality real time spend data, strategically manage supplier relationships, have authority to drive contract compliance and manage consumption within and across Services. This will require Commodity Specialists to be identified for all key Council contracts, with enhanced training and support provided to ensure they manage supplier relationships, have authority to manage consumption and that supplier performance is regularly reported, through the development of a reporting framework in line the Council's Contract Management Guide.

Commodity Strategies: A greater focus on the creation of commodity strategies where spending is grouped around market facing activities and not focused on activities at a Service/Budget level. This will involve the preparation and adoption of individually defined commodity strategies around market facing activities.

Training: Improving procurement competencies and skills through the identification at a service level of everyone involved in procurement and contract management activities. An annual training calendar is in place and has three distinct work streams General; Specialist and Member.

- General training will cover back-ground to why procurement is important and contract standing orders and financial regulation requirements. This will build-on and expand the scope of training delivered in 2012 to a broader base of Council staff
- Specialist training is targeted at those officers who have significant buying and procurement responsibilities within their remit. This covers matters such as EU requirements; contract management processes and defining the supply need. There is a need to clearly identify and define specialist officers. This will form part of the work with respective services in developing individual Service Procurement Plans.
- Member training was initially scheduled for late 2012 but had to be cancelled. Further consideration is being given to alternative sources of support, including an information pack.

2.5 As part of the Corporate Procurement Review additional temporary staffing resources were recruited to drive procurement improvement. The resourcing of the

Corporate Procurement Unit (CPU) to levels in line with similar sized organisations was fundamental to the improved performance evidenced through the 2012 PCA. The additional staffing has also allowed more resource to work with Services to improve levels of compliant spending, help Falkirk Council increase its collaboration across the public sector and also to deliver procurement savings across a range of commodities and service areas. It is however recognised that there are opportunities to drive further improvements.

- 2.6 It is essential for the Council to sustain the momentum of procurement improvement evidenced in the last 12 months, particularly given the on-going financial difficulties facing the Council. As such, a structural review of the CPU structure is underway in order to provide a stable foundation for procurement improvement going forward.

3. CORPORATE PROCUREMENT PLANNING

- 3.1 The development of a Procurement Planning Framework, encompassing a Corporate Procurement Plan, supporting by individual Service Procurement Plans is a key delivery vehicle for continued procurement improvement. The aim of a Corporate Procurement Plan is to ensure that the Council uses procurement strategically to support Community and Corporate Plan priorities and that procurement activity help sustain the delivery of quality front line services. The Corporate Procurement Plan challenges existing ways of working and sets the Council's strategic direction for Procurement across all areas of Council service provision.
- 3.2 The basis of the Plan is to provide analysis and transparency of the Council's third party procurement spending. This visibility and challenge of spending activities ensures that procurement from third parties is undertaken in a planned, compliant, transparent and efficient manner across all Services of the Council.
- 3.3 The Plan will therefore provide further reassurance that procurement activity is subject to strong governance. In addition, a corporate procurement planning structure, supported by individual service procurement plans, clearly lays out roles and responsibilities. The main benefits of the Procurement Planning Framework are:
- Procurement is delivered at a strategic level within and across the Council. It supports the Council's objectives and prioritises opportunities in terms of delivery of benefits and maximisation of existing resources;
 - Transparency in the use of £180m per annum of public funds and effective management of all procurement activities, including contract management to ensure value for money whilst supporting the delivery of front line services;
 - Evidencing best practice in procurement and improving processes and policies in a consistent and standardised manner across all areas of Service provision;
 - Compliance with EU Procurement Directives, EC Treaty, Scottish Government Guidelines and Council Standing Orders so that procurement activity is effectively monitored and managed;
 - Developing transactional and strategic partnership arrangements with providers and other procuring organisations and exploring opportunities for joint delivery of services with others;

- Promoting the role of procurement in developing local economic sustainability, and in protecting the environment through environmentally sensitive procurement.
- 3.4 The Corporate Procurement Plan forms the basis to define and agree individual Service Procurement Plans. These Service procurement plans provide detailed analysis of service spending, help shape individual commodity strategies and allow procurement priorities and allocation of CPU resources to be established at an individual Service level.
- 3.5 In taking the Corporate and Service Procurement Plans forward, the Council can expect to realise the following benefits:
- More efficient procurement procedures;
 - Effective partnerships developed with providers;
 - Benefits for the local economy;
 - Effective collaboration with other service providers;
 - Improved value for money, through:
 - Achieving better value for money for the goods and services purchased and improving the quality of those goods and services
 - Reducing the cost of purchasing and the time it takes
 - Improving the management of contracts
 - Ensuring that procurement expertise is applied to Service needs
- 3.6 The visibility and analysis of the Council's procureable spend evidenced through the planning framework will ensure that procurement from third parties is undertaken in a planned, compliant, transparent and efficient manner across all Council services.

4. RECOMMENDATIONS

4.1 Audit Committee are asked to:

- **Note the progress made in delivering procurement improvement and the outcome of the 2012 PCA assessment and**
- **Note the planned improvement actions during 2013/14**



DIRECTOR OF CORPORATE & NEIGHBOURHOOD SERVICES

Date: 18 March 2013

Our ref: CBA0313

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APPENDIX ONE

	2011 Score	2012 Score	2012 position
Renfrewshire	66	75	1st
Aberdeen City	58	64	2nd
Aberdeenshire	58	62	3rd
East Renfrewshire	51	58	4th
F A L K I R K	35	56	5th
South Lanarkshire	36	55	6th
Glasgow	64	55	7th
Midlothian	33	54	8th
Perth and Kinross	45	54	9th
Argyll & Bute	41	53	10th
South Ayrshire	39	53	11th
East Ayrshire	44	52	12th
Edinburgh	51	51	13th
North Ayrshire	34	51	14th
Highland	44	51	15th
North Lanarkshire	47	50	16th
Scottish Borders	45	50	17th
Stirling	42	50	18th
Inverclyde	34	47	19th
Moray	37	46	20th
Angus	36	44	21st
Dundee	37	44	22nd
East Lothian	32	44	23rd
West Lothian	37	44	24th
West Dunbartonshire	33	44	25th
Fife	42	43	26th
CNES	29	40	27th
Dumfries & Galloway	37	38	28th
Shetland	19	33	29th
Clackmannanshire	31	31	30th
Orkney	21	27	31st
East Dunbartonshire	31	25	32nd