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**Report to Resources and Audit Committee**

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**Date of Meeting: 19 June 2014**

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**Subject: Internal Audit and Fraud Progress Report**

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**Report by: Internal Audit and Fraud Team Leader**

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**1.0 Purpose**

- 1.1. This report provides an update on work completed from the Internal Audit and Fraud Annual Plan 2014/15, which was recommended to full Council for approval by the Resources and Audit Committee on 11 March 2014, in accordance with the Financial Regulations. We are also providing reports issued from the 2013/14 Annual Plan.
- 1.2. The report also provides an update on the progress of implementation of recommendations 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 2014/15.

**3.0 Considerations****Progress Against 2014/15 Plan**

- 3.1. 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 A**.

<b>Status of Audits</b>		<b>%</b>
To be Commenced	14	82%
Onsite/On going	3	18%
Draft Report Issued	0	0%
Final Report Issued	0	0%
Total	17	100%

3.2. 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 B** and cover the following reviews;

- Health and Safety
- Housing Allocation Policy.

#### **Final Reports- Assurance**

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

- Review of Savings and Efficiencies- Overtime (**Appendix C**)
- Devolved School Management (**Appendix D**)
- ICT Asset Management (**Appendix E**).

#### **Fraud**

3.4. The Internal Audit and Fraud Team continues to investigate benefit fraud having received over 131 referrals with over 92 investigations commenced up to the end of the financial year. In that time investigations have identified over £131,365 of over payments with over 42 sanctions issued.

#### **Progress of Follow Up**

3.5. Within Action Plans from previous Internal Audit Reports, there were 36 recommendations arising from 12 reports which were due for implementation by 19 June 2014. This covers all previous reports where there is at least one recommendation to be implemented. Of these, 7 recommendations have been implemented, 28 are in progress and 1 is 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.

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

#### **Conclusion**

3.7. Work on the 2014/15 Internal Audit and Fraud Plan is at early stages with fieldwork now commenced on three reviews. Further progress has been made on implementing and addressing recommendations from previous reports.

3.8. 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         | <input type="checkbox"/>            |
| Our communities are more cohesive and inclusive                          | <input type="checkbox"/>            |
| People are better skilled, trained and ready for learning and employment | <input type="checkbox"/>            |
| Our communities are safer  | <input type="checkbox"/>            |
| Vulnerable people and families are supported                             | <input type="checkbox"/>            |
| Substance misuse and its effects are reduced                             | <input type="checkbox"/>            |
| Health is improving and health inequalities are reducing                 | <input type="checkbox"/>            |
| The environment is protected and enhanced for all                        | <input type="checkbox"/>            |
| The Council is effective, efficient and recognised for excellence        | <input checked="" type="checkbox"/> |

- (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 2014/15 Internal Audit and Fraud Annual Plan

Appendix B - Terms of Reference

Appendix C - Review of Savings and Efficiencies- Overtime

Appendix D - Devolved School Management

Appendix E - ICT Asset Management

Appendix F - 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
Julie Burnett	Senior Support Services Manager	
Nikki Bridle	Director Finance & Corporate Services	

Audit	Audit Weeks	Annual Plan	Service	Progress
<b>Governance</b>				
Annual Assurance Report	8	2014-15	Corporate	To Be Commenced
<b>Assurance</b>				
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	Ongoing
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
<b>Fraud</b>				
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
<b>Other</b>				
Follow Up	4	2014-15	All Services	Ongoing



## INTERNAL AUDIT TERMS OF REFERENCE

**SERVICE:** Corporate & Governance

**AUDIT AREA:** Health & Safety

**AUDIT YEAR:** 2014/2015

### INTRODUCTION AND SCOPE

Clackmannanshire Council Health and Safety Policy Statement outlines that 'It is the policy of Clackmannanshire Council to ensure, so far as is reasonably practicable, the health, safety and welfare of its employees and the health and safety of other persons who may be affected by its activities. Clackmannanshire Council will take the necessary steps to ensure that statutory duties are met at all times. These duties are laid out in the Health & Safety at Work etc. Act 1974 and relevant subordinate regulations'.

A new Health and Safety (H&S) Management System has been proposed that is designed to improve performance in H&S. To facilitate preparation for the new system this review will consider arrangements at service level to provide opinion on any potential action required. This will be done by means of a questionnaire with some targeted visits.

The overall aim is to provide information on the level of implementation and deployment of statutory Health and Safety requirements and internal policies and procedures. This will be used to provide assurance of current practices and also to facilitate the implementation of the new Health and Safety system designed to streamline existing procedures and ease the burden on Managers. The scope of this review is to confirm that the expected key controls for H&S systems are in place and operating effectively.

### RISKS

The following risks could prevent the achievement of the objectives of H&S systems, or result from the non-achievement of the objectives, and have been identified as within scope for this audit;

- Services not complying with statutory requirements / Council Health and Safety Policy or Guidance.
- Arrangements do not support managers taking responsibility for H&S.
- There is inadequate information available to properly implement new H&S System.
- H&S resources are not (or not perceived to be) available at local level.

**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:** Housing

**AUDIT AREA:** Housing Allocation Policy

**AUDIT YEAR:** 2014/2015

### INTRODUCTION AND SCOPE

Clackmannanshire Council currently owns and manages around 4950 properties of various sizes and types. At any one time the demand far exceeds the supply of available properties. Given the difference between the supply of and demand for Council houses, the Council has recently introduced a revised Housing Allocations Policy. It has been developed to take account of the different circumstances and housing needs of Council Housing applicants and to prioritise according to these needs, while increasing the opportunities and choice for current and prospective tenants to ensure best use is made of Council Housing Stock. The policy has been aligned to Council local priorities and complies with legislative requirements and follows good practice guidelines issued by the Scottish Government.

The scope of our audit will be to review the implementation of the new Housing Allocations Policy

### RISKS

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

- The revised Housing Allocations Policy does not comply with legislative requirements and good practice guidelines.
- The different circumstances and housing needs of applicants are not assessed and treated consistently and fairly in line with the requirements of the policy.
- Increased opportunities and choice for current and prospective tenants is not achieved.
- Effective and appropriate use is not made of the Council's available housing stock.
- Appropriate arrangements are not in place to monitor the implementation of the policy resulting in its aims and objectives not being achieved.

**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.



## 1. INTRODUCTION

1.1 This report details the findings of the Internal Audit review of Savings and Efficiencies - Overtime. 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, 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.

## 2. SCOPE AND OBJECTIVES

2.1 The 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 considered these areas.

2.2 Internal Audit, in conjunction with the Management Accountancy Team Leader, identified the key risks relating to the audit. In our opinion there is a reasonable control environment operating in relation to overtime payments and the proposed arrangements for their management going forward. We can provide overall **reasonable** assurance that risks are being adequately mitigated against.

Key Risk	Assurance Assessment
Inaccurate reporting leads to ineffective monitoring of overtime levels.	Reasonable
Poor authorisation controls lead to a lack of effective challenge.	Reasonable
Inconsistent application of controls through lack of formal documented procedures.	Reasonable

### 3. FINDINGS

3.1 We can provide reasonable assurance that reporting of overtime leads to effective monitoring of overtime levels. Up to this point in time monitoring of overtime levels appears to have been based mainly on local records. Information retrieved from financial systems was not always accurate primarily as a result of miscoding between services. However the introduction of the new payroll and HR system, iTrent, offers significant enhancement opportunities for improved reporting capabilities and these should be used to better monitor and challenge overtime spend.

3.2 As part of our review we tested the accuracy of iTrent reports produced and previously provided to The Directors Group. To do this we requested a report with the same parameters (but a longer time period to facilitate other testing) from 01/04/2013 to 31/12/2013 and used IDEA data mining software to interrogate the information in the i-Trent report. IDEA testing identified that in the initial overtime report payments for additional hours for employees with more than one job were being allocated to all the employee's jobs. A number of examples were found of one additional payment for one job recorded as three payments in the report. We traced a number of these duplications to payroll records to confirm that only one payment had actually been made and that duplication was caused by how these were subsequently fed into iTrent. Other duplicate records were due to work carried out by Human Resources on structures, which had doubled up information in reports if staff were moved in the new iTrent system in the middle of the month.

3.3 Using these findings we were able to narrow down reporting requirements with iTrent project staff and appropriately interrogate the system to get an accurate report. We tested a number of records back to source documents to confirm the accuracy. We were also able to verify that a number of individual values where high rates of overtime appeared to have been paid were in fact not necessarily a true reflection. The duplication identified partly explains some of these figures. Also the report summarises job types and not individuals therefore line items frequently refer to a number of employees banded together.

3.4 Once we had the final accurate iTrent Report we reconciled this to a financial ledger report of all overtime payments for the same period. This reconciliation arrived at a difference of £2,233 which in itself is not a material difference. However on undertaking a more detail reconciliation between service and sub-service totals there were greater differences. We had been alerted by Accountancy that there may be coding errors between the basic pay ledger sub code, the additional pay ledger sub code and the overtime ledger sub code. An example of this is some additional hours at basic pay for permanent staff at one specific team have been coded to the sub code for basic pay, 1060 rather than the overtime code, 1063. As at the end of December 2013, the iTrent overtime report has £17,333 recorded for the team whereas the ledger reports show £10,683, a difference of £6,650.

3.5 We can provide reasonable assurance that authorisation controls lead to effective challenge. Testing provided assurance that most Services are using the standard overtime form to record overtime, with this form required to be signed by a senior officer who is an authorised signatory for overtime. There are two areas with Soft FM Service that use spreadsheets to record overtime and there is a lack of documentary evidence of authorisation on these however supporting records provide a degree of assurance. It was identified also that some officers authorising overtime were not designated authorised signatories for overtime payments.

3.6 Good practice was found with the authorisation of Janitors where a specific Janitors Payment Claim is used. This is signed by the Headteacher of the school for overtime covering school lets with a member of FM authorising other overtime for community/service let, overtime for sickness cover, callout and overtime allowing Property Maintenance access.

3.7 Analysis of the Overtime Report using IDEA demonstrated that Roads employees had the highest overtime payments with most accounted for by time and half payments. This was substantiated from the results of testing using IDEA on the top five employees highest payments, analysis of time and half overtime and the testing carried out on the sample of employees used to confirm accuracy of iTrent report. We were advised that overtime payments within roads are dictated

by extra work from emergencies such as snow, flooding, capital roads projects, work for other internal services (schools and housing in particular) and external rechargeable work.

3.8 Across other services reasons for requiring overtime included problems with absenteeism, historical agreements in place with some staff receiving contracted overtime payments and small pools of relief workers available (so incurring time and a half rates). There is also a significant amount of overtime work carried out to ensure that statutory requirements are met. For example Street sweepers for weekend working to keep streets and public open spaces clean. A high amount of additional payments were found to be worked by staff at Social Services establishments including Menstrie House, Ludgate House and Resource Centres. 24-hour cover is required for residential and respite care. There is also a regulatory requirement for the staffing level and skill mix to be adequate to meet the assessed and recorded needs of Service Users at all Social Services establishments.

3.9 At a service level there is an acknowledgement that overtime use needs to be challenged however there is also widespread assertion that overtime is necessary to meet policy and statutory requirements. We witnessed areas where solutions have been identified, for example the Unit Manager at the Woodside Unit in Clackmannan has appointed four new full time members of staff to reduce overtime and relief staff.

3.16 We can provide reasonable assurance that there is a consistent applications of controls however there is a lack of formal documented procedures in place. The standard overtime form is in use in most services and these requirements do provide an element of consistency.

3.17 In carrying out the review we considered what a basic set of overtime authorisation principles would look like. We reviewed available documentation from a sample of other local authorities and from considering the approaches being taken that we observed. We have forwarded our findings to management for consideration.

3.18 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.

**I. 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.

<b>Priority Assessments</b>	<b>Number</b>
Priority 1	-
Priority 2	2
Priority 3	5
Priority 4	-

## MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	The reporting capabilities of iTrent are still to be fully realised.	Poor definition of reports leads to inaccurate or incomplete reporting.	2	<p>Training in Business Objects reporting tool has now been provided to Project Team, HR, Payroll, Finance and IT staff.</p> <p>Reporting requirements for accurately monitoring overtime activity will be identified and determined to provide standard report.</p>	<p>HR/Payroll System Project Support Officer</p> <p>Management Accountancy Team Leader HR/Payroll System Project Support Officer</p>	<p>Implemented</p> <p>June 2014</p>
5.2	There is a lack of standardised overtime reports produced across the organisation.	Monitoring of overtime is ineffective or not carried out at the appropriate level.	3	Standard report will be made available via iTrent to all relevant managers so that monitoring is consistent across the organisation.	HR/Payroll System Project Support Officer	June 2014
5.3	Overtime is being miscoded to the financial ledgers.	Areas of concern are not identified at an early enough stage to put mitigation in place.	3	Overtime will be properly defined and this and procedures for correctly coding overtime will be included in documented procedures.	Management Accountancy Team Leader	June 2014
5.4	Not all documentation used to record and approve overtime has appropriate evidence of authorisation.	Appropriate challenge not in place.	3	<p>Guidance will highlight need to ensure appropriate authorisation is in place.</p> <p>iTrent is being developed so that authorisation will become an electronic process so that authorisation will be built into the process and be fully auditable.</p>	<p>Management Accountancy Team Leader</p> <p>HR/Payroll System Project Support Officer</p>	<p>June 2014</p> <p>December 2014</p>

**SAVINGS AND EFFICIENCIES - OVERTIME**

**APPENDIX C**

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.5	Approvers are not always authorised signatories.	Appropriate challenge not in place.	3	<p>Approvers to be reviewed and signatory database updated as required.</p> <p>Once authorisation is carried out through iTrent, approvers can be cross checked to authorised signatory database on a regular basis to ensure ongoing compliance.</p>	<p>Revenues and Payments Manager.</p> <p>HR/Payroll System Project Support Officer</p>	<p>June 2014</p> <p>December 2014</p>
5.6	There is limited evidence that reasons for use of overtime have been challenged at a corporate level.	Reasons are not properly tested or alternative arrangements are not fully explored.	2	<p>Overtime detail will be included in existing iTrent reports provided to CMT. Detail will then be subject to review and challenge at CMT meetings to ensure that principles are being adhered to and applied.</p> <p>All staff will be made aware that monitoring is taking place and that they may be subject to challenge.</p>	<p>HR/Payroll System Project Support Officer</p> <p>Director of Finance and Corporate Services</p>	June 2014
5.7	There are no documented corporate overtime procedures in place.	Inconsistent application of controls.	3	<p>Procedures and principles will be documented and made available to all staff.</p> <p>CMT will endorse and monitor adherence to procedures.</p>	<p>Management Accountancy Team Leader</p> <p>Director of Finance and Corporate Services.</p>	June 2014

## 1. INTRODUCTION

1.1 This report details the findings of the Internal Audit review of Devolved School Management. 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 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 Head Teachers 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 used the evaluation toolkit to assess the Clackmannanshire Council DSM scheme to provide assurance on its 'fitness for purpose'. Under the Standards in Scotland's Schools etc Act 2000, it is now a statutory requirement for a Local Authority to operate a devolved school management scheme in its educational establishments.

1.3 The total revenue budget for 2013/14 for Clackmannanshire Education Services was £33,924,530 of which £22,850,380 was for DSM.

## 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 Devolved School Management.

2.2 Internal Audit, in conjunction with Education senior management, identified the key risks relating to the audit. In our opinion there is a robust control environment operating in relation to Devolved School Management. We can provide overall **significant** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Decision making is not at the appropriate point leading to a lack of empowerment.	Significant
DSM framework does not facilitate appropriate partnership working.	Significant
Lack of accountability and responsibility inhibits effective management of resources at local level.	Significant
Funding carry forward arrangements impact on local flexibility.	Significant

### 3. FINDINGS

3.1 We can provide significant assurance that decision making is at the appropriate point leading to empowerment. The Council passes control of a significant proportion of their education budgets to Head Teachers of secondary and primary schools or Heads of early years establishments through a local DSM scheme, which sets out spending requirements. However staffing requirements are set by legislation which account for most of the budget available meaning that in effect there is not actually a great deal of flexibility offered to Headteachers. Where there is genuine flexibility around the budget the decision making is being carried out at the appropriate level.

3.2 We interviewed a sample of Headteachers and found that decisions on resource use are based on actions that will best contribute to the educational outcomes of pupils. Staff are generally aware of their role in financial management however there has been limited training in recent times on DSM and financial management. Some Head Teachers are relying heavily on School Administrators to keep track of expenditure and advise them of how much budget is available.

3.3 The Scottish Government published, in 2012, a revised set of Devolved School Management Guidelines for councils to use in determining their own guidelines. The current DSM scheme for Clackmannanshire Council was updated prior to the Scottish Government guidance and is therefore based on earlier 2006 guidelines. The Education Business Manager and the Finance Accountant covering Education are aware that the Council's scheme needs to be updated.

3.4 We can also provide significant assurance that the DSM framework facilitates appropriate partnership working. Staff and parent councils are consulted on budgetary matters. Actions within School Improvement Plans require to be funded out the DSM budget and so are informed by local priorities. There has also been some pooling of resources, for example around lab technicians.

3.5 We can provide significant assurance that there are suitable levels of accountability and responsibility to facilitate effective management of resources at all levels. All Head Teachers interviewed stated that while there is limited flexibility with the DSM budget there is a budget to spend on Supplies and Services. This includes IT equipment, cleaning and hygiene materials, telecommunications, classroom materials, furniture purchase, staff travel, postages, and purchase of equipment. Elements of these budgets are broken down to departmental level within the schools.

3.6 Finally we can also provide significant assurance that funding carry forward arrangements are not impacting on local flexibility. Head Teachers considered that the calculation of the DSM budget, based on school rolls and the carry forward rules work well. Head Teachers are able to use carry forward funding to save towards long term bigger spend items, e.g. purchasing equipment to assist with the delivery of the curriculum.

3.7 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.

<b>Priority Assessments</b>	<b>Number</b>
Priority 1	-
Priority 2	-
Priority 3	2
Priority 4	-

## MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	There has been little training on DSM and financial management offered recently.	Management of DSM budgets is not as effective as it could be.	3	Training to be provided to headteachers during school session 2014/15	Education Business Support Manager	31 December 2014
5.2	Current Clackmannanshire DSM guidelines are based on previous national version.	Developments to approach may be based on out of date guidance.	3	Guidelines to be updated	Education Business Support Manager	31 December 2014

### 3. FINDINGS

3.1 We can provide reasonable that the ICT assets owned or leased by the Council are being accurately and completely recorded. The Council currently owns or leases a vast array and type of ICT assets. A number of ad hoc systems are currently used to log and record these assets. Audit testing found inconsistencies and variability across the existing systems in the completeness, types and level of asset information being recorded. While these disparate systems themselves do not provide the Council with a complete picture of the ICT assets it owns or leases, there is traceability provided by unique supplier serial numbers attached to each device. The new ICT Asset Management System will provide a more complete picture. There is however no periodic verification of assets or reconciliation taking place between the ICT asset records held by Council Services and those held by IT.

3.2 The introduction of the Council's ICT 2012-17 Strategy and the 2013-17 ICT Asset Management Plan (ICTAMP) provide a framework for managing ICT assets in the future. A cornerstone of the ICTAMP is the introduction of a new ICT asset management system. The system comprises two pieces of complimentary software. GLPI (Gestionnaire libre de parc informatique- Free Management of Computer Equipment) is the database element, while OCS Inventory NG (Open Computer and Software Inventory Next Generation) is a monitoring and tracking tool which logs ICT hardware asset and software use and provides information and data updates to GLPI. In combination, it is expected that they will provide an integrated and centralised record of all Council ICT assets, improving the quality and accuracy of information and data available.

3.3 GLPI will be populated using the OCS software. This was originally planned to be completed during 2013/14 however other priorities have meant that this has not yet been completed. There is no update timetable in place yet for completion of the exercise. A lack of asset verification mentioned above raises the risk that GLPI could be populated with incomplete information. These delays will also impact on the ongoing implementation of the ICT Asset Management Plan as a whole.

3.4 All ICT asset procurement is administered centrally by the Council's IT Service through their helpdesk. Established requisition and authorisation processes are in place for ICT Asset purchases, with each step of the procurement process, from initial request to delivery and receipt of the asset, being clearly documented. IT is responsible for preparing an asset for its operational deployment.

3.5 For the disposal of ICT assets, contractual arrangements are in operation with appropriately accredited contractors for the collection and destruction of ICT equipment. Contractors provide the Council with Certificates of Destruction summarising the quantities and different types of equipment destroyed. However we were unable to reconcile disposal documentation to ICT asset registers to verify types of assets and quantities recorded as being destroyed. We identified a number of instances where IT service have recorded assets as being destroyed in itemised record sheets however these assets remain on the asset register. In addition we found examples where the quantity of destroyed assets recorded in Certificate of Destruction does not tally with the quantity recorded in the associated itemised record sheet.

3.6 We can provide reasonable assurance that the information and data for internal and external requirements is available. Fundamental to the achievement of the priorities and objectives set out within the ICTAMP is the provision and access to good quality and reliable information. Neither GLPI nor OCS is yet at the operational deployment stage where they contain either the volume or detail of information to adequately meet internal and external requirements. However, we can place reliance on the recent series of structural and procedural steps taken to put in place to address these issues. The steps include a revised ICT financial management process which centralises all corporate ICT budgets and spend within the IT Service. The IT Service is also aligning the Council's ICT capacity and configuration management plans with financial plans and correlating and cataloguing a central register of the Council's software contracts and IT licences.

3.7 No links currently exist between IT asset records and the Council's Corporate Fixed Asset Register System. Finance have started to contact Council Services about developing a standardised

method of notifying changes to ICT assets. IT will feed into this process if and when they are approached.

3.8 We can provide reasonable assurance that the new ICT asset management systems possess the existing and future capabilities to enable the Council to successfully achieve and deliver its ICTAMP objectives. While there is no documented options appraisal demonstrating how the GLPI and OCS systems were identified as having the capabilities required, there is adequate evidence that significant professional experience has been used to arrive at the decision. There is however a minor reputational risk around IT not wholly following their own procedures. The operational effectiveness of OCS is restricted at present as its software agent is not able to be installed onto Wyse Terminals. IT Service have identified suitable mitigating action to address this. However the lack of a clear implementation and development timetable setting out how the systems will be developed reduces the level of assurance we are currently able to provide.

3.9 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.

<b>Priority Assessments</b>	<b>Number</b>
Priority 1	-
Priority 2	-
Priority 3	4
Priority 4	1

## MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	There is no timetable in place for the completion of the implementation of the new asset management system..	There is slippage in implementation of new ICT asset management systems.	3	Will be written in to 2014/15 business plan and monitored through this.	IT Team Leader	30 June 2014
5.2	Limited systems or processes are in place to periodically verify or reconcile the records of ICT Assets held by Council Services with those held by IT.	ICT Asset records are not complete and current, reducing the ability to effectively plan and manage future ICT demand and need.	3	Standard verification process will be put in place and rolled out to services.	IT Team Leader	30 September 2014
5.3	Documented procedures for the treatment of asset disposals are out of date and some IT disposal records are inaccurate.	Inconsistency in administrating and recording of disposal of ICT assets leading to inaccurate and incomplete records being maintained.	3	Documented procedures will be reviewed and updated. Processes will be updated to address inaccuracies.	IT Team Leader	30 September 2014
5.4	There is a lack of linkage between IT asset records and Corporate Fixed asset systems.	Incorrect values stated in accounts or inaccurate levels of depreciation being charged.	3	Discussion with Finance will take place to identify issues and identify appropriate course of action.	IT Manager	30 September 2014
5.5	Options appraisal demonstrating how the GLPI and OCS systems were identified as having the functionality and capabilities required was not documented.	Decisions taken cannot be fully evidenced.	4	File note to be created to outline process taken to reach decision.	IT Manager	30 November 2014

Report Title	Priority				Number of Recommendations	Recommendations			
	1	2	3	4		Implemented	In Progress	Not Applicable Now	Implementation on Target? (*- New Dates Agreed)
Roads Management - Roads Costing System	-	-	1	-	1	-	-	1(a)	Y
Payroll and HR		1	3	1	5	-	5	-	Y*
Adult Care - Commissioning of Care and Corporate Appointees	2	2	2	-	6	-	6	-	Y*
Data Protection - Corporate	-	2	-	-	2	-	2	-	Y*
Risk Management Arrangements	-	1	1	-	2	-	2	-	Y*
Non Domestic Rates Income	-	1	-	1	2	-	2	-	Y*
Income Collection & Cash Receipting	-	-	2	-	2	-	2	-	Y*
Purchase Orders to Payment of Suppliers	-	1	1	-	2	-	2	-	Y*
Council Tax	-	1	5	-	6	6	-	-	Y
Purchase Cards	-	1	-	-	1	-	1	-	Y*
Information Governance	1	3	1	-	5	-	5	-	Y*
Schools PPP/PFI Contract Monitoring	-	1	1	-	2	1	1	-	Y*
<b>TOTAL</b>	<b>3</b>	<b>14</b>	<b>17</b>	<b>2</b>	<b>36</b>	<b>7</b>	<b>28</b>	<b>1</b>	

(a) - Superseded by other events

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