
Report to Resources and Audit Committee

Date of Meeting: 24 September 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 2015/16 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 July 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 2015/16.

3.0 Considerations

Progress Against 2015/16 Plan

- 3.1. The Internal Audit and Fraud Team have undertaken a number of short term projects using the contingency budget in the plan. For example we have provided advice to sustainability team on Climate Change Report Validation, carried out a review of Scottish Welfare Fund Crisis Grants and contributed to the Council's response to the Audit Scotland Housing Benefit Risk Assessment Programme. Increasingly trained and skilled investigators have conducted and reported on other investigations on behalf of senior management into matters ranging from suspected serious health & safety breaches to allegations of misappropriation of council goods and equipment.
- 3.2. As outlined when our annual plan was presented in February, 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. We are presenting two such reports today, namely the Travel and Subsistence and Mobile Telephones Reports. A VFM challenge is also being considered as part of all reviews we carry out through the year. We will look to build a picture of potential efficiency opportunities. Reports presented below show an early indication of existing guidance

and procedures not always highlighting VFM as a consideration and also a potential lack of monitoring and challenge from a VFM perspective.

- 3.3. 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 A**.

Status of Audits		%
To be Commenced	8	42%
Onsite/On going	4	21%
Draft Report Issued	7	37%
Final Report Issued	0	0%
Total	19	100%

- 3.4. 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;

- Compliance with IT Security Policies
- Creditor Management

Final Reports- Assurance

- 3.5. The following reports from the 2015/16 plan are provided for:-

- Administration of Blue Badges (**Appendix C**)
- Travel and Subsistence (**Appendix D**)
- Consultancies and Agency Workers (**Appendix E**)
- Mobile Phone Usage (**Appendix F**)
- Debt Recovery (**Appendix G**)
- Progress of the New Financial System Project (**Appendix H**)

Fraud

- 3.6. The Internal Audit and Fraud Team continues to investigate benefit fraud having received 26 referrals for 2015/2016 with over 18 investigations commenced up to the end of July. In that time investigations have identified over £21,314 of overpayments with 6 sanctions issued.

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

- 3.8. The Team are actively involved developing areas where counter fraud skills provide ongoing benefits for 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

- 3.9. Within Action Plans from previous Internal Audit Reports, there were 43 recommendations arising from 15 reports which were due for implementation by 31 July 2015. This covers all previous reports where there is at least one recommendation to be implemented. Of these, 12 recommendations have been implemented, 30 are in progress and 1 is no longer applicable. Recommendations are considered no longer applicable if they cover issues that have either been superseded by other events and are therefore dropped or have been carried forward in other reviews.
- 3.10. 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 is progressing well on reviews from the 2015/16 plan, with seven draft reports being issued and a further four reviews currently in progress. Approaching the end of the second quarter 58% of the annual plan is either completed or at an advanced stage. 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 2015/16 Internal Audit and Fraud Annual Plan

Appendix B - Terms of Reference

Appendix C - Administration of Blue Badges

Appendix D - Travel and Subsistence

Appendix E - Consultancies and Agency Workers

Appendix F - Mobile Phone Usage

Appendix G - Debt Recovery

Appendix H - Progress of the New Financial System Project

Appendix I - Progress Of Follow Up Of Internal Audit Reports

11.0 Background Papers

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

Yes (please list the documents below) No

Author(s)

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Approved by

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

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	Ongoing
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	Ongoing
Health and Social Care Integration	5	2015-16	Social services	To Be Commenced
Administration of Blue Badges	4	2015-16	Development and Environmental	Draft Report Issued
iTrent	5	2015-16	Resources and Governance	To Be Commenced
Debt Recovery	4	2015-16	Housing and Community Services	Draft Report Issued
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	Interim Draft Issued
Cash Collection and Handling	4	2015-16	Corporate	Ongoing
Creditor Management	4	2015-16	Resources and Governance	Draft Report Issued
Fleet Management	4	2015-16	Development and Environmental	To Be Commenced

PROGRESS ON APPROVED INTERNAL AUDIT ANNUAL PLAN 2015/16

APPENDIX A

Audit	Audit Weeks	Annual Plan	Service	Progress
Travel and Subsistence	4	2015-16	Corporate	Draft Report Issued
Consultancies and Agency Workers	5	2015-16	Corporate	Draft Report Issued
Mobile Phone Usage	2	2015-16	IT/Corporate	Draft Report Issued
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	Ongoing
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	2015-16	All Services	Ongoing



INTERNAL AUDIT TERMS OF REFERENCE

SERVICE: Corporate

AUDIT AREA: Compliance with IT Security Standards

AUDIT YEAR: 2015/2016

INTRODUCTION AND SCOPE

The Information Communications Technology (ICT) Security Standards provide direction on how Clackmannanshire Council will ensure the security, validity and integrity of all electronically stored data, systems and application software in order to comply with the ICT Security Policy. The Standards are designed to ensure that Clackmannanshire Council is taking the appropriate steps to address the risks to its infrastructure and information systems and puts in place the appropriate mechanisms to manage and monitor these security procedures.

The ICT Security Standards play a part in ensuring that:

- Information can only be accessed by those who both require such access and are authorised to do so;
- Information cannot be altered either inadvertently or maliciously;
- Information is available to those authorised to access it as and when required;
- Clackmannanshire Council fulfils its obligations under the Data Protection Act 1998, the Freedom of Information (Scotland) Act 2002, the Computer Misuse Act 1990, and any other current regulations and legislation;

The ICT Security Standards applies to all employees, contractors, consultants, agency staff and other users of Council information systems. As a result we discussed potential risk areas with the IT Manager with a view to testing Service compliance with particular standards.

This review will focus on Service compliance with the following standards: End User Acceptable Use, Removable Media, and any relevant Data Transfer Protocols. Compliance with other ICT Security Standards will be considered as part of future audit plans.

RISKS

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

- IT Security Policies are not up to date or are not in line with national standards e.g. ISO 27001, Data Protection Act.
- Lack of staff awareness of individual and corporate responsibility relating to ICT Security potentially resulting in data protection breaches.
- Non compliance with security standards resulting in compromising the integrity of information and reputational damage.

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: Resources and Governance

AUDIT AREA: Creditors Management

AUDIT YEAR: 2015/2016

INTRODUCTION AND SCOPE

The purchase ledger is a sub ledger of the General Ledger in which purchases are recorded. The Purchase Ledger has an Account for every Creditor (Supplier). Such a Creditor Account carries all the transactions for the one Supplier:

- Purchase Invoices
- Purchase Credit Notes
- Payments Made

In 2014/15 Clackmannanshire Council recorded expenditure of c£58m to 2325 creditors through 40,122 transactions in the purchase ledger. Given the high level of expenditure and number of transactions there is a requirement for robust controls to be in place to mitigate the risk of inaccurate, onerous or inappropriate payments. Supplier set-up and maintenance is a key element of the Council's framework of financial control.

The scope of the audit will include a review of the key controls in place for the maintenance of the creditors ledger including access and authorisation, segregation of duties and compliance with the Council's Policies and Procedures.

RISKS

The following risks could prevent the achievement of the objectives of Creditors Management and have been identified as within scope for this audit;

- Inadequate controls over supplier set-up, management, maintenance and invoice processing.
- Fraud or error resulting from fictitious or duplicate invoices and/or suppliers
- Supplier invoices are not paid accurately or in a timely manner
- Inadequate management information systems, leading to inefficiency and loss of control.

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 Administration of Blue Badges. The review forms part of the Internal Audit and Fraud Plan for 2015/16, which was recommended to full Council for approval by the Resources and Audit Committee on 26 February 2015.

1.2 The blue badge scheme supports those with restricted mobility to lead independent lives. The badge provides parking concessions for on-street parking, allowing badge holders to park in accessible parking places close to where they need to go. Transport Scotland have responsibility for setting out the framework for the scheme and provide support to local authorities to help them deliver the scheme. Local Authorities have responsibility for administering the scheme and issuing blue badges to eligible applicants. To be eligible for a blue badge, the applicant must meet one of the eligibility criteria contained in the scheme's Regulations. The Disabled Person's Parking Badges (Scotland) Act came into force in March 2015 with the Act strengthening enforcement powers for local authorities when dealing with blue badge misuse.

1.3 The Public Transport Unit within Development and Environment Services administer blue badges.

2. SCOPE AND OBJECTIVES

2.1 The scope of the audit was to review and evaluate the high level controls in place over the Administration of Blue Badges to ensure they are consistent and in line with national guidance.

2.2 Internal Audit, in conjunction with Traffic and Transportation management, identified the key risks relating to the audit. In our opinion there is a robust control environment operating in relation to the Administration of Blue Badges and the proposed arrangements for their management going forward. We can provide overall **significant** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Lack of clarity in procedures for The Administration of Blue Badges leading to inefficiency, failure to meet service standards, and the potential for error and fraud.	Significant
Failure to implement clear and effective management information systems, leading to absence of robust monitoring and challenge.	Significant
Lack of clarity of roles and responsibilities in relation to enforcement powers leading to unidentified and continuing Blue Badge misuse.	Reasonable

3. FINDINGS

3.1 We can provide significant assurance that there are clear procedures in place for the administration of Blue Badges. The Public Transport Unit use the June 2014, Transport Scotland "Blue Badge Scheme (Scotland) Code of Practice for Local Authorities" to administer the blue badge scheme. The Transport Scotland Knowledge Hub is also used to share experiences, pose questions and seek guidance on the administration of the blue badge scheme with and from other local authorities.

3.2 National application forms are used which can be completed online or submitted in hard copy to the Public Transport Unit along with the supporting evidence required. The Public Transport Unit does not retain documents submitted by the applicant as evidence for automatically meeting the eligibility criteria for a Blue Badge. We were advised that this was for data protection issues. However data protection legislation does not stop retention of the documents, rather that if retained they must be held securely, not used for other purposes etc. There is a risk that if applications are subsequently challenged and require to be reviewed or investigated the relevant evidence will not be available. The service have indicated that they will start retaining this evidence.

3.3 We can also provide significant assurance that by using national guidance and application forms the risk of inefficiency and error or fraud is also mitigated. We are also comfortable that service standards are being met with applications being dealt with consistently and in a timely manner. Where applications do not automatically qualify for a blue badge then a Desk-based Assessment (DBA) is completed by a Business Support Administrator from the application form and supporting evidence. A supervisory check by the Public Transport Officer on the DBA carried out by Business Support Administrators is undertaken however this is not being evidenced.

3.4 If required by the DBA applications can be referred for an Independent Medical Assessment (IMA) by an Occupational Therapist (OT). If the result of the IMA is that, the blue badge is refused, the applicant can appeal this and a different OT will carry out a further IMA. The use of IMAs became mandatory from September 2012. We tested a selection of blue badge applications and confirmed that Independent Medical Assessment's were carried out for all referrals where required by the DBA. Applicants were notified of the right to appeal if the applicant did not qualify for a blue badge following a DBA.

3.5 Blue badges are securely ordered following a successful award and evidence that the appropriate fee has been paid. The officer inputting the information from the application form and the supporting documentary evidence, then orders the blue badge and details are captured on the national database from the officer's login. Badge expiry dates are automatically calculated on the national database and recorded on the application form along with the blue badge number. Testing confirmed that the requisite payment of £20 was received for all blue badges tested and the badge expiry date and number were all recorded on the application form for the entire sample of applications tested during the review.

3.6 We can provide significant assurance that clear and effective information systems are in place. A Blue Badge Log is maintained by the Public Transport Unit, this records details of blue badge applications including returned, lost, damaged and confiscated applications. Detailed notes are recorded on the log if further information is required for an application.

3.7 The blue badge application forms contain a mandatory declaration where the applicants confirm that they "understand that the applicant must promptly inform the Council of any changes that may affect the applicant's entitlement to a badge". This declaration was signed for the entire sample of blue badge applications tested during the review.

3.8 Satisfactory processes are in place to replace lost, stolen or damaged blue badges including a Property Report Number or Crime Reference Number required and damaged badges to be returned.

3.9 The recent National Fraud Initiative (NFI) Exercise for 2014/15 found that out of 2,015 blue badge holders in September 2014, the Public Transport Unit was not aware of 27 deaths (1.3%). A note has now been recorded on the National Blue Badge Database, where relevant, that the blue badge holder is deceased. The number of errors has reduced from the previous number of errors, 54, which were reported in the 2012/13 NFI. The national database of blue badge holders was created in 2012 and has been phased-in over the last three years to deliver the national Blue Badge Improvement Service (BBIS). Anti-fraud measures introduced by the BBIS will help address issues.

3.10 Audit Scotland recognise that councils do not always attempt to recover a badge relating to a deceased person to avoid causing distress but by 'flagging' the relevant records, they can at least ensure that badges are not improperly renewed in the future. Clackmannanshire council does not attempt to recover the badge. The service relies on people telling them that the person who was issued with the badge is deceased. The Registrar's Tell us Once service also alerts the unit to instances where badge holders have died. The service also cross matches to National Entitlement Card records to identify any blue badges holders who have deceased or changed details. We are content that the actions taken identify a significant proportion of deceased badge holders and also avoid too much intrusion at a sensitive time.

3.11 The Public Transport Unit submits annual returns for blue badges to Transport Scotland from the information recorded on the Blue Badge Log. The return includes statistics on the IMAs. We confirmed that an annual return for blue badges for 2013/14 was submitted as required to Transport Scotland in June 2015.

3.12 We can provide reasonable assurance that there are clear roles and responsibilities in relation to enforcement powers. The Disabled Person's Parking Badges (Scotland) Act came into force in March 2015 with the Act strengthening enforcement powers for local authorities when dealing with blue badge misuse. The strengthened powers include;

- allowing confiscation of blue badges which are no longer valid or are being misused by third parties;
- provide a power for local authorities to cancel a blue badge which is no longer in the possession of the holder, for example where it has been reported as lost or stolen;
- make it an offence to use a cancelled badge or one which should have been returned to the issuing local authority under the blue badge regulations;
- allow local authorities to use plain clothes officers carrying identification and authorisation to inspect and confiscate badges ;
- introduce a requirement for local authorities to have a review process in place for applicants who have been refused a blue badge: and
- provide that some elements of the blue badge specification can be set administratively by Scottish Ministers rather than being prescribed in regulations.

3.13 The Public Transport Unit have a DWP contact to notify any complaints that come in of people with blue badges or who have parking disability bay. PTU have agreed that the Council's Internal Audit and Fraud Investigator will also be notified of such complaints. The Scottish Government Blue Badge partner toolkit is being used to publicise the new enforcement powers. Posters have been put up in local offices with information to go onto ClacksWeb and the big screen in Kilncraigs.

3.14 Following the introduction of additional powers from the Disabled Person's Parking Badges (Scotland) Act 2014, template fraud letters have been obtained from Internal Audit and Fraud for the Public Transport Unit to adapt these letters to use when any blue badge misuse is reported. Reports on misuse have mainly been family members of blue badge holders within Clackmannanshire using the blue badge to illegally park in areas out with Clackmannanshire.

3.15 However PTU are unsure as to who would carry out the bulk of the new enforcement powers as they do not have the available resource and there are no Traffic Wardens employed within Clackmannanshire. Consideration could be given to extending enforcement officer powers to other suitable LA staff in terms of the additional powers from the Disabled Person's Parking Badges (Scotland) Act 2014. But only in terms of enforcement and not assessment.

3.16 As part of the review we also considered the financial resilience of the service and whether there is potential for moving to a more cost neutral position. The Council charges £20 per application which is the maximum allowed under the Code of Practice. Based on current badge numbers that provides income of £16.6k. Staff costs associated with administering the scheme are £14k with cost of mobility specialists (£9.8k) and cost of badges themselves (£3.8k) meaning that overall costs (£27.7k) outweigh income by £11k. As noted above we are satisfied that administration of the scheme is already being run efficiently. If further efficiencies are sought the service will need to consider potential impact on service standards and potential reputational risk.

3.17 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	2
Priority 4	-

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	The Public Transport Unit is not retaining documents submitted by the applicant as evidence for automatically meeting the eligibility criteria for a Blue Badge.	If applications are subsequently challenged and require to be reviewed or investigated the relevant evidence will not be available.	3	Evidence scanned and Idoxed with application form	Public Transport Officer	1 June 2015
5.2	The supervisory checks by the Public Transport Officer on the Desk Based Assessments (DBA) carried out by Business Support Administrators are not being evidenced.	Difficulty in responding to future challenge about decisions taken.	3	DBA sheets are checked and initialled by Public Transport Officer	Public Transport Officer	1 June 2015
5.3	The traffic enforcement officer should consider the possibility of extending enforcement officer powers to other LA staff in terms of the additional powers from the Disabled Person's Parking Badges (Scotland) Act 2014. But only in terms of enforcement and not assessment.	Clackmannanshire cannot appropriately enforce the strengthened powers arising from The Disabled Person's Parking Badges (Scotland) Act.	2	Notify Fraud Investigator when required	Public Transport Officer	1 June 2015

1. INTRODUCTION

1.1 This report details the findings of the Internal Audit review of the arrangements for the processing of Travel and Subsistence expenses. The review forms part of the Internal Audit and Fraud Plan for 2015/16, which was recommended to full Council for approval by the Resources and Audit Committee on 26 February 2015.

1.2 Clackmannanshire Council will reimburse out of pocket expenses which an employee has necessarily incurred in the course of her / his work for the Council.

1.3 Section 16 of the Council's Financial Regulations entitled Salaries, Wages, Pensions and Expense Claims state that all documents which form the basis of a payment must be certified by an authorised signatory as required.

1.4 The certifying officer must be satisfied that:

- any payment conforms with approved terms and conditions for the employee concerned;
- forms and claims have been completed accurately and are correct;
- claims are not excessive or anomalous;
- in the case of expense claims, journeys were necessary and authorised, expenses were properly and necessarily incurred and allowances were properly due.

2. SCOPE AND OBJECTIVES

2.1 The scope of our audit will focus on the adequacy of the approval arrangements across all Services to ensure they are consistently applied and in line with policy and procedures.

2.2 Internal Audit, in conjunction with Resources and Governance Senior Management, identified the key risks relating to the audit. We found weaknesses in relation to the extent of Travel and Subsistence Guidance and a relatively high number of minor errors on claim form indicating the checking and verification of processed claims could be tightened. However it is our opinion that we can provide overall **reasonable** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Lack of clarity in Travel and Subsistence expense rules and guidance for staff, leading to uncertainty and / or erroneous claims.	Limited
Inadequate checking and verification of Travel and Subsistence expense claims, leading to failure to achieve and demonstrate best value.	Reasonable
Failure to implement clear and effective management information systems, leading to absence of robust monitoring and challenge.	Significant

3. FINDINGS

3.1 We can provide limited assurance that Travel and Subsistence Guidance is clear, complete and up to date. The Current guidance on the completion of claim forms and the mileage and subsistence rates payable are available to all staff was developed in 2012. Travel and Subsistence claim forms requires employees to certify that they have read and understood the Travel Policy, however no such document could be located. Having reviewed the guidance and the practices in place we found a lack of clarity in relation to the extent of checking and verification required and when it is appropriate to claim for subsistence allowances.

3.2 We found instances where clearer guidance could have potentially resulted in less cost. For example one claim was for an individual journey of 733 miles undertaken via private car at a cost of £330 where the equivalent public transport costs for the same journey would have been around £115. The claim itself was not in contravention of current policy however if there was a rule regarding using cheapest available option then savings could be made. When this particular instance was brought to the attention of service management swift action was taken to challenge the claim and the private car element of the claim has now been re-paid with equivalent public transport element only allowed. Similarly we found instances where multiple journeys are made in a day returning to Kilncraigs each time when better planning could produce more efficient journeys. Also we identified some claims that included subsistence expenses for employee and clients. Again this does not appear to be in contravention of current policy however does raise value for money questions. Similarly current guidance does not require claimants to record specific destinations on claim forms. For example there are claims for journeys to 'Glasgow' making it difficult to verify actual mileage claimed. It would be prudent to consider to require claimants to record the postcode of the destination (Finding 5.1)

3.3 We can provide reasonable assurance that there is adequate checking and verification of Travel and Subsistence expenses claims. There were 4512 claims processed in 2014/15 with a total value of c£312k and we tested a sample of claims to ensure that :

- there was evidence of approval by appropriate officers;
- claim forms were fully and accurately completed;
- receipts were attached in support of the claim;
- mileage claimed was accurate and subsistence claimed was in line with agreed rates.

3.4 Initially locating the claim forms in our sample proved to be challenging due to the current filing system for claim forms being disorganised and would prove difficult for staff if they ever had to obtain a copy of a specific claim form (Finding 5.2).

3.5 We tested a sample 66 claims with a total value of £9.2k. We did find a generally high level of compliance with rules as they currently stand. However we did find some minor issues outlined below;

- 12 errors in claim forms which resulted in £134.50 over and £21.62 underpayments. There was no common theme among the errors made.
- we identified 2 instances where claims were paid even though they were above allowed subsistence rates. Subsistence rates for an overnight stay is £80 but we found 2 instances that over claimed.
- 2 claims were authorised by an officer with insufficient authority as per the Councils authorised signatory list.

3.6 These inconsistencies have been reported separately to Payroll and the affected Services for resolution and should also be taken into consideration in the development of updated guidance. (Finding 5.3)

3.7 We can provide significant assurance that there are effective management information systems leading to robust monitoring and challenge. Standard reports are regularly produced from the Payroll system detailing travel and subsistence claims per Service. The information contained in these reports are presented to the monthly Corporate Management Team for discussion and escalation to Section Managers and budget holders. These briefings detail and compare overall levels of mileage and expenses claimed to date and compares this to previous years. There are also tables attached detailing mileage and expenses per section.

3.8 It was noted that overall mileage and expenses have risen by 17% from 13/14 to 14/15 (£266,827 to £312,177). This was reported to CMT in March 2015 and relevant services are undertaking analysis to identify reasons and consider if any mitigating action is required.

3.9 We did identify a small number of minor unexplained discrepancies between payroll expenses reports. For example we requested two similar reports detailing travel and subsistence expenses for the same period but there was a discrepancy in the overall totals. The first report produced a higher total financial value than a second report even though the second report had a greater number of claims included. (Finding 5.4)

3.10 There is further monitoring and challenge of travel and subsistence through Service Accountants monitoring Payroll costs (including T&S) through the financial ledgers. This involves preparing a spreadsheet of current costs, comparisons to previous years and calculations of projected budget outturns which are all presented to and discussed with Budget Holders at regular meetings.

3.11 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	2
Priority 4	1

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	No Travel Policy has been developed. Limited guidance is available on the Intranet and on claim forms however stronger guidance in certain areas could require claimants to ensure that most efficient method of travel is utilised.	Value for money is not achieved.	2	More detailed travel policy and procedures will be drawn up with the aim of achieving greater value for money and more positive sustainability outcomes. Current guidance to be reviewed to ensure it covers areas a such as consideration of value for money.	Head of Resources and Governance. Senior HR Adviser	31/10/15 31/10/15
5.2	The filing system for claim forms is impractical.	Time consuming for staff to obtain original claim forms with the potential for misfiling and clam forms going missing.	4	Consideration is being given to how claim process could be automated either as part of iTrent or new financial system projects which would address filing issues.	Senior HR Adviser	30/03/16
5.3	Some minor non-conformances were identified during testing. The issues identified in relation to the claim forms will be raised separately with Payroll and the responsible officers .	Erroneous claims being made.	3	As above automation of process should reduce further non conformances.	Senior HR Adviser	30/03/16
5.4	Minor errors were identified in Payroll reports provided by Payroll. Standard payroll reports and processes for their production have not been developed.	Inaccurate management information which can impact on the effectiveness of management decisions.	3	Review of reporting requirements and current processes with the aim of standardising payroll reporting.	Senior HR Adviser iTrent Project Team	31/10/15

1. INTRODUCTION

1.1 This report details the findings of the Internal Audit review of Consultancies and Agency Workers. The review forms part of the Internal Audit and Fraud Plan for 2015/16, which was recommended to full Council for approval by the Resources and Audit Committee on 26 February 2015.

1.2 In order to carry out service provision the council may have to engage consultants and agency workers. It is important that any engagement of these types of workers is properly controlled to ensure that value for money is achieved.

1.3 There is an established management process in place where by any changes to the establishment have to be scrutinised to ensure they are feasible and authorised by Senior Management. This process should also be followed in order to engage agency workers. Agency Worker Regulations came into force in October 2011 and introduced new employment rights for agency workers from commencement of their assignment, and further rights and entitlements after they have been working for the same employer for the qualifying period of 12 weeks. The implications of these Regulations should be considered as part of the feasibility exercise undertaken prior to the engagement of consultants and agency workers.

1.4 The scope of our audit focused on the adequacy of the consultant and agency worker approval and monitoring arrangements across all Services to ensure they are consistently applied and demonstrate value for money.

2. SCOPE AND OBJECTIVES

2.1 The scope of the audit was to review and evaluate the controls around the arrangements for the engagements for consultancies and agency workers.

2.2 Internal Audit, in conjunction with the Head of Resources and Governance, identified the key risks relating to the audit. We have identified some weaknesses in the control environment. During the audit, senior management introduced a Corporate Recruitment Protocol which grants recruitment approvals, including agency staffing, through the Corporate Management Team. The Corporate HR team has also been allocated responsibility for recording, monitoring and reporting engagements. While these controls were still bedding in at the time of our review we can take assurance from these improved arrangements. However we have concerns about how payments are being approved and the overall information systems available. We can however provide overall **reasonable** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Lack of clarity in Policy and Procedures relating to the engagement of consultants and agency workers, resulting in uncertainty and potential increased costs due to inappropriate engagement of consultants and agency workers.	Reasonable
Insufficient approval of consultants and agency workers, and engagement through non contracted agents, leading to failure to achieve and demonstrate best value.	Limited
Failure to implement clear and effective management information systems, leading to absence of robust monitoring and challenge.	Reasonable

3. FINDINGS

3.1 We can provide reasonable assurance that policies and procedures relating to the engagements of consultants and agency workers are clear. The Council's Contract Standing Orders defines the rules and procedures to be adopted when undertaking any procurement activity on behalf of Clackmannanshire Council and this would include the engagement of consultants and agency workers. It was however difficult to identify consultancy costs as there is no specific account code for this expenditure. Results of testing outlined below were arrived at through some known cases of consultancy work. If greater scrutiny of consultancy engagement is required then consideration should be given to defining and classifying consultancy to allow greater visibility (Finding 5.4).

3.2 Agency Workers Regulations 2010 (AWR) come into effect in Scotland on 1st October 2011. The regulations grant two types of rights to agency workers: day one rights e.g. same access to collective facilities; week 12 rights including paid leave, maternity rights and where applicable bonus payments. Management have issued a notice summarising the obligations of the AWR. However although the notice was issued there are no wider documented Corporate Policies or Procedures defining agency workers and the arrangements for their engagement including the AWR obligations. (Finding 5.1)

3.3 In April 2015 the Human Resources Team (HR) developed Corporate Recruitment Protocols with the aim of facilitating corporate consistency. The Protocols dictate that Chief Officers will review and consider every recruitment/post/agency request submitted by services. For the engagement of agency workers the protocols require that a recruitment request form be completed and approved by Service Management and the Corporate Management Team. A significant change to the previous arrangements is the centralisation of all requests for agency appointments which are now co-ordinated by HR. At the time of review services were not yet fully aware of and clear about the requirements of the recruitment protocols. We are aware that the new protocols have been more widely circulated and are comfortable that awareness is now at an appropriate level.

3.4 While we can take assurance from improved corporate arrangements around approval of agency workers we identified some significant issues at service level around approval and value for money consideration. Overall therefore we can only provide limited assurance that there is sufficient approval of consultants and agency workers with engagement through contracted agents. There are two National Frameworks of Contracts in place for the recruitment of agency workers. There is a set process in place for the utilisation of the framework contracts and associated suppliers and responsible officers are expected to utilise the national contracts to meet their requirements for agency workers. Management advised that for Social Services Care provision the Service requirements could not always be met directly from the Frameworks and this results in the utilisation of other contracted organisations. These arrangements have been set up with the involvement of the procurement manager.

3.5 We tested a sample of consultants and agency worker invoices to ensure that there was appropriate approval, a contract was in place and there was appropriate monitoring. Through this testing we found the majority related to suppliers from the National Framework Contracts and for non framework suppliers there were formal agreements in place. When Social Service agency workers are engaged, contracts in place stipulate that suppliers must ensure that the Agency Worker has the necessary or required experience, training, qualifications and any authorisation required by law or a professional body to work in the Assignment. Social Work Agency Workers are also interviewed prior to engagement to assess suitability with reliance placed on the recruitment agency for checking references and qualifications. In addition we found that in house provision was considered for a majority of cases and consultancy and agency worker hours worked were verified prior to payment. However there is a lack of a documented audit trail evidencing that these steps have been appropriately carried out (Finding 5.2)

3.6 Testing identified that where national framework contracts are being used there is limited evidence that mini competitions are being undertaken using the various suppliers available. Framework contracts do not have price lists associated with them as commissioning officers are expected to test the market within the framework and obtain a quote outlining what costs will be. This is not happening in a significant number of cases. As a result for a significant majority of the sample tested officers

responsible for approving invoices could not produce agreed charges for the engagement. We have concerns that charges are being signed off with no formal agreement in place for specific engagements. We also found that agency workers are being engaged with a lack of a documented audit trail resulting in decisions and approvals not always being properly evidenced. (Finding 5.2)

3.7 We can provide reasonable assurance that there is clear and effective management information systems relating to consultants and agency workers. Through discussion and observation we found that responsible officers are monitoring agency worker hours worked within Services and Service Accountants monitor and report to services agency expenditure through the ledger. As part of the new reporting protocol there is now a central log held recording agency worker utilisation and associated costs. There is agency workers information reported to management and committees. Committees regularly receive Service Performance Reports which include payroll budget outturn position including actual against budget and forecast which will refer to agency worker expenditure if it is a factor in any overspends. Consideration should be given to whether more detailed information would be useful to stakeholders, for example numbers of agency workers, duration etc (Finding 5.3)

3.8 The amount of expenditure processed through the Agency Costs accounts code in 14/15 amounted to c£1.275m. Agency Costs are included as part of overall Payroll costs and are monitored against this budget.

3.9 As already noted at 3.1 it was difficult to specifically identify consultancy costs as there is no specific account code or definition for this expenditure. It can therefore be unclear as to the level and value of consultants being employed by the Council. This has implications in monitoring and managing consultancy costs. (Finding 5.4)

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

4. RECOMMENDATIONS

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

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

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

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	There are no Corporate Policies or Procedures defining agency workers and the arrangements for their engagement including the AWR obligations.	Uncertainty and potential increased costs due to inappropriate engagement of agency workers.	3	Recruitment protocols to be reviewed to include Agency Worker Regulation obligations.	Senior HR Adviser	30/11/15
5.2	Charges are being signed off with no formal agreement in place for specific engagements There is limited evidence that mini competitions are being undertaken using the various framework suppliers available. Agency workers are being engaged with a lack of a documented audit trail resulting in decisions and approvals not always being properly evidenced	Inaccurate invoices being processed for payment. Lack of value for money consideration Decisions cannot be properly evidenced	2	Responsible Officers to be reminded of the requirements of HR Protocols, Financial Regulations and Standing Orders in relation to the engagement of agency workers. Heads of Service to ensure compliance with the requirements of HR Protocols, Financial Regulations and Standing Orders for the engagement of agency workers.	Head of Resources and Governance Heads of Service	31/10/15 30/11/15
5.3	Management information requirements in relation to numbers of agency workers and associated costs could be improved.	Insufficient information provided to management resulting in absence of robust monitoring and challenge.	3	Details of recruitment approvals are recorded on the HR System. Costs of agency workers are monitored by Service Accountants and Budget Holders.	Senior HR Adviser	30/10/15
5.4	No specific accounts code in the accounts or definition of consultant expenditure.	Unable to identify and report on specific area of expenditure.	3	Consideration will be given as part of the wider chart of accounts review relating to the new finance system.	Acting Chief Accountant	30/04/16

1. INTRODUCTION

1.1 This report details the findings of the Internal Audit review of Mobile Phone Usage. The review forms part of the Internal Audit and Fraud Plan for 2015/16, which was recommended to full Council for approval by the Resources and Audit Committee on 26 February 2015.

1.2 The purpose of the Clackmannanshire Council Mobile Phone Standard, part of the Information Security Standards, is to ensure that there are clear internal arrangements for the effective management of mobile phones provided by Clackmannanshire Council for work purposes. The standard includes criteria for issuing phones, purchasing requirements and guidance for the use of phones. A significant consideration in the management of mobile phones is whether value for money is being achieved.

1.3 There are currently 993 mobile phones in circulation, with associated rental, call charges etc costing £135k in 2014/15. For the purpose of this review the phrase mobile phones includes Blackberries, Android phones, iPhones and iPads.

2. SCOPE AND OBJECTIVES

2.1 The scope of the audit was to review and evaluate the high level controls in place over the management of mobile phones to ensure that value for money is being achieved.

2.2 Internal Audit, in conjunction with IT senior management, identified the key risks relating to the audit. In our opinion the control environment operating in relation to mobile phone usage has some issues. However we are aware that there are proposed arrangements for their management going forward which will provide a more robust control framework. As a result we can provide overall reasonable assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Mobile phones are not being managed in accordance with the Mobile Phone Standard leading to poor value for money.	Reasonable
Appropriate purchasing options or issuing criteria are not followed.	Substantial

3. FINDINGS

3.1 We can provide reasonable assurance that mobile phones are being managed in line with the Mobile Phone Standard however we do have concerns that this does not necessarily mean that value for money is being achieved. The Mobile Phone Standard produced by IT services in 2013 provides guidance for the management, control and use of mobile phones provided by the Council. However in our opinion the guidance has some gaps in it. Some of the issues we found include;

- There is no definition of the types of devices that the policy covers.
- there are no arrangements for the monitoring of usage.
- standard allows for a 'reasonable use of a council mobile phone for personal purposes' however 'reasonable' is not defined.

3.2 The guidance includes criteria for the issue of a Council mobile phone and IT Customer Services require that these are met prior to issuing a phone. The council currently have a mobile contract with Everything Everywhere Ltd (EE). Mobile phones are to be purchased via the EE Service Representatives with the list of these officers included in the standard. The standard details IT staff, Service Representatives and users responsibilities, although as noted above some of these responsibilities are limited. The standard has been issued to all EE service representatives and to all new users from the publication of the standard in 2013 up to March 2014. The standard has not been issued to any new users since IT moved to Kilncraigs. IT Customer Service Officers are to start reissuing the standard to all new users.

3.3 Testing identified instances of potential personal use including;

- There were a number of employees with high usage of the internet out of normal working hours during June 2015 and July 2015 who were up to or just under the limit of £50 total usage of internet for a month.
- one officer was using her phone as her own phone was not working and, following our identification of this the service representative is arranging for the personal calls to be repaid. The monthly bill including the personal use was £114.95.
- One employee had high usage of photo/videos messages with 126 messages costing £12.60 sent in June 2015 and 131 messages costing £13.10 sent in July 2015.

3.4 As there is very limited monitoring of usage these issues do not appear to be being picked up. In practice only Members Services have processes in place for the reimbursement of personal use of mobile phones. Officers have requested a facility to pay for the personal use of their phones, however no facility has been provided for this as raising an internal account was deemed too expensive.

3.5 A number of employees whose jobs required them to be easily contacted by mobile phone had high call costs including costs for texts and answer phone messages. They are not in an inclusive call package, we understand that there could be significant cost savings if more favourable packages were in place and IT are currently looking into this.

3.6 IT do carry out checks on iTrent for leavers to ensure that any mobile phone held by a leaver has been transferred to the leaver's replacement or received back by IT. However, it was found that an employee who left employment in 2012 was still recorded as a user with a small £2 monthly charge. A number of phones are recorded as spares with monthly recurring charges from £2 to £12.50. There is also a spare iPad recorded for an employee who left the council on 27/11/14 at a cost of £22.50 a month. For two employees with zero usage it was recorded that "unsure who the phone had been left with".

3.7 Mobile phone usage is being reviewed as part of the MCB project called Telephony. The aim of this project is to identify a minimum of £40k of anticipated spend over 2015/16 and 2016/17. This project started on 25 June 2015 and is due to be completed by 31 March 2016. A review of existing provision has been completed. Actions so far have been to cancel eight iPad contracts and to move from the EE

contract to the Scottish Government national contract. It is planned to significantly reduce the number of mobile phones from 993.

3.8 As part of our review it was identified that around 200 users were not using their phones nor had little usage in the previous year. It was calculated that potential savings of £1,118 a month, £13,416 a year could be achieved by reviewing usage of these mobile phones. The review also identified that a number of officers are using an iPad and iPhone. If officers who were using an iPad used a basic phone instead of an iPhone as is deemed necessary, a potential saving could be made of £375.25 a month which would be an annual saving of £4,500.

3.9 We can provide substantial assurance that appropriate purchasing options or issuing criteria are being followed. The guidance includes criteria for the issue of a Council mobile phone and IT Customer Services require that these are met prior to issuing a phone.

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

4. RECOMMENDATIONS

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

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

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

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	There are gaps in existing guidance.	Weaker control environment, particularly in relation to monitoring of usage.	3	We will issue revised guidance to align with the Telecoms Strategy that we plan to publish by 31 st March 2016.	ICT Team Leader.	31/03/2016
5.2	Little evidence could be found of any monitoring of the usage of mobile phones. Only Members Services have procedures in place for personal calls to be paid for. High internet usage with high costs to the Council was found for a number of employees.	Mobile phones may be used for personal use with the council paying for this personal use.	2	We will review each contract as we move accounts over to the National Telecoms contract starting December 2015. This is expected to take 3 months.	ICT Team Leader.	31/03/2016
5.3	A number of employees whose job requires them to make high volume of calls were not in an inclusive package.	Poor value for money.	3	We will review each contract as we move accounts over to the National Telecoms contract starting December 2015. This is expected to take 3 months.	ICT Team Leader.	31/03/2016
5.4	It was identified that 201 mobile phones were not being used or had had little usage in the previous year. Charges are also still being incurred for employees who have left the council.	Poor value for money.	3	We will review each contract as we move accounts over to the National Telecoms contract. Unused accounts will be cancelled.	ICT Team Leader.	31/03/2016
5.5	A number of officers are using an iPad and iPhone. IT Customer Services advise that if an iPad is required by an officer then a basic mobile phone is only required.	Poor value for money.	3	Work has commenced to review data contracts. 20 have so far been cancelled. The remaining will be either cancelled or moved to a cheaper tariff.	ICT Team Leader	31/03/2016

1. INTRODUCTION

1.1 This report details the findings of the Internal Audit review of Debt Recovery Arrangements. The review forms part of the Internal Audit and Fraud Plan for 2015/16, which was recommended to full Council for approval by the Resources and Audit Committee on 26 February 2015.

1.2 Clackmannanshire Council's Corporate Recovery and Write Off Policy states that the collection and recovery of income will be maximised, while providing adequate support and flexibility where there are genuine cases of financial hardship. The policy further states that write offs of irrecoverable debt and income should be minimised.

1.3 The policy covers all income which is due to the Council, by way of bill, charge, invoice or overpayment to a customer. This includes, but is not limited to, council tax, rental income for residential properties, non domestic rates, miscellaneous income raised through the Councils sundry debtors (sales ledger) system and housing and council tax benefit overpayments.

1.4 It is important that appropriate debt recovery procedures are consistently applied in line with policy and debt recovery activity is monitored and reported to help improve the performance relating to the Council's debt and income collection position.

2. SCOPE AND OBJECTIVES

2.1 The scope of our audit is to review the controls in place over debt recovery and write off arrangements to ensure they are consistently applied and income collection is maximised.

2.2 Internal Audit, in conjunction with the Revenues Team Manager, identified the key risks relating to the audit. We found weaknesses in relation to appropriate and consistent recovery and write off action. However it is our opinion that we can provide overall **reasonable** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Lack of clarity in Debt Recovery and Write Off Policy and Procedures resulting in income not being collected and recoverable income being written off.	Reasonable
Appropriate and consistent recovery and write off action not undertaken resulting in non compliance with policy, non collection of income and adverse impact on cash flow.	Reasonable
Vulnerable people experiencing financial hardship are not provided with appropriate support.	Reasonable
Insufficient reconciliation and reporting of debt recovery and write off resulting in a lack of awareness of debt recovery procedures and the overall debt position.	Reasonable

3. FINDINGS

3.1 The total level of debt reported to the Council on 25 June 2015 was £15.522m. At the time of reporting the figure was still draft and subject to change as part of the 2014/15 external audit of the Council's Financial Statements. The debt was made up of £10.016 Council Tax, £3.063 Sundry Debt and £2.431m Rent Arrears. There is a provision for bad debts of £9.562m providing a net debt figure of £5.948m. Main debt classifications include Sundry Debtors, Council Tax, Rent Arrears and Housing Benefit Overpayments (HBO).

3.2 We can provide reasonable assurance that the Debt Recovery and Write Off Policy and procedures are clear. The Corporate Recovery and Write Off Policy (The Policy) was approved by The Council in January 2012. The Policy will be reviewed following the Vanguard exercise outlined at 3.6 with a view to incorporating any new ways of working. The Policy details the corporate approach to recovery and write off of Council income and debt and defines the standards that customers can expect. The Policy also includes outline recovery and write off procedures however consideration should be given to whether this is appropriate in a high level Policy document. Testing indicated that there are differences between actual working practices to those outlined in The Policy. For example, prioritisation of debt in the ratio defined in the Policy. There are documented procedures covering recovery of rent and council tax debt however there are no further documented procedures for the recovery of other forms of debt. (Finding 5.1)

3.3 Similarly there are no documented procedures for debt write off beyond what is in the policy. Findings indicate that there are a number of aged debts of low value however there is no definition of what level of debt is cost prohibitive to pursue. As a result a decision has still to be made on some debt that should have potentially been written off. (Finding 5.1)

3.4 We can provide reasonable assurance that there is appropriate and consistent recovery and write off action undertaken. We reviewed the debt recovery arrangements in place for Sundry Debtors, Council Tax, Rent Arrears, Housing Benefit Overpayments (HBO) and Rechargeable repairs. Sundry Debtor Income includes waste collection, care, tuition, and general charges in line with the Councils Charging Policy. There are separate Recovery and Collection Teams within Revenues for the various income streams. Through testing and review of debt recovery arrangements across all income streams we identified the following observations:

- For Sundry Debtors the process in place typically involves the Service raising an invoice for a charge and the collections team monitoring and recovering this income. Legal Services have advised that there have been issues regarding the lack of formal service agreements in place for charges and the imprecise details of the charge on the invoice both of which are required in order to pursue legal action. Revenues have provided services with checklists on action that should be taken when raising invoices (Finding 5.2)
- Sundry Debtor account repayment arrangements are made in isolation of any other Council debt due which is not compliant with The Policy. (Finding 5.3)
- We were advised that typically debt over 5 years old was considered for write off. This is not specifically defined in the Policy. (Finding 5.3)
- The officers responsible for section performance were unaware of what the target figures were and how these were determined. (Finding 5.3)
- Council Tax outstanding accounts date back over a significant time period with little recovery action taken prior to 2006. Action is now being taken to recover as much of this pre 2006 debt as possible.

3.5 HBO can occur from delays to reporting changes in circumstances by individuals and/or individuals claiming more than their circumstances allow. If the overpayments relate to a current tenant then it is recovered through a sub account to the rent account and if it is for a private or former tenant then a sundry debtor invoice is issued. HBO for current tenants are not routinely monitored for recovery as precedence is given to collecting other forms of debt, particularly rent arrears. HBO relating to former tenants is being passed to sheriff officers for recovery in a phased handover.

3.6 Tenants are charged for certain repairs in line with Council Charging Policy. Rechargeable Repairs specific and fixed charges were introduced as part of the 2014/15 budget. The rechargeable repairs are logged by the Housing Maintenance Team and a list is issued to the Recovery Team who update the rent account and issue a bill for the recharge. Initially no system was put in place to alert householders that a charge would be due. Since 22/8/14 tenants have been signing an agreement consenting to the repair and subsequent charge. Bills have been issued for rechargeable repairs but no subsequent recovery action is being undertaken. As at 1/6/15 Current tenant rechargeable repairs arrears total £54k. (Finding 5.4)

3.7 At the time of this audit there was a Process Review being undertaken by external consultants (Vanguard) on the rent recovery processes in order to make it more efficient and effective. This has involved a small team being set up from the existing recovery officers with the aim of working with Vanguard to review a sample of rent arrears accounts to identify more efficient and effective work practices for the recovery of income. The Vanguard Review has involved a greater a focus on more early direct engagement with customers and this has resulted in less phone calls and a greater percentage of the debt being collected. Management have advised that the resultant revised working practices will be implemented within the Recovery Team and these will also be reflected in revised Policies and Procedures. This review involves recovery staff and may impact on the efficiency of recovery process in the short term we can take positive assurance that more efficient processes will be implemented as a result of the review. Further reviews of the processes for collection and recovery of the other income streams are being undertaken with process improvements due to be implemented in due course.

3.8 In December 2014 the Council entered into a new 3 year contract with Sheriff Officers for the recovery of all Council debt. For the previous Sheriff Officer contract there were issues with performance which resulted in irrecoverability of debt. A lack of robust contract management at this time did not pick up on performance issues and resulted in significant number of arrears accounts being returned to the Council uncollected. These should have been being returned on a regular basis over length of contract. This included approximately 1,660 Sundry Debtors, 18,000 Council Tax and 300 NDR accounts. At the time of this review these accounts were being actively reviewed and managed. For the current Sherriff Officer contract there is a risk of similar issues occurring as there is no formal service level agreement in place and no documented contract management arrangements. (Finding 5.5)

3.9 We can provide reasonable assurance that vulnerable people experiencing financial hardship are provided with appropriate support. The Policy includes a customer charter with the aim of delivering a consistent service, no matter where and when the customer chooses to contact the Council. In relation to debt recovery this includes: adopting a pro-active and firm but sensitive approach to recovery and work with internal money advice service and external partners, including Sheriff Officers, Citizens Advice Bureau, Scottish Welfare Fund, the Gate and Shelter to support customers in managing their debt.

3.10 Responsible officers were aware of the various support options available to customers for managing their debt. The referral for debt support is determined on a case by case basis by the responsible officer. There are no standard procedures determining under what circumstances and at what level of arrears customers should be referred for support. Through testing of high value arrears accounts it was not always clear from the system that the individual had been referred for support. (Finding 5.6)

3.11 We can provide reasonable assurance that there is sufficient reconciliation and reporting of debt recovery procedures and the overall debt position. An Annual Review of Debtors and write off position is reported to and approved by the Council. These figures were demonstrated by the responsible officers and the originating systems. The frequency of reporting of debt recovery procedures and service and

overall debt position to Service Committees has not been determined. Consideration should be given to whether services should take more ownership and accountability for the recovery of debt within their remit and regularly report this to service committees. This is emphasised with the fact that any Services that raise an invoice receive a credit for that invoice on their budget even though the income hasn't actually been collected and this can have a negative effect on future budgets as they will be reduced if invoices are cancelled or written off. (Finding 5.7)

3.12 There is a range of benchmarking and performance information produced relating to debt recovery. This is reported as part of Housing and Community Safety Performance Report reported to the Housing Health and Care Committee. The calculation of the 14/15 figures were demonstrated by the responsible officers through the originating systems. Senior Management advised that target levels are reviewed on an annual basis.

3.13 A sample of the various income streams were tested and we found that in general appropriate recovery action in line with The Policy had been undertaken. We did however make the following observations:

- The current Sundry Debtors System is not a dedicated debt recovery system and as such it is inefficient and requires a high level of manual interaction. Management advised that the current system issues will be addressed by the implementation of the new finance system due in April 2016.
- Rent collection systems require an element of manual intervention, e.g. non payment of agreements for recovery of arrears has to be manually monitored and accounts have to be re-set to allow multiple arrears letters to be produced.

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. 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	-
Priority 3	7
Priority 4	-

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	The Corporate Recovery and Write Off Policy has not been reviewed since 2012. There are limited documented procedures for the collection of different streams of debt. Similarly there are no documented procedures for debt write off beyond what is in the policy.	Inconsistent and or inefficient debt recovery. Staff unaware of proper procedures and processes.	3	Policy will be reviewed following Vanguard exercise. Review of existing documented procedures and consideration of further required will be undertaken alongside review of Policy	Team Manager, Revenues	31/12/2015
5.2	Lack of formal agreements for charges and lack of clarity of specific charge detailed on invoice.	Inconsistent and or inefficient debt recovery.	3	It is responsibility of Service raising the invoice to ensure that appropriate service agreements and charge details are in place. Quarterly meetings will be held between Revenues Team Manager and Services to review debt levels and facilitate appropriate charging. MCB proposal has been created seeking to strengthen responsibility of service in relation to debt recovery.	All Service Managers Team Manager, Revenues Head of Housing and Community Safety	31/12/2015

DEBT RECOVERY

APPENDIX G

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.3	<p>The following points were identified in relation to appropriate and consistent recovery and write off action:</p> <ul style="list-style-type: none"> - Sundry Debtor account repayment arrangements are made in isolation of any other Council debt due which is not compliant with The Policy. - Standard practice for sundry debtor arrears over 5 years old was considered for write off. This is not specifically defined in the Policy. - The officers responsible for performance delivery were unaware of what the target figures were and how these were determined 	Inconsistent and or inefficient debt recovery.	3	<p>Policy will be reviewed following Vanguard exercise.</p> <p>Review of existing documented procedures and consideration of further required will be undertaken alongside review of Policy</p>	Team Manager, Revenues	31/12/2015
5.4	<p>Manual process for issuing Rechargeable Repair bills through the Housing System.</p> <p>Apart from issuing rechargeable repair bills there has been no subsequent recovery action undertaken.</p>	Inconsistent and or inefficient debt recovery.	3	Process will be reviewed and measures taken to ensure that appropriate recovery action is undertaken.	Team Manager, Revenues	31/10/15
5.5	<p>Sherriff Officer contract there is no formal service level agreement in place and no documented contract management arrangements.</p>	Inconsistent and or inefficient debt recovery.	3	Will be discussed at next quarterly liaison meeting held with Sherriff Officers	Team Manager, Revenues	31/10/2015

DEBT RECOVERY

APPENDIX G

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.6	There are no standard procedures determining under what circumstances and at what level of arrears customers should be referred for support. Through testing of high value arrears accounts it was not always clear from the system that the individual had been referred for support.	Venerable people not provided with support.	3	This will be considered as part of policy and procedure review mentioned in 5.1.	Team Manager, Revenues	31/12/2015
5.7	<p>Consideration should be given to whether services should take more ownership and accountability for the recovery of debt within their remit and regularly report this to service committees.</p> <p>Service budgets are credited with income at point of raising invoice rather than point of realising income.</p>	<p>Insufficient reconciliation and reporting of debt recovery and write offs.</p> <p>Subsequent unanticipated negative impact on budgets if debt not recovered.</p>	3	Will be considered as part of development of new financial system.	Team Manager, Revenues	31/03/2016

1. INTRODUCTION

1.1 This report details the position of the New Finance System Project as at July 2015. The review forms part of the Internal Audit and Fraud Plan for 2015/16, which was recommended to full Council for approval by the Resources and Audit Committee on 26 February 2015.

1.2 The Funding for the replacement Finance System Project was agreed at a Special Council Meeting in February 2013. In November 2014 a dedicated Project Manager was employed to oversee the implementation of the new Finance System.

1.3 In discussion with Senior Finance staff it was agreed that assurance needs to be provided on the progress being made of the implementation of the project. This review will consider progress of the project throughout 2015/16 to provide independent assurance to the Resources and Audit Committee that risks are being mitigated. Interim reports will be provided as the project moves forward with a final report provided at the end. This report is the first interim report.

2. SCOPE AND OBJECTIVES

2.1 The scope of the audit is to regularly review controls in place and the progress of the New Financial System Project.

2.2 Internal Audit, in conjunction with the Project Manager and Project Senior Responsible Officer, identified the key risks relating to the audit. In our opinion there is a good control environment operating in relation to progressing the New Finance System Project. We can provide overall **substantial** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Project Management roles and responsibilities, documentation and system development specification are poorly defined or unclear leading to lack of ownership and failure to actively manage and monitor the project.	Substantial
The progress of the contract is not monitored or progressed in line with agreed targets.	Substantial
Inadequate consultation with stakeholders.	Substantial
Changes to the contract are not managed and result in additional costs.	Reasonable
Procurement of the new system is not in line with contract standing orders.	Substantial
Inadequate testing prior to sign off of new system resulting in requirements not being met and additional costs.	Reasonable

3. FINDINGS

3.1 Audit reviews undertaken recently, including Budget Management, General Ledger, Treasury Management, Debt Recovery and Creditors Management, have highlighted a number of control weaknesses in the current Finance Systems. Weaknesses identified include reliance on paper based systems, poor access controls, level of manual intervention required, limited reporting and limited systems integration. It is expected that all these issues will be addressed by the new Finance System. The Finance System is an overarching system that should integrate with all Service Delivery Systems across the Council. Its successful implementation is critical to Council Service Management and the Council being able to achieve its objectives in an efficient and sustainable manner.

3.2 At the time of this review (July 2015) the project progress was in line with the project plan. A tender exercise in conjunction with the Procurement Manager has been undertaken involving a National Framework of suppliers, evaluation of returns and suppliers systems had been undertaken and the contract is in the process of being awarded to an approved supplier. The New Finance System is due to be implemented in April 2016.

3.3 We can provide substantial assurance that project management roles and responsibilities, documentation, system specification have been developed, are well defined and up to date. The following key project management documents have been approved and are up to date: Project Initiation Document (PID), Project Plan, Project Specification, Risks Issues and Changes Logs.

3.4 The Key Project documents detail project management roles and responsibilities. For example the PID was approved in February 2012 and it specifies what officers hold the key project roles (Project Sponsor, Senior Responsible Officer, Project Manager) and also defines what the key project roles and responsibilities are. The PID also defines what the Key Project Groups (Project Board, Project Team, Work Team) its remit and desired membership. Over the last 5 months there has been turnover of staff in some of the key roles. In the short term these have been covered by other Senior Officers and by the Project Board and Work Group. In June 2015 the Project Manger left to take up other employment. The position has been advertised externally to ensure that adequate management provision continues. The PID has not been updated to reflect the changes in the key project personnel (Finding 5.1)

3.5 The Project Board is a key project group with responsibility for leading, reviewing and endorsing the PID and associated Project Plan, and 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. We found that the membership and frequency of the meetings to be adequate and in line with the PID. The Project Operational Group comprises representatives from key Project Services and is involved in the Project oversight and control. The Group can also include other key stakeholders that have special interest in the outcome of the Project. The Project Team comprises staff chosen to work on the Project,. Team member roles will vary depending on the phase of the project.

3.6 We can provide substantial assurance that the contract is being monitored and is progressing within agreed targets. The Project Plan was approved by the Project Board and defines the stages of the project, associated tasks and target timeframes and milestones. The Project Manager is responsible for the day to day monitoring of the Project Plan and ensuring milestones are achieved. The Project Manager prepares a regular Project Highlight report which details the status of the Project and progress against Project Plan milestones.

3.7 We can provide substantial assurance that there is adequate consultation with stakeholders. Key stakeholders are part of the Key Project Groups as described in Paragraph 3.4 above. Key stakeholders were directly involved in the development of the Project Specification and Project Plan. A formal communications strategy has also been developed detailing a list of key stakeholders identified through stakeholder mapping and also defines the communication requirements of the project.

3.8 We can provide reasonable assurance that changes to the contract are identified and managed. Risk , Issues and Change Logs have been developed and will be utilised as part of the project and

discussed at Project Board Meetings. At the time of this stage of the review the system contract had not yet been awarded therefore we will review actual procedures at the appropriate time.

3.9 We can provide substantial assurance that the procurement of the new system is in line with the contract standing orders. Project Board and CMT decided that the use of an established framework agreement would be utilised in order to select a supplier for the new finance system. Suppliers on the framework were invited to tender based on the system specifications. The returned tenders and system demonstrations were evaluated on a price and quality weighting criteria based on system specifications. The Procurement Manager has been taking an active role in all stages of the procurement

3.10 We can provide reasonable assurance that there is adequate testing and sign off arrangements in the Project Plan. At the time of this stage of the review the system is not at the testing stage therefore we will review actual procedures at the appropriate time. The Project Plan details the steps and timeframes for data cleansing, software installation, system training running and testing from December 2014 to June 2016.

3.11 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	-
Priority 3	-
Priority 4	1

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	The changes to key Project personnel have not been formally recorded in an updated Project Initiation Document.	Lack of ownership and failure to actively manage and monitor the project.	4	Project Initiation Document due to be reviewed and updated by the new Project Manager.	New Finance System Project Manager	September 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)
Council Tax	-	1	1	-	2	1	1	-	Y*
Purchase Orders to Payment of Suppliers	-	-	1	-	1	-	-	1(a)	
Payroll and HR	-	-	1	-	1	-	1	-	Y*
Social Housing Charter	-	1	-	-	1	1	-	-	
Risk Management Arrangements	-	1	1	-	2	-	2	-	Y*
Income Collection & Cash Receipting	-	-	2	-	2	-	2	-	Y*
Savings and Efficiencies - Overtime	-	2	6	-	8	-	8	-	Y*
Absence Management	-	-	1	-	1	-	1	-	Y*
Treasury Management	-	-	2	1	3	2	1	-	Y*
Budget Management & Monitoring	-	4	4	-	8	-	8	-	Y*
Housing Benefit & Council Tax Reduction Scheme	-	1	2	-	3	-	3	-	Y*
JALG Decision Making		4	2	-	6	5	1	-	Y*
Corporate & Public Performance Reporting	-	2	-	-	2	2	-	-	
Funding Applications including European Funds	-	1	1	-	2	-	2	-	Y*
Housing Allocation Policy	-	-	1	-	1	1	-	-	
TOTAL	-	17	25	1	43	12	30	1	30

(a) - Taken forward as part of the 2015/16 Targeted Follow up Review of Creditors Management

