
Report to Resources and Audit Committee

Date of Meeting: 30 April 2015

Subject: Internal Audit and Fraud Progress Report

Report by: Internal Audit and Fraud Team Leader

1.0 Purpose

- 1.1. This report provides an update on work completed from the Internal Audit and Fraud Annual Plan 2014/15, which was recommended to full Council for approval by the Resources and Audit Committee on 11 March 2014, in accordance with the Financial Regulations. Further to this the report provides an update of progress made on the 2015/16 Annual Plan which was recommended to full Council for approval by the Resources and Audit Committee on 26 February 2015.
- 1.2. The report also provides an update on the progress of implementation of recommendations to 31 March 2015 by Officers from previous Internal Audit Reports.

2.0 Recommendations

- 2.1. The Committee is asked to note, comment on and challenge the report and progress made on the Internal Audit and Fraud Annual Plan 2014/15 and the 2015/16 Plan.

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

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

Status of Audits		%
To be Commenced	0	0%
Onsite/On going	0	0%
Draft Report Issued	8	46%
Final Report Issued	9	54%
Total	17	100%

Progress Against 2015/16 Plan

- 3.2. Progress on completion of the Assurance element of the Annual Plan 2015/16, is summarised in the table below, with more detail being provided in **Appendix B**.

Status of Audits		%
To be Commenced	16	84%
Onsite/On going	3	16%
Draft Report Issued	0	0%
Final Report Issued	0	0%
Total	19	100%

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

- Procurement: Purchase Cards
- Change Management

Final Reports- Assurance

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

- General Ledger (Significant Assurance) (**Appendix D**)
- Joint Authority Liaison Group (JALG) Decision Making (Reasonable Assurance) (**Appendix E**)
- External Funding Arrangements including ALEOs (Significant Assurance) (**Appendix F**)

Fraud

- 3.5. The Internal Audit and Fraud Team continues to investigate benefit fraud having received 140 referrals since 1st April 2014 with over 98 investigations commenced up to the end of February. In that time investigations have identified over £129,726 of overpayments with 31 sanctions issued generating additional income of £9646.00.
- 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.
- 3.7. The Team are actively involved developing areas where counter fraud skills provide ongoing benefits for the council. The team are increasingly being

called upon to conduct a broad range of internal investigations. These investigations identified serious misconduct in two cases with recommendations on improving controls made in all cases. For the two cases of serious misconduct the members of staff involved are no longer employed by the Council. Investigators have also started to concentrate on non benefit related external fraud. For example we have identified over £25,000 in false Council Tax Reduction Scheme claims and single adult discount awards. Work is ongoing to prevent and detect false claims with an emphasis on income maximisation.

Progress of Follow Up

- 3.8. Within Action Plans from previous Internal Audit Reports, there were 23 recommendations arising from 10 reports which were due for implementation by 28 February 2015. This covers all previous reports where there is at least one recommendation to be implemented. Of these, 12 recommendations have been implemented, 9 are in progress and 2 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.
- 3.9. The progress made by Officers on these recommendations is summarised in **Appendix G** and where not sufficiently implemented, progress to date and revised completion dates have been agreed.

Conclusion

- 3.10. Final or draft reports for all reviews from the 2014/15 Internal Audit and Fraud Plan have now been issued. Work has now started on reviews from the 2015/16 plan. Further progress has been made on implementing and addressing recommendations from previous reports.
- 3.11. 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- Progress on 2015/16 Internal Audit and Fraud Annual Plan

Appendix C - Terms of Reference

Appendix D- General Ledger

Appendix E- Joint Authority Liaison Group (JALG) Decision Making

Appendix F- External Funding Arrangements including ALEOs

Appendix G- Progress Of Follow Up Of Internal Audit Reports

11.0 Background Papers


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

Yes (please list the documents below) No

Author(s)

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Approved by

NAME	DESIGNATION	SIGNATURE
Stephen Coulter	Head of Resources and Governance	
Nikki Bridle	Depute Chief Executive	

Audit	Audit Weeks	Annual Plan	Service	Progress
Governance				
Annual Assurance Report	8	2014-15	Corporate	Draft Report Issued
Assurance				
Absence Management	6	2014-15	Corporate and Governance	Final Report Issued
Health and Safety	6	2014-15	Corporate and Governance	Final Report Issued
Community Planning	5	2014-15	Corporate & Strategy and Customer Services	Draft Report Issued
Social Housing Charter	5	2014-15	Services To Communities- Housing and Community Safety	Final 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	Draft Report Issued
Procurement: Purchase Cards	5	2014-15	Finance and Corporate Services	Draft Report Issued
Education Joint Review	3	2014-15	Education	Draft Report Issued
Adult Care- Commissioning of Care	4	2014-15	Social Services	Final Report Issued
Information Governance	3	2014-15	Corporate	Final 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.	Final Report Issued
Budget Management and Monitoring	5	2014-15	Corporate & Accountancy	Final Report Issued
Treasury Management	4	2014-15	Accountancy	Final Report Issued

PROGRESS ON APPROVED INTERNAL AUDIT ANNUAL PLAN 2014/15

APPENDIX A

Audit	Audit Weeks	Annual Plan	Service	Progress
General Ledger	6	2014-15	Accountancy	Draft Report Issued
Change Management	6	2014-15	Corporate	Draft Report Issued
ICT Asset Management Plan and IT Contract Management.	6	2014-15	Corporate & IT	Deferred to 2015/16
Joint Authority Liaison Group (JALG)	6	Added	Social Services	Draft Report Issued
Fraud				
Fraud Risk Assessment / Prevention	6	2014-15	All Services	Ongoing
Fraud Detection	48	2014-15	Internal Audit and Fraud	Ongoing
Review Fraud and Whistleblowing policies	2	2014-15	Corporate	Ongoing
National Fraud Initiative	6	2014-15	All Services submitting data	Ongoing
Data matching	4	2014-15	All Services	Ongoing
Fraud Awareness and Training	5	2014-15	Corporate and all services	Ongoing
Other				
Follow Up	4	2014-15	All Services	Ongoing

PROGRESS ON APPROVED INTERNAL AUDIT ANNUAL PLAN 2015/16

APPENDIX B

Audit	Audit Weeks	Annual Plan	Service	Progress
Governance				
Annual Assurance Report	8	2015-16	Corporate	To Be Commenced
Assurance				
Compliance with IT Security Policies	5	2015-16	Corporate	To Be Commenced
Capital Project Management	5	2015-16	Resources and Governance/ Corporate	To Be Commenced
Workforce Planning	5	2015-16	Corporate	To Be Commenced
Shared Services	6	2015-16	Social Services Education	To Be Commenced
Health and Social Care Integration	5	2015-16	Social services	To Be Commenced
Administration of Blue Badges	4	2015-16	Development and Environmental	Ongoing
iTrent	5	2015-16	Resources and Governance	To Be Commenced
Debt Recovery	4	2015-16	Housing and Community Services	To Be Commenced
ICT Asset Management Plan and IT Contract Management	5	2015-16	Resources and Governance	To Be Commenced
Information Governance	4	2015-16	Corporate	To Be Commenced
Progress of the New Financial System Project	4	2015-16	Resources and Governance	To Be Commenced
Cash Collection and Handling	4	2015-16	Corporate	To Be Commenced
Creditor Management	4	2015-16	Resources and Governance	To Be Commenced
Fleet Management	4	2015-16	Development and Environmental	To Be Commenced
Travel and Subsistence	4	2015-16	Corporate	Ongoing

PROGRESS ON APPROVED INTERNAL AUDIT ANNUAL PLAN 2015/16

APPENDIX B

Audit	Audit Weeks	Annual Plan	Service	Progress
Consultancies and Agency Workers	5	2015-16	Corporate	Ongoing
Mobile Phone Usage	2	2015-16	IT/Corporate	To Be Commenced
Leisure Income	5	2015-16	Strategy and Customer Services	To Be Commenced
Delegated Financial Approval Authority	4	2015-16	Corporate and Housing and Community Services	To Be Commenced
Fraud				
Fraud and Error Prevention and Detection	55	2015-16	Internal Audit and Fraud	Ongoing
National Fraud initiative	6	2015-16	All Services submitting data	Ongoing
Fraud Awareness and Training	3	2015-16	All services	To Be Commenced
Other				
Follow Up	4	2014-15	All Services	Ongoing



INTERNAL AUDIT TERMS OF REFERENCE

SERVICE: Corporate

AUDIT AREA: Procurement: Purchase Cards

AUDIT YEAR: 2014/2015

INTRODUCTION AND SCOPE

Corporate Purchase Cards have been introduced by Clackmannanshire Council as an alternative method of paying relatively low value or frequently supplied goods. It looks, and is used, like any normal credit card and is widely accepted within the UK. Use of cards is governed by Purchase Card Policy and Procedures Guide issued in May 2014, Contract Standing Orders and Council Financial Regulations.

Purchase cards have inherent risks relating to card security, fraud and misuse through unauthorised spending. As a result robust controls are required to ensure that cards are used in a secure manner that protects both individual cardholders and Council funds.

The scope of this audit will be to review the controls in place over purchase cards both at a corporate level and in relation to a sample of services and cardholders.

RISKS

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

- Purchase Card use is not in line with Financial Regulations and other relevant policies and procedures
- Fraudulent or illegal use of purchase cards
- Purchase cards being used to circumvent wider procurement controls

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



INTERNAL AUDIT TERMS OF REFERENCE

SERVICE: Corporate

AUDIT AREA: Change Management

AUDIT YEAR: 2014/2015

INTRODUCTION AND SCOPE

The Council is currently implementing a business transformation programme entitled *Making Clackmannanshire Better*, which was initially approved by the full Council in March 2013. The programme is designed to develop business improvements and new models of service delivery to meet changing customer needs, achieve substantial levels of savings in line with funding cuts, improve service delivery and where possible, integrate business operations with other public services to better target resources, reduce duplication and ultimately improve outcomes.

The following are stated as key outcomes of the *Making Clackmannanshire Better* Programme:

- Improving customer experience;
- Meeting changing customer needs;
- Introduce organisational change;
- Reduce costs;
- Improve performance; and
- Improve services/service provision.

The *Making Clackmannanshire Better* Programme provides a corporate approach to business improvement with the aim of establishing cost sustainability to target resources and reduce duplication and waste.

The scope of this audit will be to review the high level controls in place over the programme and project management, monitoring and governance processes in place surrounding the *Making Clackmannanshire Better* Programme.

RISKS

The following risks could prevent the achievement of *Making Clackmannanshire Better's* objectives:

- Change and Project Management processes, procedures and resourcing are inadequate.
- Establishment and monitoring of outcomes and benefits realisation is not effective.
- Governance, scrutiny and reporting of the individual projects and the overall programme is inadequate.

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 General Ledger. 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 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.

1.3 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). The efficient structure and operation of the General Ledger can be critical to the effectiveness of decision making, performance management and reporting.

2. SCOPE AND OBJECTIVES

2.1 The scope of the audit was to review and evaluate the controls in place around the General Ledger with consideration of any potential implications for future system development.

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 efficient and effective General Ledger processing. We can provide overall **reasonable** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Policies and procedures are unclear.	Reasonable
General ledger processing is inaccurate, incomplete and unauthorised.	Reasonable
System development objectives of the replacement Financial System Project are unclear.	Reasonable
Infrequent or incomplete reconciliations of General Ledger Accounts	Significant
General Ledger structure and reporting is inadequate and not aligned to the strategic aims of the organisation	Reasonable

3. FINDINGS

3.1 At the time of this review a project to implement a replacement finance system which includes the General Ledger (GL) was in its early stages. Findings identified in this report should be taken into account within development of the new system rather than necessarily taking immediate action. However, where we feel more immediate action is necessary we will make this clear.

3.2 We can provide reasonable assurance that policies and procedures are clear. Written procedures are in place for period end processing, cost centre maintenance and for bank account reconciliations. There is a lack of formal written procedures relating to GL processing and support system reconciling. This is mitigated by new or inexperienced members of staff being provided with on the job training and support by experienced staff members. Observance and testing found that there are consistent processes in place which are being followed by responsible officers.

3.3 We can provide reasonable assurance that GL processing is accurate and complete. We have some concerns around authorisation as there are poor controls over user maintenance. There are three main methods of GL processing: interactive systems, external system interfaces and manual journals. The interactive systems are sales, purchases and bank accounts and the associated transactions are directly processed into the GL. External systems have been procured at different times and do not directly interface with Strategix (the Council's current finance system). This results in a significant amount of manual intervention to prepare a batch of transactions to be uploaded to the GL. The interfaces can also fail if there are any transaction coding errors meaning the interface process will have to be re-run. These are known issues that the new financial system will be designed to address.

3.4 Manual journal entries are generally required to make corrections to accounts or to process accounting transactions. Manual journal forms are completed by an officer and then approved by a line manager prior to processing. Testing provided assurance that manual journals are being accurately processed. The efficiency of the approval prior to processing manual journals should be considered given that the line manager is also responsible for monitoring the relevant accounts. (Finding 5.1)

3.5 We also reviewed user maintenance, system access controls and system audit log management. This involved assessing the system administrator roles for managing system users access and audit logs where we found the following weaknesses:

- Leavers are not being routinely deactivated;
- No regular review of system users to ensure that access permissions are appropriate and leavers have been deactivated.
- No time limit set on user inactivity prior to deactivation (51% of users have not logged on since May 2014).
- Minimal password rules set up on the system.
- Audit logs are not being used to monitor system usage. (Finding 5.2)

3.6 We can provide reasonable assurance that objectives for the development of the new financial system are clear. The Funding for the replacement Finance System Project was agreed at a Special Council Meeting in February 2013. A Project Board of stake holders has been formed. Options appraisal, Project Initiation Document (PID) and a Project Plan are being developed. Current system issues and new system objectives have been identified through consultation of Project Board, Operational Group and potential software suppliers. Current system issues identified include reporting, external system interfaces and not supporting e-procurement. We are comfortable that all main issues are included to be addressed.

3.7 An identified project manager has been engaged and is now in place to oversee development of the Finance System Project. The Project Board will play the lead in reviewing and endorsing the PID and associated Project Plan to address the recommendations agreed following the completion of the Options Appraisal. Thereafter the Project Board will review the progress of the Project and the associated service budget. The project is in the early stages with the PID still to be agreed by the

Board and there has been some initial slippage in timeframes which will be adjusted in the project plan presented to the Board. The adjusted timeframe target for implementation of the new Finance System is the end of 2016. Internal Audit as part of the Audit Plan for 2015/16 will monitor the systems development project to provide ongoing assurance that it is achieving the objectives and timeframes agreed in the PID and Project Plan. Progress will be reported to the Resources and Audit Committee on a regular basis.

3.8 In relation to the current Finance System there has been no systems development plan in place with regular monitoring and officer responsibilities defined. There is a maintenance contract in place for the current system which involves paying an annual fee for the use of the supplier software and for the provision of support of system issues. Quotes for additional work are checked for reasonableness as well as affordability and also checked to ensure these are additional to the agreed support. There is no formal record of when issues are logged with the supplier and the resolution date although staff advised they had not had any issue where the time to respond or resolve the query was unreasonable.

3.9 There is therefore an overall lack of documented monitoring arrangements in place. Corporate Accounting Team have recognised these issues and are putting measures in place to address short term risks. More robust contract management arrangements will need to be in place for the new financial system. (Finding 5.3)

3.10 We can provide significant assurance that there are frequent and complete reconciliations of the general ledger accounts. On a daily basis integrity checks are run to ensure that the GL, Purchase Ledger, Sales Ledger and bank accounts reconcile. If there are any discrepancies these will be reported to and investigated by an accountant. Suspense and Control accounts are reviewed on a monthly basis with the responsibility for these lying both with Services for specific accounts such as Payroll and Revenues and Accountants for all other accounts as part of the monthly period end process. An accountant has overall responsibility to ensure that all suspense accounts are reconciled prior to year end processing. We are content that consistent daily, monthly and annual processes and reconciliations are being carried out at the year end and final accounts are signed off by the External Auditors.

3.11 We can provide reasonable assurance that the GL structure and reporting is adequate and aligned to the strategic aims of the organisation. The GL structure is compliant with the CIPFA Service Reporting Code of Practice. Ledger codes cannot be deleted from the system but unused cost centres are moved to a redundant file which is regularly monitored to identify any activity. There are formal written procedures for setting up and moving of cost centre codes. Cost centre codes can be moved to other Service areas within the hierarchy but all related historic transactions are also moved which can affect the accuracy of historical reports.

3.12 There are number of standard system reports but these do not directly meet all Service needs and there is also limited development of reports to meet needs. In general at the time of our review system reports cannot be exported to Excel spreadsheets which limits their usefulness. Management have advised that a software patch has been implemented which allows system reports to be exported to Excel spreadsheets. At present a reports interface is used to extract the required information and this is uploaded to budget management spreadsheets. There is no reporting function to produce projections or planned expenditure and this requires to be manually input into the budget management spreadsheets. Reporting requirements are an integral part of the new financial system development.

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. Management comments, the date for implementation and Responsible Officer have been reflected within the Action Plan.

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

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

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	Manual journal forms are completed by an officer and then approved by a line manager prior to processing. The value of the approval prior to processing of the manual journal should be considered given that the line manager is also responsible for monitoring the relevant accounts.	Process is inefficient using valuable senior officer time.	4	This will be addressed through requirements of new financial system with agreement from internal and external audit.	Chief Accountant	Dec 2016
5.2	Weaknesses were identified in relation to user access controls and audit logs: <ul style="list-style-type: none"> • Leavers are not being routinely deactivated; • No regular review of system users to ensure that access permissions are appropriate and leavers have been deactivated. • No time limit set on user inactivity prior to deactivation (51% of users have not logged on since May 2014). • No password rules set up on the system. • Audit logs are not being used to monitor system usage. 	General Ledger system is inefficient and there is risk of inappropriate access.	2	These are issues that will be taken into consideration when procuring and configuring new financial system. In relation to existing ledger systems a review will be undertaken on user access controls to strengthen arrangements.	Chief Accountant System Administrators	Dec 2016 Sept 2015

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.3	Contract monitoring arrangements of the current financial system are not being appropriately evidenced.	Contract value for money is not achieved and terms and conditions are not being delivered.	3	More formalised contract monitoring arrangements will be put in place for the remainder of the contract period	Corporate Accounting Team Leader	Sept 2015

1. INTRODUCTION

1.1 The Assistant Head of Social Services, with responsibility for Childcare Services, has asked internal audit to consider the controls in place over the Joint Authority Liaison Group external placement approval and decision making process. This review was not originally included in the 2014/15 annual plan.

1.2 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 is made up of Service Managers from Social Services, Education, Accountancy, Psychological Services and Head Teachers and is responsible for approving and monitoring external child care packages and accommodating children. The Joint Authority Liaison Group has a critical role in ensuring that all external care packages are approved and monitored by all relevant stakeholders.

1.3 Referrals are only made to the Joint Authority Liaison Group when the child or young person's assessment determines that a multi agency package of care and / or educational support is required to meet the child or young person's needs and this cannot be accessed through local community based resources. Referrals to the Joint Authority Liaison Group are made by Social Services and Education professionals and the rationale behind the referral will not be assessed as part of this internal audit.

2. SCOPE AND OBJECTIVES

2.1 The scope of the audit was to review controls in place over the decision making and monitoring processes in place as part of the Joint Authority Liaison Group approval process to ensure they are consistent, in line with policy and national guidance.

2.2 Internal Audit, in conjunction with the Assistant Head of Social Services, identified the key risks for the audit. In our opinion there is a reasonable control environment operating in relation to the Joint Authority Liaison Group decision making process. We are content that procedures have been developed and are being introduced. As a result we can therefore provide overall **Reasonable** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Policies and procedures are unclear and Child Care approval processes are not up to date and in line with current legislation.	Reasonable
Child Care accommodation and high cost care packages are not appropriately approved and monitored.	Reasonable
Child Care approval and governance processes are not efficient and effective with potential duplication of effort between shared service providers.	Significant
Reporting of Looked After Accommodated Children decisions is inadequate.	Reasonable
Monitoring of the standards of care purchased placements is not adequate	Reasonable

3. FINDINGS

3.1 We can provide reasonable assurance that policies and procedures are clear and the external child care placements approval processes are up to date and in line with current legislation. In order to assess the JALG decision making process we reviewed the Child Care and Protection Division's obligations under current legislation and policy. The national guidance and legislation relating to child care include Getting It Right For Every Child (GIRFEC), Additional Support for Learning (ASL) Act 2004 and the Children and Young Persons Act 2014. The national guidance and legislation outline the Councils obligations to support children and young people to ensure they are educated, healthy and safe. Children's Services documented processes and procedures incorporate the GIRFEC guidance and the Councils Integrated Children's Service Plan includes the requirements of the legislation. Following testing we can provide assurance on compliance with the guidance and legislation through the presentation of integrated assessment forms and reports to the Joint Authority Liaison Group (JALG) as part of the external placement approval process.

3.2 There is a set process in place for the JALG approval of external placements but there is a lack of documented procedures. At the time of our review there was no formal terms of reference and remit in place for JALG. However, draft guidance for a combined JALG and Stirling Resource Allocation Group (RAG) team structure, meeting schedule and approval process has been developed. (Finding 5.1). Consideration should be given to outlining this changed approach to the Health and Social Care Committee. (Finding 5.2)

3.3 Procedures have been developed to ensure that Emergency Care Placements are appropriately approved by the Service Manager and subsequent notification to the next JALG meeting for review. Emergency care placements are not specifically logged as such so we were unable to carry out targeted testing in this area. We observed evidence of retrospective review of emergency placements included as part of the JALG meeting minutes, however we cannot positively confirm consistent compliance with these procedures. (Finding 5.3)

3.4 We can provide reasonable assurance that child care accommodation and high cost care packages are appropriately approved and monitored. Case Referrals to the group are made by Social Services and Education professionals through presentations which include the submission of reports which are considered by the group for approval. The main priority of the responsible officers is ensuring that the child's needs are met when approving care placements. Placements are only presented to JALG if all suitable internal options have been exhausted. Placement costs are not directly considered as part of the JALG approval process but there is an element of best value as providers in the main will be selected from the National Framework Contract.

3.5 As this is a demand led service at this point in the process there has been no consideration given to the immediate overarching potential financial impact of individual decisions. An Accountant is a member of JALG and monitors actual placement costs and provides a projected budget update at every meeting. This takes place after decisions have been made and takes account of variations in expenditure due to individuals entering and leaving care. There is a projected £685k overspend in the residential schools budget as reported to the Housing, Health and Care Committee on 29/01/15. Ultimately it is still the budget holders responsibility to approve budget spend. This is a joint responsibility between Education and Social Work. Draft guidance should include a requirement that appropriate budgetary approval will be required before final approval of any care package (Finding 5.4).

3.6 A sample of approved placements were reviewed and we found that prior to 2014 there was limited evidence retained relating to approval and monitoring of placements. From 2014 approval and regular monitoring and updates of placements have been recorded in the JALG meeting minutes; a letter of the decision is produced for relevant stakeholders, and case reports and integrated assessment forms are prepared and considered. To ensure this consistency is retained it may be prudent to consider introducing a formal checklist to record documents and evidence required as part of the JALG approval process. (Finding 5.5)

3.7 Where capacity and provision allows external placement providers are utilised from the National Child Care Provision Framework. The rationale behind the selection of specific placement providers is

not reported to JALG (Finding 5.6). Social Care and Education professionals do not have access to the National Framework of providers database which can be used to match child needs to provider specifications. A Planning and Commissioning Officer is available to provide advice at JALG meetings regarding placement providers and contracts.

3.8 Through testing we found that no formal care package agreements had been signed up to by the Council and the Care Providers for individuals placed in care. A formal Individual Placement Agreement (IPA) framework detailing placement contract terms has been developed. Management have advised that all placements approved from January 2015 would have an IPA completed and signed by a Responsible Officer and the Care Provider. At the time of our review the process to agree the IPA does not include an assessment and approval of an options appraisal of potential placements. In addition the completed IPA is a legal document and there are no formal arrangements in place regarding IPA authorisation, access and storage. (Finding 5.7)

3.9 External care invoice processing was reviewed and we found checks undertaken to ensure that the individuals are in care for the specified period and the care has not previously been paid. At the time of review no checks were being undertaken on validity of costs as part of the invoice approval process as no formal care package agreements were in place. (Finding 5.8)

3.10 We can provide significant assurance that Child Care approval and governance processes are efficient and effective. As mentioned at 3.2 Service management have recognised the duplication of provision between the JALG and RAG and are in the process of merging the two groups with the first meeting scheduled for March 2015. A written remit and procedures have been drafted for the merged group and it is planned that there will be a monthly referral meeting and a monthly business meeting.

3.11 We can provide reasonable assurance that reporting of Looked After and Accommodated Children (LAAC) decisions is adequate. Overall Social Care Performance reports including budgeting and related performance targets are regularly submitted to the Housing Health and Care Committee. There is no routine reporting of JALG output relating to analysis of referrals, approvals and types of placements. (Finding 5.9)

3.12 We can provide reasonable assurance that the monitoring of the standards of care purchased placements is adequate. A contract monitoring framework of care providers has recently been developed and includes a checklist to be completed as part of the review. Management have advised that all care providers will be risk assessed and this will determine the level of future monitoring undertaken. At the time of this audit, processes were still at an early stage. As a result there has been a minimal number of reviews of care providers undertaken to ensure contracts and quality standards are being met. As review process develops appropriate evidence relating to what care providers had been reviewed and what care providers were still to be reviewed should be maintained. At present there is no formal agreement of responsibilities in place between the care providers' stakeholder organisations for monitoring standards and the sharing of this information. (Finding 5.10)

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

4. RECOMMENDATIONS

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

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

Priority Assessments	Number
Priority 1	-
Priority 2	6
Priority 3	4
Priority 4	-

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	Draft JALG/RAG Procedures have not been formally agreed.	Procedures are not complete.	3	Guidelines to be drawn up and agreed at the newly formed Stirling and Clacks Agency Getting it Right For Every Child Authority Group (AGG) business meetings and signed off by Assistant Head Of Service Social Services and Education.	Principal Psychologist	May 2015
5.2	The change of the approval process to a JALG/RAG has not been outlined to the Health and Social Care Committee and Education Committee.	Committee not informed of changes to Service delivery.	3	Prepare paper for committee on new process for approval	Assistant Head of Social Service - Child Care. Assistant Head of Service Education	September 2015
5.3	There is no formal record kept of emergency placement approvals. No management checks to ensure compliance with emergency placement procedures.	Emergency Care Placements are not appropriately approved and reviewed by JALG.	2	Record all emergency placement requests highlighting these as emergencies on meeting minute. Service managers to check compliance and add to referral meeting minute as record.	Group Admin Service Manager, Childcare. Acting Service Manager, Education Additional Support Needs.	April 2015
5.4	The care placement approval guidance does not detail budget responsibility and the requirement for budget approval before placements are agreed.	Budgetary responsibility is unclear. Care placements agreed without budgetary approval.	2	To be included in guidance at 5.1.	Service Accountant Principal Psychologist	May 2015
5.5	No log retained of supporting documents presented as part of the external placement referral to JALG.	No record of evidence submitted in support of JALG decisions.	3	Record log of documents for referrals made to JALG.	Group Admin	April 2015

JOINT AUTHORITY LIAISON GROUP (JALG) DECISION MAKING

APPENDIX E

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.6	Placement updates to JALG do not include details of an the rationale for placement approval by the responsible officer.	Care costs not considered and best value not achieved.	2	Ensure updates outline all placements considered and why successful one selected. Confirmation to referral meeting that placements have been discussed and agreed by line management and service managers.	Service Manager, Childcare. Acting Service Manager, Education Additional Support Needs.	April 2015
5.7	A. Formal care package agreements not in place. B. No formal arrangements for authorisation, storage and access arrangements of care package agreements.	Service provision and costs not formally agreed. Decisions taken to reach specific care packages cannot be properly evidenced.	2	A. Funding arrangement and Care Package agreed and authorised by Service Manager Individual Placement Agreement (IPA) agreed with Provider signed off by Head of Service B. Storage of Original IPA to be agreed with Legal Services Copy of signed IPA to be sent to Care Manager for Young Person's record - copy also held in Planning and Commissioning	Service Manager, Childcare. Acting Service Manager, Education Additional Support Needs. Planning and Commissioning Officer Planning and Commissioning Manager	April 2015 April 2015
5.8	Invoice costs are not validated prior to payment.	Expenditure is incorrect and not in line with the formal care package agreement.	2	Support - Child Care, Planning and Commissioning Team and Accountant to liaise on and develop a process	Team Leader Business Support Planning and Commissioning Officer Service Accountant	June 2015

JOINT AUTHORITY LIAISON GROUP (JALG) DECISION MAKING

APPENDIX E

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.9	<p>Management information requirements relating to JALG/RAG output has not been determined.</p> <p>There is no reporting of JALG/RAG output in relation to referrals, approvals and types of placements.</p>	<p>Reporting of Looked After Accommodated Children decisions are inadequate.</p>	3	<p>Quarterly reporting to be developed linked to covalent reports.</p> <p>Annual report to be developed for Assistant Head of Service.</p>	<p>Service Manager, Childcare.</p> <p>Acting Service Manager, Education Additional Support Needs.</p>	<p>June 2015</p> <p>December 2015</p>
5.10	<p>The monitoring responsibilities and information sharing requirements of the care providers stakeholder organisations has not been formally agreed.</p> <p>There is no record retained of providers risk assessments and what care providers have been reviewed and which are still to be reviewed.</p>	<p>Care providers do not meet quality standards and contract terms which could result in insufficient care provision and not achieving best value.</p>	2	<p>Planning and Commissioning Team to develop contract monitoring framework linked to risk log relating to service providers for approval by JALG</p> <p>Recording system of visits to providers to be developed with feedback to the JALG business meeting</p>	<p>Planning and Commissioning Officer</p>	<p>September 2015</p>

1. INTRODUCTION

1.1 As part of the 2013/14 Annual Internal Audit plan a report was published outlining findings from a review of the Council's systems of control over external funding arrangements. While reasonable assurance was provided, updated corporate arrangements were in early stages of implementation.

2. SCOPE AND OBJECTIVES

2.1 The scope of this targeted follow up audit was to consider the implementation of updated corporate arrangements over external funding.

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

Key Risk	Assurance Assessment
Inconsistent application of new arrangements could lead to gaps and inconsistencies in operational monitoring of external funding.	Significant

3. FINDINGS

3.1 The Internal Audit review of Arms Length External Organisations (ALEOs), the report of which was presented to the Resources and Audit Committee in February 2013, provided only limited assurance. Following a subsequent targeted follow up review reasonable assurance was provided on improvements made to controls in place. A revised Code Of Practice Funding External Bodies And Following The Public Pound has been introduced which includes relevant guidance and has been circulated to all relevant staff. There is also a central register of externally funded bodies in place and Service Committees should be receiving regular updates however this is not yet happening in all instances.

3.2 However at the time corporate arrangements were still at early stages of implementation. As a result we undertook further work at service level as part of our 2014/15 annual plan to review how arrangements are bedding in and whether they are addressing risks appropriately.

3.3 We can now provide significant assurance that corporate arrangements are being applied consistently. We reviewed a sample of monitoring arrangements across different services and found that the Code of Practice is being applied in a consistent manner. We are also of the opinion that this consistency has strengthened the overall control environment in relation to external funding.

3.4 In particular we found that services are providing appropriate support to funded bodies and also are being suitably rigorous in monitoring and managing performance and delivery ensuring that value for money of the public funds is being achieved. Strategy and Customer Services also provide robust central support including keeping corporate documentation up to date, providing training and support to monitoring officers and reporting details in line with external audit recommendation.

3.5 It was noted that, while arrangements are being rigorously scrutinised and monitored, there are still a number of agreements that are in place for historic reasons rather than being put through a tendering exercise. This is an issue that has been recognised and is targeted to be addressed over the next two years. We will keep a watching brief over these developments.

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

4. RECOMMENDATIONS

4.1 A robust control environment was identified during this review and as a result no findings have been reported and no further management action is required.

PROGRESS OF FOLLOW UP OF INTERNAL AUDIT REPORTS

APPENDIX G

Report Title	Priority				Number of Recommendations	Recommendations			
	1	2	3	4		Implemented	In Progress	Not Applicable Now	Implementation on Target? (* New Dates Agreed)
Non Domestic Rates Income	-	-	-	1	1	1	-	-	N/A
Purchase Orders to Payment of Suppliers	-	1	-	-	1	-	-	1(a)	N/A
Council Tax	-	1	3	-	4	1	3	-	Y*
Purchase Cards	-	1	-	-	1	-	-	1(a)	N/A
Savings and Efficiencies - Overtime	-	2	5	-	7	1	6	-	Y*
Absence Management	-	1	1	-	2	2	-	-	N/A
Housing Allocations	-	1	-	-	1	1	-	-	N/A
Treasury Management	-	1	2	-	3	3	-	-	N/A
Budget Management & Monitoring	-	1	-	-	1	1	-	-	N/A
Housing Benefit & Council Tax Reduction Scheme	1	-	1	-	2	2	-	-	N/A
TOTAL	1	9	12	1	23	12	9	2	9

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

