CLACKMANNANSHIRE COUNCIL

Report to Resources and Audit Committee

Date of Meeting: 25 February 2016

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 December 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.   Progress against plan is continuing with 84% of reviews completed and the remainder at or near drafting stage as we approach the end of the year. The team is well on track to completing the plan within target.

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 A**.

Status of Audits		%
To be Commenced	0	0%
Onsite/On going	3	16%
Draft Report Issued	10	52%
Final Report Issued	6	32%
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 B** and cover the following reviews;

- Delegated Financial Approval Authority

Final Reports- Assurance

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

- Cash Collection and Handling **(Appendix C)**

- Information Governance **(Appendix D)**

- Compliance with IT Security Policies **(Appendix E)**
- Capital Project Management **(Appendix F)**

- Leisure Income **(Appendix G)**

- Progress of the New Financial System Project **(Appendix H)**

Fraud

3.5. Responsibility for investigating housing benefit fraud was transferred to the Department for Work and Pensions on 30 October 2015. One member of staff transferred at the same time. Up to this point the team had received 36 referrals for 2015/16 with over 23 investigations commenced up to the end of October.   In that time investigations have identified over £31,394 of overpayments with 6 sanctions issued. 12 Live cases have been transferred to DWP.

3.6. The team have utilised information provided by revenues to help identify instances where Single Adult Discount may be being claimed improperly. 31 cases have been identified. Similarly the team has identified a further 9 cases using other data matching techniques. The team have also been utilising data matches provided by our external auditors to identify payment errors with just over £3k of duplicate invoices identified and recovered.

Progress of Follow Up

3.7. Agreed Management actions arising from previous Internal Audit Reports are now being recorded on Covalent and will be reported through relevant service committees. The progress made by Officers on these agreed actions is summarised in **Appendix I** and where not sufficiently implemented, progress to date and revised completion dates have been agreed.

Conclusion

3.8. Work is progressing well on reviews from the 2015/16 plan, with six final reports and ten draft reports being issued and the final three reviews currently

in progress. Approaching the end of the final quarter 84% of the annual plan is completed and the remainder at or near drafting stage. Further progress has been made on implementing and addressing recommendations from previous reports.

3.9. Responsibility for investigating housing benefit fraud was transferred to the Department for Work and Pensions on 30 October 2015. The number of weeks allocated to Fraud and Error Prevention and Detection in the annual plan has been amended to take account of the transfer of responsibilities and staff.

3.10. 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 - Cash Collection and Handling

Appendix D- Information Governance

Appendix E- Compliance with IT Security Policies

Appendix F- Capital Project Management

Appendix G- Leisure Income

Appendix H - Progress of the New Financial System Project

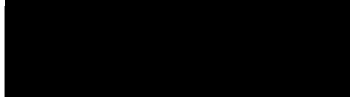Appendix I - Progress Of Follow Up Of Internal Audit Reports

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	Ongoing
Assurance				
Compliance with IT Security Policies	5	2015-16	Corporate	Draft Report Issued
Capital Project Management	5	2015-16	Resources and Governance/ Corporate	Draft Report Issued
Workforce Planning	5	2015-16	Corporate	Ongoing
Shared Services	6	2015-16	Social Services Education	Ongoing
Health and Social Care Integration	5	2015-16	Social services	Draft Report Issued
Administration of Blue Badges	4	2015-16	Development and Environmental	Final Report Issued
iTrent	5	2015-16	Resources and Governance	Draft Report Issued
Debt Recovery	4	2015-16	Housing and Community Services	Final Report Issued
ICT Asset Management Plan and IT Contract Management	5	2015-16	Resources and Governance	Ongoing
Information Governance	4	2015-16	Corporate	Draft Report Issued
Progress of the New Financial System Project	4	2015-16	Resources and Governance	Third Interim Draft Issued
Cash Collection and Handling	4	2015-16	Corporate	Draft Report Issued
Creditor Management	4	2015-16	Resources and Governance	Final Report Issued
Fleet Management	4	2015-16	Development and Environmental	Draft Report Issued

Audit	Audit Weeks	Annual Plan	Service	Progress
Travel and Subsistence	4	2015-16	Corporate	Final Report Issued
Consultancies and Agency Workers	5	2015-16	Corporate	Final Report Issued
Mobile Phone Usage	2	2015-16	IT/Corporate	Final Report Issued
Leisure Income	5	2015-16	Strategy and Customer Services	Draft Report Issued
Delegated Financial Approval Authority	4	2015-16	Corporate and Housing and Community Services	Draft Report Issued
Fraud				
Fraud and Error Prevention and Detection	40	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	Ongoing
Other				
Follow Up	4	2015-16	All Services	Ongoing

INTERNAL AUDIT TERMS OF REFERENCE
SERVICE: **Corporate**

AUDIT AREA: Delegated Financial Approval
Authority
AUDIT YEAR: 2015/2016

INTRODUCTION AND SCOPE

Clackmannanshire Councils general service revenue budget for 15/16 is £119m. It is the responsibility of Committees and management to make decisions in line with Council objectives and to protect public money utilised in support of these decisions by ensuring it is spent correctly and responsibly.

The Council approved a scheme of delegation on 30 June 2011 to delegate duties and responsibilities to committees, subcommittees and officers as allowed under section 56 of the Local Government (Scotland) Act 1973. The scheme contains details of duties and responsibilities the Council has chosen to delegate and provides guidance to committees, subcommittees and officers.

Under the scheme Directors (including the Chief Executive) can delegate duties to heads of service. The Directors have overall responsibility for the following financial related activities: using approved resources as they think fit for carrying out their duties; delegating duties under standing orders, relating to contracts entered into, and issuing orders for providing goods and services; and authorising the payment of bills for goods and services received. Financial related activities are currently controlled through the administration of an approved signatory database.

The scope of our audit will be to assess whether the arrangements for the administration of the approved signatory database is adequate and supports the application of the agreed scheme of delegation in relation to appropriate delegated financial approval authority for budget expenditure across all Council services.

RISKS

The following risks could prevent the achievement of the objectives of the Council's Scheme of delegation, or result from the non-achievement of the objectives, and have been identified as within scope for this audit;

- Roles and responsibilities are unclear, compromising accountability;

- Uncontrolled spend and potentially, the risk of inconsistent service provision; and

- Non compliance with corporate governance arrangements and Financial Regulations.

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.

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1. INTRODUCTION

1.1 This report details the findings of the Internal Audit review of Cash Collection and Handling. 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 Councils Financial Regulations dictate the high level controls that should be applied to Income and Cash Security including imprests. In undertaking the audit, we reviewed all cash handling including payments received by debit cards and cheques and imprest payments across Clackmannanshire Council. We did not include Leisure Income in this review, as this will be audited in a separate review planned for later in the year.

1.3 The majority of income is collected through CAPRIS, the Council's cash receipting system. Over £6m cash (notes and coins) is received annually by Clackmannanshire Council. Income collected outwith CAPRIS includes income from schools, the Registrars, Services to Communities, Adult Care and Sports Development. There are 66 imprests totalling around £20,000 and 47 cash floats totalling around £4,200.

2. SCOPE AND OBJECTIVES

2.1 The scope of the audit was to focus on the arrangements in place to manage the risks relating to cash, collection, recording and security management.

2.2 Internal Audit, in conjunction with senior management, identified the key risks relating to the audit. In our opinion there is a robust control environment operating in relation to Cash Collection and Handling. We have identified a small number of issues however these are mainly non-conformances rather than system issues. As a result we can provide overall **significant** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Inadequate cash recording arrangement leads to loss.	Significant
Physical cash security arrangements do not properly safeguard against loss or theft.	Significant
Floats/imprests are not properly maintained.	Reasonable
Customer payment details are not properly protected.	Significant

3. FINDINGS

3.1   We can provide significant assurance that there are adequate cash recording arrangements in place across the Council. Totals of the income collected are reconciled to records of income. An issue was identified with overs and shortages recorded by Customer Services staff with no checks carried out on these. A cash shortage was recorded in CAPRIS but subsequently found to be erroneous as, the actual takings banked were *over* by the same amount. This however highlighted that required checks carried out by officers handling cash are not always being carried out. The relevant service has taken immediate action to address this and staff have been instructed that all overs' and/or unders be thoroughly checked. Spot checks are to be carried out on cash floats and imprests and the overs and shortages report is to be reviewed each week.

3.2   Income is matched to bank statements and reconciled to the general ledger regularly. There is a year end reconciliation report which is signed by the (Acting) Chief Accountant. The income apart from schools is banked in a number 1 account and is reconciled daily. Income from schools is banked in a number 12 account and is reconciled monthly. The Education reconciliation is more complex due to timing differences between the money banked and the income recorded in the general ledger. A missing banking (£950) at a school was highlighted by the reconciliation carried out on the Education bank account by Corporate Accounting. We have received assurance that the Headteacher carried out an investigation of the missing money and we are satisfied that this was the result of human error. Strengthened controls have been put in place to prevent any such losses occurring again. We are satisfied that these controls are adequate. The money involved was from a school fund and not actual Council cash.

3.3   It has been verified that no income from CAPRIS or other income banked direct by Services is posted into suspense. Only cheques, which name Clackmannanshire Council as the payee, are presented as payments. No post dated cheques are accepted.

3.4   We can provide significant assurance that physical cash security arrangements properly safeguard against loss or theft. Access to cash is restricted to authorised employees only. The safe or cashbox is not within view of the public, school pupils or Social Services clients. All cash within the safes or locked cabinets are clearly labelled. CAP offices are fitted with lockable doors and drawers with officers protected by glass security screens and panic alarms. Two areas tested were not aware of the insurance implications when over £500 was being held in a locked drawer. Both areas are now looking to procure a safe.

3.5   Secure arrangements exist for the uplift of income and transfer to bank. However, it was identified that there is inconsistency in the arrangements for staff carrying cash. Some services insist on two members of staff of different grades transporting cash together to be banked even if only a few hundred pounds is being carried. The insurance limit for one person carrying cash is £2500. While security should be of prime consideration there are more cost effective ways of securing the safety of staff, for example varying times of banking, taking different routes and using non-identifiable bags. Consideration should be given to creating standard procedures for staff carrying cash to bank that adequately protects security but is also as efficient as possible.

3.6   We found that services have proper procedures in place for handing over cash between different officers and no one person is responsible for all stages of the process from receipt of income through to banking. All income is banked intact and personal cheques are not cashed out of income collected.

3.7   We can provide reasonable assurance that imprests and floats are being properly maintained. At a service level we found good controls in place with 18 of 19 imprests tested having a designated imprest holder in place. For the one that did not have a holder the imprest was being administered by Business Support Administrators and overseen by the Service Manager. The previous holder had left employment with the post now advertised and the appointed officer to be the imprest holder. The review found that a working float of £300 was being used for this imprest but a bank account is used to top up the imprest. The bank account after the top up of the imprest has a balance of around £1,370. The previous Manager would have been responsible for the bank account. The Centre is now to close the

bank account and use a £400 cash imprest only. The additional £100 is to cover periods of additional expenditure.

3.8   It was identified that there was no management check of the imprest for 24% of the imprests tested. These checks are a requirement of the imprest procedures. The audit identified one or two relatively minor issues with imprests that would likely have been identified through the challenge provided by management checks. These included;

- We found that two imprests previously used for postages at schools but schools now use the Council mail service. The imprests have now been closed with the remaining cash repaid.

- Testing identified a small cash shortage in one imprest with no management checks on the imprest. The imprest will now be a standing item on regular Finance meetings with the administration of the imprest discussed with the imprest holder at one to one meetings.

3.9   Imprest holders including holders of high imprests of £1,350 and £2,200 state that they would benefit from the use of a purchase card with the use of cash therefore being reduced.

3.10   The Imprest Procedures which have not been updated since 2003, have not been issued to new imprest holders since the administration of imprests was taken over by the Corporate Accountancy Team around two years ago. However, it was generally found that holders were aware of imprest procedures with the imprests mainly used for small sundry items. A small issue was found where a service was paying small amounts of staff travel for staff training to employees on a low salary. It has been agreed that all travel expenses will now be paid through payroll.

3.11   The Corporate record of imprests and cash floats have not been updated from the year end certificates for imprests and cash floats received. The out dated records of cash floats and imprest has caused problems for Customer Services in the planning of their spot checks instigated during this review. This has led to differences between the record of imprests maintained by the Corporate Team and the actual imprest. These differences related to the size of the imprest and not to discrepancies in the content. There was no year end certificates found for 21% of the imprests tested. It was identified that reasons for non completion were due to imprests not used any more; the imprest holders no longer employed within the Council and the imprest not being properly administered. A cash float was not recorded in the corporate record although the float was properly requested with differences found between cash floats held by Customer Services.

3.12   We can provide significant assurance that customer payment details are properly protected. Officers who take debit card payments are complying with the Payment card Industry Data Security Standards with detailed guidelines provided to Customer Services Advisors within the Call Centre. The guidance includes that the card details should never be repeated back to the caller.

3.13   It was identified that there are few occasions now that manual receipts are required if CAPRIS is not operational, but some manual receipts are retained for more than 3 months, which is the period required by the Corporate Retention Schedule. A reminder has been sent to CAPs staff reminding them that manual receipts should not be retained for more than three months.

3.14   A nominated officer, Head of Strategy and Customer Services, has been appointed with overall responsibility for guarding against Money Laundering. Training was previously provided to CAPs and contact Centre staff in 2012 on preventing money laundering. However, none of the officers who currently receive cash payments including a member of Customer Services was aware of Money Laundering Regulations. Discussion has already been held between the nominated officer and the internal audit and fraud team around providing further training.

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

4. RECOMMENDATIONS

4.1 A summary of the recommendations raised from this audit is included in a Management Action Plan. 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	6
Priority 4	-

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	There is inconsistency in the arrangements for staff carrying cash.	Lack of value for money with the method of banking not being cost effective.	3	Standard procedures will be considered	Head of Resources and Governance	30/09/2016
5.2	There are no management checks undertaken on a number of imprests.	Imprest not being properly managed and not complying with the imprest procedures. Issues not being identified and addressed in a timely manner.	3	Services will be reminded of need to carry out management checks.	Accountancy Assistant	31/07/2016
5.3	Imprest holders including holders of high imprests of £1,350 and £2,200 indicated they would benefit from the use of a purchase card with the use of cash therefore being reduced.	Large value expenditure made by petty cash rather than by purchase card with resultant risk of loss or theft of cash.	3	Criteria for issuing purchase cards will be considered to ensure consistency.	Head of Resources and Governance	31/07/2016
5.4	Imprest Procedures have not been updated since 2003 and, have not been issued to new imprest holders since the administration of imprests was taken over by the Corporate Accountancy Team around two years ago.	Lack of compliance with the Imprest Procedures.	3	Imprest procedures will be reviewed and updated	Accountancy Assistant	31/07/2016

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.5	The Corporate record of imprests and cash floats have not been updated from the year end certificates for imprests and cash floats received. This has led to differences between the actual imprests and cash floats and the corporate records. Also year end certificates are not always being completed. It was identified that reasons for non completion were due to imprests not used any more; the imprest holders no longer employed within the Council and the imprest not being properly administered.	Records of imprests and floats are not properly maintained.	3	Records will be updated	Accountancy Assistant	31/07/2016
5.6	Officers are not aware of Money Laundering Regulations.	Lack of compliance with the Money Laundering Regulations 2007.	3	Internal audit and fraud team will provide training on money laundering issues.	Audit and Fraud Senior.	30/09/2016

1. INTRODUCTION

1.1 This report details the findings of the Internal Audit review of the actions put in place to address issues raised in the report of the 2013/14 review of Information Governance/Document Management and the subsequent 2014/15 follow up. 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 26 February 2015.

1.2 As part of the 2013/14 Annual Internal Audit plan a report was published outlining findings from a review of the Council's systems for Information Governance / Document Management. Limited assurance only was provided for the 31/14 and the subsequent 2014/15 follow up report. Management identified a number of actions that would be put in place to address issues. The scope of the original review was to evaluate and report on high level controls established to implement the Information Strategy and how these arrangements address requirements of the Public Records (Scotland) Act 2011.

2. SCOPE AND OBJECTIVES

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

2.2 Internal Audit, in conjunction with Senior Officers from Resources and Governance, identified the key risks relating to whether or not agreed actions have been implemented. In our opinion there has been progress in implementing agreed actions however at this stage in development there still requires considerable effort in order to implement the Records Management Policies and Procedures across the Council and as such there is still considerable risk of non compliance. A Records Management Group has been set up with a timetable for implementation of the Records Management Plan. While there is still work to be done we feel that progress is being made and we can now provide **reasonable** assurance that risks are being adequately mitigated.

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

3.   FINDINGS

3.1   While Clackmannanshire Council still does not fully meet the requirements of the Public Records (Scotland) Act 2011 (PRSA), considerable progress is now being made in rectifying this. As a result we can provide reasonable assurance on this.

3.2   Our original review identified significant gaps between what the Act requires and the arrangements the Council currently has in place. The Keeper of the Records of Scotland will operate a rolling programme of invitations to named public authorities under the Act inviting them to submit their Records Management Plans (RMPs) with a view to scrutinising and agreeing them. The Council has developed a RMP with the backing of the Corporate Management Team which was approved by the Resources and Audit Committee in December 2015. The Plan is organised into 14 elements as defined by the Keeper in his model plan.

3.3   The original review identified a number of areas that require urgent attention (as they are compulsory elements of the Act). There has been progress in addressing these issues as the plan provides a corporate approach to Records Management including the following:

- The Head of Resources and Governance has been assigned responsibility for the overall strategic management of Council record.

- The ICT Service Manager is responsible for day to day records management .

- The Records Management Policy has been updated in 2015 and is included as part of the RMP.

- A standard file structure, business classification scheme corporate retention scheme have been developed.

- A Corporate File Structure was approved by CMT in July 2012. Services were requested to nominate a designated officer with responsibility for this area and to report back on details for their own particular service - this however has not happened.

- Destructions arrangement, corporate ICT Security Standards and data protection and data sharing protocols have been developed.

- Records Management Group featuring officers from Governance, Support and Customer Services have been meeting regularly with the aim of developing Information Governance Policy. They are also responsible for assessment and review of the implementation of the plan.

3.4   There are still a number of physical files being stored in various Council buildings including Lime Tree House and Alloa Town Hall. The arrangements for document storage in these buildings are being prioritised and reviewed for revised arrangements as part of a review of Council property utilisation. In addition high risk records have been identified and moved to a more secure location (Finding 5.2 - 5.9).

3.5   During the original review we issued a questionnaire to a sample of functions across Council Services. Responses indicated examples of good practices undertaken by Services. The responses also provide an indication of where existing practices and processes could be strengthened. There has been limited action in addressing areas needing strengthening. (Finding 5.2 - 5.9)

3.6   At the time of this review the RMP had been approved but it is a high level documents and has yet to be fully implemented in practice. The RMP does not in itself provide all the answers in regard to, for example, storage requirements, retention issues or destruction. These will be dealt with through the management of the supporting policies. The work to date has however identified a number of areas for improvement, including;

- maintaining training and training records

- reviewing and updating the retention schedule

- developing and implementing business classification, filing, retention, and business continuity arrangements corporately and across the Services.

- Developing procedures and guidelines from the Records Management Policy and ensuring education and awareness of responsible officers.

- Assigning Service Information Governance Champions in order to take records management policies forward.

3.7   We were advised by Senior Management with responsibility for Information Governance that although at the time of our review no formal plan had been developed for the implementation of the RMP across the Services work was ongoing and planned for example a corporate file structure is being developed; upgrading of the Electronic Document Records Management Store and updating of the retention schedule. In order for the RMP to be effective it is important that Services are responsible for the lifecycle of the information they gather and that an officer is designated as having responsibility for the coordination of the plan. To this end Service Senior Management will be responsible for signing an Information Governance statement giving assurance that RMP polices are in place in their Service. It is anticipated that we will further review the progress of the implementation of the RMP across all Services as part of future audit plans.

3.8   We can still only provide limited assurance that the Council has mitigated the risk of financial and/or reputational damage due to differences between Services in how they record and administer the records and documents they hold. This could lead to either the provision of inaccurate and/or incomplete information or increase the cost to the Council in the time and resource required to obtain the required information to prepare a response.

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

4. RECOMMENDATIONS

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

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

Priority Assessments	Number
Priority 1	1
Priority 2	7
Priority 3	1
Priority 4	-

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer(s)	Target Date	Revised Target Date
5.1	Clacks Council does not fully meet the requirements of the Public Records (Scotland) Act 2011.	The Council could be exposed to significant reputational damage with potential for financial penalty.	1	An updated Records Management Project specification to develop appropriate actions to address required issues to enable compliance will be prepared. Project management resources will be identified and arrangements will be put in place to progress initiative. **Partially IMPLEMNTED**	Head of Resources and Governance. Council Management Team (CMT) to ensure changes are implemented.	30/09/2015	Complete
5.2	Not all Council Services have designated officers with responsibility for : - Data Protection - FOI - Records Management - Document Retention	Inconsistency in knowledge and practices between Services increasing the Council's exposure to non-compliance with legislative and regulatory requirements.	2	These roles within Council Services will be reviewed with appropriate action taken to address gaps where identified. Resources within services will be evaluated as part of the project scope detailed in 6.1 above to progress the work required and to identify where designated posts could be created. **IN PROGRESS**	Council Management Team (CMT) Head of Resources and Governance.	31/12/2015	31/03/2016
5.3	There are still a significant number of physical files being stored in various Council buildings including Lime Tree House and Alloa Town Hall.	The existing storage space is not sufficient to meet the demands of services	2	Services will be reminded that the official record should now be held on electronic medium. Consideration is being given to identifying an appropriate archive store. **IN PROGRESS**	Head of Resources and Governance.	30/09/2015	31/03/2016
5.4	No log or register is maintained of documents / files that are deposited or removed from storage areas.	Documents may be inappropriately deposited or removed, thereby further reducing the availability of restricted storage space. This could also hamper efforts to respond to information requests (either internally or externally) in a timely manner.	2	Logging and access arrangements will be considered as part of the Records Management Project. **IN PROGRESS**	Head of Resources and Governance.	31/12/2015	31/03/2016

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

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer(s)	Target Date	Revised Target Date
5.9	Few Council Services maintain registers of the physical files they hold.	Sensitive and confidential documents are held inappropriately and the administrative time and cost of document retrieval is increased.	2	Locally developed processes and practices will be reviewed as part of the Records Management Project, to assess where they could be developed and shared across the Council. Council Management Team (CMT) to be responsible for compliance **IN PROGRESS**	Head of Resources and Governance Council Management Team (CMT)	31/03/2016	31/03/2016

COMPLIANCE WITH IT SECURITY STANDARDS **APPENDIX E**

1. INTRODUCTION

1.1 This report details the findings of the Internal Audit review Compliance with IT Security Standards. 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 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.

1.3 The ICT Security Standards provide guidance to help ensure 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;

1.4 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.

2. SCOPE AND OBJECTIVES

2.1 The scope of the audit was to review 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.

2.2 Internal Audit, in conjunction with the ICT Service Manager, identified the key risks relating to the audit. We found weaknesses in relation to the lack of formal approval and review of IT Security Policies and a lack of compulsory training and knowledge relating to staff awareness of IT Security Policies. However we did find IT Policies in place and general compliance is being monitored by ICT Officers and as a result we can therefore provide overall **Reasonable** assurance that risks are being adequately mitigated

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

3.   FINDINGS

3.1   Based on the specific standards reviewed we can provide reasonable assurance that the Council's IT Security Standards are up to date and in line with national standards. The ICT Service Manager is responsible for ensuring the implementation, development, review, monitoring and, where appropriate, compliance with the IT Security Standards. IT Policies and Standards are held on the Intranet and are available to all IT users. We are content with IT Security Standards level of compliance with the principles of the National Security Standards and Legislation e.g. Data Protection Act, Freedom of Information Act, ISO 27001 & 27002 and the Computer Misuse Act. This is also reflected in Clackmannanshire Council meeting the requirements of Public Sector Network (PSN) compliance.

3.2   However, the IT Security Standards on the Intranet are not being reviewed in line with stated review timeframes. As IT is such a fast moving environment then this creates greater risk the longer the situation persists. It was also noted that some of the documents on the intranet are still in draft form. (Finding 5.1)

3.3   We can provide reasonable assurance regarding staff awareness of individual and corporate responsibility relating to ICT security. As detailed in 3.1 above ICT Security Standards are available to staff via the Intranet. As part of the new start induction process employees are advised to undertake the online (Information Security and Data Protection) IT courses. However, these courses or the reading and signing the Security Standards are not mandatory or enforced as a requirement of access to the Council's IT Systems. In addition the training courses do not make direct reference to the Councils IT Standards. (Finding 5.2)

3.4   We can provide reasonable assurance regarding compliance with security standards. We reviewed the requirements of the ICT Security Standards, End User Acceptable Use Policy, Removable Media Standards and the Data Sharing Protocols in place to ensure that they are enforced and complied with in practice.

3.5   There is compliance with the ICT Security Standards and in particular: activity monitoring logs are maintained by IT covering hardware, software licenses and USB Memory devices; users are prohibited from installing software and all downloads are automatically scanned for viruses.

3.6   There is compliance with the End User Acceptable Use Standards and in particular: Network access password strength is enforced by the Servers; general users do not have access to the set up and configuration of ICT resources; user access set up by IT helpdesk only upon employee line manger request; USB devices automatically scanned for viruses; all software is scanned and unauthorised software identified and investigated, all PCs / laptops have anti virus software installed, access to specific websites is blocked, and e-mails are scanned for appropriateness. However, we found that automatic inactivity logout is not automatically enforced on the Council's 377 Wyse computer terminals. (Finding 5.3)

3.7   There is compliance with the removable media acceptable use standards and in particular all USB memory devices are purchased encrypted and password protected and a log of these are maintained by IT. However there are a limited number of older style USB memory devices whose location has not been logged but these relates to historical processes and there are automatic controls built into terminals that restrict their use. Through testing a sample of USB memory devices we found that responsible officers were not always aware of what devices they are responsible for and where they are located. In addition USB devices are not clearly stamped with a stock number making it difficult to identify individual USB devices and reconciling them back to logs and stock records. (Finding 5.4)

3.8   Although there is a not a specific data transfer policy there are data sharing principles on the intranet. The Council is also Public Services Network (PSN) compliant and complies with the PSN Authority requirements of corporate commitments and information security measures. Connection to the PSN allows secure sharing of information with Public Sector partners. The GCSX network is a secure private Wide Area Network that forms part of a wider PSN. It enables secure information exchange between organisations that are part of the network and this includes Local Authorities, some central government departments and other agencies e.g. Police and NHS. Access to GCSX is only given when

users have received GCSX training within the Service Area, read and signed the GCSX Standard and Personal Commitment Statement, and can provide confirmation of a successful Baseline Personnel Security Standard (BPSS) check.

3.9 The priority of IT security is to protect the network from external viruses and as such all incoming e-mail and downloads are automatically scanned for inappropriate files and viruses. The e-mail standards state that sensitive, confidential or personal information must be sent in a secure manner, for example using GCSX. There are automatic checks in place on GCSX e-mails to ensure that files being sent are protected and are only being sent to other GCSX e-mail accounts. Software scanning is in place to monitor the content of outgoing e-mails but this is currently restricted to key words relating to Social Work sensitive information which has been provided by the Service. (Finding 5.5). There are automated systems / software in place to stop spam entering the Councils network via e-mails. All internet use is logged and prior to access being granted web pages / requests are checked to sets of information security standard rules to restrict access to certain web pages and to limit downloading of specific types of files. Although there are no written procedures for scanning and manual checking of e-mail the responsible officers are aware of their roles and responsibilities and inappropriate use and actions to be taken are covered by HR Policy.

3.10 When an instance of non-compliance or deliberate breach of policy or standard is suspected or discovered, IT Services will consult and work with service management to determine the proper investigative action and any subsequent disciplinary action (if appropriate), in accordance with the Councils laid down disciplinary procedures. There have been no recent examples where disciplinary action was required. A certain amount of limited and reasonable personal, non-business use is acceptable only where such personal use is conducted with a sense of responsibility.

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	5
Priority 4	-

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	The IT Security Standards on the Intranet are not being regularly reviewed. Some of the IT Security Standards are in draft form.	The IT Security Standards are not suitable and do not meet the Councils needs.	3	IT Security Standards to be reviewed as part of PSN submission	ICT Service Manager	30/4/16
5.2	It is not mandatory for staff to read ICT Security Standards or undertake ICT Security related induction training prior to gaining access to systems and networks.	Lack of staff awareness of IT Security risk and individual responsibility resulting in potential security and data protection breaches.	3	Information on connect to be updated. New Start form to be amended for Managers to confirm that ICT Security training has been undertaken	Principal Development Officer	30/6/16
5.3	Wyse terminals do not have automatic inactivity log out.	Compromise the integrity of information and adverse reputational damage.	3	Time out to be implemented as part of terminal refresh	ICT Services Team Leader	30/4/16
5.4	Responsible officers unaware of number and the location of historic USB memory devices. USB Memory devices are not clearly stamped with a stock number.	Compromise the integrity of information and adverse reputational damage.	3	USB management processes to be reviewed to ensure it is being used consistently	Principal Development Officer	30/3/16
5.5	Services have not provided IT with a list of keywords relating to sensitive information they hold in order to allow effective checking of e-mails to ensure sensitive information leaving the Council is protected.	Sensitive information is not being protected.	3	Guidance on Information Security to be reviewed and updated in Information Management handbook as necessary	ICT Service Manager	30/6/16

CAPITAL PROJECT MANAGEMENT   **APPENDIX F**

1.   INTRODUCTION

1.1   This report details the findings of the Internal Audit review of the arrangements for Capital Project Management. 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 General Services Capital Budget for 2014-2020 and the Housing Capital Budget for 2014-2018 were approved by the Council in February 2015. The General Services Capital Budget indicates that over the period to 2019/20, there is a total of £56.794m for capital investment. The Council's currently approved projects account for £49.742m of this sum leaving £7.052m available for investment in new projects. The Housing Capital Programme for 15/16 is £13m.

1.3   Given the level of investment and the potential impact on core Council Objectives it is imperative that Capital Projects are effectively managed to ensure they are sustainable and maximise investment potential.

2.   SCOPE AND OBJECTIVES

2.1   The scope of this audit was to focus on the arrangements for managing approved projects of the General Services and Housing Capital Programme. The specific arrangements for assessing, prioritising and approving capital bids to be included in the Capital Programmes were out with the scope of this review.

2.2   Projects are managed either by one of two dedicated project management teams or within services. We have provided separate assurance opinions in relation to management and monitoring of projects to provide more clarity on good practice in place.

2.3   Internal Audit, in conjunction with the Asset Manager, and other Service Managers with capital projects responsibilities, identified the key risks relating to the audit. We found some weaknesses in relation to currency and availability of Corporate Procedures and to an inconsistent approach for recording projects progress. We found significant examples of good practice particularly in the dedicated project management teams and as a result we can therefore provide overall **Reasonable** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Capital Project Management policies and procedures and roles and responsibilities are insufficient poorly defined or unclear leading to failure to actively manage and monitor capital projects.	Reasonable
Failure to robustly manage and monitor projects resulting in material overspend, project slippage and / or lack of delivery- **Project Management Teams**.	Significant
Failure to robustly manage and monitor projects resulting in material overspend, project slippage and / or lack of delivery- **Services**	Reasonable
Failure to implement clear and effective management information systems (for officers and elected members), leading to absence of robust monitoring and challenge of project progress against targets.	Reasonable

3.   FINDINGS

3.1   General Services and Housing Capital Programmes are approved by the Council   every February at a Special Council Meeting. A Capital Investment Forum (CIF) was originally established and approved by the Council in 2011 with the purpose of ensuring the Council has in place a robust strategic framework against which capital investment decisions can be made. CIF responsibilities have since been subsumed within the Making Clackmannanshire Better (MCB) Forum as all Capital Projects are now aligned with the MCB Programme. The Capital Investment Group (CIG) was re-established in 2014 and has recently revised its remit to align with the work of the MCB Forum and improve the volume, quality and strategic relevance of capital bids submitted through the Capital Project Appraisal (CPA) Framework.

3.2   The specific arrangements for assessing, prioritising and approving capital bids to be included in the Capital Programmes were out with the scope of this review. However we have, where appropriate, looked for evidence that the process has been undertaken. The CPA process should be completed in the first instance and is a key part of the approval for all Capital Projects on the programme.   The CPA documents outline initial project responsibilities, costs, needs and outputs for all projects being awarded capital funding. For the sample of projects under review we found 3 instances where Project Managers could not provide a copy of the completed Capital Project Appraisal Framework and a copy was not held on the project file. (Finding 5.1)

3.3   We can provide reasonable assurance that Capital Project Management Policies and Procedures and roles and responsibilities are sufficient and that capital projects are being actively managed and monitored.   There are two specialised dedicated Project Management functions in operation within the Council. The Project Management Team (PMT) in Asset Management and the Housing Investment Team (HIT) In Housing and Community Safety. The PMT takes responsibility for mainly corporate and non-housing property related capital projects and also provides advice and guidance. The HIT are responsible for managing the majority of Housing Capital Projects. We found the dedicated Project Management functions to be well controlled and the projects under their remit are well managed.

3.4   Other service areas also take ownership of capital projects, for example IT, Roads and Development and Environment. Where this happens the project teams are usually carrying this out in conjunction with day to day responsibilities. We are satisfied that they take responsibility for managing projects through to completion, monitoring and reporting project progress to relevant managers although we have identified some significant issues with one project in particular which are detailed later in this report. Through discussions with responsible officers and a review of project documentation we were content that officers are aware of their project management roles and responsibilities.

3.5 There are documented Project Management procedures, however these are restricted to specific guidance produced by each of the dedicated project management teams. These procedures are robust and based on good practice and are being followed by the relevant specialist teams. There were corporate Project Management procedures created in 2006 however none of the project teams or project sponsors or managers were aware of these. We could find no reference to them on Connect other than a link that does not work and no policy requirement to use them. There is a risk that the arrangements for capital projects managed by other responsible officers do not follow a consistent documented process. While we can see controls in place that provide assurance the lack of formal corporate procedures leads to risks of a lack of clear roles and responsibilities and potential for project slippage in service areas. It would be prudent to utilise the good practice and professional skills in place in the dedicated project teams to contribute to strengthening corporate arrangements. In our opinion adopting documented procedures in place in specialised teams at a corporate level would improve overall arrangements (Finding 5.2)

3.6   The lack of Corporate Project Management Procedures increase the risk of issues relating to unclear roles and responsibilities. We found this to be particularly prevalent when one service undertakes project tasks on behalf of another.   When this is the case there is a risk of a lack of control over budgets as costs are automatically charged to the project budget without formal approval by the budget holder. There can also be delays in costs being charged to the budget and a lack of information

provided to the Project Manager relating to proposed and completed works and the associated costs. The Project Manager may not always have control of project variations as they are not informed of them. There is no agreement / client relationship contract in place between the Service, Project Manager and internal sections responsible for carrying out project work to ensure the level of information / approval required is acceptable and helps to ensure more effective project management. (Finding 5.3)

3.7   We found that the Project Management teams are made up of officers who have relevant project management experience and are professionally qualified. However, where project management is undertaken by services themselves there is a lack of Corporate Training provided. Again it would be prudent to utilise the good practice and professional skills in place in the dedicated project teams to contribute to strengthening corporate arrangements.   (Finding 5.2)

3.8   As part of this audit we selected a sample of 15 Capital Projects from the General Capital and HRA Programmes and reviewed the project management arrangements in place. Out of this sample 7 projects were managed by one of the specialist teams and 8 were managed by services or by using Hub management arrangements.

3.9   Where projects are managed by one of the dedicated teams we can provide significant assurance that projects are being robustly managed. Projects are consistently being delivered within budget, on time and to the required standard. Comprehensive customer feedback is sought and Post Implementation Reviews are being carried out. Lessons learned are being actively taken forward and continuous improvement implemented as a result. There was slight slippage on one project in this sample but it was being appropriately managed.

3.10   Where projects are managed by services we can provide reasonable assurance that projects are being robustly managed and monitored.   From our sample we found 3 projects where original timeframes are not being met. While this is reflected in slippage identified in the overall capital programme we are content that there are legitimate reasons for delays and that slippage is being properly managed. This sample also included 2 projects where financial budgets were exceeded - Redevelopment of the Speirs Centre and the Kelliebank Property Asset Improvement.

3.11   We are content that there are overall reasonable project management arrangements in place within services. For the significant majority of projects tested we found project plans are in place and are being used to monitor project progress, appropriate procurement exercises are being carried out and there is evidence of regular reviews of project progress. For the sample of capital projects reviewed we are satisfied that regular monitoring and reporting of project progress is taking place. We found daily checking of task completion and weekly/monthly updates of project progress being provided to relevant Asset Management Plan owners. Project updates are being provided to Team Leaders and Service Managers at regular meetings. Monthly meetings are taking place with contractors to discuss progress and resolve issues.   Highlight and closure reports prepared, and monthly meetings with the Capital Accountants are being undertaken to monitor project budgets.

3.12   There were issues with how the Property Asset Improvement Project at Kelliebank has been managed. Initial cost estimates were prepared by the Asset Management PMT and were based on industry standard indices, for a single contractor undertaking the works which amounted to C£410k. A budget of £400k was subsequently approved. Management of the project was taken forward by the Client Service. The decision was taken however to use multiple contractors and in house labour resulting in increased costs and the final spend on the project was C£686k. We have been unable to locate a documentary record of why this decision was taken or indeed who took it although evidence we have seen indicates that this was by client head of service. An additional budget of £300k was subsequently approved at Council although there was no explanation for the overspend provided at this point. Some of the key players associated with this project (e.g. Project Sponsor, Client Contact) are no longer with the Council so it was not possible to get full explanations for how some of the decisions were arrived at. (Finding 5.2)

3.13   For the sample of capital projects managed within services we found that Post Implementation Reviews (PIRs) are not being undertaken and outcomes are not formally recorded and reported to Service Management and the Council. In these examples it is not possible therefore to fully identify if projects have achieved objectives and this also reduces the chance of identifying possible lessons learned. It should be noted that PIRs may not always provide any great benefit, especially for small single aspect projects.   (Finding 5.2)

3.14   We can provide reasonable assurance that that there are clear and effective management information systems for capital projects. We have already outlined above some of the reporting carried out in day to day management of projects with asset plan owners being kept up to date with progress. We are also aware that progress of capital projects is reported to Service Committees although this is not done in a uniform manner.   There is no corporate approach for recording and managing Project Progress to Committees. Finding 5.4)

3.15   Financial reporting of projects is more robust with capital budgets held against ledgers in the finance system with costs charged once incurred. In addition responsible officers have regular meetings with Accountants in order to review expenditure and the budget outturn position.   This financial monitoring of capital projects is recorded as part of the Council's Performance Report which is regularly reported to Committees.

3.16   The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

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	2
Priority 3	2
Priority 4	-

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	Lack of evidence of completion of the Capital Project Appraisal process for some Capital Projects.	Capital Projects are not reviewed by the Capital Investment Group to ensure they are in line with Council objectives, are sustainable and maximise investment potential. Responsible officers not aware of initial project scope and objectives.	3	Capital Investment Group has taken on responsibility of ensuring that all capital projects have been properly appraised.	Chief Accountant	Implemented
5.2	Corporate Project Management Principles and Procedures are not available. Adoption of existing specialised procedures would be advantageous. Procedures covering the Post Implementation Review Requirements should identify where and when it is appropriate to carry out PIRS and a deminimus value above which a PIR would potentially provide benefits. No corporate training provided on Capital Project Management	Inconsistent approach not in line with best practice leading to failure to actively manage and monitor capital projects. Not possible to tell if projects have achieved objectives and reduces chance of identifying possible lessons learned. Inconsistent approach not in line with best practice leading to failure to actively manage and monitor capital projects.	2	Discussion will be undertaken at CMT to identify appropriate way forward.	CMT	30/03/2016

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.3	Issues relating to unclear roles and responsibilities when one service undertakes project tasks on behalf of another. There is no agreement / client relationship contract in place between the Service, Project Manager and internal sections responsible for carrying out project work.	Failure to robustly manage and monitoring projects resulting in material overspend, project slippage and / or lack of delivery.	2	Discussion will be undertaken at CMT to identify appropriate way forward.	CMT	30/03/2016
5.4	There is no corporate approach for recording project progress. Project outputs and benefits are not routinely reported to Committees.	Absence of robust monitoring and challenge of project progress against targets.	3	Discussion will be undertaken at CMT to identify appropriate way forward.	CMT	30/03/2016

LEISURE INCOME   **APPENDIX G**

1.   INTRODUCTION

1.1   This report details the findings of the Internal Audit review of Leisure Income.   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 is committed to providing and promoting high quality leisure and recreation opportunities for residents and visitors.   The Council provides a wide range of Leisure Services including football, health and fitness, gymnastics, athletics, skiing and badminton.   The Charging Policy states that these discretionary services should be provided on a full cost recovery basis. These charges are reviewed on an annual basis as part of the budget setting process.

2.   SCOPE AND OBJECTIVES

2.1   The scope of the audit was to focus on the adequacy of the arrangements for the identification, collection and recording leisure income to ensure that they are well controlled and consistently applied.

2.2   Internal Audit, in conjunction with the Customer Services Team Leader, identified the key risks relating to the audit. In our opinion there is a robust control environment operating in relation to leisure income. We have identified a small number of issues including the interim Leisure and Sports Strategy now out of date, leisure charges not yet provided on a full cost recovery basis and special/historical agreements not yet removed. There were some other more minor issues that were non conformances rather than across the board failings. We can provide overall **significant** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Lack of clarity in Policy and Procedures relating to Leisure income, resulting in uncertainty and income not being fully collected.	Significant
Unclear service charge calculation rationale and infrequent review resulting in costs not being fully recovered.	Reasonable
Not all income is properly receipted and accounted for.	Significant
Inadequate Leisure Income reconciliations and reporting.	Significant

3. FINDINGS

3.1   We can provide significant assurance that there are clear Policies and Procedures relating to Leisure Income. A Charging Policy is in place which is refreshed and included within budget papers on an annual basis. The policy covers leisure income (as well as other income) and sets out the principles under which charges are levied and a rationale for the level at which charges are set. There are also a variety of documented local procedures in place relating to leisure income. These include daily banking procedures and takings and floats procedures. We are content that wider corporate income related policies are also providing appropriate guidance and so giving assurance that income is being properly collected.

3.2   This clarity on policy and procedures provides assurance that income due is being collected. A Customer Services Adviser regularly reviews outstanding debts for leisure income. Improvements put in place include the Call Centre staff instructed not to complete the Leisure Booking Form on behalf of customers, as an outstanding booking was not paid as the customer stated that had not made the booking. Outstanding debts are now passed quicker to Revenues, a month after due, for a sundry debt to be pursued. Leisure Booking Forms are now held by the Call Centre staff to check that payments made when due and promptly followed up if no payment received. Currently Leisure produce invoices from Scuba but it is anticipated that with the new ledger system, the invoices will be produced by the new system, sent out by Revenues, and integrated into Scuba.

3.3   A performance report to the Resources and Audit Committee in September 2015 stated that management actions being taken to bring operational leisure expenditure within budget at the year end included removing special/historical booking arrangements. However, as at December 2015 the agreements have not yet been cancelled.

3.4   Leisure Booking Forms are being completed for contract leisure bookings. Casual lets are paid for at time of booking. There is though some lack of control over the use of the Fitness Suite at the three Academies with some users not paying for a ticket before using the facilities. It was also found that users of the Fitness Suite were not paying the full charge. The reason for the lower charge is due to the poor condition of the gym machinery with outstanding repairs identified during an annual maintenance check in April 2015. There is currently no budget provision for repair or replacement of fitness suite equipment. The reduced price will remain until the equipment is repaired or replaced. Site visit by Internal Audit to an Academy during the audit found though that all other bookings including an online booking of badminton, had been paid for with all indoor and outdoor facilities being fully utilised.

3.5   We can also provide assurance that customer payment details are properly protected. Officers who take debit card payments are complying with the Payment card Industry Data Security Standards with detailed guidelines provided to Customer Services Advisors. The guidance includes that the card details should never be repeated back to the caller. However, debit card payments are only taken by staff at the Call Centre and the Leisure Booking Office at the Speirs Centre. The debit card readers at Leisure venues are out of contract and are not working with no debit card payments able to be taken. Revenues have the responsibility for debit card contracts, which includes signing of new debit card readers. No officer has been willing to sign agreements to obtain new debit card readers, as they are required to record personal details on the application form due to Money Laundering regulations. In addition, Leisure Attendants do not have access to the internet so cannot process debit card payments on the Councils online payments system. The previous Leisure management took away internet access from Leisure staff. It is also noted that Scuba terminals at the Leisure venues need replacing as outdated.

3.6   The interim Leisure and Sports Strategy is out of date. It had been agreed in a Council report in October 2014 that a new ten year Leisure Strategy for Clackmannanshire be in place for December 2015. A review of Leisure Services is though a Making Clackmannanshire Better business case as part of the budget process for 2016/17. The leisure review business case has been developed to address fundamental strategic and structural considerations.

3.7   We can provide reasonable assurance that clear service calculation rationale and frequent review will work towards costs being fully recovered. Leisure and Sports Development charges are not yet all provided on a full cost recovery basis. Price increases in the past have not kept pace with costs. £203,000 is being required to be vired from Strategy and Customer Services to cover a projected overspend for 2015/16 for Leisure Services.   Prices for leisure were increased in line with the 2015/16 Register of Charges. Senior officers within Strategy and Customer Services are currently reviewing leisure charges for 2016/17 in order to move towards a full cost recovery position.

3.8   Sports Development run a number of programmes, which are covered by the income collected with external funding supplementing income for other activities. The service carries out ongoing marketing including successful taster sessions and continually look to generate additional external funding. They are also currently reviewing all classes and charges to move towards a full cost recovery position. Previously, the Sports Development charges have been increased each year by Accountancy Services without consulting the Sports Development Manager. Following this audit, the Sports Development Manager has now met with the Accountant who is preparing the Charging Register for 2016/17 to review Sports Development charges as required by the Charging Policy.

3.9   We can provide significant assurance that leisure income is properly receipted and accounted for. Receipts are issued for all income received. New Leisure Banking Procedures were introduced in September 2015 at all leisure venues to tighten up controls over the reconciliation and banking of the leisure income. Banking Sheets are being properly completed as per the banking procedures. There are supervisory checks on the cash floats held by Leisure. However, there is no check at the Leisure Venues that the income taken at the venue agrees to the number of people currently using the leisure facilities.

3.10   Leisure income is securely held in safes at each Leisure Venue. There are secure arrangements in place for the uplift of income from leisure venues and leisure booking office and transfer to the bank for paying in with a bank pay in slip properly completed. A review of the most secure and cost effective method of banking with consideration given to banking direct from the establishment or being part of a secure banking uplift service has been carried out for leisure services. The money held by leisure services complies with the council's insurance limits for money in safes outside of business hours and money transported by services complies with the council's insurance limits.

3.11   There are proper procedures for handing over cash between different officers prior to banking. There is adequate segregation of duties collection of income, preparation for banking, transfer of monies for safekeeping to safe and banking. No one person is responsible for all stages of the process from receipt of income through to banking.

3.12   We can provide significant assurance that there are adequate Leisure Income reconciliations and reporting. Leisure income is being banked promptly with the processes complying with the Leisure Banking Procedures. All leisure income taken through Scuba, the leisure software system is properly reconciled and recorded on the Strategix general ledger with any differences investigated and resolved. Bank reconciliations for the leisure bank account are regularly being carried out with a year end reconciliation report, which is signed by the (Acting) Chief Accountant. Suspense items are regularly reviewed. It is expected that there will be a big improvement in the reconciliation of leisure income when the new ledger system is in place in 2016 due to automated processes.

3.15   Income taken is accurately recorded in Scuba and performance indicators in Scuba record the numbers attending events and classes and this information is being used as part of a review of Leisure for the 2016/17 budget. It is noted that staff operating costs are already being reduced through improved staff utilisation. System access rights to Scuba and the security log ensure the accuracy of the information recorded in Scuba. A review of Scuba has been started with this delayed due to the IT Business Analyst required to work on the new ledger system. However, improvements from this review are being implemented. These include simplifying the booking screens in order that one booking can be made on one screen and a review of booking codes with the number of codes being streamlined.

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.

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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	4
Priority 4	-

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	Special Agreements have not yet been cancelled.	Elements of income not fully realised.	3	The letters to cancel the special agreement letters are now ready to be sent out.	Customer Services Manager	31/03/2016
5.2	Some lack of control over the use of the Fitness Suite at the three Academies. There is currently no budget provision for repair or replacement of fitness suite equipment	Elements of income not fully realised. Facilities not fully operational as repairs not being carried out.	3	Supervisors could carry out spot checks when they carry out monthly checks on the cash floats. Budget issues will be addressed by service.	Customer Services Team Leader	31/03/2016 31/03/2017
5.3	Debit card readers at Leisure venues are out of contract and are not working with no debit card payments able to be taken.	Increased administrative burden resulting from less effective methods of payment and inconvenience for customers.	3	Contracts will be reviewed.	Service Manager (Strategy & Revenues, H&CS)	31/03/2016
5.4	The interim 2013-15 Leisure and Sports Strategy is now out of date.	Lack of aims and objectives for leisure and sports within Clackmannanshire and the Council's role in the provision of leisure and sports not clear.	3	Draft Leisure Strategy was presented to Administration Nov 2015 outlining key points going forward. Leisure Strategy will be updated/implemented post Budget 16/17.	Customer Services Manager	31/03/2016

PROGRESS OF THE NEW FINANCE SYSTEM PROJECT JANUARY 2016   APPENDIX H

1.   INTRODUCTION

1.1   This report details the position of the New Finance System Project as at January 2016. 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. In June 2015 the Project Manager left employment with the Council but this post has since been filled.

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 third 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. However the loss of supplier's lead consultant in the build phase is likely to require a revision of the project timescale and a phased implementation which may mean that different elements of the system go live at different times. There appears to be a lack of a ready replacement on the supplier side to step in quickly although they are exploring options.   While we can still provide overall **significant** assurance that risks are being adequately mitigated the impact of delay needs to be fully understood and emerging risks addressed.

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.	Significant
The progress of the contract is not monitored or progressed in line with agreed targets.	Significant
Inadequate consultation with stakeholders.	Significant
Changes to the contract are not managed and result in additional costs.	Significant
Procurement of the new system is not in line with contract standing orders.	Significant
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 System. Weaknesses identified include reliance on paper based systems, poor access controls, high 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   The initial phase of this project from November 2014 to July 2015 involved identifying the extent of the current system and the requirements and scope of the proposed new system. The aim of the project is to introduce a new integrated business solution across all Clackmannanshire Council's sites that streamlines business processes and enables end users to operate more effectively. A System Supplier has been selected through a tender exercise and a system implementation Project Initiation Document (PID) has been agreed and signed off by the Project Senior Responsible Officer and the Supplier on 6/10/15.   At the time of this review (January 2016) the project progress was in line with the project plan.

3.3   We can provide significant assurance that project management roles and responsibilities, documentation and system development specification 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.

3.4   The Key Project documents detail project management roles and responsibilities. For example the approved PID identifies which 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) remit and membership. Our previous report highlighted that changes to key Project personnel have not been formally recorded in an updated Project Initiation Document. This has since been rectified and in particular two officers have been formally identified as having Project Management responsibilities. The changes made to key staff have been updated in the PID and the Roles and Responsibilities Project Document.

3.5   The Project Board is a key project group with responsibility for leading, reviewing and endorsing the PID and associated Project Plan. Thereafter the Project Board will review the progress of the Project and the associated service budget. We found 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 and will include Project Champion From the Services selected by the Project Operational Group. Team member roles will vary depending on the phase of the project.

3.6   We can provide significant 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 Managers are responsible for the day to day monitoring of the Project Plan and ensuring milestones are achieved. The Project Manager and the System Supplier prepares a regular Project Progress report which details the status of the Project and progress against Project Plan milestones and this is reported to project members and stakeholders.

3.7   The systems suppliers lead consultant has unexpectedly left the software supplier. At the time of this review talks were ongoing between the Project Sponsor and the Supplier to find a suitable replacement. The loss of supplier's lead consultant in the build phase is likely to require a revision of the project timescale and a phased implementation which may mean that different elements of the system go live at different times.   With hindsight it may be appropriate to consider whether more robust

contingency arrangements on the supplier side would have been possible. This should be included in lessons learned as part of the post implementation review (Finding 5.1)

3.8   We can provide significant 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 and are also directly involved in the system implementation phase. A formal communications strategy is currently being updated to include a list of key stakeholders identified through stakeholder mapping and also defines the communication requirements of the project.

3.9   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 supplier has been selected and the subsequent system implementation is being managed through the PID, Project Plan and Solution Design Document.

3.10   We can provide significant 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 taken an active role in all stages of the procurement

3.11   We can provide reasonable assurance that there is adequate testing and sign off arrangements in the Project Plan. At the time of this review system configuration tasks are being completed. Due to the issues detailed in 3.7 key user training and testing cycles due to be undertaken in January and February 2016 have been delayed**.** Detailed training testing plans have been developed for this purpose. Status of system configuration, data cleansing , migration is in line with the plan.

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

4.   RECOMMENDATIONS

4.1   A summary of the recommendations raised from this audit is included in a Management Action Plan 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	-
Priority 4	-

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	It may be appropriate to consider whether more robust contingency arrangements on the supplier side would have been possible. This should be considered in lessons learned for future projects.	Issues not addressed in future projects.	2	Potential impacts being reviewed by the project team. Will be included in lesson's learned exercise.	Project Team	31/12/2016

Internal Audit & Fraud Progress Report: All services

Key to symbols	
🔴	Overdue
🔺	Check Progress
▶	In Progress, on track
✅	Completed

Audit name	Priority				Actions Status
	1	2	3	4	
Absence Management				1	🔴
			1		▶
Adult Care - Commissioning of Care			2		🔴
		1			▶
Blue Badge Scheme		1	2		✅
Budget Management & Monitoring			2		▶
		4	2		🔴
Business Continuity Planning		1			🔴
Consultancies and Agency Workers		3	2		🔴
			1		▶
Council Tax			1		✅
Debt Recovery			8		🔴
			1		▶
Funding applications including European		1	1		▶
General Ledger		1		1	▶
		1	1		✅
Health & Safety		1			✅
Housing Benefit & Council Tax Reduction		1	2		🔴
Income Collection & Cash Receipting			1		▶
			1		🔴
Information Governance	1	3	1		🔴
		4			▶
JALG Decision Making			2		🔴
		2			✅
Mobile Phone Usage		1	4		▶

PROGRESS OF FOLLOW UP OF INTERNAL AUDIT REPORTS   APPENDIX I

Audit name	Priority				Actions Status
	1	2	3	4	
Mobile Phone Usage		1	4		▷
Payroll & HR			1		▷
PPC action plan			1		▷
		2			⬣
		7	5		✓
Progress of new Finance System Project July 2015				1	⬣
Risk Management Arrangements		1	1		✓
Savings and Efficiencies - Overtime		2	4		✓
			2		⬣
Travel and Subsistence		2	1		⬣
			1	1	▷
Treasury Management				1	⬣