



**Clackmannanshire  
Council**

[www.clacksweb.org.uk](http://www.clacksweb.org.uk)

**Kilncraigs, Greenside Street, Alloa, FK10 1EB  
(Tel.01259-450000)**

# **Resources & Audit Committee**

**26 February 2015 at  
10.00 am**

**Venue: Council Chamber, Patons Building, Kilncraigs,  
ALLOA FK10 1EB**

## RESOURCES AND AUDIT COMMITTEE

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### Resources

- scrutiny of corporate budgets, financial performance and asset management
- scrutiny of decision-making of other Standing Committees and the Council, with the ability to call in decisions (inc Council)
- initiate or undertake scrutiny reviews
- monitor the performance of the organisation against agreed outcomes, standards and targets
- scrutiny of community planning and its effectiveness
- monitoring of service and financial performance of Finance & Corporate Services
- oversee the development and implementation of frameworks for managing Council resources and the development and application of the Council's governance framework
- ensure systematic appraisal of the Council's control environment and framework of internal control, particularly via monitoring and review of the Annual Governance Statement

### Audit

Receive the following reports and accompanying analysis:

- external audit reports and action plans resulting from such
- internal audit update reports and action plans resulting from such
- internal audit results of investigations
- Annual Statement of Accounts

Consider and monitor the operational and strategic internal audit plans and reviewing internal audit performance.

Monitor and review actions taken on internal and external audit recommendations.

Promote internal control by the systematic appraisal of risk management processes, including corporate risk strategy and risk management procedure.

**18 February 2015**

**A MEETING of the RESOURCES AND AUDIT COMMITTEE will be held within the Council Chamber, Patons Building, Greenside Street, Alloa FK10 1EB, on THURSDAY 26 February 2015 at 10.00 am.**

**NIKKI BRIDLE  
Depute Chief Executive**

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## RESOURCES AND AUDIT COMMITTEE – MEMBERS (Committee Quorum 4)

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### Councillors

### Wards

Councillor	Archie Drummond	(Convenor)	2	Clackmannanshire North	INDP
Councillor	Donald Balsillie		2	Clackmannanshire North	SNP
Councillor	Janet Cadenhead		4	Clackmannanshire South	LAB
Councillor	Craig Holden		4	Clackmannanshire South	SNP
Councillor	Bobby McGill		2	Clackmannanshire North	LAB
Councillor	Jim Stalker		1	Clackmannanshire West	LAB
Councillor	Gary Womersley		3	Clackmannanshire Central	SNP
Councillor	Graham Watt		3	Clackmannanshire Central	LAB





**MINUTES OF MEETING of the RESOURCES AND AUDIT COMMITTEE held within the Council Chamber, Patons Building, Kilncraigs, ALLOA, FK10 1EB, on THURSDAY 4 DECEMBER 2014 at 10.00 am.**

**PRESENT**

Councillor Archie Drummond, Convenor (In the Chair)  
Councillor Donald Balsillie  
Councillor Janet Cadenhead (From Item RA.129)  
Councillor Bobby McGill  
Councillor Les Sharp (\*S)  
Councillor Jim Stalker  
Councillor Graham Watt

**IN ATTENDANCE**

Gary Dallas, Executive Director  
Stuart Crickmar, Head of Strategy and Customer Services  
Stephen Coulter, Head of Resources and Governance  
Val de Souza, Head of Social Services  
Ahsan Khan, Head of Housing and Community Safety  
Alan Milliken, Assistant Head of Education  
Liam Purdie, Assistant Head of Service, Childcare  
Alison Bryce, Business Support Manager  
Gillian Taylor, Acting Strategy and Performance Manager  
Brian Forbes, Customer Services Manager  
Susan MacKay, Revenues and Payments Manager  
Liz Shaw, Chief Accountant  
Iain Burns, Internal Audit and Fraud Team Leader  
Andrew Wyse, Team Leader, Legal Services (Clerk to the Committee)

The Convenor welcomed Councillor Watt along to his first meeting as a member of the Resources and Audit Committee.

**RA.125            APOLOGIES**

Apologies for absence were received from Councillor Craig Holden and Councillor Gary Womersley.

Councillor Sharp attended as substitute for Councillor Womersley.

**RA.126            DECLARATIONS OF INTEREST**

None.

**RA.127            MINUTES OF RESOURCES AND AUDIT COMMITTEE 25 SEPTEMBER 2014**

The minutes of the meeting of the Resources and Audit Committee held on Thursday 25 September 2014 were submitted for approval.

**Decision**

The minutes of the meeting of the Resources and Audit Committee held on Thursday 25 September 2014 were agreed as a correct record and signed by the Convenor.

**RA.128            INTERNAL AUDIT AND FRAUD PROGRESS REPORT**

A report which provided an update on work completed from the Internal Audit and Fraud Annual Plan 2014/15 was submitted by the Internal Audit and Fraud Team Leader.

**Motion**

That Committee agrees the recommendations set out in the report.

Moved by Councillor Archie Drummond. Seconded by Councillor Donald Balsillie.

**Decision**

Having commented on and challenged the report, the Committee agreed to note the progress made on the Internal Audit and Fraud Annual Plan 2014/15.

**RA.129            FINANCIAL PERFORMANCE SOCIAL SERVICES**

The report, submitted by the Depute Chief Executive, provided the "further progress report addressing any identified governance, performance and compliance matters" requested by the Resources and Audit Committee at its last meeting on the 25th September 2014. It also built on recent report to Council and Housing, Health and Care Committee in October 2014.

**Motion**

That Committee agrees the recommendations set out in the report.

Moved by Councillor Archie Drummond. Seconded by Councillor Les Sharp.

**Amendment**

Councillor McGill asked if the undernoted could be added to the recommendations.

"to note the weaknesses in governance and lack of compliance with Financial Regulations referred to in the report."

Councillor Drummond and Councillor Sharp agreed to incorporate the further recommendation from Councillor McGill into their motion.



## **Decision**

The Committee agreed to note:

1. that a significant amount of work with, and within, Social Services remains ongoing;
2. an improvement action plan was submitted to the Housing, Health and Care Committee on 20th October (Appendix 1 to the report);
3. that the draft Internal Audit findings (paragraph 3.5 of the report) are currently being discussed with Social Services Management Team to verify their accuracy and to ensure that the improvement action plan covers all areas for improvement;
4. the management and forecasting of demand for services is a priority for the Service and work is in hand to develop tools to assist future budget preparation (paragraph 3.8 of the report);
5. the work commenced under the chief officer peer support and challenge process to assist Social Services in further developing its Budget proposals (paragraph 3.9 of the report);
6. the planned work in Children's Services to undertake an audit review of the Joint Authority Liaison Group (JALG) and to review the transport policy (paragraph 3.9 of the report);
7. that regular monitoring and updates on progress with the improvement action plan will be provided to Housing, Health and Care Committee (paragraph 4.3 of the report); and
8. the weaknesses in governance and lack of compliance with Financial Regulations referred to in the report.(paragraphs 3.5 and 3.6 of the report).

## **Action**

Head of Social Services

### **RA.130 COUNCIL FINANCIAL PERFORMANCE 2014/15**

The report, submitted by the Chief Accountant, provided the Committee with an update on the financial performance of the Council to date in respect of both revenue and capital spend for the current financial year, 2014/15. Projected outturns up to March 2015 were also set out in the report.

## **Motion**

That Committee agrees the recommendation set out in the report.

Moved by Councillor Archie Drummond. Seconded by Councillor Donald Balsillie.

## **Decision**

The Committee agreed to note:

1. the forecast General Fund Revenue overspend for the year of £0.281m (paragraph 4.2 and Table 1 of the report);
2. the management actions agreed by the Executive Team and subsequently reflected in the outturns;
3. delivery of 67% of the planned 2014/15 savings to date (Table 2 in the report);

4. a favourable outturn of £0.343M forecast on the Housing Revenue Account (Paragraph 5.1 of the report);
5. a forecast underspend on General Service Capital of £3.734M of which £0.624M are savings in delivery of programme, with the remainder carried forward to 2015/16 (Table 3 of the report);
6. HRA capital spend is currently outturned on budget with no significant variances to report; and
7. the progress in the implementation of the Community Development Grant Scheme under the administration of the Capital Investment Group.

**RA.131                    SINGLE OUTCOME AGREEMENT ANNUAL REVIEW 2013/14**

A report which provided the Committee with the Single Outcome Agreement annual review for 2013/14, was submitted by the Head of Strategy and Customer Services. This was the sixth annual review of the Clackmannanshire Single Outcome Agreement and the first relating to the new Single Outcome Agreement for 2013-23. The report measured performance against the Single Outcome Agreement performance framework, provided case studies on partnership work during the year and also provided feedback from community partners (Community Council and Tenants and Residents Groups).

**Motion**

That Committee agrees the recommendation set out in the report.

Moved by Councillor Archie Drummond. Seconded by Councillor Donald Balsillie.

**Decision**

Having commented on and challenged the report, the Committee agreed to note the information set out in the report.

**RA.132                    OMBUDSMAN'S COMPLAINTS REPORT AND ANNUAL STATISTICS  
2013/14**

A report which updated the Committee on the findings from the Scottish Public Services Ombudsman's annual complaints report, along with statistics about complaints received by SPSO about Clackmannanshire Council in 2013-14, was submitted by the Head of Strategy and Customer Services

**Motion**

That Committee agrees the recommendation set out in the report.

Moved by Councillor Archie Drummond. Seconded by Councillor Donald Balsillie.

**Decision**

Having commented on and challenged the report, the Committee agreed to note the information set out in the report.

**RA.133                    EVALUATION OF SUMMER HOLIDAY LUNCH SCHEME**

A report which provided the Committee with an evaluation of the summer holiday lunch scheme, which was piloted over the summer holiday period of 30 June 2014 to 18 August 2014, was submitted by the Head of Strategy and Customer Services.

**Motion**

That Committee agrees the recommendation set out in the report.

Moved by Councillor Archie Drummond. Seconded by Councillor Bobby McGill.

**Decision**

Having commented on and challenged the report, the Committee agreed to note that, given the discretionary nature of the service and associated costs, a decision to repeat a similar summer lunch club scheme in 2015 should be considered within the context of forthcoming budgetary deliberations.

**Action**

Head of Strategy and Customer Services

**RA.134                    CORPORATE RISK AND EXTERNAL AUDIT ACTIONS**

A report, submitted the Head of Strategy and Customer Services, provided the Committee with an update on significant risks facing the Council, the Internal Controls already in place to reduce risks and, where appropriate, further planned mitigating actions. The report also provided an update on progress and ownership of the actions recommended by the Council's external auditors (Deloitte UK) in September 2014.

**Motion**

That Committee agrees the recommendation set out in the report.

Moved by Councillor Archie Drummond. Seconded by Councillor Les Sharp.

**Decision**

Having commented on and challenged the report, the Committee agreed to note the information set out in the report.

**RA.135                    STRATEGY AND CUSTOMER SERVICES PERFORMANCE AND FINANCE REPORT, 2ND QUARTER 2014/15**

A report, submitted the Head of Strategy and Customer Services, updated Committee on the performance and finance position for Strategy and Customer Services for the 2nd Quarter 2014/15.

**Motion**

That Committee agrees the recommendation set out in the report.

Moved by Councillor Archie Drummond. Seconded by Councillor Donald Balsillie.

### **Decision**

Having commented on and challenged the report, the Committee agreed to note the information set out in the report.

### **RA.136            RESOURCES AND GOVERNANCE FINANCE AND PERFORMANCE REPORT 01/07/14 - 30/09/14**

The Convenor welcomed Mr Stephen Coulter, Head of Resources and Governance along to his first meeting of the Resources and Audit Committee.

A report which updated the Committee on performance for the second quarter of 2014/15, submitted by the Senior Support Services Manager was presented by the Head of Resources and Governance. The report highlighted service activity, achievements and performance between July and September 2014 and identified future challenges, opportunities and risks. The report also included financial performance with the aim of providing an overview of performance against budget for the first six months of 2014/15 and a projection of expected outturn to 31/03/14.

### **Motion**

That Committee agrees the recommendation set out in the report.

Moved by Councillor Archie Drummond. Seconded by Councillor Donald Balsillie.

### **Decision**

Having commented on and challenged the report, the Committee agreed to note the information set out in the report.

ENDS 12.22 pm

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**Report to Resources & Audit Committee**

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**Date of Meeting: 26 February 2015**

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**Subject: External Audit: Planning Report 2014/15**

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**Report by: Depute Chief Executive**

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**1.0 Purpose**

- 1.1 The purpose of the attached external audit planning report (Appendix A) is to set out the planned audit activity during 2015/16 in respect of the audit of the financial year 2013/14.

**2.0 Recommendations**

It is recommended that the Committee.

- 2.1. Discusses and notes the proposed external audit plan for financial year 2014/15.

**3.0 Considerations**

- 3.1 Deloitte LLP was appointed by the Accounts Commission as the external auditor for Clackmannanshire Council for the five year period commencing 2011/12. The activity set out in the attached planning report therefore covers the fourth year of Deloitte's appointment.
- 3.2 Each year the external auditor prepares an annual plan which is submitted to the Resources and Audit Committee. The Depute Chief Executive discusses and agrees the plan and the associated audit fee level. The Committee is encouraged to discuss the plan and associated assessments and rationale with the external auditor as appropriate.
- 3.3 Due to the statutory basis of the work of the external auditor, the audit planning report should be presented to the Resources and Audit Committee. Thereafter, all external audit activity undertaken against this plan is formally reported to the Committee.

#### 4.0 Conclusions

4.1 The Council's external auditors, Deloitte's, are in the fourth year of their five year appointment to Clackmannanshire Council. The attached report sets out details of their planned work during the year.

#### 5.0 Sustainability Implications

5.1 N/A

#### 6.0 Resource Implications

6.1 *Financial Details* - there are no implications for the Council's budgets arising from this report

6.2 *Staffing* - there are no implications for the Council's establishment arising from this report

#### 7.0 Exempt Reports

7.1 Is this report exempt? Yes  (please detail the reasons for exemption below) No

#### 8.0 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)

N/A

#### 9.0 Equalities Impact

9.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations? N/A

## 10.0 Legality

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

## 11.0 Appendices

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

External Audit Planning Report

## 12.0 Background Papers

12.1 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)

**CIPFA Audit Committee Principles in Local Authorities in Scotland**

### Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Nikki Bridle	Depute Chief Executive	2030

### Approved by

NAME	DESIGNATION	SIGNATURE
Nikki Bridle	Depute Chief Executive	Signed: Nikki Bridle
Elaine McPherson	Chief Executive	Signed: Elaine McPherson





Planning Report to the Resources and  
Audit Committee  
For the year ended 31 March 2015

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Appendix 1: Prior year audit findings

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Appendix 2: Independence and fees

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Appendix 3: Fraud responsibilities and representation

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Appendix 4: Audit team and timetable

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Appendix 5: Our approach to audit quality

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Appendix 6: Future developments

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**Jim Boyle, partner:**

*“We have pleasure in setting out in this document our planning report to the Resources and Audit Committee for discussion at the meeting scheduled for 26 February 2015”*

*Our audit approach and methodology is based on the following:*



# The big picture

## Key developments in your organisation

- As at October 2014, the Council was in an underspend position of £114,000 (0.1%) against the 2014/15 budget.
- A social work overspend of £1.9m has been identified. We understand that management are currently undertaking an exercise to consider existing governance and budget arrangements.
- Drive to identify and attain increasingly challenging efficiency savings, with 2014/15 budget incorporating a cost reduction target of £4.2 million, whilst managing increased demand for services.
- There has been a revaluation exercise of all fixed assets performed during the current year.
- Councillor Les Sharp was appointed as the new Council leader in October 2014.

## Making Clackmannanshire Better

- The Council has a number of ongoing transformation projects which are being driven by the need to make significant savings over the next few years.
- The Making Clackmannanshire Better programme has been identified as the key enabler in meeting these challenges. As part of our audit we will examine progress to date around realising the planned outcomes.
- Since our audit report of September 2014, the work of the cross cutting groups, set up under the MCB workstreams, has progressed and business cases developed for a number of service redesign options. The first tranche of actions feature as the proposals which are currently out for consultation as part of the budget for 2015/16.

## Key sector developments

- Planned integration of adult health and social care from April 2016, with shadow year running from April 2015.
- Potential claim for backdated holiday pay claims capped at 3 months. This may require a provision or disclosure in the 2014/15 financial statements.
- The Local Authority Accounts (Scotland) Regulations 2014 replace the 1985 Regulations, which impact on the sign off, submission, public inspection and approval process of the 2014/15 financial statements.
- No significant changes to the 2014/15 Code. The 2016/17 Code is expected to adopt the measurement requirements of the transport Code, which requires measurement on a depreciated replacement cost basis. As these assets are currently held at historic cost, this is expected to have a significant impact on the value of local authority Balance Sheets.
- Under current constitutional arrangements 90% of the Scottish budget is determined by a block grant from UK parliament therefore limited power to vary the Scottish budget. The Smith Commission report was published on 27 November 2014 detailing Heads of Agreement on further devolved powers to the Scottish Parliament which could potentially impact on Councils' funding settlement in the longer term.

# The big picture (continued)

## Key audit financials

Gross Expenditure (£ million)

**FY15 – 117.5\***

**FY14 – 164.3**

Materiality (£m)

**FY15 – 1.7\***

**FY14 – 1.7**

Clearly trivial threshold (£k)

**FY15 – 32\***

**FY14 – 32**

\*Based on latest management accounts. Note that management accounts are prepared based on net expenditure while year end accounts are based on gross expenditure. Final materiality is expected to be broadly in line with prior year.

## Significant areas of audit focus

- Valuation of fixed assets
- Bad debt provision
- Revenue recognition
- Management override of controls

## Best Value

- The Code of Audit Practice requires us to consider **Best Value**.
- Identification and focus on four non financial statement issues: monitoring of the ongoing 'Making Clackmannanshire Better' transformation project, health and social care integration, developments in shared services and developments in welfare reform.
- Local impact return on national performance audit report.

# The big picture

## Our plan for the 2015 audit

DEVELOPMENTS IN YOUR ORGANISATION	IMPACT ON OUR 2015 AUDIT	IMPACT ON AUDIT RISK
Future financial sustainability	<p>Like other councils, the Council faces significant financial challenges over the next 5 years. Work has been progressing to develop Making Clackmannanshire Better proposals to ensure future service delivery and expenditure are sustainable. In December a model to achieve that was put to Elected Members but was not adopted by Council at that time. It is important, therefore, that the Council now agrees a clear direction to ensure its costs are sustainable in the future. In recent years, the Council has managed the use of its reserves to support the development of its proposals to deliver services within reducing resources, this is a finite resource and requires that difficult decisions are taken by the Council supported by robust options appraisal and business cases. We will be looking at the sustainability of the Council's position as part of our work.</p>	Continued area of significant focus
Revaluation of fixed assets	<p>There has been a revaluation exercise undertaken on all fixed assets in the current year. There is therefore a new risk in the current year around ensuring the values on the fixed asset register reflect the new valuation of assets per the exercise.</p>	Additional significant risk in CY
Backdated Holiday pay	<p>Nothing has been paid to date by the Council. The Council are currently undertaking an exercise to quantify the potential financial impact of this matter. We will review final calculations in conjunction with any guidance issued by Audit Scotland and consider the need for provision or disclosure in the 2014/15 financial statements.</p>	Normal risk

# Our audit quality promise



# Our audit quality promise

## Our quality standard

The quality and distinctiveness of our audit is of great importance to us. Key aspects of this delivery are:

- how we communicate with you throughout the year;
- how we use technology to improve the quality of our audit; and
- what insight we bring around the quality of control environment, systems and audit risk areas.

We set out below a summary of our commitments to both the members and management in key areas and we will actively seek feedback on how we have performed against them as part of our attendance at the September 2015 Resources and Audit Committee.



We are committed to providing you with a distinctive and seamless audit.

We will:

- deliver clear and concise reporting on material issues and significant judgements;
- anticipate and communicate issues to you through an regular meetings with the Deputy Chief Executive, Chief Accountant and her team and attendance at Resource and Audit committees;
- Regular meetings with members; and
- maintain close and transparent communication throughout the audit; and continue our relentless focus on audit quality.



We commit to providing feedback on the following areas:

- Effectiveness of finance function, including the control environment, processes and systems in place, particularly around the current year valuation exercise.
- Benchmarking of the pension assumptions against other local authorities and a sensitivity analysis.



In accordance with Audit Scotland guidance, we will incorporate the enhanced reporting 'requirement of ISA700 'The independent auditors report on financial statement', which have not previously been reported which comprise:

- a description of the assessed risk of material misstatement;
- an explanation of how materiality has been applied;
- an overview of the scope of the audit; and
- the audit findings from work on each risk of material misstatement.



We plan to utilise analytics throughout the engagement , including the use of our specialist software "Spotlight" to;

- Focus journal entry testing to higher risk areas
- Support testing of fixed assets, for example on depreciation.

# Best value and use of resources



# Best value and use of resources

## Making Clackmannanshire Better

The MCB transformation project remains a key area of focus for our best value work.

As a response to funding and demand pressures, the need to improve outcomes and the need to realise a significant level of savings over the next five years, the Council established the “Making Clackmannanshire Better” Transformation Programme.

Since our audit report of September 2014, the work of the cross cutting groups, set up under the MCB workstreams, has progressed and business cases developed for a number of service redesign options. The first tranche of actions feature as the proposals which are currently out for consultation as part of the budget for 2015/16. These are framed in the context of a longer term vision for service design, affordability and use of operational assets. Fundamental change is being developed by the Council which will require a renewed emphasis on workforce planning to ensure the Council has the right skillset and a flexible and responsive workforce. As part of our year end audit we will critically review the progress made to date, with particular focus around the detailed planning, benefits realisation approach, project and change management including capacity, and timelines, the planned measurement of outcomes and overall governance.

# Best value and use of resources (continued)

## Best value and use of resources

For each area, we will evaluate developments in the period and assess Council’s capacity to manage the changes effectively

Area	IMPACT ON OUR 2015 AUDIT	IMPACT ON AUDIT
Shared Services	We will review the key developments in relation to shared services, and specifically the decisions flowing from the shared services options appraisal currently being completed by Ernst & Young.	Continuing from prior year
Health and Social Care Integration	We will undertake a review of the current arrangements and plan in place to develop the Health and Social Care Partnership with NHS Forth Valley. We will assess the planning arrangements in place and provide insight on the lessons learned from our experience of effective integration in other parts of the UK.	Continuing from prior year
Welfare Reform	We will continue to monitor the Council’s approach to manage the changes associated with Welfare Reform and the associated impact.	Continuing from prior year

# Scope of work and approach

This section sets out our planned scoping for the audit of the financial statements. We discuss our determined materiality and confirm the level of unadjusted misstatements which we will report to you. We confirm the extent to which reliance will be placed on internal controls and how this decision has been reached.

# Scope of work and approach

## Key areas of responsibility

### Audit Scotland planning guidance

Our core audit work, as defined by Audit Scotland, comprises the following steps:

- provide the **Independent Auditor's Report** on the financial statements (including any assurance statement on whole of government accounts returns), and relevant registered charities;
- provide the **annual report** on the audit addressed to the body and the Controller of Audit;
- communicate **audit plans** to those charged with governance;
- provide reports to management, as appropriate, in respect of the auditor's corporate governance responsibilities in the Code (including auditors' involvement in National Fraud Initiative (NFI));
- submit **fraud returns**, including nil returns, to Audit Scotland where appropriate;
- certify all **grant claims** submitted by the body that have been approved for certification by Audit Scotland;
- discharge the auditor's responsibilities in connection with bodies' publication of **Statutory Performance Indicators (SPIs)** in accordance with the Accounts Commission's annual Direction;
- identify significant matters arising from the audit, alert the Controller of Audit accordingly and support Audit Scotland in producing statutory reports as required;
- provide existing evidence and intelligence for, and participate in, **Shared Risk Assessment (SRA) processes** leading to the preparation of a 3 year rolling **Assurance Improvement Plan (AIP)** for each council and a national scrutiny plan;
- report on the results of follow-up on councils' progress in implementing existing **Best Value (BV) improvement plans**;
- contribute to **BV audits** and other scrutiny responses agreed through the SRA process; and
- undertake work required by Audit Scotland, including: providing information and intelligence about council performance, supporting the impact of national performance audits and contributing evidence for the local authority overview report.

# Scope of work and approach (continued)

## Approach to controls testing

As set out in "Briefing on audit matters" circulated to you in conjunction with this report, our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I").

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

Our audit is not designed to provide assurance as to the overall effectiveness of the controls operating within the organisation, although we will report to management any recommendations on controls that we may have identified during the course of our audit work.

Obtain and refresh our understanding of the entity and its environment including the identification of relevant controls

Identify risks and any controls that address those risks

Carry out 'design and implementation' work on relevant controls

If considered necessary, test the operating effectiveness of selected controls

Design and perform a combination of substantive analytical procedures and tests of details that are most responsive to the assessed risks

***We will perform design and implementation work on controls around key audit risks***

# Scope of work and approach (continued)

## Liaison with internal audit

We have held meetings with the Internal Audit and Fraud Team Leader, as part of planning procedures. We will continue to take account of internal audit reports to inform our risk assessment process.

We will use the work of the internal auditor in order to inform our testing approach.

The audit team, following an assessment of the organisational status, scope of function, objectivity, technical competence and due professional care of the internal audit function, will review the findings of internal audit and adjust the audit approach as is deemed appropriate.

This normally takes a number of forms:

- assessment of the control environment;
- discussion of the work plan for internal audit; and
- where internal audit identifies specific material deficiencies in the control environment, we consider adjusting our testing so that the audit risk is covered by our work.

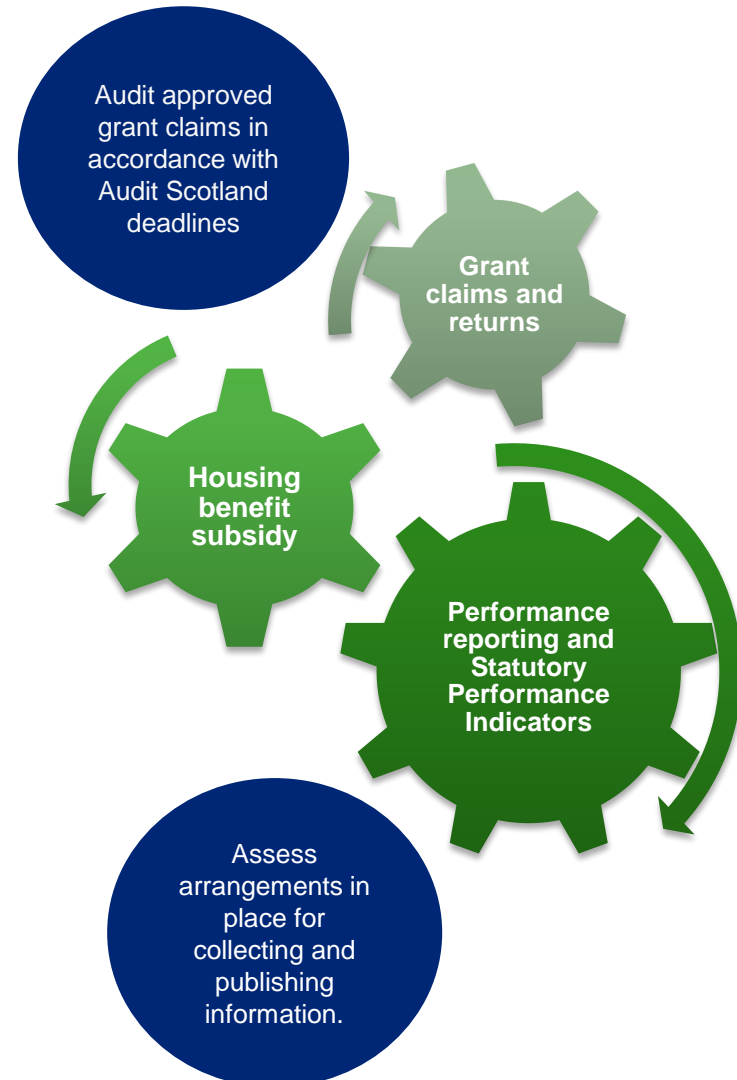


**We will use the work of the Internal Auditor to inform our audit approach.**

# Scope of work and approach (continued)

## Compliance with Code of Audit Practice

The Code of Audit Practice requires us to provide a view, where appropriate, on matters such as regularity, propriety, performance and the use of resources in accordance with the principles of Best Value and 'value for money'



# Significant audit risks



This section sets out our comments regarding the significant audit risks identified. We explain the nature of the risk itself, how each risk will be addressed by our audit work and any related presentational and/or disclosure matters within the financial statements.

Risk assessment is at the heart of our integrated audit approach as it is only with proper identification of the most significant audit risks that we are able to provide the highest quality assurance in the most efficient and effective manner.





# 1. Property, plant and equipment valuation

## Full revaluation exercise completed in 2014/15

### Nature of risk

Changes in the property market and economic environment can drive significant movements in value. There is a risk of material misstatement of the property, plant and equipment on the balance sheet. There is a full revaluation exercise being undertaken in 2014/15.

### Key facts and assumptions to be considered by the Council in preparing the impairment assessment

IFRS requires assessment with significant regularity to ensure no significant divergence between carrying value and fair value of assets, which should be performed by management at each year end. A formal revaluation is required every 5 years.

### The key judgement areas, potential impact on the financial statements and our planned audit challenge

We will perform the following:

- Review and challenge the scope of the tender documentation.
- Review the two revaluation exercises performed in the year, ensuring they have been performed in a reasonable manner, on a timely basis and by suitably qualified individuals;
- Challenge the inputs made by management to the valuations;
- Test a sample of revalued assets and re-perform the calculation ensuring the movement has been recorded through the correct line of the accounts; and
- Consider assets classified as surplus or held for sale to assess whether these have been valued and disclosed in line with IFRS.

Net Book Value of  
Property, plant & equipment at  
31 March 2014:  
£313.636m  
(2013: £308.769m)

### Other audit work planned to address the significant risk

We will utilise our **internal property specialists** to gain further assurance over updated valuations and ensure the correct team mix, with the necessary skills and experience.



## 2. Bad debt provisions

### Council tax debtor and general debtors

#### Nature of risk

There is significant judgement and complexity around debtor provision calculations. There is a risk that the valuation of provisions is not appropriate and assumptions underpinning calculations are not accurate. Particularly given the current economic climate, assumptions on recoverability of amounts may not be reasonable. The risk has been pinpointed to the Council Tax provision given its level of materiality.

#### FY13/14 Total Bad Debt Provision

£8.645 m

HR &  
Overpayments  
£1.700 m

Council Tax  
£6.477m

General  
Debtors  
£0.468m

#### The key judgement areas, potential impact on the financial statements and our planned audit challenge

We will perform the following:

- Verify the gross debtor on which the provision is based to the Council Tax system;
- Review and challenge the methodology applied by the Council for the bad debt provision calculation;
- Review and challenge management's judgements and assumptions included within the calculations; and
- Compare the provisions made with historical data on cash collection.

*We will consider the impact Welfare Reforms have had on arrears and recoverability of receivables and bad debt provisioning*

# 3. Revenue Recognition

## Completeness of funding



### Nature of risk

ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

The risk is pinpointed to completeness of council tax and housing rent income given the significance to the organisation. Other main components of income are government grants and business rates which are directed by the Scottish Government and not considered a significant risk as the process for receipt of this income is not complex and can be verified 100%.

Council Tax  
Income  
2013/14:  
£18.113m

Housing Rent  
Income  
2013/14:  
£11.8m

### Deloitte Response

We will perform the following:

- test the council tax and housing rents reconciliations performed by the Council at 31 March 2015 to confirm all income correctly recorded in ledger;
- compare income recorded with expectations, based on Council Tax and rent levels agreed as part of budget process and number of properties; and
- corroborate property numbers to independent record held by the valuer (Council Houses) and the Assessor (Council Tax properties).

### Deloitte comment

We are not aware of any issues arising which would impact on the treatment and recoverability of income during the year.



# 4. Management override of controls

## Use of Spotlight analytics to test journal entries

### Nature of risk

In accordance with ISA 240 (UK and Ireland) management override is always a significant risk. We consider all significant management judgements and estimates as a significant risk.

Management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statement by overriding controls that otherwise appear to be operating effectively. The risk of management override of control is present in all entities. This risk cannot be pinpointed to an account balance or potential error.

### Deloitte Response



### Other audit work planned to address the significant risk

We will make use of analytics through Spotlight to test journal entries made during the year, in particular considering any transactions which appear unusual or outside the normal course of business.

### Deloitte view

We have not identified to date in our planning work any transactions which appear unusual or outside the normal course of business.

# Responsibility statement

# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to establish our respective responsibilities in relation to the financial statement audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit.

Our report includes:

- Our audit plan, including key audit judgements and the planned scope and timing of our audit.
- Key regulatory and corporate governance updates, relevant to you.

### What we don't report

- As you will be aware, our audit is not designed to identify all matters that may be relevant to the board.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.
- Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### Other relevant communications

- The Statement of Responsibilities of Auditors and Audited Bodies issued by Audit Scotland, within the Code of Audit Practice, explains the respective responsibilities of auditors and of the audited body and this report is prepared on the basis of, and our audit work is carried out, in accordance with that statement.
- This report should be read alongside the supplementary "Briefing on audit matters" circulated to you separately.
- We will update you if there are any significant changes to the audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

*Deloitte LLP*

**Deloitte LLP**

Chartered Accountants

Edinburgh

2 February 2015

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

# Appendices

# Appendix 1: Prior year audit findings

## Uncorrected and Corrected misstatements

There were no uncorrected misstatements noted in the course of the prior year audit. There were three corrected misstatements:

Adjustment	Credit/ (charge) to current year CIES £'000	(Increase)/ decrease in net assets £'000	(Increase)/ decrease in reserves in reserves £'000
Dr Revenue Cr Operational expenses	354 (354)	- -	- -
Being elimination of internal charges			
Dr Accrued investment income Cr Cash	- -	62 (62)	- -
Being accrued investment income incorrectly recorded as a reconciling item in the bank reconciliation			
Dr Payables Cr Receivables	- -	276 (276)	- -
Rates balance included gross within debtors instead of offset against creditors			
<b>Total</b>	-	-	-

## Disclosure deficiencies

Auditing standards require us to highlight significant disclosure misstatements to enable audit committees to evaluate the impact of those matters on the financial statements. There were no disclosure misstatements noted in the course of our work.

## Other observations – action plan areas

A number of observations and areas for improvement were noted and reported in the Action Plan of our final 2013/14 report. We will identify and report on any developments in relation to these observations.



## Appendix 2: Independence and fees

As part of our obligations under International Standards on Auditing (UK & Ireland) we are required to report to you on the matters listed below:

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### Independence confirmation

We confirm we are independent of Clackmannanshire Council and will reconfirm our independence and objectivity to the Resources and Audit Committee for the year ending 31 March 2015 in our final report to the committee.

We will continue to review our independence and ensure that appropriate safeguards are in place.

---

### Fees

A total fee for the 2014/15 audit will be agreed with the Deputy Chief Executive which will be within the range notified by Audit Scotland (2013/14 £200,000). A non-recurring uplift is under discussion driven by the additional work required around the full fixed asset revaluation.

The fee for the trust fund audit will be finalised with management once the scope is finalised (2013/14 £6,000).

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### Non-audit services

In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the Council's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

# Appendix 3: Fraud: responsibilities and representations

## Characteristics

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant as auditors – misstatements resulting from fraudulent financial reporting and misstatements from misappropriation of assets.
- We are aware that management has the following processes in place in relation to the prevention and detection of fraud:
  - There is a Fraud Policy in place, which gives advice to staff on their role in the prevention of fraud and establishes the Council's procedures for prevention, detection and investigation of fraud. This is fully communicated to all staff and regular training is provided.
- An Annual Return is submitted to Audit Scotland of all suspected and actual frauds over £5,000. The 2013/14 return included no suspected frauds in excess of £5,000 which were reported to Audit Scotland. The 2014/15 return is due for submission on 31 May 2015.

## Responsibilities

### Your responsibilities

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

### Our responsibilities

- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in Section 4 above we have identified the risk of fraud in revenue recognition and management override of controls as a key audit risk for your organisation.

We will make direct enquiries of the Resources and Audit Committee during our meeting on 26 February 2015 and have discussed with management at a planning stage. We will complete additional procedures at our audit close down stage. We will also inquire into matters arising from your whistle blowing procedures.

# Appendix 3: Fraud: responsibilities and representations (continued)

We will make the following inquiries regarding fraud:

Management	Internal Audit	Those charged with governance
<ul style="list-style-type: none"> <li>• Management’s assessment of the risk that the financial statements may be materially misstated due to fraud including the nature, extent and frequency of such assessments.</li> <li>• Management’s process for identifying and responding to the risks of fraud in the entity</li> <li>• Management’s communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.</li> <li>• Management’s communication, if any, to employees regarding its views on business practices and ethical behaviour.</li> <li>• Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.</li> </ul>	<ul style="list-style-type: none"> <li>• Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.</li> </ul>	<ul style="list-style-type: none"> <li>• How those charged with governance exercise oversight of management’s processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.</li> <li>• Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.</li> </ul>

We will request the following to be stated in the representation letter signed on behalf of the Council:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group and involves:
  - (i) management;
  - (ii) employees who have significant roles in internal control; or
  - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.

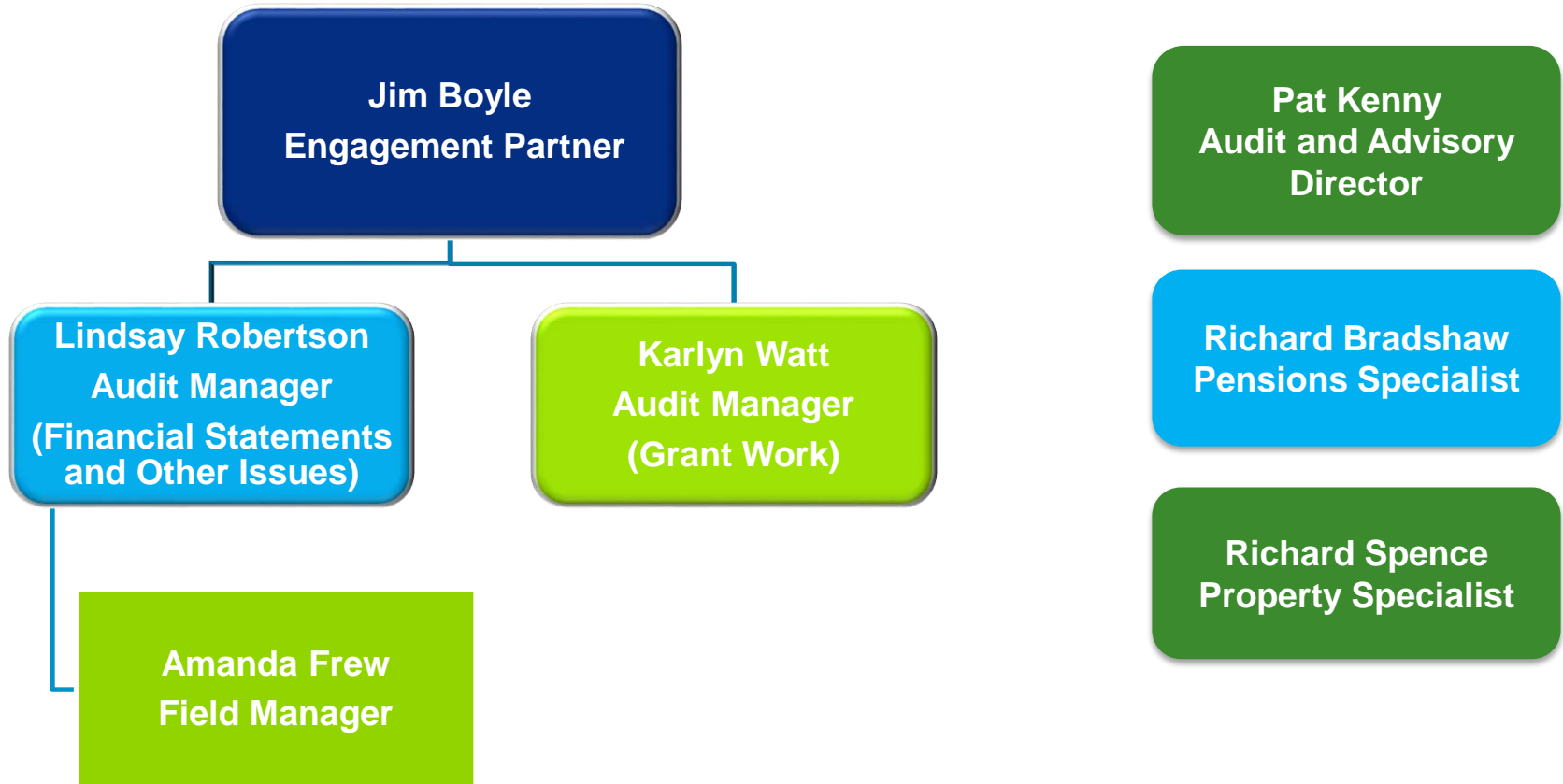
We will also perform procedures in relation to the National Fraud Initiative as set out within Section 3 .



# Appendix 4: Audit team and timetable

We have a high level of continuity in the audit team

We set out below our audit engagement team. We manage our audit on a basis that is consistent with prior year and draws on the expertise of our public sector group.





# Appendix 4: Audit team and timetable (continued)

## Getting the basics right

There is collective recognition of the need for strict adherence to the audit timetable in order to achieve our vision

Clackmannanshire Council

Deloitte

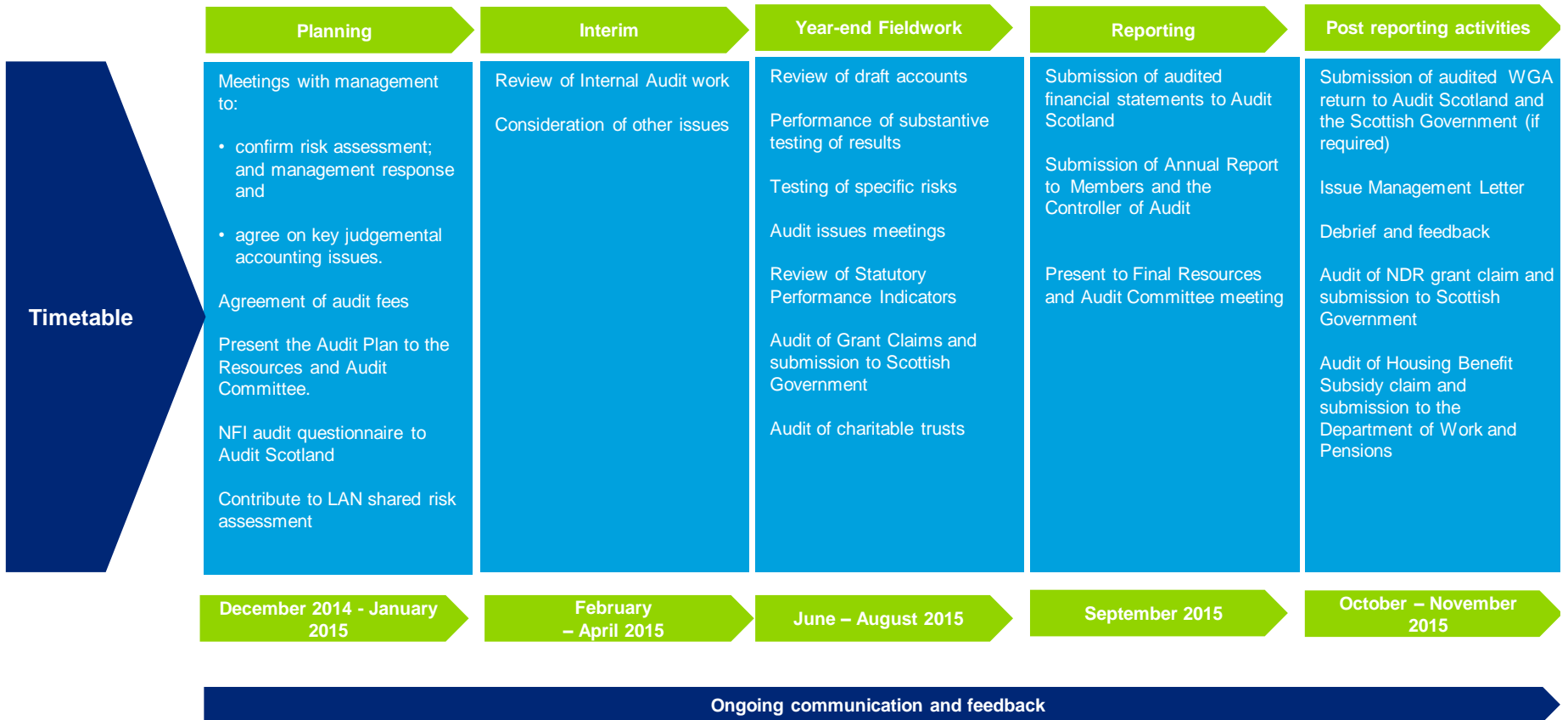
the Distinctive audit



*We are currently working with management to agree a detailed audit timetable and ensure adherence to agreed deliverables throughout the audit. We fully intend to support finance personnel from the start to completion of the audit, to ensure a smooth and managed audit process.*

# Appendix 4: Audit team and timetable (continued)

Set out below is the approximate expected timing of our reporting and communication with Clackmannanshire Council and Audit Scotland.



# Appendix 5: Our approach to audit quality

## Recognition of and further impetus for our quality agenda

Audit quality is our number one priority. We pride ourselves on our commitment to quality and our quality control procedures. We have an unyielding pursuit of quality in order to deliver consistent, objective and insightful assurance.

The Financial Reporting Council (“FRC”) issues an Annual Report on Audit Quality Inspections, providing an overview of the activities of its Audit Quality Review (“AQR”) team for the year.

*“The firm places considerable emphasis on its overall systems of quality control and, in most areas, has appropriate policies and procedures in place for its size and the nature of its client base. Nevertheless, we have identified certain areas where improvements are required to those policies and procedures...”*

*The firm took a number of steps in response to our prior year findings to achieve improvements in audit quality. This included enhanced guidance, technical communications and audit training on the recurring themes. However, issues continued to arise in some of these areas.”*

**AQR Report on Deloitte for 2013/14**

<https://www.frc.org.uk/Our-Work/Publications/Audit-Quality-Review/Audit-Quality-Inspection-Report-May-2014-Deloitte.pdf>

### Deloitte response

- Our strategic objective is to execute high quality, distinctive audits.
- We adopt an open and communicative approach with the regulator and their contribution to audit quality is respected and supported at all levels of our firm.
- We consider that the AQR’s report provides a balanced view of the focus and results of its inspections and its recognition of the emphasis we place on our overall systems of quality control is welcome.
- We value the regulator’s inspection and comments, and the review performed by the AQR forms an important part of our overall inspection process.
- As part of our agenda of continuous improvement we have given careful consideration to each of the FRC’s comments and recommendations. This has included investigation of the root causes of each finding. This has enabled us to develop, in conjunction with findings arising from our own quality review procedures, an effective response to the themes arising.
- Following the AQR review, we have implemented improvements to our audit procedures and our system of quality control.
- Deloitte’s Audit Transparency Report provides further information regarding our approach to delivering quality and is available on our website: [http://www.deloitte.com/view/en\\_GB/uk/about/annual-reports/index.htm](http://www.deloitte.com/view/en_GB/uk/about/annual-reports/index.htm)

Twelve of the audits reviewed by the AQR were performed to a good standard with limited improvements required and four audits required improvements. We were disappointed that one audit was assessed as requiring significant improvements in relation to the testing of the collective and individual loan loss provisions although this did not cause the AQR to doubt the validity of our audit opinion. The overall analysis of the AQR file reviews by grade for the last five years evidences that, among the largest firms, Deloitte remains at the forefront of audit quality with 67% of audits achieving the top grade from the AQR, the highest proportion amongst our peers.

# Appendix 5: Our approach to audit quality (continued)

## Recognition of and further impetus for our quality agenda

Areas identified for particular attention	How addressed in our audit
Improve the audit approach in relation to the testing of journals, including the selection of journals based on characteristics of fraud risk.	This is a significant audit risk and is addressed in section 5 of this paper.
Ensure audit teams pay more attention to the audit of revenue, including the risk assessment and substantive analytical review procedures.	This is a significant audit risk and is addressed in section 5 of this paper.
Improve the audit approach and guidance in relation to the testing of IT controls and reports.	We will involve our IT specialists team as required throughout the audit.
Embed a culture where achieving high quality audit work is recognised and rewarded.	As noted in Appendix 4, our key team is consistent with prior years. All team members will be fully briefed in advance of the audit.



# Appendix 6: Future developments

## Additional information on current and future technical developments

### Stay tuned online: Internet-based corporate reporting updates

The Deloitte UK Technical Team run a series of internet-based financial reporting updates, aimed at helping finance teams keep up to speed with IFRS, UK GAAP and other reporting issues.

Each update lasts no more than one hour, and sessions are held three times a year, at the end of March, July and November. Recordings of past sessions are available via [www.deloitte.co.uk/audit](http://www.deloitte.co.uk/audit).

### Our range of publications

Our iGAAP books are available to our clients electronically and in hard copy. These include our major manuals providing comprehensive, practical guidance; model annual report and financial statements; and our major text on financial instruments providing in depth support to preparers and auditors in this challenging area.

Our range also includes quarterly iGAAP newsletters providing a round up of recent developments. iGAAP and ukGAAP alerts are issued whenever a new exposure draft or standard is issued.

### Audit podcasts

Our leading experts provide you with a short discussion of new IFRS standards and practical insights. These can be accessed via our website, [www.deloitte.co.uk/audit](http://www.deloitte.co.uk/audit). Alternatively, you can subscribe to our podcasts via iTunes – just search for Deloitte IFRS.

### IASPlus

The IAS Plus website, maintained by Deloitte, provides the most comprehensive information on the Internet about international financial reporting. It is aimed at accounting professionals, businesses, financial analysts, standard-setters and regulators, and accounting educators and students. The site, which is totally free of charge, has a broad array of resources about the International Accounting Standards Board, International Financial Reporting Standards, and international accounting and auditing in general. It includes:

- Summaries of all IASB standards and interpretations;
- Background on all IASB and IFRIC agenda projects plus summaries of all IASB and IFRIC meetings;
- Comparisons of IFRSs and various local GAAPs;
- Updates on national accounting standards development in around 80 countries and regions throughout the world; and
- Free e-learning modules for each IAS and IFRS – made available at no charge in the public interest.

The site is available to browse at any time; alternatively you can subscribe to e-mail alerts and newsletters by going to <http://www.iasplus.com/subscribe.htm>

# Appendix 6: Future developments (continued)

## Publications on Government and Local Authorities developments



### **State of the State 2014/15**

Now in its third year, our annual State of the State report aims to provide an independent and accessible view of the UK public sector. Our aim is to create a report that helps facilitate a more informed and constructive debate on the operation of the UK state.

The State of the State 2014-15 finds the Government moving towards a historical point. In the next five years, the UK's governance, our public sector organisations and citizen experiences of the public services are likely to change profoundly.



### **Making digital default**

As government pursues a 'digital by default' strategy, understanding citizen attitudes is a vital step towards delivering an online experience. This report sets out four key insights, based on an exclusive YouGov survey into how the public react to government's digital services.



### **Treasury**

Analytics may be considered the natural evolution of business intelligence processes, tools and technologies. While business intelligence focuses on historical analysis, analytics builds upon this set of technologies and techniques to refocus on the future; helping predict future trends, opportunities and threats. For finance directors, the use of analytics, if practically applied, offers many potential benefits, including a route to deliver against the business partnering agenda. By supporting the whole organisation with critical decisions such as how to optimise capital investment, reduce supplier expenditure or efficiently deliver against service delivery targets, the Finance function becomes the natural home for business analysis and insight.



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**Report To Resources And Audit Committee**

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**Date Of Meeting: 26 February 2015**

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**Subject: Clackmannanshire Council Internal Audit and Fraud Annual Plan 2015/16**

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

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**1.0 Purpose**

- 1.1. This report presents the Clackmannanshire Council Internal Audit and Fraud Annual Plan 2015/16 to Resources and Audit Committee.

**2.0 Recommendations**

- 2.1. It is recommended that Committee agree the Annual Internal Audit and Fraud Plan 2015/16 as set out at Appendix A, and recommends to full Council that the Plan be formally approved.

**3.0 Consideration**

- 3.1 The Annual Internal Audit and Fraud Plan 2015/16 identifies the assurance and fraud work that will be completed during the financial year. This work will form the basis of assurance on the Council's control environment and inform the Council's Annual Governance Statement (AGS) for 2015/16.
- 3.2 A risk based approach has been used in preparing the plan which takes account of the significant corporate and service risks currently facing the Council. The main priorities, aims and objectives of the Council and its key partners, as set out in the Single Outcome Agreement (SOA) and the Corporate and Service plans, have been subject to risk assessment work by the Internal Audit and Fraud Team. To confirm areas assessed as being of greater risk, meetings were held with senior managers across the Council and the Convenor of the Resources and Audit Committee. The External Auditors were also consulted on the findings from their review of the control environment to date.
- 3.3 Public Sector Internal Audit Standards Performance Standard 2010 states that 'The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The risk-based plan must take into account the requirement to produce an annual internal audit opinion on the assurance framework.'
- 3.4 The attached plan has been prepared in line with these requirements.
- 3.5 In light of the challenging financial position the plan identifies a number of reviews that will be undertaken with Value for Money (VFM) as a key consideration. A VFM challenge will also be considered as part of all reviews we carry out through the year. We have identified time in the plan to cover Social Services and Education audits and more detailed planning is being undertaken with Stirling Council Internal Audit team

and the services concerned. We will also undertake work around implementation of Health and Social Care Integration.

- 3.6 In response to the change agenda across the Council the Internal Audit and Fraud Team need to be prepared to carry out more ad hoc work as issues and risks come on to the horizon. We have allowed an amount of contingency time to allow for this and the team is well placed to respond to organisational requirements.
- 3.7 The total number of weeks in the plan has slightly reduced from last year (by 6 weeks) as one member of the team has moved to working part time. However efficiencies created by moving to a more risk based focus means that the total number of audits that will be undertaken will increase on last year from 17 to 19.
- 3.8 Responsibility for investigating Housing Benefit fraud will transfer via the Single Fraud Investigation Service (SFIS) project to the DWP Fraud and Error Service (FES) in November of this year. The Internal Audit and Fraud Team will further develop and strengthen corporate counter-fraud and error detection activity. The changing context in which local government services are delivered is happening against a backdrop of depressed economic activity in which the fraud risk tends to increase.
- 3.9 Appendix A to this report sets out the Annual Internal Audit and Fraud Plan 2015/16.

#### **4.0 Conclusion**

- 4.1 The Internal Audit and Fraud Annual Plan has been prepared in line with Public Sector Internal Audit Standards requirements and with reference to the changing fraud landscape and will provide a significant contribution to Clackmannanshire Council's governance arrangements.
- 4.2 Following approval in principle of the Annual Plan, approval will be sought from full Council on 14 May 2015.

#### **5.0 Sustainability Implications**

- 5.1 There are no sustainability implications.

#### **6.0 Resource Implications**

- 6.1 *Financial Details*
- 6.2 Not applicable

#### **7.0 Exempt Reports**

- 7.1 Is this report exempt? No

#### **8.0 Declarations**

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

(1) **Our Priorities**

- 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.

**9.0 Equalities Impact**

- 9.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations? N/A

**10.0 Legality**

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

**11.0 Appendices**

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

Appendix A - Internal Audit and Fraud Annual Plan 2015/16

**12.0 Background Papers**

- 12.1 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

Public Sector Internal Audit Standards.

Clackmannanshire Council Corporate Risk Register

**Author(s)**

NAME	DESIGNATION	TEL NO / EXTENSION
Iain Burns	Internal Audit and Fraud Team Leader	226231

**Approved by**

<b>NAME</b>	<b>DESIGNATION</b>	<b>SIGNATURE</b>
Stephen Coulter	Head of Resources and Governance	Signed: Stephen Coulter
Nikki Bridle	Depute Chief Executive	Signed: Nikki Bridle



Audit Area	Service	Weeks	Quarter	Scope
<b>Corporate Governance Arrangements</b>				
Annual Assurance Report	Corporate	8	Q4	This includes preparing an annual report for the Committee and input into the Annual Governance Statement (AGS) assurance process for the 2015-16 accounts.
<b>Corporate Arrangements</b>				
Compliance with IT Security Policies	Corporate	5	Q2	Compliance with selected IT security policies across a sample of business areas.
Capital Project Management	Resources and Governance/ Corporate	5	Q2	Arrangements for project management of capital spend, including technical input.
Workforce Planning	Corporate	5	Q2	Review of the Council's approach to strategic workforce planning.
<b>Service Audits</b>				
Shared Services	Social Services Education	6	TBC	Covers Social services and Education To be agreed following joint planning meetings with Stirling.
Health and Social Care Integration	Social services	5	Q3	Governance arrangements around HSCI implementation.
Administration of Blue Badges	Development and Environmental	4	Q1	Arrangements for issuing, monitoring and recalling Blue Badges
iTrent	Resources and Governance	5	Q3	Ongoing implementation of the iTrent project.
Debt Recovery	Housing and Community Services	4	Q1	This review will examine the procedures and arrangements in place for the collection and recovery of debt across the Council.

<b>Audit Area</b>	<b>Service</b>	<b>Weeks</b>	<b>Quarter</b>	<b>Scope</b>
ICT Asset Management Plan and IT Contract Management	Resources and Governance	5	Q4	Review of Plan effectiveness and consideration of improvement activity around IT contract management.
<b>Targeted Follow Ups</b>				
Information Governance	Corporate	4	Q3	To consider progress in relation to meeting requirements of Public Records (Scotland) Act.
<b>Financial Systems &amp; Procedures</b>				
Progress of the New Financial System Project	Resources and Governance	4	Q1-4	To provide 'gateway review' challenge at various stages of the development of the new financial system.
Cash Collection and Handling	Corporate	4	Q3	To review the cash management, recording and security arrangements across the Council.
Creditor Management	Resources and Governance	4	Q2	Key controls in place over the maintenance of the creditors ledger.
<b>VFM</b>				
Fleet Management	Development and Environmental	4	Q4	Management and utilisation of vehicle fleet.
Travel and Subsistence	Corporate	4	Q1	Compliance with policy and reasonableness of level of claims.
Consultancies and Agency Workers	Corporate	5	Q1	Controls, monitoring and reporting of levels and cost of consultancy and agency workers.
Mobile Phone Usage	IT/Corporate	2	Q2	Monitoring and challenge processes over useage.
Leisure Income	Strategy and Customer Services	5	Q1	Identifying, collecting and recording leisure income.

<b>Audit Area</b>	<b>Service</b>	<b>Weeks</b>	<b>Quarter</b>	<b>Scope</b>
Delegated Financial Approval Authority	Corporate and Housing and Community Services	4	Q3	Controls in place to ensure that budget spend is not being committed without appropriate authority.
<b>Contingency</b>				
Contingency	Various	6	Q1 to Q4	Contingency time to undertake reactive and audit advice work. Commissioned by management in response to specific concerns or circumstances.
<b>Corporate Fraud</b>				
Fraud and Error Prevention and Detection	Internal Audit and Fraud	55	Q1 to Q4	This involves fraud detection measures including corporate and benefit specific investigations (including Council Tax Reduction Scheme), Data Matching and application of appropriate sanctions.
National Fraud initiative	All Services submitting data	6	Q1 to Q4	The Audit and Fraud Team will lead on this national initiative, it will review progress with investigating data matches and prepare a final report on the outcomes for the committee and Audit Scotland.
Fraud Awareness and Training	All services	3	Q2 to 4	Deliver training across the services for managers and Team Leaders.
<b>Other</b>				
Follow Up		4	Quarterly	This will follow up the progress of recommendations from previous reports.
Annual Planning		2	Q4	Preparation of the 2016/17 Annual Plan.
<b>Joint Board</b>				

<b>Audit Area</b>	<b>Service</b>	<b>Weeks</b>	<b>Quarter</b>	<b>Scope</b>
Annual Assurance Report	Valuation Joint Board	2	Q4	This includes preparing an annual report for the Committee and input into the Annual Governance Statement (AGS) assurance process for the 2014-15 accounts.
Valuation List- Domestic Properties	Valuation Joint Board	2	Q4	Scope will be determined following discussion with Assessors.
<b>Total Time Allocated to Annual Plan</b>		<b>172</b>		

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**Report to Resources and Audit Committee**

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**Date of Meeting: 26 February 2015**

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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.

**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	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)**

<b>NAME</b>	<b>DESIGNATION</b>	<b>TEL NO / EXTENSION</b>
Iain Burns	Internal Audit and Fraud Team Leader	226231

**Approved by**

<b>NAME</b>	<b>DESIGNATION</b>	<b>SIGNATURE</b>
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
<b>Governance</b>				
Annual Assurance Report	8	2014-15	Corporate	Ongoing
<b>Assurance</b>				
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**

<b>Audit</b>	<b>Audit Weeks</b>	<b>Annual Plan</b>	<b>Service</b>	<b>Progress</b>
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
<b>Fraud</b>				
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
<b>Other</b>				
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.

<b>Key Risk</b>	<b>Assurance Assessment</b>
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.

<b>Priority Assessments</b>	<b>Number</b>
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.

<b>Key Risk</b>	<b>Assurance Assessment</b>
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.

<b>Priority Assessments</b>	<b>Number</b>
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 <sup>rd</sup> 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.

<b>Priority Assessments</b>	<b>Number</b>
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.

<b>Key Risk</b>	<b>Assurance Assessment</b>
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.

<b>Priority Assessments</b>	<b>Number</b>
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.

<b>Priority Assessments</b>	<b>Number</b>
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.

<b>Priority Assessments</b>	<b>Number</b>
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
<b>TOTAL</b>	<b>1</b>	<b>24</b>	<b>43</b>	<b>2</b>	<b>70</b>	<b>30</b>	<b>28</b>	<b>12</b>	<b>30</b>

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

