CLACKMANNANSHIRE COUNCIL

Report to: Audit and Finance Committee

Date of Meeting: 16 March 2017

Subject: Internal Audit and Fraud Progress Report

Report by: Internal Auditor

1.0   Purpose

1.1.   This report 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 Plan 2016/17.

3.0   Considerations

Progress Against 2016/17 Plan

3.1.   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 A**.

Status of Audits		%
To be Commenced	1	5
Onsite/On going	2	10.5
Draft Report Issued	2	10.5
Final Report Issued	7	37
Deferred / Not Required	7	37
Total	19	100%

3.2.   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:

- Progress of the New Housing System

- Housing Benefit and Council Tax Processes (The Vanguard Impact)

- Procurement

Final Reports - Assurance

3.3.   The following reports from the 2016/17 plan are provided for:-

- Land and property Asset Management **(Appendix C)**

- Integrated Joint Board Corporate Governance – Presented for Information. Approved by IJB on 16 February 2017 **(Appendix D)**

Fraud

3.4.   The team have been liaising with Head of Strategy and Customer Services to contribute to a number of initiatives on countering Serious and Organised Crime. The team have also been involved in specific investigations which are reported directly to the relevant head of service. Counter fraud training has been provided to the Procurement Matters Group.

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.

3.6.   The 2016/17 NFI exercise is progressing well. There are two phases of the exercise with Phase 1 being data extract and upload and Phase 2 being investigation **(Appendix E)**. The National Fraud Initiative (NFI) Data matches were issued by Audit Scotland at the end of January 2017. A plan covering the investigation of data matches has been issued to all relevant officers and progress will be reported to future Committee meetings.

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 Scrutiny Committee. 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

3.8. Work on the 2016/17 plan is progressing. Further progress has been made on implementing and addressing recommendations from previous reports.

3.9. 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 2016/17 Internal Audit and Fraud Annual Plan

Appendix B - Terms of Reference

Appendix C – Land and property Asset Management

Appendix D – Integrated Joint Board – Corporate Governance

Appendix E - National Fraud Initiative 2016-17

Appendix F - Progress of Follow Up

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	6	2016-17	Corporate	On Going
Assurance				
Governance- Council, Committees and Executive	5	2016-17	Corporate	Deferred – action ongoing by Head of R&G to review key documents
Social Media	5	2016-17	Corporate and Strategy and Customer Service	Final Report issued
Corporate Governance	3	2016-17	Integrated Joint Board	Final Report Issued
Housing Revenue Accounts	4	2016-17	Housing and Community Safety	Final Report Issued
Validation of Climate Change Submission	2	2016-17	Development and Environment	Final Report Issued
H&S Management Systems	5	2016-17	Development and Environment.	Not Required due to external report being commissioned from Council's insurers, Gallacher Basset
Education- 1	4	2016-17	Education	Deferred – due to review by Council's insurers
Education- 2	4	2016-17	Education	As for Education -1
Budget Management and Monitoring	4	2016-17	Social Services	Deferred – pending review commissioned by Scrutiny Committee
Social Services	4	2016-17	Social Services	Deferred – scope was to be determined post shared services. New H of S recently in post and requirements not yet established
R&G Performance Management	5	2016-17	Resources and Governance	Final Report Issued
Progress of the New Housing IT System	4	2016-17	Housing and Community Safety	1st Interim Draft Report Issued

Audit	Audit Weeks	Annual Plan	Service	Progress
Project				
Housing Benefit (Vanguard Impact)	4	2016-17	Housing and Community Safety	On site / On going
Implementation of the new Finance System.	5	2016-17	Resources and Governance and Corporate	Deferred as New Finance System Project not fully completed.
Insurance	4	2016-17	Resources and Governance	Final Report Issued
Stock Control	5	2016-17	Corporate	Final Report Issued
Land and Property Asset Management	5	2016-17	Resources and Governance and Development and Environment.	Draft Report Issued
ICT Strategy Implementation	4	2016-17	Resources and Governance	To Be Commenced
Procurement	4	2016-17	Resources and Governance and Corporate	On site / On going
Fraud				
Fraud and Error Prevention and Detection	23	2016-17	Internal Audit and Fraud	Ongoing
Whistleblowing	4	2016-17	Corporate	Ongoing
National Fraud Initiative	3	2016-17	All Services submitting data	Ongoing
Fraud Awareness and Training	3	2016-17	All services	Ongoing
Other				
Follow Up	2	2016-17		Ongoing

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INTERNAL AUDIT TERMS OF REFERENCE

SERVICE: Housing and Community Safety

AUDIT AREA: Progress of the New Housing IT System Project

AUDIT YEAR: 2016/2017

INTRODUCTION AND SCOPE

In September 2015 The Corporate Management Team approved replacing the current in-house bespoke Housing IT Systems with an integrated housing management, repairs and appointments system. The new Housing IT System will be provided by Tech One who are also the provider of the Finance System. The Housing System Project will only fully commence with Tech One once the Finance System has been fully implemented and this is expected to take place in September 2016.

It is anticipated the implementation of the Tech One Integrated Housing IT system will ensure more efficient ways of working and deliver savings due to it being a cloud based solution with full Finance System integration, improved reporting functionality, and a reduction in current systems licensing costs.

In discussion with Senior Housing 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 2016/17 to provide independent assurance to 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.

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

RISKS

The following risks could prevent the achievement of the New Financial System Project objectives:.

- Project Management roles and responsibilities, documentation, system development specification poorly defined or unclear leading to lack of ownership and failure to actively manage and monitor the project.

- The progress of the contract is not monitored or progressed in line with agreed targets.

- Inadequate consultation with stakeholders.

- Changes to the contract are not managed and result in additional costs,

- Procurement of new system is not in line with contract standing orders.

- Inadequate testing prior to sign off of new system resulting in requirements not being met and additional costs.

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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INTERNAL AUDIT TERMS OF REFERENCE

SERVICE: Housing and Community Safety

AUDIT AREA: HB and Council Tax Processes (The Vanguard Impact)

AUDIT YEAR: 2016/2017

INTRODUCTION AND SCOPE

In September 2014 a 2 year contract was awarded to Vanguard to redesign Housing and Community Safety Services Processes. The scope of this contract was to carry out an overall assessment of procedures and processes, to identify processes that are less than optimal and put measures in place for improvement. The redesign of less than optimal processes to allow resources to focus on adding value, reducing waste and duplication of effort will improve efficiency and performance.

Vanguard is a management consultancy and training organisation that develop live improvement programmes, to change culture and train contracted suppliers staff to ensure continuous improvement.

In 2014 DWP expressed concerns regarding Housing Benefit (HB) Administration. The time taken to process HB new claims and changes deteriorated during 14/15 and was significantly below the Scottish Average.

Revenues Services were incorporated into Housing and Community Safety in 2015 and Senior Management decided to carry out a review Vanguard review of Council Tax Processes to improve efficiencies and collection rates.

The scope of our audit will be to review the Vanguard impact on Housing Benefit and Council Tax processes to assess whether efficiencies, improved performance and best value have been achieved.

RISKS

The following risks could prevent the achievement of the objectives of the Vanguard Project for improving the processes in place for Housing Benefit and Council Tax, or result in the non-achievement of the objectives, and have been identified within scope for this audit:

- Not improving performance and achieving value for money;

- Practices identified not incorporated into new procedures and continuous improvement not included;

- Potential for Vanguard to improve other operations across the Council not explored.

AUDIT OBJECTIVE: Our audit work will be designed to evaluate whether the Vangaurd approach has been effective at engaging managers to review and improve systems in order to mitigate the risks identified above.

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INTERNAL AUDIT TERMS OF REFERENCE

SERVICE: Resources and Governance

AUDIT AREA: Procurement

AUDIT YEAR: 2016/2017

INTRODUCTION AND SCOPE

Procurement is the process by which an organisation manages the acquisition of all its goods, services and works, either by lease, rental or purchase. It includes the identification of need, consideration of options, the actual procurement process and the subsequent management and review of the contracts.

Clackmannanshire Council Contract Standing Orders state that 'The purpose of Contract Standing Orders is to set clear rules for the procurement of goods, works and services for the Council. The rules should ensure that the Council is fair and accountable in its dealings with contractors and suppliers. Contract Standing Orders protect the interests of the Council and they also protect the interests of Council Officers who are involved in procurement. It is the Council's duty to secure best value in its arrangements, and therefore efficient use of resources is an imperative. The Contract Standing Orders provide a commercial, legal and operational framework to procurement activity on behalf of the Council'.

In 2012 the Corporate Management Team agreed to a central approach to procurement activity supplemented by Service representatives who will help drive forward business improvements with estimated annual savings in the region of £500k pa. The initial business case for central procurement activity include advantages that "services will benefit from savings achieved through a consistent and corporate approach to procurement", the "council will be achieving Best Value for Money" and "a corporate approach to procurement will deliver savings that will assist the council to operate within the reduced funding levels in future years".

The public sector is facing unprecedented challenges to provide higher quality services with significantly less funding to do so. Efficient and effective procurement is critical for ensuring that the Service maximises the resources at its disposal.

The scope of this review is to consider whether procurement activity is achieving budget savings across the Council.

RISKS

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

- Procurement activity not achieving budget savings and value for money;

- Responsible officers not proactively identifying areas for procurement review;

- Expenditure and procurement activity management information and reporting is inadequate.

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

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LAND AND PROPERTY ASSET MANAGEMENT   **APPENDIX C**

1.   INTRODUCTION

1.1   This report details the findings of the Internal Audit review of Land and Property Asset Management. The review forms part of the Internal Audit and Fraud Plan for 2016/17, which was recommended to full Council for approval by the Resources and Audit Committee on 25 February 2016.

1.2   Asset management was identified by the Scottish Government's "Efficient Management" agenda as one of the main strands where Councils could improve performance to result in the best achievable performance from present and future investment.   High performance in the use and management of property is driven by effective business processes. The most effective processes will deliver better property outcomes and consume less resource. After payroll costs, the largest outlay for the public sector is the amount spent on the ownership and upkeep of premises.

1.3   Good asset management is a vital part of an organisation being able to demonstrate that it is providing Best Value. It can generate resources through income from the sale of surplus assets, which will also generate long-term revenue savings because those assets are no longer consuming resources. Improved management of assets can also lead to service improvements and lower long-term revenue costs.

2.   SCOPE AND OBJECTIVES

2.1   The scope of the audit was to review the arrangements for recording, maintaining and leasing land and property assets.   The audit concentrated on the Councils Non-Operational portfolio.

2.2   Internal Audit, in conjunction with the Development Services Manager, identified the key risks relating to the audit. Property Review reports are presented to Council and we found clear and effective recording of property information. However, we found weaknesses relating to insurance premiums not charged to tenants and a lack of rent reviews. It is our opinion that we can provide overall **reasonable** assurance that risks are being adequately mitigated.

Key Risk	Assurance Assessment
Land and Property Asset Management Policies and Procedures, roles and responsibilities are poorly defined leading to non compliance with standards and inefficient or an ineffective land and property resource.	Reasonable
A lack of evidence showing all properties and land owned; rents payable; tenants and their details.	Significant
The Council's property portfolio is not utilised to full effectiveness.	Reasonable
Full market rent not being achieved from rental income from Council properties.	Limited

3. **FINDINGS**

3.1 We can provide reasonable assurance that Land and Property Asset Management policies and procedures are well defined. The 2010-15 Property Asset Management Plan (PAMP) is out of date; however Property Review Reports are acting as an interim Property Asset Management Plan. (Finding 5.1)

3.2 An annual Property Review report is presented to Council which provides an overview of the acquisition of properties and disposal of surplus properties for the current financial year. Additional reports on specific properties may be reported to Council as necessary throughout the year. Procedures are followed to ensure that disposals of properties are fully transparent with no hidden subsidies in properties. Any proposal by third sector organisations to bid for council properties must be supported by a detailed business case with their bid considered along with any other bids for the property.

3.3 A standard lease for letting the majority of properties is used which can be adapted to circumstances with a comparative principle used for the valuation of rents. The leases for commercial properties oblige the tenant to pay for insurance premiums incurred by the Landlords. The audit found that Insurance premiums have not been recharged to tenants for the past three years. A total of £33,531 was due to be recharged for 2016/17 with a total of £75,081 not charged since 2014. (Finding 5.2)

3.4 We can provide significant assurance over the recording of information relating to council properties and land owned. It was verified that council holdings apart from council houses are recorded on the Uniform system maintained by Asset Management with the information up to date. The non operational properties rented out by the council are extracted onto a spreadsheet and issued regularly to the Estate Surveyor, Asset Manager and Quality Officer along with a spreadsheet recording the full list of properties. Additional information relating to properties including leases and emails is held on Uniform.

3.5 The full property list from Uniform is sent to Corporate Accounting each year to provide cross checks with the Fixed Asset Register. The Asset Manager, Estate Officer, Development Manager also reviews the Fixed Asset Register along with the Technician and Assets Compliance Officer to identify any anomalies i.e. to ensure that disposals and additions have been updated on the Fixed Asset Register. The Estate Officer advises the Asset Manager and Corporate Accountancy when properties are sold in order that the property is removed from the Fixed Asset Register. He also sends a list of updates to property values such as when capital repairs programmes have increased the value of a property. It was found that all significant properties within the Fixed Asset Register were recorded in Uniform.

3.6 We can provide reasonable assurance that the Council's property portfolio is utilised to full effectiveness. The target of raising £1 million of capital receipts from selling surplus properties was achieved in 2015/16 with over £2 million income due to be generated during 2017/18 from sales of surplus property assets and development sites.

3.7 An exercise was carried out by Development and Environmental services over the past two years to withdraw leases on buildings being used by services for storage, in order that they become available for rental income. There are now only three units being used by services. Properties are marketed on ClacksWeb in addition to a Sale/Lease Board at the property, when it becomes vacant with only one office, 14 Bank Street being vacant for a substantial time i.e. since 2011. It is noted that the rates revaluation in 2017 and a corresponding change in legislation, will potentially result in additional rates expenditure for empty council buildings.

3.8 It was identified in the audit that there are at least ten council properties let to subsidised tenants on a zero rent. (Finding 5.3)

3.9 As a consequence of 3.8 above, we can only provide limited assurance that full market rent is being achieved from rental income from Council properties. In addition, rents are not regularly reviewed to reflect current market values. There is an action under the Making Clackmannanshire Better (MCB) initiative for 2016/17 to increase income by £15,000 through additional rental income from Council properties where full market rent is not currently being achieved.

3.10 In November / December 2015 Graham and Sibbald carried out a review of the Council's leased properties. They provided an opinion on the market rent compared to actual rent, the condition of the properties as well as identifying properties where disposal is an option. Their review identified that some rent values did not reflect the true and fair rental value. Of these the most significant rent, is £16,800 below market rent. This particular property was leased at a low with a lease in place until 2018. The reason given for the low rent was that it was a listed building and would have been expensive to repair. In addition, the Council own all properties in the area the property is located and aspire to keep open options for a medium to long term investment.

3.11 Other rents below market rent in the Graham and Sibbald review include four units in Castle Street. This is primarily due to the tenants being in these units for some time and no rent reviews being undertaken. Graham and Sibbald report that the units were originally constructed by Central Regional Council and are over forty years old. The report notes that only half the units are fully wind and watertight with major investment required over the next few years to retain the structural viability and safety of the units. The report states that it would be inequitable to expect tenants to meet major capital charges such as roof replacement or electrical rewiring and the Council only has a limited repairs budget. Graham and Sibbald note that the units would be a reasonable secondary investment. (Finding 5.4) It is noted that there was minimal differences for the rents charged for the other council properties within the Graham and Sibbald review.

3.12 During 2016-17 financial year the major implementation of the new finance system had led to a change in financial process and gaps emerging in information being provided to the Development Manager on rent arrears. Joint action between Accountancy and the Development Manager has led to the issue being identified and resolved. Rents charged to tenants by Revenues were agreed to the amount recorded on Uniform for a sample of rents.

3.13 A report was produced for this audit showing outstanding debt of just under £38,000 for commercial rent. This included a balance of £4,350 arrears for a small unit in Castle Street. The report of outstanding debt will now be regularly produced for the service by Accountancy Services.

3.14 Prospective tenants are vetted before being considered for a property. If a new tenant has no track record of running a business and it is a new venture they are referred for assistance to Economic Development. If an established business, then references including bank references are asked for. Tenant responsibilities are clearly defined under standard leases issued to them.

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

4.   RECOMMENDATIONS

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

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

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

Assurance	Definitions
Significant Assurance	There is an adequate and effective system of risk management, control and governance to address risks to the achievement of objectives. Some improvements in a few, relatively minor, areas may be required.
Reasonable Assurance	Business objectives are likely to be achieved. However, improvements are required to enhance the adequacy/ effectiveness of risk management, control and governance.
Limited Assurance	There is considerable risk that the system will fail to meet its objectives. Significant improvements are required to improve the adequacy and effectiveness of risk management, control and governance.
No Assurance	The systems for risk, control, and governance are ineffectively designed and operated. Objectives are not being achieved and the risk of serious error or abuse is unacceptable. Significant improvements are required.

The priorities relating to Internal Audit recommendations are defined as follows:

Priority 1 recommendations are significant matters relating to factors critical to the success of the organisation. The weakness may also give rise to material loss or error or seriously impact on the reputation of the organisation and require urgent attention.

Priority 2 recommendations relate to important issues and may also give rise to material financial loss or error.

Priority 3 recommendations are usually matters that can be corrected through line management action or improvements to the efficiency and effectiveness of controls.

Priority 4 recommendations these are recommendations that improve the efficiency and effectiveness of controls. The weaknesses highlighted do not affect the ability of the controls to meet their objectives in any significant way.

MANAGEMENT ACTION PLAN

Ref	Finding	Risk	Priority	Agreed Management Action	Responsible Officer	Target Date
5.1	The 2010-15 Property Asset Management Plan (PAMP) is out of date.	Lack of effective property asset management.	3	The PAMP 2010 – 2015 was due to be updated to 2016 – 2020 but delays including the school estates review and the recent changes to the Council Investment Strategy which feed into the PAMP has meant that the 2017 - 2020 PAMP will now be in place for 1 April 2017. Annual report on surplus and vacant properties in the interim.	Asset Manager	1 April 2017
5.2	Insurance premiums totalling £75,081 since 2014 have not been recharged to tenants for the past three years.	The council is incurring costs that are not being recouped.	2	The insurance charges will now be added to the rent invoices starting from April 2017.	Revenues Supervisor	1 April 2017
5.3	There are a number of properties let to tenants on a zero rent.	Loss of potential rental income. The MCB action to increase income by £15,000 in 2016/17 through additional rental income is unlikely to be achieved.	3	A report will be prepared for CMT identifying properties leased to community groups on a subsidised rent or no rent basis.	Development Services Manager	31 March 2017
5.4	Rents are not being reviewed.

In addition it has been identified that the rent charged for some units in Castle Street is below market rent with only half of the units fully wind and watertight. The Council only has a limited repairs budget with these units being a reasonable secondary investment. | Loss of potential rental income. The MCB action to increase income by £15,000 in 2016/17 through additional rental income is unlikely to be achieved. | 2 | Assets have commissioned a condition survey for all council properties. A cost benefit appraisal will be undertaken for all leased properties to identify any repairs required to optimise property retention as an investment or if properties would be better to market for sale. | Asset Manager / Development Services Manager | 31 March 2017 |

INTRODUCTION

This report details the findings of the Internal Audit review of the Integrated Joint Board (IJB) Corporate Governance arrangements which was carried out in collaboration with Stirling Council as per the IJBs agreed terms of reference. This report was approved by the IJB on 16 February and is presented to Clackmannanshire Audit and Finance Committee for information.

1. Executive Summary and Audit Opinion

Audit Opinion	Risks & Recommendations				
		Critical	High	Medium	Low	Advisory
Substantial Assurance	Risks identified	-	-	3	2	-
	Recommendations	-	-	4	3	-

The table above sets out the number and classification of risks identified in the course of our audit, as well as the number and importance of agreed improvement actions arising from those risks. It should be noted that there may be more than one agreed action in respect of any given risk and, where that is the case, the additional action(s) may not necessarily be of the same significance as the underlying risk itself.

Background

1.01   We performed a review of the Integration Joint Board's (IJB) Corporate Governance arrangements as part of the programme of work approved in the Annual Internal Audit Plan 2016/17.

1.02   The IJB and the Health and Social Care Partnership are governed by an Integration Scheme that has been subject to statutory approval under the Public Bodies (Joint Working) (Scotland) Act 2014, which requires Health Boards and Local Authorities to integrate planning for, and delivery of, certain adult health and social care services. The Integration Scheme is a legally binding agreement between the partners, describing what the parties will do to enable the IJB to meet its responsibilities.

1.03   IJB members are accountable to the public for the provision of quality services, for establishing the policy framework and for decisions taken at IJB meetings. Members are also responsible for making decisions about services and budgets.

1.04   This report addresses elements of the following Partnership priorities and risks:

National Health & Wellbeing Outcomes	**9. Resources are used effectively and efficiently** To deliver Best Value and ensure scarce resources are used effectively and efficiently in the provision of health and social care services
Strategic Risk Register	**HSC002 Leadership, Decision Making and Scrutiny [including effectiveness of governance arrangements and potential for adverse audits and inspections]** This risk relates to the establishment of effective governance structures and to implement them effectively. The potential

	effect is failure to: • comply with legislation; • deliver Strategic Plan outcomes; • satisfy audit and external inspection bodies; and, • avoid associated reputational damage.

Assurance Opinion

1.05   Generally, from the findings of our review, we can provide **substantial assurance** that the corporate governance arrangements are appropriate and are operating effectively. A definition of this assurance category is set out at Appendix 1 to this report.

1.06   Governance Policies and Procedures have been developed and approved and the roles and responsibilities of IJB members have been defined and meetings are taking place regularly. However, while there is evidence of performance and financial scrutiny, arrangements for those areas are still being developed to ensure they are more efficient, and more clearly linked to key priorities and the Strategic Plan.

Summary of findings

1.07   We did not identify any critical or high risk findings during our review. We have, however, identified 3 medium, and 2 low risk findings, and made recommendations to help strengthen the corporate governance arrangements.

1.08   The table below summarises our findings in respect of the specific risks addressed by our review (see Scope & Objectives in section 2 of this report).

	Risks	Findings
1	Governance policies and procedures, and related roles and responsibilities, are not clear and comprehensive.	We found that that appropriate key policies and procedures have been developed and approved, and are largely clear and comprehensive. We recognise that the IJB is still at an early stage of development, and noted that development and improvement has continued throughout 2016/17.
2	Monitoring reports in respect of the Strategic Plan fail to comply with the Performance Management Framework and do not provide a clear link between money spent, outputs and the outcomes delivered.	The process of providing a formal Performance Report to the IJB was implemented from the November 2016 meeting onward, in a format that is cognisant of the Outcomes and Indicators that are set-out in the Strategic Plan and the Performance Management Framework. The Performance Report is continuing to evolve, and a first Annual Performance Report, including specified information, must be published by 31 July 2017. We also note that, while monitoring and other reports were linked to the Strategic Plan, the nature of such links could be set out more clearly.
3	There is inadequate oversight of services commissioned from the partners.	While the IJB has had proper oversight of commissioning proposals, and the delivery of commissioned services is covered to an extent within the Performance Report, there is scope to further develop the reporting of services commissioned from within the Partnership and from third parties.
4	Monitoring reports are not timely or of appropriate quality.	We found that the monitoring reports produced were timely and of appropriate quality. We recommend that the suite of monitoring reports is extended to Locality Plans once those are in place.

	Risks	**Findings**
5	Monitoring reports are not subject to appropriate scrutiny and challenge.	The membership of the IJB is notably large, largely due to its unique nature, which could hinder effective governance. However, observation and review of minutes has provided evidence that proper scrutiny and challenge has occurred. The IJB should regularly review its structure, including membership levels. The IJB has taken initial steps to help ensure that members have the skills, training and confidence to provide effective scrutiny and challenge. The approved development recommendations for the period 2016 to 2018 should be subject to monitoring to ensure that they are properly taken forward.
6	Integration Joint Board decisions are not transparent and are not turned into action.	The agenda and minutes of the IJB, setting out decisions taken, are made public. The effect of those decisions can be seen in subsequent reports, publications and actions.

1.09   We have made recommendations to the Chief Officer and the Chief Finance Officer in respect of each of our findings. The Chief Officer and the Chief Finance Officer have accepted all of those recommendations without significant amendment.

Management response

1.10 The Chief Officer and Chief Finance Officer accept the findings of this report, and will work closely with the partners address the recommendations that have been made.

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Clackmannanshire Council
National Fraud Initiative 2016-17
Plan for Exercise

Roles and Responsibilities

Internal Audit and Fraud are responsible for co-ordinating the NFI exercise and reporting the progress of investigations to Audit Scotland. Internal Audit and Fraud will also liaise with services and provide guidance, where necessary.

Responsible Officers are responsible for the data extract and upload and for investigating data matches and forwarding comments and outcomes of investigations to Internal Audit on a timely basis.

There are two phases of the exercise with Phase 1 being data extract and upload and Phase 2 being investigation.

- **Responsible Officers** are reminded of their data protection, confidentiality and security obligations when handling data. Information provided to Local Authorities through the data matching process can be personal and/or sensitive and therefore covered by the Data Protection Act 1998.
- All contracts of employment state that all official information provided to employees in the course of their duties is confidential and must not be disclosed to third parties except as required by law or by express authority of Clackmannanshire Council. This is not just a contractual responsibility but also a requirement of the Data Protection Act 1998. To comply with this, Responsible Officers should ensure that all:
    - personal data is protected against unauthorised access or misuse;
    - paper records containing personal data are stored securely in a locked cabinet or cupboard;
    - electronic records containing personal data are controlled by limited access to designated individuals;
    - computers are password-protected when unattended;
    - documentation removed from the office when, for example, working from home, is treated in the same way as in the office;
    - documentation containing personal data is disposed of securely by shredding or placing in confidential waste sacks;
    - personal data is kept strictly confidential;
    - personal data is stored in a suitable location, e.g., fireproof, damp proof etc.; and
    - personal data is removed from all computers before disposal.

Managers are responsible for ensuring their staff receive appropriate and adequate data protection training and for making them aware of the requirements for confidentiality.

Phase 1 - Data Export and Upload

The data extracts will be exported by the responsible officers within the relevant services and are to be passed to ICT Development Officer, IT. Where appropriate test data can be exported in advance and passed to IT staff.

Required Data Sets	Responsible Officer
Payroll	Payroll Supervisor, Payroll Staff and HR System Officer
Current Tenants	Performance and Information Officer
Housing Waiting Lists	Performance and Information Officer
Tenants (right to buy)	Performance and Information Officer and House Sales Officer
Blue Badges	Technician, Roads and Transportation (this Data Set will be provided on a national basis by Northgate)
Residents' Parking	Technician, Roads and Transportation
Private Supported Care Home Residents	Business Support Team Leader supported by ICT Development Officer
Personal Budget Direct Payments	Business Support Team Leader supported by System Liaison and Project Coordinator
Trade Creditors payments history	Team Leader Accountancy
Trade Creditors standing data	Team Leader Accountancy
Taxi Drivers Licence Holders	Licensing Administrator
Marker Traders Licences	Licensing Administrator
Personal Licences for Supply of Alcohol	Licensing Administrator
Personal Injury Insurance Claims	Insurance Officer (Providers are to submit the insurance data in place of councils)
Council Tax Reduction Scheme	Revenues Controller

Note that other datasets will be provided by other organisations i.e. Housing Benefits data by the DWP and pensions by Falkirk Council.

Proposed Timetable for Phase 1

The dates given are the deadlines we are proposing.

	Action	Date	Date Completed
Phase 1- Proposed Timetable			
1.	Confirm list of Datasets ("DFU") by Internal Audit and Fraud	Friday, 26 August 2016	22 August 2016
2	Fair Processing Notice	Friday, 30 September 2016	22 August 2016
3.	Due date for data submission back to IT staff member	Friday, 16 September 2016	25 November 2016
4.	Completion of Fair Processing Compliance by Internal Audit and Fraud	Friday, 16 September 2016	22 August 2016
5.	Data passed to IT staff member for uploading	Friday, 30 September 2016	25 November 2016

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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		✅
Capital Project Management		2	2		✅
Cash Collection & Handling			5		🔴
			1		✅
Compliance with IT Security Standards			1		🔴
			4		✅
Consultancies and Agency Workers			1		🔴
			1		▶
		3	1		✅
Debt Recovery			9		🔴
Delegated Financial Approval Authority		1			▶
Fleet Management		1	4	1	🔴
Funding applications including European			1		🔴
		1			▶
General Ledger		2	1	1	✅
Housing Benefit & Council Tax Reduction			2		🔴
		1			✅
Housing Revenue Account		1			🔴
		1	3		▶
ICT Asset Management Plan & Contract Management		1	1		🔴
		5	1		▶
			1		✅

Audit Name	Finding Priority				Actions status
	1	2	3	4	
Income Collection & Cash Receipting			2		Red (not started)
Information Governance		3			In progress
	1	4	1		Complete
Insurance		2	2		In progress
iTrent Project Implementation		1			In progress
		1	2	1	Complete
JALG Decision Making			2		In progress
		2			Complete
Leisure Income			2		Red (not started)
			1		In progress
			2		Complete
Mobile Phone Usage			1		Red (not started)
		1			Warning
			3		Complete
Payroll & HR			1		Red (not started)
PPC action plan			1		Red (not started)
		1			In progress
		5	5		Complete
Progress of new Finance System Project		1		1	Complete
Resources & Governance Performance Management		1	3		In progress
Savings and Efficiencies - Overtime			1		In progress
		2	5		Complete
Social Media			1		In progress
			1		Red (not started)
Stock Control			9		Red (not started)
Travel and Subsistence		1			Red (not started)
		1	2	1	Complete
Treasury Management				1	Red (not started)