
CLACKMANNANSHIRE COUNCIL

Report To Resources And Audit Committee

Date Of Meeting: 02 May 2013

**Subject: Clackmannanshire Council Internal Audit and Fraud Strategies
2013-17 and Annual Plan 2013/14**

Report By: Internal Audit And Fraud Team Leader

1.0 Purpose

- 1.1. This report presents the Clackmannanshire Council Internal Audit and Fraud Strategies 2013-17 and the Annual Plan 2013/14 to Resources and Audit Committee.
- 1.2 This Council aims to minimise the incidence of fraud and corruption through the establishment of an effective fraud strategy that will provide a framework for "Fighting Fraud Locally, The Local Government Fraud Strategy" in line with the National Fraud Authority Strategy.
- Acknowledging and understanding fraud risks
 - Preventing and detecting more fraud
 - Being stronger in punishing fraud and recovering losses
- 1.3 The Council aims to deliver this framework through the following strategic objectives which reflect the National Fraud Authority Strategy "Fighting Fraud Together";
- Awareness: We will prevent more fraud by achieving a step change in awareness of fraud among Clackmannanshire Council employees, the general public and organisations in the private, public and voluntary sectors.
 - Prevention and Detection: We will prevent more fraud through stronger systems and controls.
 - Enforcement: We will strengthen our response to be tougher on fraudsters by disrupting and punishing them more efficiently and effectively.

2.0 Recommendations

The committee is requested to:

- 2.1. comment on, challenge and approve in principle the Internal Audit Strategy 2013-17 (Appendix A), The Fraud Strategy 2013-17 (Appendix B) and the Annual Internal Audit and Fraud Plan 2013/14 (Appendix C)
- 2.2. recommend to Council approval of the Internal Audit Strategy 2013-17, The Fraud Strategy 2013-17 and the Annual Internal Audit and Fraud Plan 2013/14.

3.0 Considerations

- 3.1. This report provides the Council with its first corporate Fraud Strategy and an updated Internal Audit Strategy. These strategies have been developed with consistent underpinning purpose and principles. Along with the Annual Plan, these strategies provide a significant contribution to the strengthening of the Council's governance arrangements.
- 3.2. In December 2011, following an options appraisal, the Council approved the restructure of the Internal Audit Team into an integrated Internal Audit and Fraud Team. The integrated in-house Internal Audit and Fraud Service now provides both the Council's Internal Audit and corporate and benefit fraud services. These arrangements provide the common platform from which to facilitate the transfer of skills within the team, offer personal development opportunities for team members and allow flexible working across the professional disciplines.

Internal Audit Strategy

- 3.3. Internal Audit provides independent, objective assurance and is designed to add value and improve an organisation's efficiency and effectiveness. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 3.4. The purpose of the Internal Audit Strategy is to put in place a strategic approach that will allow the Internal Audit and Fraud Team Leader to manage the Internal Audit and Fraud Team in a way that will facilitate:
 - The provision to the Council of an overall opinion each year, through periodic audit plans, on the organisation's risk management, control and governance, to support the preparation of the Annual Governance Statement and offer improvement opportunities with recommendations arising from internal audit work.
 - The identification of internal audit resources which are appropriate, sufficient and effectively deployed to achieve the approved plan.
 - Effective co-operation with external auditors and other review bodies functioning in the organisation.

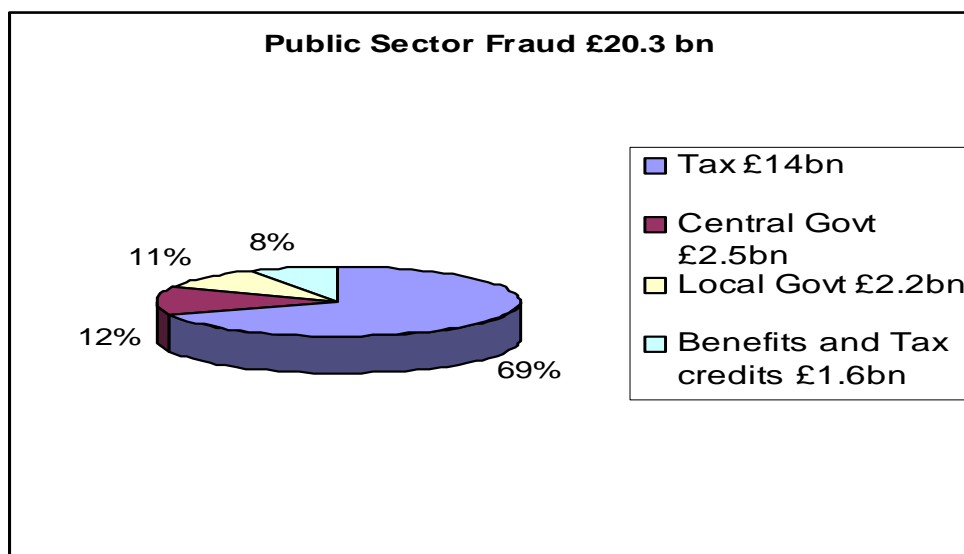
- 3.5. The Committee is asked to approve in principle the Internal Audit Strategy set out at Appendix A.

Fraud Strategy

- 3.6. Appendix B sets out the Council's first Corporate Fraud Strategy. The development of this Corporate Strategy aims to increase awareness and provide the strategic

framework for the effective prevention and detection of fraud, thereby enhancing the Council's overall governance arrangements.

- 3.7 The Annual Fraud Indicator published by the National Fraud Authority (NFA) estimated that in 2012 annual fraud loss will cost the UK economy £73 billion with £20.3 billion affecting the public sector. The majority of this relates to fraud against the system, however approximately £6 billion of this is estimated to be lost in areas such as payroll, procurement, grants and pensions.
- 3.8 A breakdown of the £20.3 billion fraud affecting public sector is provided below, with just over 10% being projected to affect local government:



- 3.9 The table below provides a breakdown of the £2.2 billion fraud affecting local government:

Fraud Type	Fraud Loss	%
Housing tenancy fraud	£900 million	41%
Procurement fraud	£890 million	40%
Payroll fraud	£153 million	7%
Council tax fraud	£131 million	6%
Blue badge scheme misuse	£46 million	2%
Grant fraud	£41 million	1.8%
Pension fraud	£ 6 million	0.2%
Other fraud	£ 33 million	2 %

- 3.10 There is an acknowledgement nationally of the role that local government can play in the prevention and detection of fraud and this approach is outlined by the National Fraud Authority within "Fighting Fraud Locally, The Local Government Fraud Strategy". The Strategy recognises the need for genuine partnership between local and central government with a joint strategic approach. This allows local government to use its local knowledge and partnership arrangements to prevent, identify and recover fraud, while central government can create the conditions for the necessary initiative to be undertaken locally. This strategy is supported by CIPFA, IRRV and external audit firms including Deloitte and Grant Thornton.
- 3.11 In November 2011 the Audit Commission published 'Protecting the Public Purse 2011; Fighting Fraud against Local Government'. This report acknowledged the work done by Councils in recent years to combat fraud. The report also acknowledged the Commission's view that fraud is likely to increase in coming years because of increased pressures on public resources and stated authorities could do more to tackle fraud effectively.

Internal Audit and Fraud Annual Plan

- 3.12 The Annual Internal Audit and Fraud Plan 2013/14 identifies the assurance and fraud work that will be completed during the financial year. This work will also form the basis of assurance on the Council's control environment and inform the Council's Annual Governance Statement (AGS) for 2013-14.
- 3.13 The Plan provides the Council with 178 weeks (890 days) of direct Internal Audit and Fraud time which is in line with assumptions made in redesigning the service.
- 3.14 A risk based approach has been used in preparing this plan which takes account of the significant corporate and service risks currently facing the Council. The main priorities, aims and objectives of the Council and its key partners, as set out in the Single Outcome Agreement (SOA) and the Corporate and Service plans, have been subject to risk assessment work. This work was carried out by Henderson Logie LLP between May and August 2012. To confirm areas assessed as 'critical' and 'high' risk, meetings were held with senior managers across the Council and the Convenor of the Resources and Audit Committee. The External Auditors were also consulted on the findings from their review of the control environment to date.
- 3.15 PSIAS Performance Standard 2130.A1 states that ' The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:
- Achievement of the organisation's strategic objectives;
 - Reliability and integrity of financial and operational information;
 - Effectiveness and efficiency of operations and programmes;
 - Safeguarding of assets; and
 - Compliance with laws, regulations, policies, procedures and contracts.
- 3.16 While the attached plan will go a long way to meeting the above requirement, the service will develop a suite of governance based tests that will be used within individual reviews to provide further insight to the control environment. It is envisaged that these tests will include elements such as

- reviewing a small number of financial transactions for accuracy and completeness,
 - confirming what SLAs or other agreements are in place,
 - sampling any locally agreed contracts for compliance with contract standing orders.
- 3.17 While each individual review will only provide a snapshot, over time a wider picture of control levels will be possible that will enhance overall assurance opinion.
- 3.18 As part of the process of creating this plan, areas of potential future work have been identified for the 2014/15 plan including introduction of the Social Housing Charter, further risk management developments and organisational development taking place within Property Contracts Unit. Opportunities for further joint working opportunities with Stirling Council will be explored to take forward education and social care assurance work. This will seek to maximise use of the resources available and avoid overburdening services through eliminating duplication.
- 3.19 Appendix C to this report sets out the Annual Internal Audit and Fraud Plan 2013/14.

4.0 Conclusion

- 4.1 The Internal Audit and Fraud Strategies and the Annual Plan aim to make a significant contribution to strengthening the Council's overall governance arrangements. The strategies provide the platform from which the combined Internal Audit and Fraud team will integrate delivery of the internal audit and fraud functions. The annual plan is ambitious however the utilisation and integration of skills available across the team along with the introduction of more effective risk based planning and electronic working papers will facilitate delivery of the plan.
- 4.2 Following approval in principle of the two Strategies and Annual Plan, approval will be sought from full Council on 16 May 2013.

5.0 Sustainability Implications

- 5.1 There are no sustainability implications.

6.0 Resource Implications

- 6.1 *Financial Details*
- 6.2 Not applicable

7.0 Exempt Reports

- 7.1 Is this report exempt? No ☒

8.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities**

- 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.

9.0 Equalities Impact

- 9.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations? Yes ☐ No ☒

10.0 Legality

- 10.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes ☒

11.0 Appendices

- 11.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix A - Clackmannanshire Council Internal Audit Strategy 2013-16.

Appendix B- Clackmannanshire Council Fraud Strategy 2013-16

Appendix C- Internal Audit and Fraud Annual Plan 2012/13

12.0 Background Papers

- 12.1 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 ☐

Public Sector Internal Audit Standards.

HM Treasury Good Practice Guide; Audit Strategy

The National Fraud Authority Strategy; "Fighting Fraud Locally The Local Government Fraud Strategy"

Author(s)

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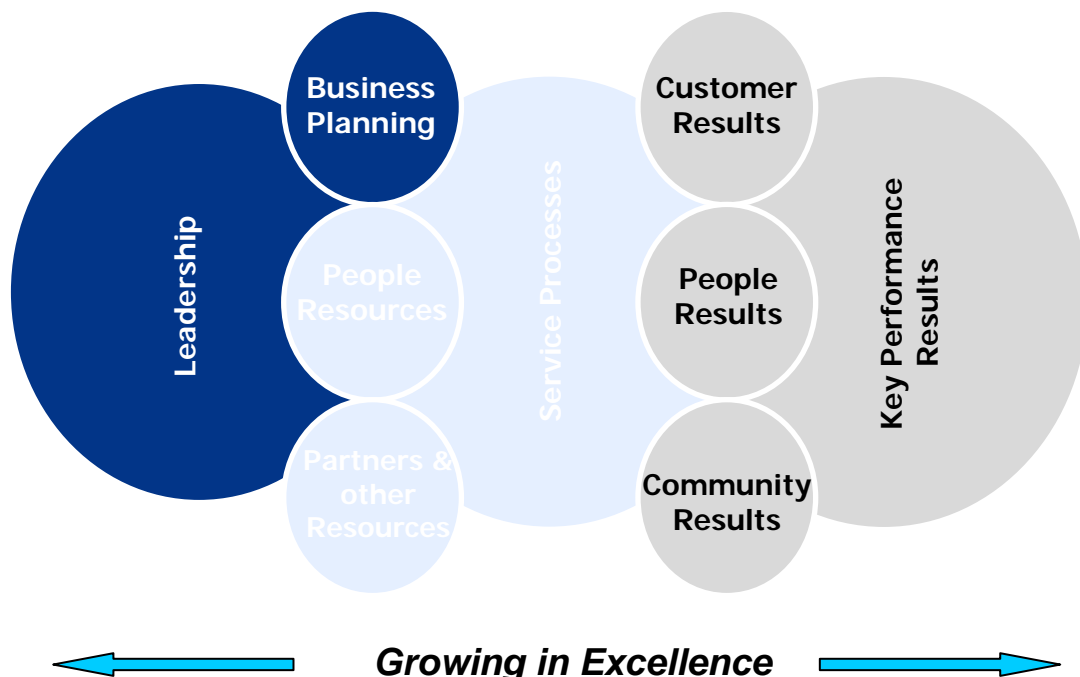
Approved by

NAME	DESIGNATION	SIGNATURE
Julie Burnett	Senior Support Services Manager	Signed: J Burnett
Nikki Bridle	Director Finance & Corporate Services	Signed: N Bridle

INTERNAL AUDIT STRATEGY

2013-2017

independent, objective assurance



Foreword and Executive Summary

Clackmannanshire Council is committed to broad and ambitious strategic objectives designed to facilitate the physical, social and economic regeneration of Clackmannanshire, and help reduce inequalities in the area. These ambitions are set out in the Single Outcome Agreement and the Council's Corporate Plan, "Taking Clackmannanshire Forward".

In order to achieve these objectives the Council must have a robust and effective governance framework in place to ensure that our values, people, systems, processes and resources are aligned to secure the best possible outcomes.

Our Governance Strategy identifies the key elements of good and effective governance within a local authority.

A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.

Within Clackmannanshire Council the Internal Audit Service is delivered by the Internal Audit and Fraud Team.

Introduction- What is 'Internal Audit'?

Internal Audit is an independent assurance function that provides an objective opinion to the Council on its control environment. It contributes to the proper, economic, efficient and effective use of the Council's resources by objectively examining and evaluating the adequacy of its risk management, control and governance processes and reporting on their effectiveness in achieving the Council's objectives.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has adopted the Public Sector Internal Audit Standards (PSIAS) from 1 April 2013 in respect of local government across the UK.

The objectives of the PSIAS are to:

- define the nature of internal auditing within the UK public sector
- set basic principles for carrying out internal audit in the UK public sector
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.

The PSIAS apply to all internal audit service providers and all internal audit assurance and consulting services fall within the scope of the Definition of Internal Auditing contained in the PSIAS.

The PSIAS defines Internal Audit as;

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'

The Strategy

Purpose

Clackmannanshire Council's Governance Strategy identifies the following elements of an effective and successful organisation;

- strong leadership and positive culture
- good relationships with stakeholders
- an effective risk management system and risk intelligence
- appropriate and effective internal control and external compliance
- sound strategic, financial and workforce planning,
- good resource and information management
- effective performance monitoring and culture of continuous improvement
- regular evaluation and review

This Internal Audit Strategy and the framework it provides aims to reflect all of these elements.

The purpose of the Internal Audit Strategy is to put in place a strategic framework which facilitates:

- The provision of an annual opinion on the organisation's risk management, control and governance, to support the preparation of the Annual Governance Statement.
- Review of the organisation's risk management, control and governance arrangements through proportionate, relevant and risk based audit plans.
- Improvement of the organisation's risk management, control and governance arrangements through timely and relevant recommendations for improvement.
- The identification of internal audit resources which are appropriate, sufficient and effectively deployed to achieve the approved plan.
- Effective co-operation with external auditors and other review bodies.

To achieve this purpose the Strategy will set out;

- The extent to which internal audit is able to rely on management's risk analysis (i.e. the process in which management have identified, evaluated and prioritised the risks facing the organisation)
- How, and to what extent, internal audit will seek to rely on other assurance work to develop the audit opinion
- The range of approaches which internal audit plans to deploy.
- The key ways in which internal audit will communicate the results of its work.
- The approach to training and continuing professional development of internal audit staff to ensure that they are suitably skilled to deliver the internal audit service.
- How internal audit will measure its performance, Quality Assure itself, and seek continuous improvement.

Internal Audit Reliance On Management's Risk Analysis

Management undertake regular review of corporate and service risks. It is therefore essential that the annual internal audit plan is based as far as possible on management's assessment of the risk priorities.

Therefore, where appropriate management analysis of risk is in place, Internal Audit will place reliance on this in the preparation of annual and assignment plans.

When a complete management analysis of risk is not in place, internal audit will first consider what help could be provided to facilitate development of an appropriate analysis and how this would help the internal audit process. In such circumstances it may be necessary for internal audit to develop its own analysis of risk to facilitate the preparation of plans.

An opinion on the completeness of management risk analysis will be arrived at through consideration of;

- The completeness of the risk identification process.
- The identification of criteria for the evaluation of risk in respect of both impact and likelihood.
- The application of these criteria to the identified risks.
- Prioritisation of risks and the identification of key risks.
- The relationship between organisational objectives and prioritised risks.
- Assignment of ownership of risks at an appropriate level which has authority to assign resources in responding to the risks.

Internal Audit Reliance On Other Assurance Work To Develop The Audit Opinion

It is not always necessary for Internal Audit to directly review processes in order to gain assurance about them. In developing the internal audit plans, internal audit will therefore consider;

- What other assurance processes are in place
- The relationship between the coverage of these processes and the risk priorities of the organisation.
- The way in which these processes can themselves be reviewed and quality assured, in order that internal audit can consider how the work of these assurance processes can contribute to the audit assurance

(without conduct of internal audit work which repeats actions already taken).

Particular effort will be made to identify ways in which there can be co-operation with external audit. Sharing of information between internal and external auditors can avoid duplication of effort and enhance knowledge of the whole of risk management, control and governance for both parties.

Approaches which Internal Audit plans to deploy

In order to provide an Annual Assurance Report that is soundly based, and to provide a constructive value adding service, a range of audit approaches will be used. These include;

- Risk Based Audit - focussing on the key business risks identified jointly between management and internal audit prior to the commencement of the review. The majority of the reviews carried out by internal audit will be undertaken on this basis
- Systems Audit - a comprehensive review of business systems and controls in which systems and risks are documented, and controls are identified, evaluated and tested.
- Compliance audits - Where there is pre-existing confidence that controls are well designed, but effective operation of the controls is a material issue, audits that test only for effective operation of controls can be appropriate.
- Systems Development Audit - Review of plans and designs for new systems and processes aimed at providing assurance on controls being designed into future systems and on the adequacy of the project/change process.
- Special Reviews - commissioned by management in response to specific concerns or circumstances.
- Consultancy Service - including commenting on draft procedural guidance and responding to management requests for advice on control issues.

Internal Audit will also liaise with colleagues in other Local Authorities and at groups such as the Scottish Local Authorities Chief Internal Auditor Group, with a view to developing and enhancing our approach. Close contact will also be maintained with relevant professional bodies, such as the Chartered Institute of Internal Auditors and CIPFA.

Key ways in which Internal Audit will communicate the results of its work.

Matters arising from each internal audit exercise will be reported to management at the conclusion of the assignment in the form of a draft internal

audit report. Each internal audit report will provide a statement on the level of assurance that can be provided on the systems of risk management, governance and control, as well as an action plan setting out specific internal audit recommendations. The report and completed action plan will form the final record of each internal audit, and the basis for subsequent follow-up work by internal audit to assess the extent to which agreed recommendations have been implemented.

An updated reporting protocol for communicating results of individual reviews and other internal audit work will be developed and implemented in 2013/14.

Reports will be provided to the Resource and Audit Committee in the following cycle;

- Quarterly Progress Reports. These will report progress against the relevant annual plan to 30 June, 30 September, 31 December and 31 March.
- Annual Report. This will provide members with detail on overall performance against the annual plan and will include the overall assurance opinion for the year.
- Annual Plan. This will set out the internal audit work for the year and will require to be approved by the Committee.

Resourcing, Training and Continuing Professional Development

In order to deliver an effective internal audit service, it is necessary for internal audit to be appropriately staffed in terms of numbers, grades, qualifications, training and experience. Staff are encouraged, after qualification, to undertake continuing professional development.

The Internal Audit and Fraud Team Leader is responsible for ensuring that staff receive training to meet the requirements of the service. This will include ensuring that training needs requirements are linked to personal and professional objectives identified through the Council's Performance Review and Development process.

Performance, Quality Assurance and Continuous Improvement

Internal audit is required to have due regard to the standards prescribed in the Public Sector Internal Audit Standards (PSIAS). Regular feedback from auditees on the conduct of internal audit assignments is obtained through customer satisfaction questionnaires, with appropriate action taken based on the results of this exercise.

Internally, a rigorous quality review process is operated with internal audit working papers and all main internal audit reports being subject to clearance

by the Internal Audit and Fraud Team Leader. Standard audit documentation is used, underpinned by our own Internal Audit Manual.

As part of the 2013/14 business planning process internal audit will undertake a review of KPIs to ensure that performance of the service can be appropriately monitored.

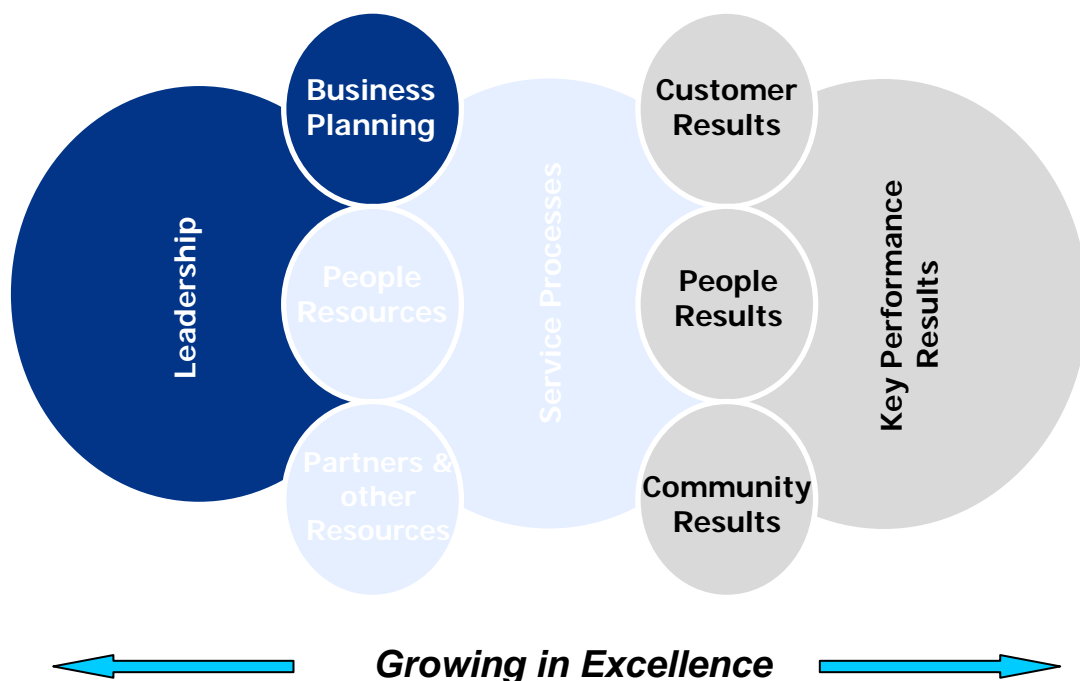
Internal audit work is also subject to external scrutiny by Audit Scotland through their sub contractor (currently Deloitte LLP).

Internal audit is regularly examining ways to improve the quality of internal audit services, for example, through continuing professional development and greater use of IT products including audit retrieval and analysis software, such as IDEA. We will continue to explore ways in which the efficiency and effectiveness of internal audit can be enhanced.

FRAUD STRATEGY

2013-2017

fighting fraud together-fighting fraud locally



Foreword and Executive Summary

Clackmannanshire Council is committed to broad and ambitious strategic objectives designed to facilitate the physical, social and economic regeneration of Clackmannanshire, and help reduce inequalities in the area. These ambitions are set out in the Single Outcome Agreement and the Council's Corporate Plan, "Taking Clackmannanshire Forward".

In order to achieve these objectives the Council must have a robust and effective governance framework in place to ensure that our values, people, systems, processes and resources are aligned to secure the best possible outcomes.

Our Governance Strategy identifies the key elements of good and effective governance within a local authority.

In line with good governance principals, Clackmannanshire Council has a responsibility for ensuring that the public finances that it administers are used efficiently, effectively and for the legitimate purposes for which they were intended. The Council recognises that it is vulnerable to fraud and corruption and given the current economic climate, it acknowledges that fraud and corruption continues to present an increasing risk to public funds.

The Council aim to minimise the incidence of fraud and corruption and is committed to the rigorous maintenance of an effective fraud strategy that will, in line with the National Fraud Authority Strategy "Fighting Fraud Locally, The Local Government Fraud Strategy", provide a framework for:

- Acknowledging and understanding fraud risks
- Preventing and detecting more fraud
- Being stronger in punishing fraud and recovering losses

We Aim to deliver this framework through the following strategic objectives which reflect the National Fraud Authority Strategy "Fighting Fraud Together";

- Awareness: We will prevent more fraud by achieving a step change in awareness of fraud among Clackmannanshire Council employees, the general public and organisations in the private, public and voluntary sectors.
- Prevention and Detection: We will prevent more fraud through stronger systems and controls.
- Enforcement: We will strengthen our response to be tougher on fraudsters by disrupting and punishing them more efficiently and effectively.

Introduction- Definition of 'Fraud'

There is no legal definition of Fraud in Scotland. Fraud can be described as “the obtaining of goods or services by falsehood or deceit and any attempts thereat”. Fraud can also include “the intentional distortion of financial or other records for illegal purposes and/or personal advantage or gain.”

In relation to Welfare Benefits, National Insurance contributions and Tax including Housing Benefit and Council Tax Benefit fraud is defined within Housing Benefit Regulations 1998 as “*knowingly obtaining benefit to which there is none, or lesser, entitlement*”.

The council regards corruption to include “*the offer or acceptance by any member or employee, or any member of an employee or members family, of a payment, favour or gift or inducement as a reward or an incentive for actions or inaction’s that are contrary to the proper conduct of their duties*”.

Clackmannanshire Council aims to provide excellent public service and needs to ensure propriety and accountability in all matters. The Council is determined to protect itself and the public from fraud and corruption and is committed to the rigorous maintenance of an effective fraud strategy that will provide a framework for:

- Acknowledging and understanding fraud risks
- Preventing and detecting more fraud
- Being stronger in punishing fraud and recovering losses

The Strategy

Clackmannanshire Council Governance Strategy identifies the following elements of an effective and successful organisation;

- strong leadership and positive culture
- good relationships with stakeholders
- an effective risk management system and risk intelligence
- appropriate and effective internal control and external compliance
- sound strategic, financial and workforce planning,
- good resource and information management
- effective performance monitoring and culture of continuous improvement
- regular evaluation and review

This Fraud Strategy and the framework it provides will reflect these elements.

Acknowledging and understanding fraud risks

Mechanisms are required to be in place internally and externally to detect and report fraud in relation to public funds. The mechanisms within the Council include the Audit and Fraud team, Whistleblowing Policy, Prosecution Policy, participation in the bi-annual NFI, staff, members and members of the public.

Committing support to tackling Fraud

Clackmannanshire Council is determined to ensure that our culture and tone of the organisation meet the expectations of the Committee on Standards of Public Life, and are committed to the seven Nolan Principles of objectivity, openness, leadership, accountability, honesty, selflessness and integrity. Clackmannanshire Council expects councillors and employees to lead by example in displaying their opposition to fraud and corruption. This is achieved by ensuring adherence to rules, regulations and policies as well as procedures and practices that are -as far as practicable- beyond reproach.

Internal Audit and Fraud Team, with support and commitment from senior management, will take the lead in promoting adherence to rules, regulations and policies and by providing training across the organisation.

Clackmannanshire Council requires all individuals and organisations with which it deals in any capacity, to behave toward the Council with integrity and without intent or actions that may involve fraud or corruption.

Assessing and understanding Fraud Risks

An effective fraud strategy needs to be informed by a good understanding of the fraud threat, emerging risks and the savings that can be made from investing in countering fraud. Clackmannanshire Council aims to take a risk based approach to fraud that enables it to manage risks more effectively and target resources more efficiently. Considering fraud risks should form part of any risk assessment programme whether organisational, service or project level.

Internal Audit and Fraud will develop a fraud risk register that will be monitored, reviewed and updated on a regular basis and used to inform corporate and service risk registers through established escalation processes.

Maintaining a robust Counter Fraud Response

The Council adopts a zero tolerance position when considering any financial malpractice, and expects any such practices to be investigated timeously and thoroughly. Any person, either individually or who in collusion with others, attempts to defraud the Council or who engages in corrupt practices, irrespective of their relationship to or with the council whether they be councillors, employees, suppliers, customers (including benefit claimants, tenants or unrelated third parties) are subject to this response.

All suspicions of impropriety must be reported to the Monitoring Officer and Internal Audit and Fraud Team and will be investigated. The Monitoring Officer and / or Internal Audit and Fraud Team Leader will ensure matters are reported to the Police, in line with section 5 of the Corporate Prosecutions Policy, if there are reasonable grounds for believing a criminal offence has been committed.

The Council's disciplinary procedures will be used in all cases where the outcome of investigation shows improper behaviour on the part of employees. This is entirely without prejudice to any criminal proceedings action the council may take. Where loss has been suffered through fraudulent activity, the Council will pursue the perpetrator for recovery, including taking legal action.

Preventing and detecting more fraud

The best way to tackle fraud is to prevent it occurring in the first place. Prevention mechanisms include the Council's Governance Strategy and Framework, Core governance policies and procedures including Contract Standing Orders, Financial regulations and Scheme of Delegation, internal arrangements and controls, deterrent initiatives such as the NFI and Single Person Discount reviews for Council Tax.

Making better use of Information and Technology

The Council's Scheme of Delegation, Standing Orders and Financial Regulations set out the framework for dealing with the affairs of the Council. Elected members and employees must comply with these provisions.

Thorough and accurate documentation is expected of all financial and operational systems. Every effort must be made to continually review and develop these systems in line with best practice to ensure efficient and effective internal controls and to deter fraudulent activity and detect error.

The adequacy of the Council's financial systems is independently monitored and assessed by External Audit as well as the control and operating systems by Internal Audit. Senior Management are committed to the continuous improvement of systems for which they are responsible through their own self-assessments and by positive response to audit / scrutiny recommendations.

The council may, from time to time, publish statistics about its fraud work. This may include for example, the number of people sanctioned because of fraudulent conduct committed by them. The council will not identify or comment on individual cases unless permitted to by law.

The NFI for 2012/13 has commenced with data being collated by services. Required data requires has been exported to Audit Scotland with matches expected to be available in January 2013. A new Data Matching Policy will be introduced by the Council which will cover NFI activity. This policy will also provide the basis for internal data matches to be undertaken on a regular basis.

Developing a more effective anti-fraud culture

Clackmannanshire Council requires all individuals and organisations with which it deals in any capacity, to behave toward the Council with integrity and without intent or actions that may involve fraud or corruption. Everyone has a role to play in preventing and detecting fraud. Elevating the profile of the impact of fraud through awareness and training sessions is a key part of achieving prevention, detection and recovery. This is being led by the Internal Audit and Fraud Team.

Council Employees are required to follow the Code of Conduct for Council Employees and are expected to comply with any Code of Conduct related to both their individual professional body and those of the Council.

Employees and members of the public are our most important elements in the stance against fraud and corruption and as such are positively encouraged to raise any concerns they may have on these issues which impact on Council activities. Employees can do this by using the Council's Whistleblowing Guidelines and members of the public through our formal complaints Procedures. In respect of Whistleblowing, a local code has been introduced to supplement the National Code for Councils.

Training and guidance are critical to maintain the overall effectiveness of the Fraud Strategy. The Council supports induction and work related anti-fraud and corruption training, particularly for employees involved in internal control systems and areas where fraud is regarded as high risk (e.g. Finance). This ensures employees responsibilities and duties are highlighted and reinforced and that best practice is followed across all Council Services. Managers have

responsibility for ensuring their employees are made aware of procedural guidance and that failure to comply with it may render them liable to action under the Council's disciplinary policy and procedures.

Enhancing fraud controls and processes

The Council will seek to continually improve internal controls to enhance fraud prevention and detection processes and procedures. This will be supported by the Internal Audit and Fraud Team.

Being stronger in sanctioning fraud and recovering losses

Enforcement covers the investigation, sanction and recovery of assets and funds. Sanctioning fraudsters acts as a powerful deterrent.

Prioritising fraud recovery and the use of civil sanctions

Where appropriate Clackmannanshire Council will pursue recovery of assets and funds acquired through fraud through the use of civil litigation and the Proceeds of Crime Act.

Developing capability and capacity to sanction fraudsters

Clackmannanshire Council has an in-house capability for investigating and prosecuting fraud. Trained staff with the necessary skills and access to specialist resources adhering to a professional code are in place. As part of the restructure approved by Council in December 2011 the Fraud team has integrating with the Internal Audit team, to create the Audit and Fraud Team. The benefits investigation work will continue within the new integrated corporate team, ensuring the Council continues to achieve its objectives in relation to fraud detection and recovery.

The Council will also continue to develop a collaborative approach with other local authorities, predominantly Stirling and Falkirk, and with other agencies such as Police Scotland, DWP and HMRC.

For cases investigated that are the subject of some form of sanction, and as a proportion of the fraud referrals received, Clackmannanshire has one of the highest performance rates in Scotland. It consistently appears into the top quartile for performance.

In 2010 the UK government announced that as part of their Welfare Reform policy, it was their intention to create a UK wide 'Single Fraud Investigation Service' (SFIS). The SFIS would see a consolidation of local authority, DWP, HMRC and other civil service government department staff into a unified team covering the whole of the UK. The current proposal for the SFIS, is that local authority fraud staff will remain employed with the local authority, with their workload being coordinated by the central SFIS. It is not expected that the integration, objectives and service delivery of the Audit and Fraud team will be detrimentally affected by the proposed centralisation of fraud investigation to the SFIS.

Audit Area	Service	Weeks	Risk	Quarter	Scope
Corporate Governance Arrangements					
Annual Assurance Report	Corporate	8	H	Q4	This includes preparing an annual report for the Committee and input into the Annual Governance Statement (AGS) assurance process for the 2013-14 accounts. If requested this will include reviewing end year accounts working papers.
Corporate Arrangements					
Information Governance- Document Management.	Corporate and Governance	5	H	Q1	To review controls in place to ensure that Clackmannanshire Council meets requirements of the Public Records (Scotland) Act 2011.
Business Continuity Planning (BCP) & Disaster Recovery (DR)	Corporate and Emergency Planning Unit	5	M	Q2	This review will examine the newly updated BCPs and the results of DR testing carried out to ensure these plans are robust and meet requirements of the Civil Contingencies Act (2004).
Welfare Reform	Corporate	6	M	Q3	To review management of risks relating to introduction of Welfare Reforms including potential funding gaps, and impact on staff and customers.
Procurement	Corporate & Services to Communities- Facilities Management	6	H	Q3	This will review the revised strategy, policies and procedures for procurement at a corporate level to ensure that they are up to date and fit for purpose. It will also seek to review procurement procedures within Facilities Management to ensure that contract standing orders are being complied with.
Corporate and Public Performance Reporting	Corporate & Customer Services	6	M	Q3	This will review the overall corporate planning and public reporting arrangements and cycle to ensure that all plans are fully aligned, integrated and cascaded down to

Audit Area	Service	Weeks	Risk	Quarter	Scope
					operational level. Annual Performance reports, including SPIs, accurately measure and report Council's performance to all stakeholders, including to the public in a meaningful way.
Shared Services- jointly managed Services with Stirling Council	Corporate	6	H	Q4	This will look at the corporate governance arrangements in place for the effective delivery of the jointly managed services.
Service Audits					
Adult Care- Commissioning of Care and Corporate Appointees	Social Services	4	M	Q1	This review will consider arrangements in place for commissioning of adult care services including service monitoring and invoice verification. The review will also consider arrangements in place for appointment of council- either voluntarily or by court- to manage finances for at risk clients.
Funding applications including European Funds	Services To community- Economic Development	6	M	Q2	To consider governance and reporting arrangements around external funding applications, including EU funding, made by Clackmannanshire Council.
Schools PPP/PFI Contract Monitoring	Services to Communities- FM	6	H	Q2	This review will examine the contract monitoring arrangements in place over the Schools PPP/PFI agreement.
Roads Management- Road Costing System.	Services to Communities - Roads & Transportation	6	H	Q2	To review road costing system to consider whether it is fit for purpose and appropriately contributes to the management & maintenance of public roads.
ICT Asset Management Plan	ICT Service	5	H	Q3	To review progress of and reporting on the implementation plan for the ICT Asset Management

Audit Area	Service	Weeks	Risk	Quarter	Scope
Plan.					
Devolved School Management	Education	6	H	Q4	This review will look at how well the devolved budgets are set and managed, including the monitoring and reporting arrangements and compliance with the council's carry forward rules.
Financial Systems & Procedures					
Payroll and HR	Corporate & Revenues & Payments	6	H	Q1	To review the transfer of information to new integrated payroll and human resources system to ensure that information is accurate and complete.
Fixed Asset Register	Corporate Finance & Services to Communities- FM	5	H	Q2	This will review the information held on the Council's property assets within the systems used by the service and confirm that it agrees with the information currently held on the Finance Fixed Asset Register (Excel s/s) before Finance transfer onto the new system in 2013/14.
Council Tax	Corporate Services- Revenues	4	M	Q4	This review will seek to confirm that the expected key controls for the Council Tax system are in place and operating effectively.
VFM					
ALEOs	Corporate and across selected services	1	M	Q3	This review will seek to provide assurance that issues raised in the 2013/14 audit are being appropriately addressed and that subsequent monitoring requirements put in place by Council are being adhered to.
Review of Savings and Efficiencies	Corporate and across a selection of	4	M	Q4	To review whether improvement plans across the organisation are being managed and monitored in

Audit Area	Service	Weeks	Risk	Quarter	Scope
	services				compliance with corporate processes and that savings delivery performance is being adequately monitored and reported.
Contingency					
Contingency	Various	6	-	Q1 to 4	Contingency time to undertake reactive and audit advice work. Commissioned by management in response to specific concerns or circumstances.
Corporate Fraud					
Fraud Detection	Audit and Fraud	54	H	Q1 to 4	This involves fraud detection measures including corporate and benefit specific investigations and application of appropriate sanctions.
National Fraud initiative	All Services submitting data	6	H	Q1 to Q2	The Audit and Fraud Team will lead on this national initiative, it will review progress with investigating data matches and prepare a final report on the outcomes for the committee and Audit Scotland.
Data Matching	All Services	4	M	Q1 to 4	Undertaking of data matching and investigation of matches, per Data Matching Policy
Fraud Awareness and Training	Corporate and all services	5	H	Q3	Develop a fraud training package and deliver it across the services for managers and Team Leaders.
Other					
Follow Up		4	-	Quarterly	This will follow up the progress of recommendations from previous reports.
Joint Board					

Audit Area	Service	Weeks	Risk	Quarter	Scope
Annual Assurance Report	Valuation Joint Board	2	H	Q4	This includes preparing an annual report for the Committee and input into the Annual Governance Statement (AGS) assurance process for the 2013-14 accounts.
Valuation List- Domestic Properties	Valuation Joint Board	2	M	Q4	This will review the adequacy and effectiveness of the controls and procedures to ensure that the records relating to domestic properties are up to date and accurate, valuations and appeals are dealt with appropriately and timeously, and appropriate controls are in place over entries and amendments made to the Valuation List.
Total Time Allocated to Annual Plan		178			

