

CLACKMANNANSHIRE COUNCIL

Report to Resources and Audit Committee

Date of Meeting: 21 April 2016

Subject: Internal Audit and Fraud Progress Report

Report by: Head of Resources & Governance

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. The report similarly provides an update on work completed from the Internal Audit and Fraud Annual Plan 2016/17 which was recommended to full Council for approval by the Resources and Audit Committee on 25 February 2016.
- 1.2. The report also provides an update on the progress of implementation of recommendations 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 Plans 2015/16 and 2016/17.

3.0 Considerations

Progress Against 2015/16 Plan

- 3.1. The 2015/16 Plan is now complete with draft or final reports issued for all reviews. 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	0	0%
Draft Report Issued	8	42%
Final Report Issued	11	58%
Total	19	100%

Progress Against 2016/17 Plan

- 3.2. Work from the 2016/17 Plan has now started although reviews from this plan are still at an early stage.
- 3.3. Progress on completion of the Assurance element of the Annual Plan 2016/17, is summarised in the table below, with more detail being provided in **Appendix B**.

Status of Audits		%
To be Commenced	17	88%
Onsite/On going	2	12%
Draft Report Issued	0	0%
Final Report Issued	0	0%
Total	19	100%

Final Reports- Assurance

- 3.4. The following reports from the 2015/16 plan are provided for:-
- iTrent Project Implementation (**Appendix C**)
 - Delegated Financial Approval Authority (**Appendix D**)

Fraud

- 3.5. The National Fraud Initiative (NFI) is a bi-annual counter-fraud exercise currently managed by the Audit Commission and administered in Scotland by Audit Scotland on behalf of local authorities and other public bodies. The NFI uses computerised techniques to compare information about individuals held by different public bodies and on different financial systems to identify potential inconsistencies or circumstances between data held that requires further investigation. Inconsistencies between datasets are then investigated to identify possible fraud and/or error, stop overpayments and, where possible recover the sums involved. A report on National Fraud Initiative 2014-15 activity is included at **Appendix E**.

Progress of Follow Up

- 3.6. 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 F** and where not sufficiently implemented, progress to date and revised completion dates have been agreed.

Conclusion

- 3.7. Work is now complete on reviews from the 2015/16 plan, with draft or final reports being issued for all reviews. Work on the 2016/17 plan has now started although this is still at early stages. Further progress has been made on implementing and addressing recommendations from previous reports.

3.8. 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 - Progress on 2016/17 Internal Audit and Fraud Annual Plan

Appendix C - iTrent Project Implementation

Appendix D - Delegated Financial Approval Authority

Appendix E - National Fraud Initiative 2014-15

Appendix F - Progress Of Follow Up Of Internal Audit Reports

11.0 Background Papers

- 11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)
Yes (please list the documents below) No

Author(s)

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Approved by

NAME	DESIGNATION	SIGNATURE
Stephen Coulter	Head of Resources and Governance	Signed: S Coulter
Nikki Bridle	Depute Chief Executive	Signed: N Bridle

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	Final Report Issued
Capital Project Management	5	2015-16	Resources and Governance/ Corporate	Final Report Issued
Workforce Planning	5	2015-16	Corporate	Draft Report Issued
Shared Services	6	2015-16	Social Services/Education	Draft Report Issued
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	Draft Report Issued
Information Governance	4	2015-16	Corporate	Final 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	Final Report Issued
Creditor Management	4	2015-16	Resources and Governance	Final Report Issued
Fleet Management	4	2015-16	Development and Environmental	Draft Report Issued
Travel and Subsistence	4	2015-16	Corporate	Final Report Issued

PROGRESS ON APPROVED INTERNAL AUDIT ANNUAL PLAN 2015/16

APPENDIX A

Audit	Audit Weeks	Annual Plan	Service	Progress
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	Final 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

Audit	Audit Weeks	Annual Plan	Service	Progress
Governance				
Annual Assurance Report	6	2016-17	Corporate	To Be Commenced
Assurance				
Governance- Council, Committees and Executive	5	2016-17	Corporate	To Be Commenced
Social Media	5	2016-17	Corporate and Strategy and Customer Service	To Be Commenced
HSCI	4	2016-17	Social Services	To Be Commenced
Housing Revenue Accounts	4	2016-17	Housing and Community Safety	To Be Commenced
Validation of Climate Change Submission	2	2016-17	Development and Environment	To Be Commenced
H&S Management Systems	5	2016-17	Development and Environment.	To Be Commenced
Education- 1	4	2016-17	Education	To Be Commenced
Education- 2	4	2016-17	Education	To Be Commenced
Budget Management and Monitoring	4	2016-17	Social Services	To Be Commenced
Social Services	4	2016-17	Social Services	To Be Commenced
R&G Performance Management	5	2016-17	Resources and Governance	To Be Commenced
Progress of the New Housing IT System Project	4	2016-17	Housing and Community Safety	To Be Commenced
Debt Recovery and Housing Benefit (Vanguard Impact)	4	2016-17	Housing and Community Safety	To Be Commenced
Implementation of the new Finance System.	5	2016-17	Resources and Governance and Corporate	To Be Commenced
Insurance	4	2016-17	Resources and Governance	To Be Commenced
Stock Control	5	2016-17	Corporate	Ongoing

PROGRESS ON APPROVED INTERNAL AUDIT ANNUAL PLAN 2016/17

APPENDIX B

Audit	Audit Weeks	Annual Plan	Service	Progress
Land and Property Asset Management	5	2016-17	Resources and Governance and Development and Environment.	To Be Commenced
ICT Strategy Implementation	4	2016-17	Resources and Governance	To Be Commenced
Procurement	4	2016-17	Resources and Governance and Corporate	Ongoing
Fraud				
Fraud and Error Prevention and Detection	23	2016-17	Internal Audit and Fraud	Ongoing
Whistleblowing	4	2016-17	Corporate	To Be Commenced
National Fraud Initiative	3	2016-17	All Services submitting data	To Be Commenced
Fraud Awareness and Training	3	2016-17	All services	To Be Commenced
Other				
Follow Up	2	2016-17		Ongoing

1. INTRODUCTION

1.1 This report details the findings of the Internal Audit review of the arrangements for iTrent Project Implementation. 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 iTrent project was introduced to provide Clackmannanshire Council with an integrated Payroll and HR system that would provide a more efficient system and address legislative changes on data transfers to HMRC. The project was split into three distinct phases:

- Phase 1 - Implementation of Integrated HR and Payroll System.
- Phase 2 - Self Service for Managers and Employees.
- Phase 3 - Recording of information relating to Learning and Development, Health and Safety, and the automation of travel, expenses and overtime claims.

1.3 Phase 1 of the project was signed off as complete in October 2015. Phase 2 has been completed and Phase 3 is currently under development.

2. SCOPE AND OBJECTIVES

2.1 The scope of this audit was to review the project management arrangements for the implementation of Phase 2 of the project, the initial project management arrangements for Phase 3 and the adequacy of the systems management information. We also considered whether any issues identified with Phase 1 have been addressed and learned from.

2.3 Internal Audit, in conjunction with the HR and Payroll Team Leader and Head of Resources and Governance, identified the key risks relating to the audit. We found some weaknesses in relation to poorly defined project management roles and responsibilities, contract management and the lack of formal recording of system testing. However due to the Project Phases being implemented on time with minimal disruption to Payroll processes we can therefore provide overall **Reasonable** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Project Management roles and responsibilities, documentation, system development specification poorly defined or unclear leading to a lack of ownership and failure to actively manage and monitor the project	Reasonable
The progress of the contract is not monitored or progressed in line with agreed targets.	Reasonable
Inadequate testing prior to sign off of new system resulting in requirements not being met and additional costs.	Reasonable
Best value not achieved as forecasted project savings and efficiencies do not materialise.	Limited
Insufficient management information to meet monitoring and control requirements.	Reasonable

3. FINDINGS

3.1 The iTrent HR and Payroll System went live on 1/4/13. Up to go live date the focus of the project was on delivering payroll functionality and business object reporting which was achieved. However this focus appears to have resulted in elements of wider project management not being fully realised. For example we could not locate a Project Initiation Document, Risk Management Plan or Quality Control documentation. In addition we found only a draft project charter on file. It defines the roles and responsibilities of the Software Supplier and Clackmannanshire Council Officers for the development and implementation of an integrated Payroll and HR system.

3.2 Following go live responsibility for implementation and further development was taken up by Human Resources within the Governance Service. At this point phase 1 was still not signed off as complete. The scope for phase 1 of the project covered Implementation of Core HR, Absence Management, Payroll and auditing within iTrent. Learning points from Phase 1 were taken on board and Phase 1 was signed off as complete on 30/10/15. An end of phase report was prepared by HR and Midland (the software supplier) allowing the implementation of phases 2 and 3 to proceed.

3.3 Our review has focussed on the implementation of phase 2 of the project and ongoing work to implement phase 3. We can provide reasonable assurance that there is now clear ownership for the ongoing implementation of iTrent. The majority of the system build and development has been undertaken by a dedicated in house iTrent Systems Team (IST). The IST are aware of their roles and responsibilities and these are in line with job descriptions. The IST are managed on a daily basis by the HR and Payroll Team Leader. However Phases 2 and 3 relate to systems development and are not formally being taken forward as a project. The team are working towards implementation of the various purchased modules of the system. Phase 2 delivered modules which included employee management, self service and absence monitoring. Phase 3 will deliver remaining modules including travel and subsistence, health and safety and learning events administration. There are regular updates of project progress and costs presented to the Resources and Audit Committees as part of the Resources and Governance Performance Reports. The HR and Payroll Team Leader has regular meeting with IST in order to discuss progress and issues and agree work to be taken forward.

3.4 The Council entered into a five year contract with MidlandHR to supply and develop iTrent on 8/6/12. The majority of contract expenses were incurred during phase 1 implementation when the modules of the system were purchased and there was a relatively high amount of consultancy support required. The contract details roles and responsibilities in relation to service provision, support and charges

3.5 We can provide reasonable assurance that the contract is now being monitored and progressed in line with agreed targets. Invoices are being properly checked to confirm that consultancy has been provided. However the rates and expenses being charged are in excess of contract amounts. This is because all consultancy provision under the contract was utilised during phase 1. However, we do recognise that requirement for utilising consultancy resource is now at a minimum.

3.6 The value of the original contract was £255k. Spend so far on the project is c£320k with a further £20k annual charge still to come. Management advised that main reason for additional spend was due to off contract costs relating to system upgrades that were required to maintain Real Time Information to HMRC and for system changes relating to changes to the Local Government Pension Scheme and additional consultancy support that had been required. Management advised that consultancy required from the Software Supplier should now be at a minimum as the IST will carryout the system development work. Increased budget has been approved via centralised IT budget.

3.7 We can provide reasonable assurance in relation to the adequacy of testing prior to sign off of system developments. The IST are responsible for building and developing system modules. System testing is carried out by the IST through processing transactions and following requirements of system manuals and test scripts on the test system prior to the system going live. However there are no formal systems in place for recording results of tests carried out, criteria for success or failure, or no official sign off upon completion before systems go live. (Finding 5.1). System modules are also piloted by selected

sections prior to roll out across the council and feedback is welcomed but there is no formal arrangements for gathering feedback. (Finding 5.1)

3.8 System manuals have been developed by IST and are available to system users. The Team advised that Managers and Admin staff get trained on the system but at the time of our review we were unable to obtain evidence of who has been trained although we have been advised that this is retained in hard copy. Consideration should be given to making services aware of who has not taken up offer of training so that services can decide on an appropriate course of action (Finding 5.2)

3.9 We can only provide limited assurance that best value is achieved in line with forecasted project savings and efficiencies. The systems options appraisal states that over the first five years an average cost per payslip of £4.63 (cost per payslip was £5.98 pre iTrent implementation) will be delivered. In 13/14 the cost per payslip had risen to £7.26 and we were advised by Management that this was mainly due to the initial iTrent set up costs. Figures for 14/15 are not yet available. Management advised that there will be a reduction in costs per payslip due to a reduction in payroll staff, 60% of IST costs being capitalised and payslips being issued electronically. The options appraisal further states that potential efficiency, processing and reporting savings of £858k could be delivering a net saving to the Council of over £500k. However, at the time of this review system benefits were not being actively monitored or reported therefore it is not possible to quantify whether best value is being achieved. (Finding 5.3)

3.10 We can provide reasonable assurance that there is sufficient management information to meet monitoring and control requirements. From a system operational point of view regular absence and overtime reports are presented to Corporate Management Team and Service Management Teams. iTrent also provides service managers with reporting functionality around people, absences and structures. However discussions with service managers indicates widespread dissatisfaction with the monitoring and control functionality of the iTrent system. There appears to be significant gaps between service user expectations and what IST understands it is expected to deliver (Finding 5.4).

3.11 IST advised that they work closely with Service Managers when building modules and during system development. In addition a member of HR staff regularly attend Service Managers Team Meetings and part of this role involves getting feedback on iTrent. As noted at 3.8 above however service managers do not reflect this position. As part of this review we contacted Service Managers to establish whether they have been involved in system development and whether iTrent meets their requirements. The majority of responses were negative. Common themes were established from their responses including lack of feedback regarding system issues and management information available does not meet their requirements (Finding 5.4). There is no issues log maintained relating to Service feedback and any subsequent actions taken. (Finding 5.5)

3.12 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	2
Priority 3	2
Priority 4	1

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	Testing plans not devised, results not recorded and signed off. No formal arrangements for gathering system user feedback during pilot exercises.	Issues not being recorded and addressed.	3	Results of testing being undertaken on system modules prior to implementation will be formally recorded and signed off by responsible officers once satisfactorily completed.	HR and Payroll Team Leader	31/5/16
5.2	iTrent Team advised that Managers and Admin staff get trained on the system but at the time of our review we were unable to obtain evidence of who has been trained.	Inconsistent and ineffective system use.	4	End user training on system modules will be formally recorded and retained and be made available to Internal Audit.	HR and Payroll Team Leader	31/5/16
5.3	No monitoring and reporting of efficiencies realised as a result of system implementation.	Lack of clarity surrounding actual system benefits.	2	Efficiencies realised as a result of system implementation will be identified and calculated and included in an end of system implementation report.	HR and Payroll Team Leader	30/4/17
5.4	There are significant gaps between service user expectations and what IST understands it is expected to deliver.	System does not deliver on what services expect which leads to system only being used at a very basic level.	2	iTrent Forum to be formed and include the iTrent Systems Team, Service Managers and Senior Users with the aim of identifying and addressing system user issues.	HR and Payroll Team Leader	31/5/16
5.5	No project issues log is being maintained recording Service feedback and subsequent actions taken.	Not all issues identified and appropriate action taken. System does not meet Service requirements.	3	Project Issues Log to be developed and maintained with details of system issues and subsequent action taken.	HR and Payroll Team Leader	31/5/16

1. INTRODUCTION

1.1 This report details the findings of the Internal Audit review of Delegated Financial Approval Authority. 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 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.

1.3 The Council approved a scheme of delegation on 20 December 2012 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.

2. SCOPE AND OBJECTIVES

2.1 The scope of our audit was 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.

2.2 Internal Audit, in conjunction with the Procurement Manager and the Head of Resources and Governance, identified the key risks relating to the audit. We found discrepancies in the authorised signatory database and inappropriate authorisation of financial transactions. We also found Governance documents to be out of date. The introduction of the new Finance System due in April 2016 and continued development of iTrent (Payroll and HR System) will improve the control of financial approvals as these will be automated within these systems. As a result of the new system and revised structures the governance documents will also be due for review and update. We can therefore provide overall **reasonable** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Roles and responsibilities are unclear, compromising accountability.	Reasonable
Absence of agreed policies and procedures and a clear system of delegated authority, leading to uncontrolled spend and potentially, the risk of inconsistent service provision.	Reasonable
Non Compliance with corporate governance arrangements and Financial Regulations.	Reasonable

3. FINDINGS

3.1 We can provide reasonable assurance that roles and responsibilities are clear. The Financial Regulations state that all financial related transactions require to be authorised by an appropriate officer. Contract Standing Orders (CSO) set out clear rules for procurement of goods works and services. CSO state that no officer of the Council should undertake or authorise transactions for which they do not have authority delegated. CSO state that only those who have been delegated a budget or have formal delegated authority to commit expenditure can delegate further. The main method of delegating authority to Council Officers for financial related transactions is through the completion of an authorised signatory form (ASF). The ASF lists categories of transactions that require authority and those that have a financial impact include Purchase Orders, Invoices, Payroll, HR and Imprest transactions. The ASF requires to be signed off by a Director or Head of Service (HOS) The details of authorised officers and the extent of their authority is recorded in the authorised signatory database (ASD) in order that officers responsible for processing instructions can check to see if they have been appropriately authorised.

3.2 We can provide overall reasonable assurance in relation to the Policies and Procedures in place for the current system of delegated financial approval authority. Financial related activities are controlled through the administration of an approved signatory list and approval is generally through a signature on source documentation which is then acted upon. It was noted that there are no written procedures for the administration of the authorised signatory process. As these processes migrate to the new Finance System and iTrent (Payroll and HR System) then processing of transactions will become automated predicated on an initial budgetary approval being given by budget holder. Therefore the only financial delegation required is to budget holders.

3.3 We undertook testing of a variety of transactions to consider whether current systems properly control delegated financial authority. This was done through testing a sample of financial related transactions to ensure that they were appropriately authorised. We found that the majority of invoices tested were authorised by an officer with sufficient authority, officers on the ASD were supported by an ASF and all travel and subsistence forms were appropriately authorised.

3.4 We did however find non compliances in the following areas:

- There are instances where Invoices, Purchase Orders, Payroll, HR and Imprest transactions are not being appropriately authorised.
- Purchase orders are not being used in the majority of financial transactions. This is an issue that has been highlighted before and will not be addressed until electronic processing is introduced by the new financial system. Where purchase orders have been used there were instances where PO and Invoices were completed and authorised by the same officer.
- The ASD is not accurate and up to date as we identified instances where former employees who are still on the ASD, ASF details are not accurately recorded on ASD and inappropriate authorisation based on post.
- ASF were not always signed off at Director or HOS level.

3.5 The assurance level provided is based on the proposed significantly enhanced controls offered by the new Financial System and by iTrent. The new Finance System (due to be implemented in April 2016) will require authorisation for budget expenditure at the purchase order level based on system user settings. In addition the new finance system will have an automatic workflow processes which will ensure appropriate and timely authorisation. Similarly authorisation of some Payroll and HR transactions are to be included in development of iTrent.

3.6 We can provide reasonable assurance in relation to compliance with corporate governance arrangements. Roles and responsibilities for the authorisation of financial related actives are governed by the Scheme of Delegation (SOD), The Financial Regulations (FR) and Contract Standing Orders (CSO). The current version of the Councils SOD is dated 20/12/12. It outlines the Councils' responsibilities and the Committees and Officers delegated responsibilities, although some of the detail and terminology is now out of date. (Finding 5.1) It states that delegations for Council officers must be

top down from the Chief Executive. The SOD allows the Council, Committees and Senior Officers to delegate certain duties and responsibilities but overall accountability cannot be delegated. The main requirements of the SOD that relate to delegated financial approval authority for budget expenditure are:

- Full Council Role to approve budgets and spending not budgeted for.
- Resources and Audit Committee is responsible for scrutiny of corporate budgets, financial performance and asset management
- monitoring the performance of Services against the agreed standards, targets and budgets.
- Heads of Service (HOS) must make sure they keep to the approved budget.

HOS have delegate responsibility for spending the approved budget for the post, buying in supplies and services in line with FR and CSO and setting fees and charges to make sure the needs of the budget are met.

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

4. RECOMMENDATIONS

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

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

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

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	The Scheme of Delegation and Financial Regulations relating to approval authority for budget related transactions are out of date.	Roles and responsibilities are unclear, compromising accountability.	2	Following the implementation of Tech one and the publication of the Scottish Government Procurement Regulations R&G will lead work to redevelop Finance Regs, CSOs and the Statement of Delegation . Work will commence in Q1 of 2016-17 with the aim to have drafts finalised by September 30th.	Head of Resources and Governance	30/9/16

PROGRESS OF THE NATIONAL FRAUD INITIATIVE 2014-15

1.1 The National Fraud Initiative (NFI) is a bi-annual counter-fraud exercise currently managed by the Audit Commission and administered in Scotland by Audit Scotland on behalf of local authorities and other public bodies. The NFI uses computerised techniques to compare information about individuals held by different public bodies and on different financial systems to identify potential inconsistencies or circumstances between data held that requires further investigation. Inconsistencies between datasets are then investigated to identify possible fraud and/or error, stop overpayments and, where possible recover the sums involved.

1.2 The data matching identified 1575 matches of which 1419 were rated as high and medium risk. An early decision was taken to investigate all matches issued. Of the 1575 matches identified, 1553 have been investigated and closed.

1.3 This resulted in 5 housing benefit frauds being identified amounting to £7383.94, 9 housing benefit errors amounting to £4674.49 and 8 creditor errors identified totalling £12861.33. These monies are in the process of being recovered. The table below provides a summary.

	Number of Matches	Number of Frauds	Number of Errors	Outcomes £
Housing Benefits	528	5	9	(F) 7383.94 (E) 4674.49
Creditors	850	-	8	12861.33
Payroll	43	-	-	-
Housing Rents/Right to Buy	52	-	3	-
Private Residential Care Homes	29	-	-	-
Blue Badge Parking Permits	62	-	28	-
Insurance Claimants	11	-	-	-

1.4 The Housing Benefit fraud outcomes of £7383.94 are broken down as follows:-

- 5 cases where the claimant failed to declare a material change in circumstances with 2 receiving a caution and 3 recovery action only.

1.5 The 9 Housing Benefit error outcomes amounting to £4674.49 are being recovered by recovery action ongoing.

1.6 The Creditors outcomes of £12861.33 are broken down as follows:-

- A duplicate invoice paid to Connelly Security Systems of £3224.40 was fully reimbursed to this Council..





- Two duplicate invoices paid to Newcross Healthcare Solutions of £1470.51 and £2551.28 were also fully reimbursed.
- A further 5 duplicate invoices paid to other companies of £1491.65, £999.00, £669.60, £1269.84 and £1185.05 were also fully reimbursed.


















1.7 There has been a significant decrease in the number of matches and errors related to the Blue Badge system. The national database of blue badge holders has helped decrease matches, with errors being identified caused by failure to notify of death of blue badge holder timeously.

Conclusion

1.8 Clackmannanshire Council has completed analysis of all matches issued to it to date by Audit Scotland well within required timescales.

Internal Audit & Fraud Progress Report: All services

Key to symbols	
	Overdue
	Check Progress
	In Progress, on track
	Completed

AUDIT NAME	Finding Priority				Actions Status
	1	2	3	4	
Absence Management				1	
			1		
Adult Care - Commissioning of Care		1	2		
Budget Management & Monitoring			2		
		4	2		
Business Continuity Planning		1			
Capital Project Management		2	1		
			1		
Cash Collection & Handling			3		
Compliance with IT Security Standards			1		
Consultancies and Agency Workers		3	1		
			1		
			1		
Debt Recovery			9		
Funding applications including European		1	1		
General Ledger		1		1	
		1	1		
Housing Benefit & Council Tax Reduction		1	2		
Income Collection & Cash Receipting			2		
Information Governance	1				
		3	1		
		4			
JALG Decision Making			2		
		2			
Leisure Income			3		

AUDIT NAME	Finding Priority				Actions Status
	1	2	3	4	
Mobile Phone Usage		1	4		
Payroll & HR			1		
PPC action plan		2	1		
		2	3		
Progress of new Finance System Project				1	
		1			
Savings and Efficiencies - Overtime		2	5		
			1		
Travel and Subsistence		2	1		
			1	1	
Treasury Management				1	