
Report to Resources and Audit Committee

Date of Meeting: 26 February 2015

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 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.

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**.

Status of Audits		%
To be Commenced	0	0%
Onsite/On going	5	29%
Draft Report Issued	9	54%
Final Report Issued	3	17%
Total	17	100%

- 3.2. Internal Audit and Fraud were approached by The Assistant Head of Social Services, with responsibility for Childcare Services requesting that we carry out a review of the controls in place over the Joint Authority Liaison Group (JALG). This review was not originally included in the 2014/15 annual plan.

In agreement with the IT Service Manager we have deferred the ICT Asset Management Plan and IT Contract Management review to the 2015/16 plan which has allowed us to undertake the JALG review.

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 B** and cover the following reviews;

- Community Planning
- General Ledger
- Joint Area Liaison Committee

Final Reports- Assurance

3.4. The following reports from the 2014/15 plan are provided for:-

- Social Housing Charter (Significant Assurance) (**Appendix C**)
- Information Governance (Limited Assurance) (**Appendix D**)
- Adult Care- Commissioning of Care (Reasonable Assurance) (**Appendix E**)
- Treasury Management (Significant Assurance) (**Appendix F**)
- Housing Benefit and Council Tax Reduction Scheme (Reasonable Assurance) (**Appendix G**)
- Budget Management and Monitoring (Reasonable Assurance) (**Appendix H**).

Fraud

3.5. The Internal Audit and Fraud Team continues to investigate benefit fraud having received 118 referrals since 1st April 2014 with over 86 investigations commenced up to the end of December. In that time investigations have identified over £113,281 of over payments with 19 sanctions issued.

3.6. All of these cases have proceeded in line with the Clackmannanshire Council Benefit Fraud Sanctions and Penalties Policy and the Corporate Prosecutions Policy.

National Fraud Initiative 2014/15

3.7. The National Fraud Initiative (NFI) is a bi-annual counter-fraud exercise currently undertaken in Scotland as part of statutory audit. The initiative is managed by the Audit Commission and administered in Scotland by Audit Scotland on behalf of councils and other public bodies.

3.8. The National Fraud Initiative (NFI) Data matches were issued by Audit Scotland at the end of January 2015. A plan covering the investigation of data matches has been issued to all relevant officers and progress will be reported to future meetings of this Committee.

Progress of Follow Up

- 3.9. Within Action Plans from previous Internal Audit Reports, there were 70 recommendations arising from 20 reports which were due for implementation by 31 December 2014. This covers all previous reports where there is at least one recommendation to be implemented. Of these, 30 recommendations have been implemented, 28 are in progress and 12 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.
- 3.10. The progress made by Officers on these recommendations is summarised in **Appendix I** and where not sufficiently implemented, progress to date and revised completion dates have been agreed.

Conclusion

- 3.11. Work on the 2014/15 Internal Audit and Fraud Plan is progressing. Further progress has been made on implementing and addressing recommendations from previous reports.
- 3.12. 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?
N/A

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 - Social Housing Charter

Appendix D- Information Governance

Appendix E- Adult Care- Commissioning of Care

Appendix F- Treasury Management

Appendix G- Housing Benefit and Council Tax Reduction Scheme

Appendix H- Budget Management and Monitoring

Appendix I - 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
Stephen Coulter	Head of Resources and Governance	Signed: Stephen Coulter
Nikki Bridle	Depute Chief Executive	Signed: Nikki Bridle

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

PROGRESS ON APPROVED INTERNAL AUDIT ANNUAL PLAN 2014/15

APPENDIX A

Audit	Audit Weeks	Annual Plan	Service	Progress
General Ledger	6	2014-15	Accountancy	Draft Report Issued
Change Management	6	2014-15	Corporate	Ongoing
ICT Asset Management Plan and IT Contract Management.	6	2014-15	Corporate & IT	Deferred to 2015/16
Joint Authority Liaison Group (JALG)	6	Added	Social Services	Draft Report Issued
Fraud				
Fraud Risk Assessment / Prevention	6	2014-15	All Services	Ongoing
Fraud Detection	48	2014-15	Internal Audit and Fraud	Ongoing
Review Fraud and Whistleblowing policies	2	2014-15	Corporate	Ongoing
National Fraud Initiative	6	2014-15	All Services submitting data	Ongoing
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:** Corporate & Strategy and Customer Services**AUDIT AREA:** Community Planning**AUDIT YEAR:** 2014/2015**INTRODUCTION AND SCOPE**

The Community Empowerment (Scotland) Bill was introduced to the Scottish Parliament in June 2014. The Bill outlines a number of proposed changes to the law which will place new duties on Local Authorities across Scotland. Proposed changes include strengthening Community Planning Partnerships, giving more power to community organisations, extending community right to buy to urban areas and making it easier for community organisations to take over control of public buildings.

Performance and Partnership Support within Strategy and Customer Care are responsible for supporting community planning and community planning reform. A key activity for them will be communicating and facilitating the implementation of the duties arising from the Community Empowerment (Scotland) Bill once it becomes law.

The scope of this review is to consider the preparedness of the Council in anticipation of Community Empowerment Act.

RISKS

The following risks could impact on the preparedness of the Council in relation to the requirements of the Community Empowerment Bill and have been identified as within scope for this audit;

- The Council is not ready to meet proposed duties in relation to community planning.
- Arrangements are not in place to allow community organisations to influence service delivery.
- Community right to buy and asset transfer requests cannot be properly considered.
- Common Good Property cannot be properly identified and registered.
- Proposals for provisions on allotments cannot be met.

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: Accountancy****AUDIT AREA: General Ledger****AUDIT YEAR: 2014/2015****INTRODUCTION AND SCOPE**

Financial management is a core part of successful management. It is central to every organisation's decision-making process and an essential part of the overall performance management framework

Accounting information produced by local authorities is important because the essence of local democracy is accountability to the electorate, and communication of financial information in financial statements is a key aspect of accountability.

The General Ledger is an account used to sort and store balance sheet and income statement transactions and is a module within the Council's Finance System (Strategix software). The efficient structure and operation of the general ledger can be critical to the effectiveness of decision making, performance management and reporting.

The scope of our audit will be to review controls in place over the General Ledger with consideration of any potential implications for future system development.

RISKS

The following risks could prevent the achievement of the General Ledger function objectives:.

- Policies and procedures are unclear.
- General ledger processing is inaccurate, incomplete and unauthorised
- System development objectives are unclear.
- Infrequent or incomplete reconciliations of General Ledger Accounts.
- General Ledger structure and reporting is inadequate and not aligned to the strategic aims of the organisation.

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: Social Services: Child Care****AUDIT AREA: Joint Authority Liaison Group (JALG) Decision Making****AUDIT YEAR: 2014/2015****INTRODUCTION AND SCOPE**

The vision in place for Clackmannanshire children is that every child and young person has the best possible start in life and achieves their potential.

The Joint Authority Liaison Group (JALG) is made up of Service Managers from Education, Social Services, Senior Accountants, Psychological Services and Head Teachers and is responsible for approving and monitoring external child care packages and accommodating children. JALG have a critical role and it is important that all care packages are approved and monitored by all relevant stakeholders in line with Policy and Regulations.

The Assistant Head of Social Services, with responsibility for Childcare Services, has asked internal audit to consider the controls in place over JALG. This review was not originally included in the 2014/15 annual plan.

The scope of our audit will be to review controls in place over the decision making and monitoring processes in place at the JALG to ensure they are consistent, in line with Clackmannanshire Council policy and national guidance, and all child care cases have been appropriately approved.

RISKS

The following risks could prevent the achievement of the Child Protection and JALG Objectives:.

- Policies and procedures are unclear and Child Care approval processes are not up to date and in line with current legislation.
- Child Care accommodation and high cost care packages are not appropriately approved and monitored
- Child Care approval and governance processes are not efficient and effective with potential duplication of effort between shared service providers.
- Reporting of child protection and LAAC decisions is inadequate.
- Monitoring of the standards of care purchased placements is not adequate

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 the Social Housing Charter. The review forms part of the Internal Audit and Fraud Plan for 2014/15, which was recommended to full Council for approval by the Resources and Audit Committee on 11 March 2014.

1.2 The Scottish Housing Regulator monitors and assesses the performance of Clackmannanshire Council as a landlord against the statutory Scottish Social Housing Charter. The Charter contains a total of 16 outcomes and standards that social landlords should aim to achieve. The Scottish Social Housing Charter Revised Technical Guidance for Landlords gives technical guidance on the data that the Council should supply for an Annual Return on the Charter. The Regulatory Framework requires the Council to send the Scottish Housing Regulator the Annual Return on the Charter data by the end of May for performance in the reporting year ending March.

2. SCOPE AND OBJECTIVES

2.1 The scope of the audit was to review and evaluate the systems in place to support the Council's compliance with the Social Housing Charter.

2.2 Internal Audit, in conjunction with Housing senior management, identified the key risks relating to the audit. In our opinion there is a robust control environment operating in relation to the systems in place to support the Council's compliance with the Social Housing Charter and the proposed arrangements for their management going forward. We can provide overall **significant** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Controls in place do not support compliance with the Scottish Housing Regulator's requirements for the Social Housing Charter.	Significant
The data submitted on the Annual Return on the Charter is incorrect and/or cannot be appropriately evidenced.	Significant
Appropriate arrangements are not in place to improve performance in areas reported by the Scottish Housing Regulator as below the Scottish average.	Significant

3. FINDINGS

3.1 We can provide significant assurance that controls in place support compliance with the Scottish Housing Regulator's (SHR) requirements for the Social Housing Charter. The Housing and Community Safety Service Business Plan 2014/2015 includes a delivery plan setting out measureable actions. The majority of these measures reflect the statutory reporting requirements required by the Social Housing Charter. Progress against the targets is scrutinised by the Housing, Health and Care Committee at regular intervals throughout the year. The monitoring of the actions is supported by the covalent performance management system.

3.2 The Annual Return on the Charter for 2013/14 performance was submitted as required by the end of May 2014. A detailed performance report was posted to all Clackmannanshire tenants and published on ClacksWeb by the end of October 2014, again in line with requirements. The report included an assessment of the performance in delivering the Charter outcomes, comparisons with other Scottish Local Authority landlords and the national performance and how and why Housing intend to address areas for improvement.

3.3 We are also satisfied that the Council complies with the statutory requirement to involve tenants in the planning and decision making processes. A research company was engaged to undertake a satisfaction survey of a random sample of 900 tenants in 2013 with the results used to review performance. A further survey is planned for 2016. A housing event was held in April 2013 where tenants were provided with information on housing services and the Social Housing Charter. Feedback from tenants was obtained at the event. Support and challenge is provided by the Clackmannanshire Tenants and Residents Federation with the tenants report developed with a tenants working group. Current scrutiny activities include estate management walkabouts, study visits to various parts of the service by tenants and tenants taking part in the Scottish Government programme 'Stepping up to Scrutiny'.

3.4 We can provide significant assurance that the data submitted on the Annual Return on the Charter (ARC) is correct and can be appropriately evidenced. The ARC was reviewed and approved by the Head of Housing and Community Safety before it was submitted to the Scottish Housing Regulator. A desktop validation check was carried out by the Scottish Housing Best Value Network (SHBVN) on the draft ARC data. A SHBVN working group, with representation from this Council through the Housing Management Co-ordinator, are reviewing five charter indicators where they consider the Scottish Housing Regulator guidance is unclear.

3.5 The Scottish Housing Regulator produced a Summary Landlord Report in August 2014 for this Council, which can be accessed on their website. They reported on the performance on 18 key indicators agreed with a selection of tenants throughout Scotland. The testing carried out during this review concentrated on reviewing a number of key indicators and supporting evidence to ensure that they were correctly reported on the ARC and that they complied with the Scottish Housing Regulator's Technical Guidance. We found some minor discrepancies which have been notified to relevant staff however nothing of any significance. However, it was noted that the calculation of Charter Indicator 13, the percentage of reactive repairs carried out in 2013/14 completed right first time, is complex with a number of manual checks required. This is an issue that is being considered at a national level.

3.7 Processes for calculating the rent arrears charter indicators 30 and 31 were not fully in place for the 2013/14 ARC. However, a pro-forma calculation has been developed for 2014/15, which agrees with the SHR Technical Definitions. It was identified that automated arrears letters are required to be manually suppressed for certain types of arrears agreements but these were not always being suppressed and we found one instance from a relatively small sample where a letter was issued in error. We were advised that system limitations mean that automatic suppression is not possible. Resultant manual processes are resource intensive and increase risk of error. The introduction of Universal Credit will significantly increase the level of manual suppression required, as it will be paid in arrears. The review identified some other issues with rent arrears: arrears are occurring as some tenants are not moving when allocated; some tenants were building up arrears quickly as had issues over the standard of the property and unclear correspondence with tenants over arrears. (Finding 5.1)

3.8 We can provide significant assurance that appropriate arrangements are in place to improve performance in areas reported by the Scottish Housing Regulator as below the Scottish average. We found a number of examples where performance improvement initiatives have been put in place.

3.9 In 2013/14 the gross rent arrears was calculated at 6.64% with the projected figure for 2014/15 being 6.95%. The Scottish average for indicator 31 reported by the SHR for 2013/14 was 5.1%. Vanguard Consultants have been engaged as part of the housing business management system improvement project to work with housing staff to redesign housing work. They have advised that early intervention should be in place where intensive support is required for tenancies. We confirmed that tenants with high arrears are now being referred to Money Advice at an early stage. The Vanguard Project, which is currently reviewing homeless processes, is to review housing rent collection and arrears in March 2015. (Finding 5.1)

3.10 The average time taken to re-let properties in 2013/14 was 40.41 days, which is only slightly over the Scottish Housing Best Value Network average of 39.7 days. The void time is affected by other parties carrying out necessary work to relet the properties. The introduction of Choice Based Lettings is partly designed to speed up the relet time with other initiatives to improve the relet processes also being considered.

3.11 We found good procedures and processes in place for the charter indicator 19, the percentage of ASB Cases resolved within locally agreed target and the contextual indicator 11, the number of abandoned properties. The Team Leader Tenancy Estate Management Service carries out monitoring on the ASB cases over the target of 20 days and current abandonments. A small issue was found in the reporting of indicator 19 in the ARC where 241 cases were reported whereas there were 240 cases recorded in the source documents. The calculation of cases reported as resolved within locally agreed targets would have been 74.3% instead of 74.61% with the internal target for this indicator, 75%.

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. 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	1
Priority 3	-
Priority 4	-

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	There are issues with the rent collection system.	Rent arrears can be built up in a short space of time	2	Vanguard Consultants have been engaged as part of the housing business management system improvement project to work with housing staff to redesign housing work.	Team Leader, Housing Business Management Services	June 2015

1. INTRODUCTION

1.1 This report details the findings of the Internal Audit review of the actions put in place to address issues raised in the report of the 2013/14 review of Information Governance/Document Management. The review forms part of the Internal Audit and Fraud Plan for 2014/15, which was recommended to full Council for approval by the Resources and Audit Committee 11 March 2014.

1.2 As part of the 2013/14 Annual Internal Audit plan a report was published outlining findings from a review of the Council's systems for Information Governance / Document Management. Limited assurance only was provided and management identified a number of actions that would be put in place to address issues. The scope of the original review was to evaluate and report on high level controls established to implement the Information Strategy and how these arrangements address requirements of the Public Records (Scotland) Act 2011.

2. SCOPE AND OBJECTIVES

2.1 The scope of this audit was to assess actions put in place in response to the original report and to consider how these are operating.

2.2 Internal Audit, in conjunction with Senior Officers from the Governance Service, identified the key risks relating to whether or not agreed actions have been implemented. In our opinion there has been limited progress in implementing agreed actions and we can only provide overall **limited** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Clackmannanshire Council does not meet legislative requirements of the Public Records (Scotland) Act 2011.	Limited
Financial penalty and/or reputational damage caused by poor records management.	Limited

3. FINDINGS

3.1 Clackmannanshire Council still does not meet the requirements of the Public Records (Scotland) Act 2011 (PRSA). Our original review identified significant gaps between what the Act requires and the arrangements the Council currently has in place. A project to address required issues to enable compliance has been initiated however this has stalled at a relatively early stage due to relevant staff leaving the Council. The Keeper of the Records of Scotland will operate a rolling programme of invitations to named public authorities under the Act inviting them to submit their records management plans (RMPs) with a view to scrutinising and agreeing them.

3.2 The original review identified a number of areas that require urgent attention (as they are compulsory elements of the Act). There has been limited progress in addressing these issues with the following areas still not being met:

- The Council has no suitably qualified and skilled officer appointed with specific operational responsibility for records management.
- An updated Records Management Policy has been drafted however this has very limited information at this stage. Some underpinning policies have also been drafted however have not been progressed.
- A Corporate File Structure was approved by CMT in July 2012. Services were requested to nominate a designated officer with responsibility for this area and to report back on details for their own particular service - this however has not happened.
- The Council has a number of fragmented arrangements for the disposal / destruction of records. However, there is no overall co-ordinated corporate policy. Again a policy has been drafted.
- A number of the Council's Services have their own document archiving and transfer arrangements; however there is no Council wide policy in place.
- The development of a Vital Records List at Corporate and Service level for inclusion within Corporate and Service BCPs.
- There are limited Council wide information security policies for the secure filing and storage of physical records.

3.3 A senior manager, Head of Resources and Governance, has recently been identified as being responsible for the overall strategic management of records.

3.4 There are still a significant number of physical files being stored in various Council buildings including Lime Tree House and Alloa Town Hall. There are limited access and monitoring controls around the types and volumes of documents being stored: including no document register or log recording the files stored or removed and by which Service.

3.5 During the original review we issued a questionnaire to a sample of functions across Council Services. Responses indicated examples of good practices undertaken by Services. The responses also provide an indication of where existing practices and processes could be strengthened. There has been limited action in addressing areas needing strengthening.

3.6 The Council is potentially exposed to financial and/or reputational risk due to differences between Services in how they record and administer the records and documents they hold. This could lead to either the provision of inaccurate and/or incomplete information or increase the cost to the Council in the time and resource required to obtain the required information to prepare a response.

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 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	1
Priority 2	7
Priority 3	1
Priority 4	-

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	Clacks Council does not meet the requirements of the Public Records (Scotland) Act 2011.	The Council could be exposed to significant reputational damage with potential for financial penalty.	1	An updated Records Management Project specification to develop appropriate actions to address required issues to enable compliance will be prepared. Project management resources will be identified and arrangements will be put in place to progress initiative.	Head of Resources and Governance. Council Management Team (CMT) to ensure changes are implemented.	30/09/2015
5.2	Not all Council Services have designated officers with responsibility for : - Data Protection - FOI - Records Management - Document Retention	Inconsistency in knowledge and practices between Services increasing the Council's exposure to non-compliance with legislative and regulatory requirements.	2	These roles within Council Services will be reviewed with appropriate action taken to address gaps where identified. Resources within services will be evaluated as part of the project scope detailed in 6.1 above to progress the work required and to identify where designated posts could be created.	Council Management Team (CMT) Head of Resources and Governance.	31/12/2015
5.3	There are still a significant number of physical files being stored in various Council buildings including Lime Tree House and Alloa Town Hall.	The existing storage space is not sufficient to meet the demands of services	2	Services will be reminded that the official record should now be held on electronic medium. Consideration is being given to identifying an appropriate archive store.	Head of Resources and Governance	30/09/2015
5.4	No log or register is maintained of documents / files that are deposited or removed from storage areas.	Documents may be inappropriately deposited or removed, thereby further reducing the availability of restricted storage space. This could also hamper efforts to respond to information requests (either internally or externally) in a timely manner.	2	Logging and access arrangements will be considered as part of the Records Management Project.	Head of Resources and Governance	31/12/2015

INFORMATION GOVERNANCE

APPENDIX D

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.5	Some Services have developed their own processes and guidance for the management of documents and records within their own service.	With lack of a corporate oversight, local processes could be developed that are inappropriate while opportunities for sharing good practices and processes across the Council are lost.	3	Locally developed processes and practices will be reviewed as part of the Records Management Project, to assess where they could be developed and shared across the Council.	Head of Resources and Governance	31/12/2015
5.6	Officers involved in the administration and management of documentation and records have only received limited training.	Officers do not have the appropriate level of knowledge and experience to administer records in line with Council Guidance and legislative and regulatory requirements leading to documents being inappropriately destroyed or unnecessarily retained.	2	This will be considered in phase 2 of the Records Management Project. Phase 2 is yet to be scoped.	Learning & Development Officer	31/03/2016
5.7	Only a small number of Council Services have data sharing protocols with 3 rd party (non-public sector) partnership organisations	The Council's exposure to reputational and/or financial risk is substantively increased.	2	The Policy Development Phase of the Records Management Project will include a review of data sharing arrangements and requirements.	Head of Resources and Governance	31/03/2016
5.8	Where the Council has external data sharing protocols in place, these are not subject to periodic review.	The Council's exposure to reputational and/or financial risk is increased if a partner organisation's information and records management systems and processes do not comply with regulatory and legislative requirements.	2	The Policy Development Phase of the Records Management Project will include a review of data sharing arrangements and requirements. Council Management Team (CMT) to be responsible for compliance.	Head of Resources and Governance Council Management Team (CMT) to be responsible for compliance.	31/03/2016
5.9	Few Council Services maintain registers of the physical files they hold.	Sensitive and confidential documents are held inappropriately and the administrative time and cost of document retrieval is increased.	2	Locally developed processes and practices will be reviewed as part of the Records Management Project, to assess where they could be developed and shared across the Council. Council Management Team (CMT) to be responsible for compliance	Head of Resources and Governance Council Management Team (CMT)	31/03/2016

1. INTRODUCTION

1.1 This report details the findings of the Internal Audit follow up review of Adult Care - Commissioning of Care. The review forms part of the Internal Audit and Fraud Plan for 2014/15, which was recommended to full Council for approval by the Resources and Audit Committee on 11 March 2014.

1.2 As part of the 2013/14 Annual Internal Audit plan a report was published outlining findings from a review of the Council's systems for Commissioning of Adult Care and Corporate Appointees. Only limited assurance was provided and Social Services management identified a number of actions that would be put in place to address issues. Social Services are projecting significant overspends for 2014/15.

1.3 Internal Audit also recently carried out a corporate review of Budget Management and Monitoring. This review highlighted weaknesses in Social Services control framework. Social Services has also created a budget recovery action plan and some of the actions identified in that were considered as part of this review. While the assurance provided below relates to progress of action specifically in response to our original review of commissioning arrangements, we are able to equate this to progress being made in implementing budget recovery action.

2. SCOPE AND OBJECTIVES

2.1 The scope of this audit was to assess actions put in place by Social Services in response to the original report and to consider how these are operating. Consideration included involvement of business support, procurement and planning and commissioning for adult care social services.

2.2 We are reasonably content that management actions have been progressed and a significantly improved control environment is operating in relation to Adult Care Commissioning arrangements. As a result we can therefore provide overall **Reasonable** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Lack of appropriate systems in place to monitor the needs assessment, commissioning, quality and costs of adult care services.	Reasonable
Council do not achieve value for money in provision of adult care services.	Reasonable

3. FINDINGS

3.1 We can provide reasonable assurance that there are appropriate systems in place within Adult Care to monitor needs assessment, commissioning, quality and costs of adult care services. Controls have been strengthened in this area by introducing systems including a Resource Panel (RP) which approves care plans, a dedicated Business Matching Unit (BMU) for sourcing suppliers relative to care needs and monitoring planned and actual care prior to payment.

3.2 Individual care plans are prepared by the Social Worker and are held electronically awaiting approval. The RP meets weekly and is made up of Social Services Management, Health Care Professionals and Finance Staff. The RP reviews the individual care plans and either approves them on the system or queries are raised with the Social Worker responsible for compiling the care plan. Any queries are noted on the care plan and are addressed before approval is given.

3.3 The BMU has been set up to source suppliers relative to care needs for approved care plans and update care plans with care details and notify client, social worker and care provider. Care decisions are now being evidenced and documented. BMU matches actual care provided to care plans to ensure that only actual care agreed in the plan is paid for as part of the invoice process. We found adequate written procedures in place for BMU functions. We carried out testing on a sample of care payments and were content that care payments agree to actual care provided and a care plan that has been agreed by the RP.

3.4 BMU on a monthly basis establishes with the care providers actual care provision provided to ensure agreement with the care plan. Payments are only made after checking and authorisation by accountants and Social Services Management. Plans are in place to devolve budgets to Team Manager level across Adult Care however this is still in progress. There is currently no system in place to check whether stated care hours invoiced by providers have actually been supplied. Management has advised that a risk based sample checking regime will be introduced after care and support framework has been put in place. (Finding 5.1)

3.5 A Review Team comprising of Social Care Officers was set up between March and September to review existing care plans to ensure that care needs and outcomes have been properly addressed. Standard care assessments are not always being carried out in line with planned annual review dates. It is the aim of Social Care Teams to carry out annual checks on care needs however this has not yet been achieved. (Finding 5.2)

3.6 We can provide reasonable assurance that the provision of Adult Care achieves value for money. A care at home service framework contract has been put in place from April 2014 for 4 years. This framework includes a small number of suppliers all working to agreed rates. On a daily basis the BMU contacts the framework suppliers with care requirements. If the framework suppliers can not provide care then management approve the use of other care providers.

3.7 There is still a number of care providers where there are no contracts in place and others where the provision may be exceeding service user requirements. Social Services have evaluated all service provision within social care, including financial and contractual data in order to consolidate service delivery against contractual requirements and service users' needs. The purpose of which is to ensure that contracts do not exceed service user requirements, individual outcomes are appropriately met and efficiencies delivered. Social Services Planning and Commissioning Team are addressing this issue by developing an open framework which is timetabled to be in place by October 2015. We are confident that the open framework will help ensure value for money as all suppliers will meet quality requirements and care can be awarded to the most suitable lowest cost framework supplier. (Finding 5.3)

3.6 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	1
Priority 3	2
Priority 4	-

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	There is currently no system in place to check whether stated care hours have actually been supplied.	Agreed level of care is not being carried out. Council being charged for care that has not been carried out.	3	Risk based sample checking regime will be introduced and documented.	BMU Team Leader	31/12/2015
5.2	Standard care assessments are still not always being carried out in line with planned annual review dates.	A lack of timely review may result in clients becoming dependant on services and care could become excessive to actual need.	3	Focussed review work being undertaken. Assessment capacity is to be reviewed, as will assessment criteria.	Service Manager, Assessment and Care Management	31/10/2015
5.3	There are a number of care providers where there are no contracts in place and others where the provision may be exceeding service user requirements..	Council do not achieve value for money in provision of adult care services.	2	Open framework of providers being created.	Planning and Commissioning Manager	28/02/2016

1. INTRODUCTION

1.1 This report details the findings of the Internal Audit review of Treasury Management. The review forms part of the Internal Audit and Fraud Plan for 2014/15, which was recommended to full Council for approval by the Resources and Audit Committee on 11 March 2014.

1.2 CIPFA defines Treasury Management as: "the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks."

1.3 The Treasury Management operation has two main objectives: to ensure that cash flow is adequately planned, with cash being available when it is needed with surplus monies invested in low risk counterparties providing adequate liquidity; and, to fund the Council's capital plans by managing long term cash flow and ensuring that the Council can meet its capital spending obligations.

1.4 The CIPFA Treasury Management in Public Sector Code of Practice (The Code) was last updated in 2011. CIPFA recognises that many organisations will find that parts of The Code are not relevant to the scope and nature of their treasury management activities but the recommendations made provide a basis for all public service organisations to create clear treasury management objectives and to structure and maintain sound treasury management policies and practices.

2. SCOPE AND OBJECTIVES

2.1 The scope of the audit was to review and evaluate the controls around Treasury Management operations and to assess compliance with The Code.

2.2 Internal Audit, in conjunction with the Corporate Accounting Team Manager, identified the key risks for the audit. In our opinion there is a reasonable control environment operating in relation to efficient and effective Treasury Management arrangements. We are also content that there is high compliance with The Code. As a result we can therefore provide overall **Significant** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Policies and procedures are unclear resulting in not consistently applying regulations when undertaking Treasury Management functions.	Significant
Treasury Management processes, including contract management of treasury functions are not efficient and effective and do not comply with policies and regulations.	Reasonable
Inadequate risk management, review and reconciliation of treasury transactions with the potential for fraud and financial loss.	Reasonable
Treasury Management reporting is inadequate.	Significant

3. FINDINGS

3.1 In order to assess the Council's overall compliance with The Code a checklist of the main requirements was completed. We are content that there is a high level of compliance with The Code. This includes compliance with risk management, performance measurement and reporting arrangements.

3.2 We can provide significant assurance that policies and procedures are clear resulting in the Treasury Management staff consistently applying regulations. The adoption of The Code is detailed in the Council's Financial Regulations. The Treasury Management Policy Statement has been updated in compliance with 2011 version of The Code to reflect high level policies for borrowing and investments and was approved by the Council in June 2012. The Treasury Section have developed written work instructions for the main Treasury functions. The Code suggests that these various documents should be held together as a single Treasury Management Manual. We have reviewed the various documents and are comfortable that the main identified required schedules are covered. Consideration should be given to formatting the current disparate documents into a single manual to make it easier to undertake updates consistently and to provide comprehensive access to guidance. (Finding 5.1)

3.3 We can provide reasonable assurance that Treasury Management processes, including contract management of treasury functions are efficient and effective and comply with policies and regulations. We reviewed Treasury Management functions relating to performance management, contract management, monitoring cash flows, bank reconciliations, cheque processing; CHAPS processing and creditors administration.

3.4 There are a range of performance management arrangements in place including key performance indicators, borrowing and investment figures and statistics; and performance against treasury and prudential indicators. We found that treasury management performance was regularly monitored and reported

3.5 There are two main contracts in place for Treasury Management. One relates to banking facilities and the other to Treasury Advisers. We were advised that a new banking contract is being tendered for and this will be active from 1/4/15. The current banking contract fees are levied per transaction type with a schedule of transactions and costs included in the contract. At present there is no checking of bank charges to actual transactions and the schedule of fees in the contract. Bank charges from 1/4/14 to 31/10/14 total c£30,000. The Treasury Section have been unable to undertake the checking due to the lack of detailed information received from the bank and also the information being received in hard copy format only. Action has been taken to try and address this issue which is currently ongoing. (Finding 5.2)

3.6 The Treasury Adviser contract includes regular monitoring and reports on interest rate and economic forecasts, counterparty credit ratings, training and advice. As part of this contract there is a schedule detailing the terms of service for which there is an annual fee. There are also consultancy charges detailed that would be incurred for services required that are not part of the schedule. The Council do not have a specific contract in place with a broker but when required utilise broker services based on the Treasury Adviser recommendation and the level of associated costs.

3.7 The Council's cash flow is monitored on a daily basis with transfers made between accounts depending on cash flow projections and Council cash demands. The aim is to spread risk through borrowing and investment. The recent borrowing strategy is to reduce overall debt by repaying external debt and contributing towards lease repayments by not undertaking new borrowing other than that required to fund approved Capital Expenditure and utilising existing cash reserves. We reviewed the cash flow monitoring arrangements and we can provide assurance on the arrangements in place.

3.8 The Treasury Section is responsible for processing CHAPS (Clearing House Automated Payment System) payments through the bank accounts. In general the process involves a completed and authorised CHAPS form which is entered as a payment through the bank account by Treasury Officers and then authorised by management prior to payment. We reviewed a sample of CHAPS payments and found adequate segregation of duties in raising and authorising the payment. There were

instances where payments were being authorised out with limits as specified on the authorised signatory database. (Finding 5.3) We reviewed the payments in question and can provide assurance that they were appropriate and valid.

3.9 The Treasury Section is responsible for issuing cheques for payments. We found that the process of issuing cheques is time consuming following the cheque printer failing. At present the cheques are handwritten and manually checked to system lists and remittance advice by management. (Finding 5.4)

3.10 The Treasury Section staff have responsibility for creditor administration which involves setting up new creditors and making changes to creditor details including changes to bank accounts. Treasury section staff demonstrated a knowledge of the risks of mandate fraud and we found no instances of inappropriate changes to creditor bank details. However there are no documented procedures for the administration of creditor bank account changes including checking validity of such requests. (Finding 5.5)

3.11 We can provide reasonable assurance that there is adequate risk management, review and reconciliation of treasury transactions. Risk Management arrangements are included as part of the Treasury Management Strategy Statement. Risks are assessed as part of the Investment Policy and counterparty credit ratings are continually monitored with the Council only investing in organisations with an "A" rating. The Council's Investment Policy is security first, liquidity second and then returns. In addition interest rates are regularly monitored and performance is measured against Treasury and Prudential Indicators as approved in the Treasury Management Strategy Statement.

3.12 We reviewed the process in place for reconciling bank accounts to transactions through the ledger. In general these processes were reasonable but there were issues relating to the reconciliation of bank account charges (as detailed in paragraph 3.5 above) and we also found that delays in revenues transactions being processed through the ledger resulted in delays in the general bank account being fully reconciled. (Finding 5.6)

3.13 We can provide significant assurance that Treasury Management reporting is adequate. The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actual performance. During the Financial Year the following reports are submitted to the Council for information and approval: The Treasury Management Strategy Statement; Prudential Indicators; Treasury Management Update of Activity Report; and the Annual Treasury Report. The level and content of these reports are in compliance with The Code.

3.14 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	1
Priority 3	4
Priority 4	1

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	Current Treasury policies and procedures are not consolidated into a Treasury Management Manual.	Policies and Procedures may not be consistently followed or updates may not be consistently applied.	4	Electronic Manual to be created and documents pulled together in one place	Corporate Accounting, Team Leader	March 2015
5.2	Information being received from the bank is not in a format that allows effective checking of charges levied.	Unchecked expenditure and potential for financial loss.	3	Work ongoing with Bank to receive appropriate backup information to allow checking.	Corporate Accounting, Team Leader	March 2015
5.3	CHAPS payments are being authorised by officers with insufficient authorisation limits.	Expenditure being incurred out with authorised limits in breach of Financial Regulations.	3	Checks to ensure CHAPS are appropriately authorised are now in place.	Corporate Accounting, Team Leader	Implemented
5.4	The manual cheque raising process is time consuming and inefficient.	Inefficient processes and increased costs.	3	Creditors (including some benefit payments) that currently get paid by cheque are being contacted in order to agree an alternative payment method to reduce the number of cheques raised.	Corporate Accounting, Team Leader Team Leader Revenues.	Implemented
5.5	There are no documented procedures for the administration of creditor bank account changes including checking validity of such requests.	Risk of mandate fraud and financial loss if bank account changes not independently validated.	3	Procedures to be drawn up.	Corporate Accounting, Team Leader	March 2015
5.6	The general bank account is not being fully reconciled to the ledger due to a delay in processing revenues transactions through the ledger.	Unchecked income with errors and omissions not being identified.	2	Delay was due to member of staff responsible being off sick. Now fully reconciled. Appropriate cover to be put in place.	Corporate Accounting, Team Leader Team Leader, Revenues	January 2015

1. INTRODUCTION

1.1 This report details the findings of the Internal Audit review of Housing Benefit (HB) and Council Tax Reduction Scheme (CTR). The review forms part of the Internal Audit and Fraud Plan for 2014/15, which was recommended to full Council for approval by the Resources and Audit Committee on 11 March 2014.

1.2 There are two types of HB: Rent Allowance and Rent Rebate. Rent Allowance applies when the applicant rents accommodation from a Housing Association or Private Landlord. Rent Rebate applies when the applicant rents accommodation from the Council.

1.3 HB helps claimants on low incomes, both in and out of work, to meet the cost of their rent. It is currently administered by local authorities on behalf of Central Government and the Department of Work and Pensions (DWP)

1.4 CTR was introduced from 1 April 2013 to replace Council Tax Benefit (CTB), which has been abolished by the UK Government as part of its welfare reform programme. Responsibility for assisting those who need help to pay their Council Tax in Scotland sits with the Scottish Government and Scottish Local Authorities.

1.5 The Revenues and Payments Service within Clackmannanshire Council is responsible for the administration of HB and CTR.

2. SCOPE AND OBJECTIVES

2.1 The scope of the audit was to review and evaluate the controls around HB and CTR Scheme processing.

2.2 Internal Audit, in conjunction with the Revenues Team Leader, identified the key risks relating to the audit. In our opinion there is a reasonable control environment operating in relation to efficient and effective HB and CTR processing however we have concerns around recovery processes. We can provide overall **reasonable** assurance that risks are being adequately mitigated. We are limiting assurance against one of the key risks and are aware that action is being taken by management to strengthen controls.

Key Risk	Assurance Assessment
Policies and procedures are unclear resulting in not consistently applying regulations when assessing HB and CTR claims.	Significant
HB and CTR systems are not efficient or effective.	Reasonable
Inadequate review and reconciliation of HB and CTR applications, system details, payments and ledger.	Reasonable
Overpayments not identified and promptly recovered.	Limited
HB and CTR reporting is inadequate.	Reasonable

3. FINDINGS

3.1 We can provide significant assurance that policies and procedures are clear and that regulations are being complied with when assessing HB and CTR claims. HB and CTR policy is set out by DWP who have issued a manual entitled "Housing Benefit Claims Processing and Good Practice for Local Authority Staff". This sets out the assessment criteria. DWP continually update the manual by issuing HB and CTR circulars. The DWP manual and update circulars are available to all responsible officers and the benefits assessment rates are incorporated and automatically applied during benefits processing. Through review of the applications process and subsequent testing we can provide assurance that officers are applying regulations consistently when assessing HB and CTR claims.

3.2 We can provide reasonable assurance that HB and CTR systems are efficient and effective. As at 21/11/14 there were 5156 HB and 5554 CTR claimants on the benefits system. From 1/4/14 to 19/11/14 the Benefits team have been responsible for processing: 1214 new HB claims; 7427 HB change events; 1201 CTR new claims and 6866 CTR change events. Claims for HB and CTR are generally made to the Council in writing by the completion of an application form. Claimants can also apply for HB via the DWP through a combined claims process where they are also claiming: income support, job seekers allowance, employment support allowance, or Pension Credit.

3.3 All claims are processed through the Council's Benefits System (Northgate Orbis). We have been advised there has been a number of recent issues in relation to system functionality and downtime and this can have a detrimental impact on performance and staff productivity. During our review the system was not operating for four days. The Benefits System requires regular patches and updates. These updates can be resource intensive to implement and can lead to system performance issues. The system issues can relate to the software supplier and / or can be caused by the Council's IT infrastructure. The frequency and impact of system issues have been difficult to quantify as there is no formal record kept. There is also a lack of formal monitoring of system issues and system supplier performance against the contract. (Finding 5.1)

3.4 Universal Credit will start in Clackmannanshire Council area on 28/05/15. The current system will still be used for Council Tax and Non Domestic Rates. The introduction of Universal Credit will remove the requirement for Local Authorities to process HB claims. An operational group will be set up that will be chaired jointly by the Revenues Team Leader and DWP area manager. This group will seek to involve all stakeholders. Initially there will be 300 cases all of which are non householders and in the 18-24 year old age bracket. Go live date for full implementation is 31/03/16.

3.5 The main HB and CTR performance target (Director of Finance KPI) relates to the average days taken to process claims and changes of circumstances. Recent performance in this area has been below the Scottish National Average. In April 2014 average days to process new claims and changes were 68 and 45 days respectively with a Scottish National Average of 28 days and 11 days. In July 2014 the Benefit team in conjunction with DWP, reviewed the processing arrangements in place and identified areas for development. The processing performance in this area has been continually improving and as at 7/11/14 the average time taken to process new claims and changes of circumstances was 19 days and 14 days. The main reason for the improvement in processing times is more proactive daily monitoring of staff workloads, improved prioritisation of work streams and increased staff availability. The team is to be commended for these significant improvements.

3.6 Management have advised that there are plans in place to further improve the efficiency of processing through the introduction of electronic automation of DWP notifications and the completion of online claim forms.

3.7 We can provide reasonable assurance regarding the adequacy of the arrangements in place for the review and reconciliation of HB and CTR applications, system details, payments and ledger. There is no national or local performance target in relation to the accuracy of benefits processing. There is a Quality Assurance (QA) process in place whereby a sample of application documents is selected for checking. There is a lack of clarity surrounding the extent of checks to be carried out and the monitoring

and reporting of results (Finding 5.2). There has also been a backlog of QA checking. This issue has been identified and is being addressed by the section.

3.9 We reviewed a sample of HB/CTR claims and found that there was supporting documentation that reconciled to the benefits system. We also reviewed a sample of benefits award notification letters and were content that the information reconciled to benefits guidance, supporting documentation and the calculation was accurate.

3.10 Through review and testing we found that Benefits payment files are reconciled to the benefits system and independently checked before payment is made. DWP recompense the Council for HB payments and a fee is also paid for the costs of HB administration. The HB subsidy claim is verified by the Chief Accountant and External Audit prior to submission to DWP. There are currently no reconciliations carried out between the benefits system and the Rent and Council Tax systems. Management are investigating whether these reconciliations should be introduced given other compensatory checks currently being carried out.

3.11 We can only provide limited assurance that overpayments are being identified and promptly recovered. Overpayments can be identified through a variety of routes including HB and CTR processing. The way in which overpayments are recovered includes through raising a sundry debtors account, agreeing payment arrangement through account linked to rent account or ongoing deduction from future benefits. During this review we found limited routine monitoring or reporting relating to the overall value of overpayments and progress towards their recovery. There is also no checking to ensure that all overpayments are being actively pursued. As at 20/11/14 the benefits team have identified an overpayment figure of approximately £983k relating to Council Tenants. The relevant figure for private tenant overpayments was not available at the time of the review. It was not possible to determine the level of recovery for the current year to date. Management have recognised this issue and are putting measures in place to identify and actively pursue and monitor overpayments. (Finding 5.3)

3.12 We can provide reasonable assurance that HB and CTR reporting is adequate. There are a number of reports run from the system relating to daily processing. For example reports on daily workloads and weekly processing statistics. However the process for running reports is time consuming and requires manual intervention. There are no system development plans in place detailing the reporting requirements of the section, what is available from the system, any training requirements and the associated development costs. (Finding 5.4).

3.13 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	1
Priority 2	1
Priority 3	2
Priority 4	-

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	There is no log kept of system issues and its impact on operational performance and the action taken towards resolution.	HB and CTR systems are not efficient or effective. Inefficient use of staff time and a delay in processing claims. Detrimental impact on performance targets.	3	A log of system issues is now being maintained, Re-introduction of quarterly IT Liaison Meetings in order to highlight and resolve issues.	Revenues Team Leader	Implemented June 2015
5.2	No benefits processing Quality Assurance Policy and procedures in place.	QA action undertaken is inconsistent and ineffective. Objectives of QA process not clear. Outcome of QA not recorded / monitored and no improvements made.	3	Quality Assurance Procedures will be developed.	Revenues Team Leader	June 2015
5.3	Inadequate overpayment recovery procedures are in place. There is limited monitoring or reporting relating to the overall value of overpayments and progress towards their recovery. There is no checking to ensure that all overpayments are being identified and actively pursued.	Overpayments not identified and promptly recovered resulting in financial loss.	1	New contract in place with Sherriff Officers for the recovery of all Benefit overpayments was let in December 2014. This has resulted in improved recovery procedures. Staffing issues resulted in overpayment monitoring tasks not being undertaken. Staffing issues have been resolved and overpayment recovery and monitoring tasks are now being undertaken.	Revenues Team Leader	Implemented

HOUSING BENEFIT AND COUNCIL TAX REDUCTION SCHEME

APPENDIX G

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.4	There is no system development plan detailing the reporting requirements of the section, what is available from the system, any training requirements and the associated development costs.	<p>HB and CTR reporting is inadequate.</p> <p>Not achieving value for money with regards investment in system functionality.</p> <p>Lack of management information / monitoring of system processes leading to potential inefficiencies.</p>	2	A list of system requirements and associated costs have been identified and these will be formalised into a Capital bid for funding.	Revenues Team Leader	March 2015

1. INTRODUCTION

1.1 This report details the findings of the Internal Audit review of Budget Management and Monitoring. The review forms part of the Internal Audit and Fraud Plan for 2014/15, which was recommended to full Council for approval by the Resources and Audit Committee on 11 March 2014.

1.2 Clackmannanshire Council, in common with all public sector organisations, faces continuing challenging financial targets. The Council has an indicative budget funding gap to 2017/18 of £22m (budget strategy update, Full Council 18/12/14). The effective management and monitoring of budgets is critical in light of increasing pressure on budgets and structural changes within the Council. Mismanagement and ineffective monitoring of budgets can lead to budget overspend and inefficient service provision.

1.3 Clackmannanshire Council Financial Regulations section B outline requirements for monitoring budgets. This review focussed on the arrangements in place for monitoring and managing budgets at a Corporate level and within individual Services to ensure compliance with the Financial Regulations and consider against best practice. The effective management and monitoring of budgets is critical in light of the increasing pressure on budgets and structural changes within the Council.

1.4 In undertaking this review Internal Audit met with the key officers across all Services responsible for budget management and monitoring. A review was also undertaken of the frequency and content of budget reports submitted to Council Committees.

2. SCOPE AND OBJECTIVES

2.1 The scope of the audit was to review and evaluate the high level controls around budget management and monitoring arrangements across the Council. The budget setting process was not reviewed as part of this audit.

2.2 Internal Audit, in conjunction with the Chief Accountant, identified the key risks relating to the audit. In our opinion there is a reasonable control environment operating in relation to budget management and monitoring and the proposed arrangements for their management going forward. We can provide overall **reasonable** assurance that risks are being adequately mitigated. While we are providing overall reasonable assurance against the key risk 'Failure to robustly manage and monitor expenditure against budgets', we are raising some significant issues around Social Services budget management. We are aware that action is being taken by management to strengthen controls.

Key Risk	Assurance Assessment
Roles and responsibilities are unclear.	Reasonable
Failure to robustly manage and monitor expenditure against budgets.	Reasonable
Absence of agreed policies and procedures and a clear system of delegated authority.	Reasonable
Lack of necessary financial skills.	Reasonable
Failure to implement clear and effective management information systems.	Reasonable
Non compliance with corporate governance arrangements and Financial Regulations.	Reasonable

3. FINDINGS

3.1 We can provide reasonable assurance that roles and responsibilities in relation to budget management and monitoring are clear. There are a number of high level policy documents that define an appropriate framework of budgetary management and control. These include the Council's Financial Regulations and the Council's Scheme of Delegation. The Financial Regulations and the Scheme of Delegation are currently under review to ensure they are fit for purpose and reflect current practices and Service structures. Committee members are provided with budget management briefings that define their budget scrutiny role. In addition Committees' Terms of Reference also define member responsibility for financial scrutiny.

3.2 While accountants and budget holders consulted during this review indicated they are clear about their responsibilities in relation to budget managing and monitoring, there are different approaches taken across services. There are no formal written procedures and set standards defining roles and responsibilities, requirements and expectations of responsible officers for budget management and monitoring. (Finding 5.1)

3.3 We can provide overall reasonable assurance that expenditure is being robustly managed and monitored against budgets. However there are some significant issues around Social Services budget management which could have a material impact on the corporate position. At the start of 2014/15 Social Services had a projected overspend of c£1.2M which was mainly due to a £700K overspend carried over from 13/14 and a £500K savings target. Social Services had a projected overspend of c£1.8M at the end of the second quarter due to overspends in adult care at home packages, foster care placements, transportation costs and secure placement costs. Work is ongoing to introduce zero based budgets for 15/16 and this should ensure that there is improved operational accountability for budgets that are aligned with service provision. (Finding 5.2)

3.4 The main factor in the approval of care packages is the eligibility criteria which assesses individual risk. Although costs are calculated they are not considered in relation to the overall budget. The costs of the proposed care package are projected to the end of the year even though once approved the commitment can last for an indefinite number of years and can impact future budgets. (Finding 5.3) Overspends in Social Services budgets will result in funds having to be recovered from Council Reserves or from other Council Services. Given the prevailing financial climate, however, this is not sustainable. Social Services senior management are aware of, and are actively implementing measures to control expenditure. These measures have been recently introduced and their operation and effectiveness have not been reviewed as part of this audit. Internal Audit will consider these measures as part of the targeted follow up of adult care commissioning included in the 2014/15 annual plan.

3.5 Budget information relating to employee costs are not accurate. This issue has been recognised and relates to the new Payroll System implemented in April 2014 not updating employee costs to the Financial Ledger. The employee costs are accounted for at the start of the year and for budget purposes the original figure is just carried forward on a month to month basis and actual costs are not recognised. This gap in budget information could pose a significant financial risk as employee costs represent a significant proportion of Council budgets. Payroll and IT are aware of the issue and are actively working towards resolution. At the time of this review verified Payroll costs had not been processed through the financial ledger. (Finding 5.4)

3.6 We can provide reasonable assurance that budget management policies and procedures are in place and support the framework of control. The Council has a formal written scheme of delegation in place which define roles and responsibilities of Council Committees and Senior Officers. The Council's Financial Regulations specify the budget controls that should be in place. In general responsible officers are aware of their roles and responsibilities for budget management and monitoring and there is a set process in place where budget holders are issued with regular budget position information and regular budget meetings are held to discuss and agree a way forward to address any variances.

3.7 As noted at paragraph 3.4 there are no operational procedures and set standards setting out the role and requirements of the Budget Holder and the Service Accountants in relation to budget management and monitoring. We found that Budget Holders requirements in relation to the frequency

and detail of budget information were not always being met. (Finding 5.5) Although in general we found that regular meetings are being held between Budget Holders and Service Accountants, there was no formal work plan of agreed actions as a result of the budget meetings. (Finding 5.6)

3.8 We can provide reasonable assurance that officers responsible for budget management and monitoring have the necessary financial skills to discharge their duties. Service Accountants are responsible for assisting with budget management and monitoring and have a high level of financial qualifications, skills and experience. Budget Holders tend to be at Service Manager level and in general it is expected that they will have a certain level of financial management skills as part of their role. In addition Budget Holders regularly meet with Service Accountants who are also available for advice on an ad hoc basis. Council Leadership Development include financial management and accountability elements. However Budget Holders advised that they have not received training specific to their budget management role. Training Needs Assessments of Budget Holders have not been carried out. We found some knowledge gaps in budget holders, for example a lack of understanding of the process for budget virements as defined in the Financial Regulations. (Finding 5.7)

3.9 We can provide overall reasonable assurance that clear and effective budget management information systems are in place and operating effectively, although, as already described, there are significant issues with effectiveness of budget information relating to employee costs. Financial reports are regularly submitted to Committees and include reasons for projected over / under spends. Due to the process involved in the preparation, checking, approval and scrutiny of the financial reports the budget outturn information being reported to Service Committees can be up to 3 months old, e.g. June outturn information not reported to Committee until September and August Outturn information not reported to Committee until December. Management have advised that the efficiency of the reporting process will improve as a result of the planned introduction of a new Finance System in 2016.

3.10 In general budget holders are being provided with regular reports of their budget position and projected outturn. Some service budgets do not align with current service structures resulting in difficulty in delegating budget management responsibility and monitoring specific service provision within budgets. The Management Accountancy Team are aware of these issues and are currently carrying out work to restructure budgets. (Finding 5.8)

3.11 The Council operates with centralised support services such as Finance, HR, Payroll, IT etc. The aim of these functions is to enable services to deliver their objectives by providing professional value added advice and support. The costs for the support functions are recharged across Council Services. The calculation of the central support recharge is carried out by the Accountancy team and is based on allocation of time and resources to the Services they support. Budget holders consulted could not always reconcile central support charges with level of service being provided and were unclear how the central support recharge is calculated. (Finding 5.9)

3.12 We can provide reasonable assurance that there is compliance with corporate governance arrangements and Financial Regulations. As detailed in paragraph 3.2 there is a Corporate Governance structure in place. Corporate and Business Plans are submitted to the appropriate Committees for scrutiny and agreement. Financial Performance reports are submitted to each Committee meeting for scrutiny and approval. The Full Council is provided with regular budget strategy updates on the medium term financial outlook and indicative funding gap. Budgets are submitted for scrutiny / challenge by Accountants, Budget Holders, Senior Management, Committee Convenor, Service Committee Members and Resources and Audit Committee Members.

3.13 Council Services have been involved in budget challenge sessions since 2010 with the aim of strategically reviewing and challenging departmental spending requirements and demand pressures. The outcome of these sessions are the approval of budget savings which are monitored with progress regularly reported to Committees. The Council is also implementing a business transformation programme entitled Making Clackmannanshire Better (MCB). For 2014/15 the Financial planning process is integrated as far as possible with service delivery and redesign. The budget challenge sessions and MCB are seen as positive measures for tackling budget funding gaps.

3.14 However our findings across this review do raise some concerns around governance arrangements. In particular we have concerns that level of overspend in Social Services indicate that

expenditure is being approved without appropriate budget authority (i.e. expenditure is being incurred without a budget being in place). (Finding 5.10)

3.15 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	5
Priority 3	5
Priority 4	-

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	There are no operational procedures and set standards defining the role and requirements of the Budget Holder and the Service Accountants in relation to budget management and monitoring.	Roles and responsibilities are unclear, compromising accountability. Absence of agreed policies and procedures and a clear system of delegated authority, leading to uncontrolled spend and potentially, the risk of inconsistent service provision.	3	Procedures will be documented for budget holders and will be followed up with training as required. This will be carried forward as part of updating of financial regulations.	Team Leader, Management Accountancy	31/03/2015
5.2	Given the projected overspend in the Social Work Services at the start of the year it is questionable whether Service demand and committed expenditure has been accurately factored into the budget setting process.	Failure to robustly manage and monitor expenditure against budgets resulting in material overspend.	2	Work is ongoing to introduce zero based budgets for 15/16 and this should ensure that there is greater operational accountability for budgets that are aligned with service provision.	Assistant Head of Social Services (Adult Care). Chief Accountant.	31/03/2015
5.3	The approval of social care packages are based on risk and need and the costs are not managed as part of the budget. Social Services Managers are authorising expenditure out with budget. Approved care package costs are projected to the end of the current year and the potential impact on future years are not recognised.	Failure to robustly manage and monitor expenditure against budgets resulting in material overspend.	2	Social Services senior management are aware of, and are actively implementing measures to control expenditure. These measures have been recently introduced and their operation and effectiveness have not been reviewed as part of this audit. Internal Audit will consider these measures as part of the targeted follow up of adult care commissioning included in the 2014/15 annual plan.	Assistant Head of Social Services (Adult Care). Internal Audit and Fraud Team Leader	31/03/2015

BUDGET MANAGEMENT AND MONITORING

APPENDIX H

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.4	<p>Payroll costs have not been regularly processed through the financial ledger since April 2013. This has resulted in inaccurate employee budgets that are not being actively monitored.</p> <p>Payroll costs account for a significant proportion of Council budgets so this non managing of employee costs could represent a significant financial risk to the Council.</p>	Failure to robustly manage and monitor expenditure against budgets resulting in material overspend.	2	<p>Payroll costs are now up to date in the ledger. This has been done by downloading payroll files and uploading to ledger.</p> <p>IT supplier is working on fix to i-Trent that will automatically upload payroll files to ledger.</p> <p>Reconciliation between the ledger and payroll system is still to take place and this will be undertaken.</p>	<p>IT Software Developer/Payroll Supervisor</p> <p>Senior HR Advisor</p> <p>Payroll Supervisor</p>	<p>Implemented</p> <p>31/03/2015</p> <p>31/03/2015</p>
5.5	Budget Holders requirements in relation to the frequency and detail of budget information are not always being met.	Budget holders are not able to monitor information to the desired level.	3	Accountancy will approach services individually to ascertain information requirements and to consider what can be done to provide these.	Service Accountants	31/03/2015
5.6	There is no formal work plan of agreed actions as a result of the budget monitoring meetings.	Agreed actions are not implemented or monitored.	3	Rolling action logs will be set up and used at monthly meetings.	Team Leader, Management Accountancy	31/03/2015
5.7	<p>Training Needs Assessments of Budget Holders have not been carried out and Budget Holders have not received budget management and monitoring training specific to their role.</p> <p>A number of budget holders were unclear / unaware of the process for budget requirements as included in the Financial Regulations.</p>	Lack of necessary financial skills may lead to budget holders not fully discharging budget responsibility, resulting in overspend.	3	Training programme to be developed and rolled out to budget holders. This will be carried forward as part of updating of financial regulations.	Team Leader, Management Accountancy	31/03/2015

BUDGET MANAGEMENT AND MONITORING

APPENDIX H

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.8	Social Services and Housing service budgets do not align with current service structures resulting in difficulty in delegating budget management responsibility and monitoring specific service provision within budgets.	Failure to implement clear and effective management information systems (for officers and elected members), leading to absence of robust monitoring and challenge.	2	<p>Social Service structure will be reviewed as part of zero based budgeting exercise.</p> <p>Once council structure is finalised then other services will be aligned as appropriate. Information can be provided at cost centre level currently.</p>	<p>Assistant Head of Social Services (Adult Care). Chief Accountant.</p> <p>Team Leader, Management Accountancy Service Accountants</p>	<p>31/03/2015</p> <p>31/03/2015</p> <p>31/03/2015</p>
5.9	Budget holders consulted could not reconcile central support charges with level of service being provided and were unclear how the central support recharge is calculated.	Failure to implement clear and effective management information systems (for officers and elected members), leading to absence of robust monitoring and challenge.	3	Charge basis are currently under review. Awareness sessions will be run to explain process.	Team Leader, Management Accountancy	31/03/2015
5.10	Social Services have a substantial projected overspend resulting in expenditure being authorised outwith budget authority.	Non compliance with corporate governance arrangements and Financial Regulations.	2	Social Services senior management are aware of, and are actively implementing measures to control expenditure. These measures have been recently introduced and their operation and effectiveness have not been reviewed as part of this audit. Internal Audit will consider these measures as part of the targeted follow up of adult care commissioning included in the 2014/15 annual plan.	Assistant Head of Social Services (Adult Care). Internal Audit and Fraud Team Leader	31/03/2015

PROGRESS OF FOLLOW UP OF INTERNAL AUDIT REPORTS

APPENDIX I

Report Title	Priority				Number of Recommendations	Recommendations			
	1	2	3	4		Implemented	In Progress	Not Applicable Now	Implementation on Target? (* New Dates Agreed)
Payroll and HR	-	-	1	-	1	-	1	-	Y*
Welfare Reform		1	2		3	3			N/A
Data Protection - Corporate	-	2	-	-	2	-	-	2(a)	N/A
Risk Management Arrangements	-	1	1	-	2	-	2	-	Y*
Non Domestic Rates Income	-	1	-	1	2	1	1	-	Y*
Income Collection & Cash Receipting	-	-	2	-	2	-	2	-	Y*
Purchase Orders to Payment of Suppliers	-	1	1	-	2	-	2	-	Y*
Council Tax	-	1	2	-	3	-	3	-	Y*
Purchase Cards	-	1	-	-	1	-	1	-	Y*
Information Governance	1	7	2	-	10	-	-	10(a)	N/A
Business Continuity Planning and Disaster Recovery	-	1	3		4	3	1	-	Y*
Targeted Follow up Review of Arm's Length External Organisations	-	1	-	-	1	1	-	-	N/A
Savings and Efficiencies - Overtime	-	2	8	-	10	1	9	-	Y*
Corporate & Public Performance Reporting	-	1	1	-	2	1	1	-	Y*
IT Assets Management System			1	1	2	2	-	-	N/A
Funding Applications including European Funds		1	1		2	-	2	-	Y*
Health and Safety	-	1	4	-	5	5	-	-	N/A
Devolved School Management			2		2	2	-	-	N/A
Absence Management		2	11		13	10	3		Y*
Housing Allocations			1		1	1			N/A
TOTAL	1	24	43	2	70	30	28	12	30

(a) - Taken forward as part of the 2014/15 Targeted Follow up Review of Information Governance

