CLACKMANNANSHIRE COUNCIL

Report to Resources and Audit Committee

Date of Meeting: 01 May 2014

Subject: Internal Audit and Fraud Progress Report

Report by: Internal Audit and Fraud Team Leader

1.0   Purpose

1.1.   This report provides an update on work completed from the Internal Audit and Fraud Annual Plan 2013/14, which was recommended to full Council for approval by the Resources and Audit Committee on 2 May 2013, in accordance with the Financial Regulations. Further to this the report provides an update of progress made on the 2014/15 Annual Plan which was recommended to full Council for approval by the Resources and Audit Committee on 11 March 2014.

1.2.   The report also provides an update on the progress of implementation of recommendations to 31 March 2014 by Officers from previous Internal Audit Reports.

2.0   Recommendations

2.1.   The Committee is asked to note, comment on and challenge the report and progress made on the Internal Audit and Fraud Annual Plan 2013/14 and the 2014/15 Plan.

3.0   Considerations

Progress Against 2013/14 Plan

3.1.   Progress on completion of the Assurance element of the Annual Plan 2013/14, is summarised in the table below, with more detail being provided in **Appendix A.**

Status of Audits		%
To be Commenced	0	0%
Onsite/On going	0	0%
Draft Report Issued	5	29%
Final Report Issued	12	71%
Total	17	100%

Progress Against 2014/15 Plan

3.2. Progress on completion of the Assurance element of the Annual Plan 2014/15, is summarised in the table below, with more detail being provided in **Appendix B.**

Status of Audits		%
To be Commenced	15	88%
Onsite/On going	2	12%
Draft Report Issued	0	0%
Final Report Issued	0	0%
Total	17	100%

3.3. To provide members with more information on progress of the plans we have provided terms of reference for audits that are currently ongoing or are due to start in the near future and have been agreed. These are provided at **Appendix C** and cover the following reviews;

- Devolved School Management

- Savings and Efficiencies- Overtime.

   Final Reports- Assurance

3.4. The following reports from the 2013/14 plan are provided for:-

- Targeted Follow Up Of Review Of Arm's-Length External Organisations (**Appendix D)**

- Council Tax **(Appendix E)**

- Corporate & Public Performance Reporting **(Appendix F)**.

   Fraud

3.5. The Internal Audit and Fraud Team continues to investigate benefit fraud having received over 124 referrals with over 85 investigations commenced up

to the end of February 2014. In that time investigations have identified over £131,365 of over payments with over 40 sanctions issued.

Progress of Follow Up

3.6.   Within Action Plans from previous Internal Audit Reports, there were 68 recommendations arising from 16 reports which were due for implementation by 31 March 2014. Of these, 26 recommendations have been implemented, 29 are in progress and 13 are no longer applicable. Recommendations are considered no longer applicable if they cover issues that have either been superseded by other events and are therefore dropped or have been carried forward in other reviews.

3.7.   The progress made by Officers on these recommendations is summarised in **Appendix G** and where not sufficiently implemented, progress to date and revised completion dates have been agreed.

Conclusion

3.8.   Work on the 2013/14 Internal Audit and Fraud Plan is now complete with final or draft reports issued for all reviews. In addition work on the 2014/15 plan has now commenced. Further progress has been made on implementing and addressing recommendations from previous reports.

3.9.   Members are asked to note the report and progress made.

4.0   Sustainability Implications

4.1.   There are no sustainability implications.

5.0   Resource Implications

5.1.   *Financial Details*

5.2.   The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate.   No ☑

5.3.   Finance has been consulted and have agreed the financial implications as set out in the report.   Yes ☑

6.0   Exempt Reports

6.1.   Is this report exempt?   Yes ☐ (please detail the reasons for exemption below)   No ☑

7.0   Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1)   **Our Priorities**   (Please double click on the check box ☑)

The area has a positive image and attracts people and businesses ☐

Our communities are more cohesive and inclusive ☐

People are better skilled, trained and ready for learning and employment ☐

Our communities are safer ☐

Vulnerable people and families are supported ☐

Substance misuse and its effects are reduced ☐

Health is improving and health inequalities are reducing ☐

The environment is protected and enhanced for all ☐

The Council is effective, efficient and recognised for excellence ☑

(2)   Council Policies (Please detail)

Financial Regulations.

8.0   Equalities Impact

8.1   Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?
Yes ☐   No ☑

9.0   Legality

9.1   It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers.   Yes ☑

10.0   Appendices

10.1   Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix A - Progress on 2013/14 Internal Audit and Fraud Annual Plan

Appendix B - Progress on 2014/15 Internal Audit and Fraud Annual Plan

Appendix C - Terms of Reference

Appendix D -Targeted Follow Up Of Review Of Arm's-Length External Organisations

Appendix E - Council Tax

Appendix F - Corporate & Public Performance Reporting

Appendix G - Progress Of Follow Up Of Internal Audit Reports

11.0   Background Papers

11.1   Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at

which the report is considered)
Yes (please list the documents below)   No ☑

Author(s)

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Approved by

NAME	DESIGNATION	SIGNATURE
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Audit	Audit Weeks	Annual Plan	Service	Progress
Governance				
Annual Assurance Report	8	2013-14	Corporate	Final Report Issued
Assurance				
Information Governance- Document Management.	5	2013-14	Corporate and Governance	Final Report Issued
Business Continuity Planning (BCP) & Disaster Recovery (DR)	5	2013-14	Corporate and Emergency Planning Unit	Final Report Issued
Welfare Reform	6	2013-14	Corporate	Final Report Issued
Procurement	6	2013-14	Corporate & Services to Communities- Facilities Management	Draft Report Issued
Corporate and Public Performance Reporting	6	2013-14	Corporate & Customer Services	Final Report Issued
Shared Services- jointly managed Services with Stirling Council	6	2013-14	Corporate	Draft Report Issued
Adult Care- Commissioning of Care and Corporate Appointees	4	2013-14	Social Services	Final Report Issued
Funding applications including European Funds	6	2013-14	Services To community- Economic Development	Final Report Issued
Schools PPP/PFI Contract Monitoring	6	2013-14	Services to Communities- FM	Final Report Issued
Roads Management- Road Costing System.	6	2013-14	Services to Communities - Roads & Transportation	Final Report Issued
ICT Asset Management Plan	5	2013-14	ICT Service	Draft Report Issued
Devolved School Management	6	2013-14	Education	Draft Report Issued
Payroll and HR	6	2013-14	Corporate & Revenues & Payments	Final Report Issued
Fixed Asset Register	5	2013-14	Corporate Finance & Services to Communities- FM	Final Report Issued

Audit	Audit Weeks	Annual Plan	Service	Progress
Council Tax	4	2013-14	Corporate Services- Revenues	Final Report Issued
ALEOs	1	2013-14	Corporate and across selected services	Final Report Issued
Review of Savings and Efficiencies	4	2013-14	Corporate and across a selection of services	Draft Report Issued
Fraud				
Fraud Detection and Recovery	54	2013-14	Audit and Fraud	Ongoing
National Fraud initiative- Phase Two	6	2013-14	All Services submitting data	Ongoing
Data matching	4	2013-14	All Services	Ongoing
Fraud Awareness and Training	5	2013-14	Corporate and all services	Ongoing
Other				
Follow Up	4	2013-14	All Services	Ongoing

Audit	Audit Weeks	Annual Plan	Service	Progress
Governance				
Annual Assurance Report	8	2014-15	Corporate	To Be Commenced
Assurance				
Absence Management	6	2014-15	Corporate and Governance	Ongoing
Health and Safety	6	2014-15	Corporate and Governance	Ongoing
Community Planning	5	2014-15	Corporate & Strategy and Customer Services	To Be Commenced
Social Housing Charter	5	2014-15	Services To Communities- Housing and Community Safety	To Be Commenced
Housing Allocations Policy	6	2014-15	Services To Communities- Housing and Community Safety	To Be Commenced
Social Work Joint Review	3	2014-15	Social Services	To Be Commenced
Procurement	5	2014-15	Finance and Corporate Services	To Be Commenced
Education Joint Review	3	2014-15	Education	To Be Commenced
Adult Care- Commissioning of Care	4	2014-15	Social Services	To Be Commenced
Information Governance	3	2014-15	Corporate	To Be Commenced
External Funding Arrangements including ALEOs	4	2014-15	Corporate and across selected services	To Be Commenced
Housing Benefit and Council Tax Reduction Scheme	6	2014-15	Revenues and Payments.	To Be Commenced
Budget Management and Monitoring	5	2014-15	Corporate & Accountancy	To Be Commenced
Treasury Management	4	2014-15	Accountancy	To Be Commenced
General Ledger	6	2014-15	Accountancy	To Be Commenced
Change Management	6	2014-15	Corporate	To Be Commenced

Audit	Audit Weeks	Annual Plan	Service	Progress
ICT Asset Management Plan and IT Contract Management.	6	2014-15	Corporate & IT	To Be Commenced
Fraud				
Fraud Risk Assessment / Prevention	6	2014-15	All Services	To Be Commenced
Fraud Detection	48	2014-15	Internal Audit and Fraud	Ongoing
Review Fraud and Whistleblowing policies	2	2014-15	Corporate	To Be Commenced
National Fraud Initiative	6	2014-15	All Services submitting data	To Be Commenced
Data matching	4	2014-15	All Services	Ongoing
Fraud Awareness and Training	5	2014-15	Corporate and all services	Ongoing
Other				
Follow Up	4	2014-15	All Services	Ongoing

INTERNAL AUDIT TERMS OF REFERENCE

SERVICE: Education

AUDIT AREA: Devolved School Management

AUDIT YEAR: 2013/2014

INTRODUCTION AND SCOPE

Devolved School Management (DSM) delegates to school level a substantial measure of control over resources and spending. DSM Guidelines are issued by the Scottish Government and aim to empower headteachers to meet local needs. The DSM Guidelines are supported by a self evaluation toolkit which is intended to enable Councils to assess the 'fitness for purpose' of local DSM schemes.

This review will use the evaluation toolkit to assess the Clackmannanshire Council DSM scheme to provide assurance on its 'fitness for purpose'

RISKS

The following risks could prevent the achievement of the objectives of Devolved School Management, or result from the non-achievement of the objectives, and have been identified as within scope for this audit;

- Decision making is not at the appropriate point leading to a lack of empowerment

- DSM framework does not facilitate appropriate partnership working

- Lack of accountability and responsibility inhibits effective management of resources at local level

- Funding carry forward arrangements impact on local flexibility.

AUDIT OBJECTIVE: Our audit work will be designed to evaluate whether appropriate systems are in place and operating effectively to mitigate the risks identified above.

INTERNAL AUDIT TERMS OF REFERENCE

SERVICE: Corporate

AUDIT AREA: Savings and Efficiencies- Overtime

AUDIT YEAR: 2013/2014

INTRODUCTION AND SCOPE

Clackmannanshire Council, in common with all public sector organisations, faces continuing challenging financial targets. The Council needs to identify just over £7million of savings for 2014/15. A number of initiatives and efficiencies have already been identified.

Director's Group have identified overtime payments as an area that requires scrutiny of current procedures. This includes considering opportunities for efficiencies and identification of processes, including authorisation, where more robust guidelines may be required. This review will consider these areas.

RISKS

The following risks could prevent the achievement of savings and efficiencies in relation to overtime payments, or result from the non-achievement of the objectives, and have been identified as within scope for this audit;

- Inaccurate reporting leads to ineffective monitoring of overtime levels.

- Poor authorisation controls lead to a lack of effective challenge.

- Inconsistent application of controls through lack of formal documented procedures.

AUDIT OBJECTIVE: Our audit work will be designed to evaluate whether appropriate systems are in place and operating effectively to mitigate the risks identified above.

TARGETED FOLLOW UP OF REVIEW OF ARM'S-LENGTH EXTERNAL ORGANISATIONS

1.   INTRODUCTION

1.1   This report details the findings of the targeted follow up of the Internal Audit review of Arms Length External Organisations (ALEOs), the report of which was presented to the Resources and Audit Committee in February 2013. The review forms part of the Internal Audit and Fraud Plan for 2013/14, which was recommended to full Council for approval by **the Resources and Audit Committee on 2 May 2013.**

2.   SCOPE AND OBJECTIVES

2.1   The scope of the audit was to provide assurance that issues raised in the above mentioned report are being appropriately addressed and that subsequent monitoring requirements put in place by the Council are being adhered to.

2.2   Internal Audit, in conjunction with Strategy and Performance Management, identified the key risks relating to the audit. In our opinion there have been significant improvements in the control environment operating in relation to the funding of external organisations. We can provide overall **reasonable** assurance that risks are being adequately mitigated against.

Key Risk	Assurance Assessment
Issues raised in the original audit report have not been addressed.	Reasonable

3. FINDINGS

3.1 Within the Internal Audit review of Arms Length External Organisations (ALEOs), the report of which was presented to the Resources and Audit Committee in February 2013, limited assurance was provided against three of the five key controls identified. This review sought to consider progress against implementation of agreed management actions and so provide an update on the assurance originally provided and to highlight any ongoing issues. Any other matters arising that are identified will also be reported.

3.2 We originally only provided limited assurance that the Council has formal, comprehensively documented policies and procedures for managing funding to external organisations. We raised three recommendations in relation to this control and we are satisfied that all three have now been addressed. A revised Code Of Practice Funding External Bodies And Following The Public Pound has been introduced which includes relevant guidance and has been circulated to all relevant staff. There is also a central register of externally funded bodies in place and Service Committees should be receiving regular updates however this is not yet happening in all instances. Social Services performance report does not include information on external funding provided to external bodies or provide confirmation that SLAs are in place and are up to date. The Service has provided a report to the Housing Health and Care Committee on commissioned services however this includes all external commissioning and does not identify which are being provided under SLAs and whether these are up to date.

3.3 While there is still some improvement required around consistency of reporting to Service Committees we can now provide **significant** assurance that the Council has formal, comprehensively documented policies and procedures for managing funding to external organisations.

3.4 We also only provided limited assurance that formal agreements which set out the expectations of the Council and the organisation are in place where the Council provides funding to external bodies. Again we can report significant improvements in this area. We raised two recommendations in relation to this control and we are satisfied that both have been largely addressed. A pro-forma SLA template is in place with compliance being monitored through service committees. As mentioned above however there has not been formal assurance provided that SLAs are in place for all external funding arrangements overseen by Social Services. We can however still provide **reasonable** assurance that formal agreements which set out the expectations of the Council and the organisation are in place where the Council provides funding to external bodies.

3.5 The final area where we could originally only provide limited assurance was over whether the Council regularly monitors the performance of the Funded Body with periodic reviews of service delivery. There were three issues raised in relation to this and each have been either fully or partially implemented. Services are responsible for monitoring external bodies that they provide funding to and while there is widespread evidence of this happening it is not yet universal as Social Services have not yet fully put arrangements in place. An annual review of funding to external organisations provided by Finance and Corporate Services was presented to the June Resources and Audit Committee however again this is not something done universally. Similarly review of external organisations finance is not being undertaken universally although we are aware that training is being provided to monitoring officers to facilitate this further. We are also aware that officers are being more proactive in visiting organisations to gauge performance.

3.6 While there are still issues around elements of the monitoring we can now provide **reasonable** assurance that the Council regularly monitors the performance of the Funded Body with periodic reviews of service delivery.

3.7 There have been significant improvements in the management and monitoring of funding provided to external organisations. We are now satisfied that there are robust corporate arrangements in place that provide services with a platform to undertake responsibilities. However there are still some gaps in implementation of these corporate arrangements. As a result we will undertake

further work at service level as part of our 2014/15 annual plan to review how arrangements are bedding in and whether they are addressing risks appropriately.

3.8   The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

4. **RECOMMENDATIONS**

4.1 A summary of the recommendations raised from this audit is included in a Management Action Plan. Management comments, the date for implementation and Responsible Officer have been reflected within the Action Plan.

4.2 The Management Action Plan contains the following priority of recommendations.

Priority Assessments	Number
Priority 1	
Priority 2	2
Priority 3	
Priority 4	

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	Not all service committees are receiving regular monitoring updates on external funding.	Updated corporate arrangements are not universally implemented.	2	Heads of Service to be reminded of need to report performance.	Head of Strategy and Customer Services Head of Social Services Head of Resources and Governance Head of Housing and Community Safety Head of Development and Environment	30/06/14
5.2	Updated corporate arrangements are in early stages of being implemented at service levels.	Inconsistent application of new arrangements could lead to gaps and inconsistencies in operational monitoring of external funding.	2	Internal Audit will carry out further more in depth work into implementation of corporate arrangements. Any issues will be reported on with appropriate responsible officers identified at that point in time.	Internal Audit and Fraud Team Leader.	31/12/14

INTRODUCTION

1.1 This report details the findings of the Internal Audit review of Council Tax. The review forms part of the Internal Audit and Fraud Plan for 2013/14, which was recommended to full Council for approval by **the Resources and Audit Committee on 2 May 2013.**

1.2 The council tax is to help pay for the services Councils provide. There is only one bill for each house or other dwelling, but the adults living there may have to share the payment. The bill has a personal component and a property component; it is based on the value of the property relative to others in the local area. Bills may be reduced because of the personal circumstances of the people resident in the house.

1.3 Revenues Service has responsibility for annual billing, collection, current and previous year arrears recovery, write offs and reporting of Council Tax. The council tax income due to be collected for 2013/14 is £18,611,723. We did not review 2014/15 billing process as arrangements were at an early stage when the review was carried out.

2. SCOPE AND OBJECTIVES

2.1 The scope of the audit was to review and evaluate the key controls around how the Council administers and manages Council Tax. Council Tax Benefit was not reviewed, as this is included in the Internal Audit and Fraud 2014/15 Annual Plan.

2.2 Internal Audit, in conjunction with Revenues management, identified the key risks relating to Council Tax systems. In our opinion there is a good control environment operating in relation to the arrangements the Council has in place for mitigating the risks associated with Council Tax. We can provide overall **reasonable** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Billing information is not accurate leading to maximum council tax income not being achieved.	Significant
Council tax systems are not efficient or effective.	Reasonable
Council tax reporting is inadequate (system functionality).	Limited

3.   FINDINGS

3.1   We can provide significant assurance that billing information is accurate. The Council approves Council Tax Charges for the forthcoming financial year in a timely basis in accordance with legislation. An annual billing schedule ensures that the annual billing of council tax is accurate and complete. However, a large quantity of paper evidence has been produced for previous annual billing exercises. Indications are that this will happen again for the 2014/15 exercise with evidence being scanned in afterwards. There is however a facility within the Northgate Council Tax system to save evidence electronically.

3.2   Training sessions are arranged for all relevant staff when changes are made to Council Tax processes. Over the years a significant level of written instructions have been prepared. There is now a level of duplication across instructions and elements of the instructions may no longer be current. It may be prudent to undertake a review.

3.3   There was no annual reconciliation of the Valuation List files to the Council Tax system in 2012/13 and 2013/14. However, our testing on changes notified by the Assessor in 2012/13 and 2013/14 provided assurance that all changes were correctly input to the Council Tax system. The option to carry out this reconciliation as an automatic process has been recently raised with Northgate (the suppliers of Council Tax electronic systems), as there is still a risk that changes to property details in year are not entered for whatever reason.

3.4   Sufficient evidence was found that discounts and exemptions are being properly awarded and reviewed. The Council participates in the biennial Audit Commission NFI data match of council tax data to electoral registration data. An exercise has been completed for 2011/12 with the 2013/14 review due to start in March 2014. The results of the 2011/12 exercise resulted in 650 single person discounts being removed with income recovered of £110,000.

3.5   We can provide reasonable assurance that council tax systems are efficient and effective. Full reconciliations between the general ledger and the Council Tax system and between the two council tax bank accounts and the general ledger are being completed monthly and independently reviewed by the Revenues Team Leader. Direct debit payments are the preferred and main method of payment with good automated controls in place to transfer the payments into the council tax system. The Council Tax Direct Debit take up for 2012/13 was 58.15%; however, this is no longer a performance measure.

3.6   Council employees are currently able to pay their tax via monthly payroll deductions. These deductions require to be manually input to the council tax system and create significant workload for payroll and revenues staff. Consideration should be given to whether this is an efficient method of collecting payments.

3.7   We found a small number of examples where credit balances on some accounts are not being reviewed and investigated, leading to overpayments not being refunded. These accounts related to commercial organisations who pay for vacant flats held. While the amount of money involved is not material there is potential reputational risk.

3.8   We are satisfied that write offs in July 2013 from the Council Tax system were formally authorised at a Council meeting in June 2013 and the council tax accounts written off complied with the Corporate Recovery Write Off Policy.

3.9   Revenues performance measures have identified a significant drop in the Council Tax collected within the year of 4.02% at 31 January 2014 from 77.31% in the previous year. This may be partly due to previous years arrears balances not progressed to warrant stage. These accounts will be progressed to warrant stage in 2014/15.

3.10   The total of council tax accounts suppressed in February 2014, was 2,634 with a total outstanding balance of £767,835.67. This includes 1,866 special agreements at a value of £441,569.97 and 679 accounts with permanent suspensions for various reasons, at a value of £303,404.71. It was found that these suspensions are not properly monitored with recovery proceedings not therefore

carried out for a number of accounts. Due to the large amount of permanent suspensions, billing and arrears issues were found with 58% of a sample of permanent suspensions tested. Action is now being taken to address this with a work plan to be put in place to review the suspensions. There is also now a requirement for officers to input end dates for all suspensions. For some recent suspensions tested however we identified that an end date is still not always being inputted. The audit also identified that suspensions due to cases referred to Money Advice for a significant period had not been lifted due to a lack of feedback from Money Advice.

3.11   We can only provide limited assurance that systems for reporting on council tax are adequate. There are significant system limitations on the availability of council tax reports. This includes limited reporting of discounts and exemptions awarded. Where reports are available there are issues of completeness, for example the report detailing account suspensions does not including suspensions input by some council tax officers. The lack of council tax reporting has been raised with Northgate. Significant staff resources are spent manually extracting information from the Council Tax system to respond to requests from other Council services and Freedom of Information requests. Improved Council Tax reporting would therefore be a considerable saving in the staff time required to respond to these requests.

3.12   The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

4.   RECOMMENDATIONS

4.1   A summary of the recommendations raised from this audit is included in a Management Action Plan in Appendix B. Management comments, the date for implementation and Responsible Officer have been reflected within the Action Plan.

4.2   The Management Action Plan contains the following priority of recommendations. Definitions for the priority assessments are provided in Appendix B.

Priority Assessments	Number
Priority 1	-
Priority 2	2
Priority 3	8
Priority 4	-

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	A large number of paper evidence has been produced for previous annual billing exercises. If repeated this will be required to be manually scanned into electronic files. There is a facility within the Northgate Council Tax system to save the evidence electronically.	Non-productive staff time.	3	A costing has been received from Northgate and will be implemented when new web based version of council tax operating systems is in place and patch release is passed over.	Revenues Supervisor (Collection) and Revenues Supervisor (Assessment and Billing)	30/6/14
5.2	Over the years a significant level of written instructions have been prepared. There is now a level of duplication across instructions and elements of the instructions may no longer be current.	Records are difficult to access and processes may be undertaken incorrectly due to out of date procedures.	3	Staff will be requested to look over the processes and remove duplicates.	Revenue Controllers (Assessment and Billing)	30/6/14
5.3	There was no annual reconciliation of the Valuation List files to the Council Tax system for the previous two years. The option to carry out this reconciliation as an automatic process has been recently raised with Northgate.	Records and accounts are not updated to record new and amendments to properties with a loss of income resulting from incorrect and non-billing.	3	Awaiting costing from Northgate. No reconciliations will be carried out until the new web based version of council tax operating systems is in place.	Revenues Supervisor (Collection) and Revenues Supervisor (Assessment and Billing)	30/6/14
5.4	Payroll deductions for council tax payments require to be manually input to the council tax system.	Payroll deductions of council tax payments are not an effective way of collecting council tax income with considerable time required to process these payments. Also, a risk of input errors and mispostings of payments.	3	This will be reviewed later this year. If no automation of payroll deductions then we will be changing to Direct Debit in time for next year's annual billing.	Revenues Supervisor (Recovery)	31/3/15

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.5	Credit balances relating to certain council tax accounts are not being regularly reviewed and investigated with Council Tax payers not notified of credit balances.	Potential errors and mispostings are not identified. In addition, these credits could be transferred to clear other council debt. There is also a potential reputational risk.	3	Credit balances are now checked against all systems and any overpayments are transferred to any other debts. This is done on a regular basis. There may be cases where refund is not immediate but this could be because we would transfer after annual billing to the new financial year. Refunds are not done after December and will be picked up again after annual billing.	Revenues Supervisor (Recovery)	Implemented
5.6	Suspensions are not being properly monitored. There is a significant level of suspended council tax accounts and testing indicated that there are potential issues with a large proportion of these.	Debt recovery is inefficient.	2	Work plan now in place with suspensions now reviewed daily in conjunction with the arrears timetable.	Revenues Supervisor (Recovery)	Implemented
5.7	Suspensions due to cases referred to Money Advice have not been lifted due to a lack of feedback from Money Advice.	Debt recovery is inefficient.	3	Work plan now in place with suspensions now reviewed daily in conjunction with the arrears timetable.	Revenues Supervisor (Recovery)	Implemented
5.8	Testing indicates that recent changes to requirements around suspensions inputs are not being implemented. There are still examples where suspensions are input to the system with no end date.	Income not received when due with an adverse effect on cash flow.	3	Work plan now in place with suspensions now reviewed daily in conjunction with the arrears timetable.	Revenues Supervisor (Recovery)	Implemented
5.9	The report of suspensions from the Council Tax system is not picking up all suspensions. Suspensions input by some council tax users are not being extracted.	Income not received when due with an adverse effect on cash flow. Debt recovery is inefficient. This highlights the above need for end dates to be input into the Council Tax system for all suspensions.	3	Awaiting costing and report from Northgate. No updates will be released until the new web based version of council tax operating systems is in place.	Revenues Supervisor (Recovery)	30/9/14

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.10	There are significant issues with council tax reports including limited reporting of discounts and exemptions awarded. This issue has been raised with Northgate.	Council Tax reporting is inadequate. Significant staff resource is spent manually extracting information required by other Council services and Freedom of Information requests.	2	Awaiting costing and report from Northgate. No updates will be released until the new web based version of council tax operating systems is in place.	Revenues Supervisor (Collection), Revenues Supervisor (Assessment and Billing).	30/9/14

CORPORATE & PUBLIC PERFORMANCE REPORTING **APPENDIX F**

1. INTRODUCTION

1.1 This report details the findings of the Internal Audit review of Corporate and Public Performance Reporting. The review forms part of the Internal Audit and Fraud Plan for 2013/14, which was recommended to full Council for approval by the Resources and Audit Committee on 2 May 2013.

1.2 Clackmannanshire Council requires good quality performance management information that clearly reflects its priorities, accurately measures outcomes and meets the needs of all its users and stakeholders. This also supports open and transparent government through the Council demonstrating its use of resources to deliver efficient and effective services; including the extent to which the Council is achieving its objectives; how well services are performing; and areas for improvement.

2. SCOPE AND OBJECTIVES

2.1 The scope of the audit was to review and evaluate the high level controls around how the Council administers and manages its corporate planning and public reporting performance arrangements to ensure that all plans and performance reports are aligned and integrated across Council Services and functions, enabling the Council's performance to be accurately measured and reported to all stakeholders in a meaningful way.

2.2 Internal Audit, in conjunction with Strategy and Performance, identified the key risks relating to the audit. In our opinion there is a reasonable control environment operating in relation to the arrangements the Council has in place for mitigating the risks associated with the measurement and reporting of its performance. We can provide overall **reasonable** assurance that risks are being adequately mitigated against.

Key Risk	Assurance Assessment
The Council's Performance Reporting Framework is not aligned to corporate plans and priorities leading to the Council not achieving its objectives and service improvement not being achieved.	Reasonable
The Council's Performance Management and reporting arrangements do not accurately measure Service and Corporate Performance	Significant
Council performance is reported in a form that is not easy understood and meaningful to Council Stakeholders, including service users	Reasonable
The cost and time taken to obtain performance information exceeds the benefits derived from it	Reasonable

3. FINDINGS

3.1   Overall reasonable assurance can be provided that the Council's Performance Reporting Framework is aligned to corporate plans and priorities. While no specific Performance Management Strategy exists, the Council recognises the importance of planning and performance within its Governance Strategy as being one of its fundamental strands of good Governance. Complimentary to this, the Council's annual Service Business Planning Guidance and recently drafted Performance Management Guidance for Council Members, provides direction and focus for developing its performance management arrangements.

3.2   The Council's business planning hierarchy is well defined, cascading from the Single Outcome Agreement (SOA), down through the Council's Corporate Plan to Services' business and team plans. Linkage between each tier is provided through the Council's nine corporate strategic priority areas. At each level, actions and activities should be directed and focused towards the achievement of these strategic priorities. It was noted that one of the strategic priorities was omitted from the Council's current Corporate Plan, 2012-17. This was merely an oversight and we have received assurance that future iterations will include all priorities. We have confirmed that the priority in question is within the 2013-14 Business Plans of those Council Services to which it is relevant.

3.3   Across Council Services there is an appropriate range of the Corporate Priorities included within 2013-14 Business Plans. Each 2013-14 Service Business Plan was found to include the mandatory corporate priority "The Council is effective, efficient and recognised for excellence", Support Services and Strategy and Customer Services align their respective service objectives and actions to two Corporate Priorities. We challenged whether this apparent limited range for these two services was appropriate and received assurance that these services are legitimately focussing on those corporate priorities that are most relevant to them in their day-to-day operations and activities.

3.3   The Corporate and Service Business plans all include a range of indicators against which performance is measured and reported. Business Planning Guidance is prepared annually for Heads of Services providing advice to them in the drafting of their business plans. This guidance also includes a template to provide consistency across Services in the format, structure and content of their business plans. Additionally, the Strategy and Quality Development (S&QD) Team provide a range of direct guidance and support, including a quality check of a draft business plan, when requested, before submission to the Council Management Team (CMT) for approval.

3.4   We reviewed Clacks Improvement Model (CIM) completed assessment reports and noted a range of performance management issues that appear to be common across Council services. These include: limited evidence of services setting targets; limited management commentary and narrative to explain service performance and demonstrate the link between the PI, service delivery and outcome; limited benchmarking or comparative data used to demonstrate service performance. Presently no process exists to identify and review these common issues from a Council wide perspective . Additionally, not all completed CIM Service assessment reports were found to contain an accompanying action plan to address the highlighted areas for improvement. Furthermore, where action plans have been completed, there is limited evidence of follow-up and recording or monitoring of progress of implementation of agreed actions.

3.5   Significant assurance can be provided that the Council's Performance Management and reporting arrangements accurately measure its service and corporate performance. In 2012-13, the Council reported performance using a suite of over 250 corporate and statutory PIs. Covalent, the Council's Performance Management System, is used to co-ordinate and administer the performance data and information for its subsequent reporting. For PIs reported statutorily, Covalent includes standard definitions and methodology to ensure consistency in values reported. Statutory PIs are also subject to annual review by external audit who found no issues with the figures reported in 2012-13. Further assurance around the accuracy of the values of PIs being reported by the Council is provided by the results of our testing. A sample of PIs, which the

Council reported performance against in 2012-13, were checked and the reported values verified against source evidence, with no material variances being found.

3.6   The Council reports its corporate and service performance to a range of stakeholders and users, including: Clackmannanshire residents; service users; members; employees and; Government bodies and agencies. Each group has a differing set of needs and requirements. Reasonable assurance can be provided that the Council reports its performance in a form that is meaningful and understandable.

3.7   Internally, the performance reporting of Council Services is driven by the quarterly meeting cycle of the Council's Service Committees. The frequency and format of reporting by Services has been consistent since the introduction of the revised Service Committee Structure in summer 2012. Corporate performance is reported to the Resources and Audit Committee and is aligned to the timetable for the annual reporting of statutory PIs and SOA updates. An administrative timetable assists to help co-ordinate the collection and correlation of data to ensure statutory reporting deadlines are met.

3.8   A standard template from Covalent is used for reporting Corporate and Service performance. These reports use a suite of icons to help visually illustrate and compare performance, with a brief explanatory narrative also usually provided Our review of 2012-13 Corporate and Service performance reports noted however that the narrative usually provides limited or no explanation for actual performance, including how actions and their subsequent outcomes have impacted on Corporate and Service performance. For example, a number of PIs within 2012-13 Service performance reports either did not include a target or where one existed, no specific value was attributed to it

3.9   Externally, performance is reported primarily: via Clacks Web and the Council's quarterly newsletter, "The View". Using their Clacks 1000 survey panel, the Council obtain regular feedback on performance information and how it is communicated.

3.10   The dedicated performance page on Clacks Web provides a range of corporate and service performance information. Of sixteen Council services represented on the performance page, the information being reported for six is not current. In our opinion the performance information provided is limited. When performing their annual assessment of the Council's Public Performance Reporting arrangements, Audit Scotland use the information presented on this page as the basis for assessing how the Council is judged to be performing against the range of assessment criteria. Consideration should be given to reviewing the presentational layout and content of the performance page to better demonstrate improvement in the Council's PPR arrangements.

3.11   Reasonable assurance can be provided around the Council arrangements to mitigate against the cost and time taken to obtain performance information exceeding the benefits derived from it. Covalent helps support the Council's internal and external performance reporting, by automating the collection, administration and reporting of performance information and data. This supports Services complying with internal deadlines for Management and Committee reporting and externally. complying with deadlines for reporting to external scrutiny bodies. However, what is less clear, is the amount of time and resource Council Services spend on performance data collection, measurement and reporting. While, Covalent provides a visual snapshot of the level of performance data and information being recorded across Council Services, little investigation has been taken corporately on the cost of obtaining and reporting performance information versus the benefits derived from it. There is the risk that some Services maybe expending time and resource collecting performance information and data, and are not obtaining tangible benefits from doing so.

3.12   The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

4.   RECOMMENDATIONS

4.1   A summary of the recommendations raised from this audit is included in a Management Action Plan in Appendix B. Management comments, the date for implementation and Responsible Officer have been reflected within the Action Plan.

4.2   The Management Action Plan contains the following priority of recommendations. Definitions for the priority assessments are provided in Appendix B.

Priority Assessments	Number
Priority 1	-
Priority 2	2
Priority 3	3
Priority 4	-

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	A number of common performance management issues were observed across Service CIM Assessment Reports. No process exists at a corporate level to review these.	Issues common across Council Services are not being addressed.	2	Corporately, a review will be undertaken with appropriate improvement actions taken where required.	Strategy and Performance Manager	31st March 2015
5.2	A number of CIM assessment reports do not contain an action plan to address issues raised from the review., and Where action plans have been drafted, limited evidence exists to assess and verify status of agreed improvement actions.	Appropriate improvement actions are not being taken or implemented adequately to address issues.	2	Arrangements for the Governance of the CIM process will be reviewed with appropriate direction issued to address finding.	Strategy and Performance Manager	31st October 2014
5.3	A number of PIs reported within 2012-13 Corporate and Service Performance Reports did not have either: - A target allocated to it or - A specific value for a target	Measurable and meaningful comparison of performance against targets is difficult.	3	Guidance has been prepared and issued to Elected Members on Performance Management to support them in challenging and scrutinised Services performance including the ways in how it is presented. Impact of this guidance will be reviewed.	Strategy and Performance Manager Head of Housing and Community Safety Head of Development and Environment	31st March 2015

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.4	Elements of performance information reported on the "Reviewing Council Progress and Performance" page on Clacksweb is not current .	Users unable to get a proper picture of performance and potential reputational risk.	3	The Performance Management information and content will be reviewed and updated as required.	Strategy and Performance Manager And Web Development Manager	31st July 2014
5.5	Little investigation has been undertaken of cost versus the benefits to Council Services obtaining and reporting performance .	The cost of obtaining performance information exceeds the benefits derived from its use.	3	Council Services will be canvassed to assess extent of the benefits they obtain from the performance information they collect and report on against the cost derived of obtaining it.	Strategy and Performance Manager	31st October 2014

Report Title	Priority				Number of	Recommendations				Priority	
	1	2	3	4	Recommendations	Implemented	In Progress	Not Applicable Now	Outstanding	1 - 2	3 - 4
Roads Management - Roads Costing System	-	-	3	-	3	3	-	-	-	-	-
Payroll and HR		1	4	1	6	1	5	-	-	-	-
Arm's Length External Organisations	3	6	2	-	11	-	-	11 (a)	-	-	-
Adult Care - Commissioning of Care and Corporate Appointees	3	2	3	-	8	2	6	-	-	-	-
Data Protection - Corporate	-	2	-	-	2	-	2	-	-	-	-
Risk Management Arrangements	-	1	6	1	8	6	2	-	-	-	-
Non Domestic Rates Income	-	1	-	1	2	-	2	-	-	-	-
Income Collection & Cash Receipting	-	1	3	-	4	2	2	-	-	-	-
Purchase Orders to Payment of Suppliers	-	4	1	-	5	3	2	-	-	-	-
Licensing Arrangements	-	-	1	2	3	3	-	-	-	-	-
Purchase Cards	-	1	-	-	1	-	1	-	-	-	-
Information Governance	1	3	1	-	5	-	5				
Funding Applications including European Funds	-	1	1	-	2	2	-	-	-		
Welfare Reform	-	-	2	1	3	3	-	-	-		
Schools PPP/PFI Contract Monitoring	-	1	2	-	3	1	2	-	-		
Trading Standards	1	-	1	-	2	-	-	2 (b)	-	-	-
TOTAL	**8**	**24**	**30**	**6**	**68**	**26**	**29**	**13**	**0**	**-**	**-**

(a) - Taken forward as part of the 2013/14 ALEOs Follow Up Review
(b) - Implementation of these actions would not have any impact on Clackmannanshire Council

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