Meeting of the Audit & Finance Committee

Thursday 24 May 2018 at 9.30 am

Venue: Council Chamber, Kilncraigs, Greenside Street, Alloa, FK10 1EB

Date	Time

AUDIT AND FINANCE COMMITTEE

The remit of the Audit and Finance Committee is:

a) To receive, review and consider reports on the Council's finance

b) To receive, review and consider reports on value for money and best value

c) To consider the Council's Annual Governance Statement

d) To consider internal audit reports and results of internal audit investigations

e) To consider external audit and resultant action plans

f) To monitor and review actions taken on internal and external audit recommendations

g) To approve the corporate risk strategy and risk management procedures

h) To receive and consider reports on countering fraud and corruption

To meet every 2 months on the third Thursday.

16 May 2018

A MEETING of the AUDIT AND FINANCE COMMITTEE will be held within the Council Chamber, Kilncraigs, Greenside Street, Alloa, FK10 1EB on THURSDAY 24 MAY 2018 at 9.30 am.

STEPHEN COULTER
Head of Resources and Governance

B U S I N E S S

Page No.

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(Tel 01259 452004/452006) (email customerserivce@clacks.gov.uk) (www.clacks.gov.uk)

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Audit & Finance Committee – Committee Members (Membership 8 – Quorum 4)

Councillors   ## Wards

Councillor	Phil Fairlie (Chair)	3	Clackmannanshire Central	SNP
Councillor	Les Sharp (Vice Chair)	1	Clackmannanshire West	SNP
Councillor	Darren Lee	1	Clackmannanshire West	CONS
Councillor	Dave Clark	2	Clackmannanshire North	LAB
Councillor	Derek Stewart	3	Clackmannanshire Central	LAB
Councillor	Mike Watson	3	Clackmannanshire Central	CONS
Councillor	Kenneth Earle	4	Clackmannanshire South	LAB
(Vacancy)				

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MINUTES OF MEETING of the AUDIT AND FINANCE COMMITTEE held within the Council Chamber, Kilncraigs, Greenside Street, ALLOA, FK10 1EB, on THURSDAY 15 MARCH 2018 at 9.30 am.

PRESENT

Councillor Phil Fairlie, Chair
Councillor Les Sharp, Vice Chair
Councillor Dave Clark
Councillor Kenneth Earle
Councillor Darren Lee
Councillor Derek Stewart
Councillor Bill Mason *(S)*
Councillor Helen Lewis *(S)*

IN ATTENDANCE

Nikki Bridle, Depute Chief Executive
Garry Dallas, Executive Director
Stephen Coulter, Head of Resources and Governance
Stuart Crickmar, Head of Strategy and Customer Services
Celia Gray, Head of Social Services
Michael Boyle, Improving Outcomes Business Manager, Education Service
Gordon O'Connor, Internal Audit Manager
Lindsay Sim, Chief Accountant
Lindsay Thomson, Service Manager, Legal & Democracy (Clerk to the Committee)
Margaret Summers, Committee Services Officer

Tom Reid, Senior Audit Manager, Audit Scotland (Item 04)

AF(18)53   APOLOGIES

Apologies for absence were received from Councillor Mike Watson. Councillor Bill Mason attended as substitute for Councillor Watson.

Councillor Helen Lewis attended as substitute for the vacant SNP position on the Audit and Finance Committee.

AF(18)54   DECLARATIONS OF INTEREST

None.

AF(18)55   MINUTES OF MEETING: AUDIT & FINANCE COMMITTEE 18 JANUARY 2018

The minutes of the meeting of the Audit and Finance Committee held on 18 January 2018 were submitted for approval.

Moved by Councillor Kenneth Earle. Seconded by Councillor Les Sharp.

Decision

The minutes of the meeting of the Audit and Finance Committee held on 18 January 2018 were agreed as a correct record and signed by the Chair.

AF(18)56   EXTERNAL AUDIT PLANNING REPORT 2017/18

A report which attached the external audit planning report 2017/18 as Appendix A was submitted by the Depute Chief Executive. The external audit planning report set out the planned audit activity in respect of the audit of the financial year 2017/18 and the activity in relation to the risks and planned audit work and the scope and timing of the audit for 2017/18.

The Committee heard from Tom Reid, Senior Audit Manager, Audit Scotland, and had opportunity to put questions to Mr Reid.

Motion

That Committee notes the proposed external audit plan for the 2017/18 financial year.

Moved by Councillor Phil Fairlie. Seconded by Councillor Les Sharp.

Decision

The Committee agreed to note the proposed external audit plan for the 2017/18 financial year.

AF(18)57   INTERNAL AUDIT PROGRESS REPORT 2017/18

A report which provided the Committee with an update on progress with completing the 2017/18 Internal Audit Plan was submitted by the Internal Audit Manager. The Plan was agreed by the Audit and Finance Committee on 16 March 2017 and set out sixteen assignments to be completed by the team during the year.

Motion

That Committee notes the progress being made with completing the 2017/18 Internal Audit Plan.

Moved by Councillor Les Sharp. Seconded by Councillor Kenneth Earle.

Decision

The Committee agreed to note the progress being made with completing the 2017/18 Internal Audit Plan.

AF(18)58   INTERNAL AUDIT PLAN 2018/19

A report which presented the Committee with an Internal Audit Plan for 2018/19 was submitted by the Internal Audit Manager. The Public Sector Internal Audit Standards 2017 (PSIAS) requires the Internal Audit Manager to prepare a risk based Internal Audit Plan setting out the section's annual work programme.

Motion

That Committee agrees the recommendations set out in the report.

Moved by Councillor Phil Fairlie   Seconded by Councillor Dave Clark.

Decision

The Committee agreed to :

- Note the resources available to Internal Audit within the context of the joint working agreement with Falkirk Council.

- Approve the planned Internal Audit coverage for 2018/19, and

- Note that progress will be reported to the Audit and Finance Committee on an ongoing basis.

Action
Internal Audit Manager

AF(18)59   COUNCIL FINANCIAL PERFORMANCE 2017/18 – DECEMBER OUTTURN

A report which provided the Committee with an update on the financial performance of the Council in respect of both revenue and capital spend for the current financial year 2017/18 was submitted by the Chief Accountant.

Motion

That Committee agrees the recommendations set out in the report.

Moved by Councillor Les Sharp. Seconded by Councillor Bill Mason.

Decision

The Committee agreed to note:

(i)   The forecast General Fund revenue underspend for the year of (£0.661m).

(ii)   Progress on delivering planned savings in the year.

(iii)   The favourable forecast outturn of £0.656m on the Housing Revenue Account.

(iv)   The underspend in General Services capital of £5.713m of which £2.102m is grant income received earlier than anticipated and £3.589m is proposed to be carried forward to 2018/19.

(v)   The forecasted underspend on HRA capital of £4.139m of which £0.447m is additional income from house and land sales. £0.051m of the underspend is proposed to be carried forward with the balance been taken as an underspend within the year.

Ends 1025hrs.

CLACKMANNANSHIRE COUNCIL

Report to Audit & Finance Committee

Date of Meeting: 24 May 2018

Subject: External Audit: Management Report 2017/18

Report by: Chief Executive (Acting)

1.0 Purpose

1.1 The purpose of the attached External Audit Management Report (Appendix A) is to summarise the key issues identified during the interim audit work. The findings from this work will influence the approach to the audit activity in respect of the audit of the financial year 2017/18

2.0 Recommendations

It is recommended that the Committee.

2.1. Discusses and notes the key issues identified in the report.

3.0 Considerations

3.1 As per the External Audit Annual Audit Plan submitted to this Committee in March 2018, this draft Management Report sets out the findings of their interim work. This work focuses on testing of key controls to gain assurance over the processes and systems used in preparing the annual accounts. This will then determine the activity of the audit.

3.2 Due to the statutory basis of the work of the external auditor, all external audit activity undertaken against the annual audit plan is formally reported to Committee.

4.0 Conclusions

4.1 The attached report sets out details of the interim work on key systems controls testing and identifies areas of activity for the 2017/18 audit.

5.0 Sustainability Implications

5.1 N/A

6.0   Resource Implications

6.1   Financial Details - there are no implications for the Council's budgets arising from this report

6.2   Staffing - there are no implications for the Council's establishment arising from this report

7.0   Exempt Reports

7.1   Is this report exempt?   Yes ☐ (please detail the reasons for exemption below)   No ☑

8.0   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)

N/A

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? N/A

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".

External Audit Management Report 2017/18.

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)
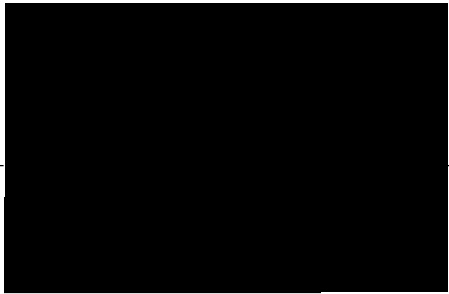
Yes ☑ (please list the documents below)

CIPFA Audit Committee Principles in Local Authorities in Scotland

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Nikki Bridle	Chief Executive (Acting)	2030

Approved by

NAME	DESIGNATION	SIGNATURE
Stephen Coulter	Head of Resources & Governance	███████████
Nikki Bridle	Chief Executive (Acting)	███████████

Clackmannanshire Council

Management Report 2017/18

AUDIT SCOTLAND

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.

- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.

- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non – executive board chair, and two non – executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.
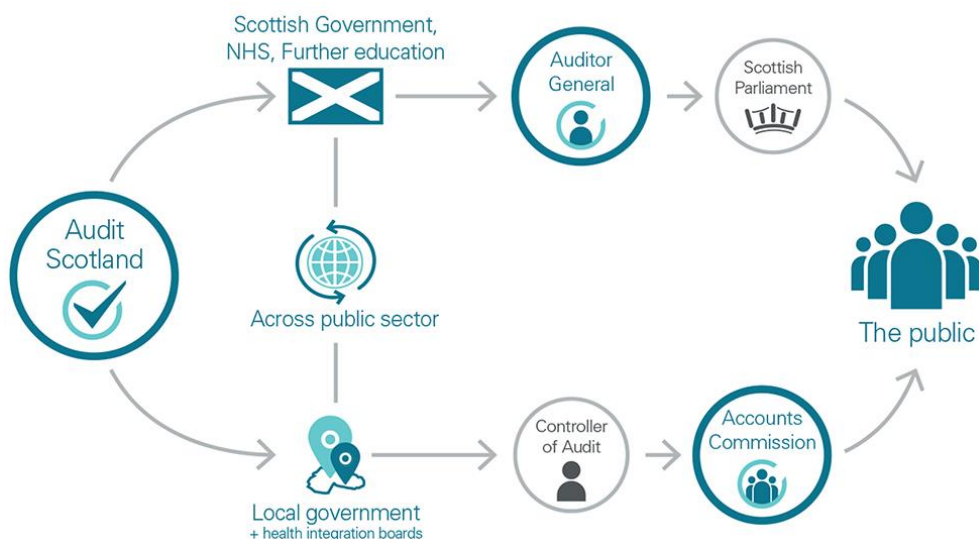
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Our vision is to be a world – class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money

- reporting our findings and conclusions in public

- identifying risks, making clear and relevant recommendations.

Contents

Audit findings

Introduction

1. This report contains a summary of the key issues identified during the interim audit work carried out at Clackmannanshire Council (the council). This work included testing of key controls within financial systems to gain assurance over the processes and systems used in preparing the annual accounts. We will consider the results of this testing when determining our approach to the audit of the 2017/18 annual accounts.

2. Our responsibilities under the *Code of Audit Practice* require us to assess the system of internal control put in place by management. We seek to gain assurance that the audited body:

- has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements

- has systems of internal control which provide an adequate means of preventing and detecting error, fraud or corruption

- complies with established policies, procedures, laws and regulations.

Conclusion

3. We identified some control weaknesses as summarised in Exhibit 1 overleaf. We will carry out additional work in response to these findings to gain the assurance we require for our audit of the council's 2017/18 annual accounts.

Work summary

4. Our 2017/18 testing covered key controls in a number of areas including:

- bank reconciliations

- authorisation of journals

- change of supplier bank details

- IT access controls

- feeder systems

- prevention and detection of fraud.

5. In accordance with ISA 330: the auditor's response to assessed risk, our audit judgements are based on current year testing of controls and where appropriate prior year results. Our risk based audit approach allows us to take a three-year cyclical approach to controls testing. This approach enables us to place reliance on previous years' audit work where controls remain unchanged and no significant weaknesses had been identified. Also, where possible we place reliance on the work of internal audit to avoid duplication of effort.

6. We have placed reliance on internal audit's review of controls in the council's payroll system. Internal audit reported limited assurance in the controls over the processing, checking and authorising of payroll related changes. This includes the verification process and storage of records for new starts, leavers and changes.

We are reviewing our planned approach to the financial statements audit to take account of these weaknesses.

7. At the time of reporting we had not received all the information required to complete our programme of interim testing. We will carry out further testing and report any significant matters in our Annual Audit Report.

8. 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.

Risks identified

9. The key control risks identified during the interim audit are detailed in Exhibit 1. These findings will inform our approach to the financial statements audit where relevant.

10. Any weaknesses identified represent those that have come to our attention during the course of normal audit work and therefore are not necessarily all the weaknesses that may exist. It is the responsibility of management to decide on the extent of the internal control system appropriate to the council.

Follow-up work

11. We followed up the council's progress in addressing the recommendations of our 2016/17 management report. Three of these recommendations are now complete and one is partially complete. Progress on the outstanding issue is detailed in Exhibit 1.

Exhibit 1
Key findings and action plan 2017/18

Issue identified	Management response	Responsible officer and target date
Audit findings		
Changes to supplier bank details		
Finance staff are aware of the importance of ensuring changes to a supplier's bank details are genuine. Staff verify requests for changes in bank details by contacting the supplier by telephone using the number already held by council. Officers do not however retain any evidence that this check has been carried out. **Without evidence supporting changes to supplier bank details officers cannot be sure that the proper process has been followed.**	Staff now record a note of the verification against the supplier file in the system and attach a back up of the new details received.	April 2018 Corporate Accounting Team Leader
Housing rents reconciliations		
The housing rents system has not been regularly reconciled to the financial ledger during the 2017/18 financial year. The housing rents system has also not been reconciled to the fixed asset register since the last council house revaluation in 2014/15. **The purpose of regular accounting reconciliations is to identify errors or unknown items close to the time they occur. A delay in performing reconciliations leads to a risk that potential frauds or errors are not identified timeously or investigated effectively.**	Reconciliations have been carried out up to January 2018. Reconciling differences are being investigated. Full year reconciliations will be completed and available for audit. Fixed Assets – there is an annual high level reconciliation to reflect sales and purchases in the year. Full detailed reconciliations are undertaken in the 5 yearly valuation.	June 2018 Management Accounting Team Leader June 2019 Chief Accountant
Prior year issues		
Financial management		
In our 2016/17 interim audit report we reported that several documents which set out the council's financial management and governance arrangements are out of date and contain references to previous structures and roles. These are: • Financial Regulations (last updated 2008) • Scheme of Delegation (last reviewed 2014) • Corporate Debt Write-off Policy (last reviewed 2012).	Revised Financial Regulations were approved by Council in April 2018. Plans are in place to review the Scheme of Delegation in line with the new Council Structure approved in the 2018/19 Budget Paper. A full refresh of the Policy will be submitted to June Council.	April 2018 Head of Resources & Governance March 2019 Chief Executive June 2018 Revenues Manager

Issue identified	Management response	Responsible officer and target date
Update: Updated financial regulations were submitted to the council in April 2018. The other documents have not been updated. **There is a risk that differences between written procedures and actual processes and structures leads to key controls not being complied with.**		

Source: Audit Scotland

12. All our outputs and any matters of public interest will be published on our website: www.audit-scotland.gov.uk.

Clackmannanshire Council Management Report 2017/18

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CLACKMANNANSHIRE COUNCIL

Report to: Audit and Finance Committee

Date of Meeting: 24 May 2018

Subject: Clackmannanshire Local Scrutiny Plan 2018/19

Report by: Chief Executive (Acting)

1.0 Purpose

1.1 The purpose of this report is to advise Committee of the publication by Audit Scotland of the Clackmannanshire Council Local Scrutiny Plan for 2018/19 and to summarise the key areas of scrutiny activity.

2.0 Recommendations

2.1 It is recommended that the Committee notes:

    a)   the recent publication by Audit Scotland of the 2018/19 Local Scrutiny Plan for Clackmannanshire; and

    b)   the intended planned scrutiny activity in 2018/19.

3.0 Background

3.1 The Local Scrutiny Plan (attached as the Appendix to this report) sets out the planned scrutiny activity in Clackmannanshire Council in this financial year. The Plan is based on a shared risk assessment undertaken by the local area network (LAN) which comprises representatives of all the scrutiny bodies who engage with the council.

3.2 The Local Scrutiny Plan does not identify or address all risks in the council. It covers only those risk areas which the LAN has identified as requiring scrutiny, or where scrutiny is planned as part of a national programme.

3.3 Appendix A to the report details the areas of Scrutiny Activity the Scrutiny Body undertaking the work and the expected timeframe.

4.0 Sustainability Implications - N/A

5.0 Resource Implications - N/A

6.0 Exempt Reports

6.1   Is this report exempt?   No

7.0   Declarations

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

(1)   **Our Priorities**

The Council is effective, efficient and recognised for excellence

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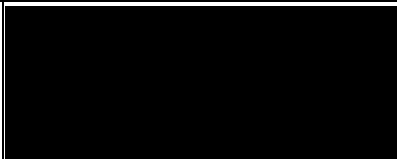
9.1   It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

10.0   Appendices

10.1   Clackmannanshire Council Local Scrutiny Plan 2018-19

11.0   Background Papers

Author(s):

NAME	DESIGNATION	SIGNATURE
Nikki Bridle	Chief Executive (Acting)	███████████

Clackmannanshire Council

Local Scrutiny Plan 2018/19

April 2018

Clackmannanshire Council

Local Scrutiny Plan – April 2018 to March 2019

Introduction

1. This local scrutiny plan sets out any scrutiny risks identified by the local area network (LAN), proposed scrutiny responses and expected scrutiny activity for Clackmannanshire Council during the financial year 2018/19.

2. The scrutiny risks and responses are based on a shared risk assessment undertaken by a LAN, comprising representatives of all the scrutiny bodies who engage with the council. The shared risk assessment process draws on a range of evidence with the aim of determining any scrutiny risks in the council.

3. Expected scrutiny activity across all councils in Scotland informs the National Scrutiny Plan for 2018/19, which is available on the Audit Scotland website.

Scrutiny risks

4. **Best Value**: Last year's scrutiny plan reported that a Best Value Assurance Report would be considered by the Accounts Commission early in 2018. The report, which was published in January 2018, identified weaknesses in areas such as financial sustainability and performance. The council's financial position continues to be of concern and although the council agreed a balanced budget for 2018/19 there are funding gaps for future years.

5. **Sickness absence**: The council continues to have high levels of sickness absence. The rate for non teachers in 2016/17 was 16.5 days per WTE and for teachers it was 9.8 days per WTE. These were the highest of any local authority in Scotland.

6. **Education**: Clackmannanshire's education service team has built on previous plans set up under the shared service with Stirling Council over 2016 to 2017. Improving educational attainment remains a challenge for the council although there are some signs of improvement.

7. Clackmannanshire is one of nine Attainment Challenge Authorities and is receiving a share of the £750 million of total funding support. Education Scotland is carrying out audits of Attainment Challenge Authorities authorities during 2018/19.

8. Schools in Clackmannanshire Council have Pupil Equity Funding plans in place and are being progressed. Education Scotland will continue to liaise with establishments as appropriate.

9. Due to staff illness within the authority the planned Validated Self-Evaluation of Clackmannanshire Education Psychology Service (EPS) did not proceed. The planned Inspection of Local Authorities will include EPS.

10. **Social Care**: Clackmannanshire social work service focussed on ensuring that services continued to be delivered after the decoupling of the shared service with Stirling Council over 2016 to 2017. This involved a restructure, a focus on engaging with staff to improve morale following extensive change and setting clear priorities for improvement.

11. A joint inspection of integration of health and social care in Clackmannanshire and Stirling took place during the last quarter of 2017/18 into the first quarter 0f 2018/19. This focussed on strategic planning and commissioning.

12. **Housing:** The **Scottsh Housing Regulator (SHR)** has reviewed and compared the performance of all Scottish social landlords to identify the weakest performing landlords. SHR has assessed that no additional scrutiny is required in Clackmannanshire beyond statutory/ongoing work during 2018/19.

Scrutiny activity

13. Any expected scrutiny activity between April 2018 and March 2019 is shown in Appendix 1. For some of their scrutiny activity in 2018/19 scrutiny bodies are still to determine their work programmes and which specific council areas they will cover. Where a council is to be involved, the relevant scrutiny body will confirm this with the council and the appropriate LAN lead.

14. **Best Value Assurance Report:** The council has agreed an action plan in response to the report's findings. The Accounts Commission requires a further report by the Controller of Audit on the progress made by the council in June 2019 or earlier if the Controller identifies concerns that he considers should be brought to our attention before then. In line with our new approach to auditing Best Value, the annual audit process will be used to monitor and report such progress.

15. Routine, scheduled audit and inspection work will take place through the annual audit process and the ongoing inspection of school and care establishments by SHR, Education Scotland and the Care Inspectorate respectively. The outcomes of this work will help to inform future assessment of scrutiny risk.

March 2018

Appendix: Scrutiny activity

Scrutiny body	Scrutiny activity	Date
Audit Scotland (as external auditor)	The council's first BVAR under the new arrangements was published in early 2018. In 2018/19 we will monitor and report on the council's progress to inform a further report by the Controller of Audit to the Accounts Commmssion.	By June 2019
Audit Scotland	Audit Scotland plans to undertake performance audit work in a range of areas covering local government during 2018/19. These include audits on: children and young people's mental health; health and social care integration: update on progress; primary and social care workforce planning; VFM of non-profit distributing models. Any engagement with individual councils is still to be determined. Details of future audit work are available on the Audit Scotland website here.	TBC
Care Inspectorate	A Care Inspectorate led multi-agency inspection of adult services in Clackmannanshire and Stirling IJB took place in quarter four of 2017/18 - quarter one of 2018/19.	Quarter 1 2018/19
Education Scotland	An Education Challenge Authority inspection is planned for 2018/19. A Community Learning and Development inspection is planned for 2018/19.	2018 January 2019 - March 2019
Scottish Housing Regulator	SHR may carry out thematic inquiries,survey or on-site work during 2018/19 to follow up published thematic reports. The SHR will also review the Scottish Social Housing Charter data submitted by landlords and carry out data accuracy visits during the second quarter of 2018/19. Where councils are to be involved in a thematic inquiry, follow-up work, or a data accuracy visit, the SHR will confirm this directly with the council and the LAN lead.	TBC

Clackmannanshire Council

Local Scrutiny Plan 2018/19

A summary of local government strategic scrutiny activity

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CLACKMANNANSHIRE COUNCIL

Report to	**Audit & Finance Committee**

Date of Meeting: 17th May 2018

Subject: **Corporate Risk and External Audit Actions**

Report by: **Head of Strategy & Customer Services**

1.0 Purpose

1.1. This report provides the 2017/18 year end update on Clackmannanshire Council's Corporate Risk Log (Appendix A), followed by the annual Statement of Preparedness (Appendix B). Progress updates are then provided on Audit Scotland's recommendations following their audit of 2016/17 accounts (Appendix C). The Corporate Risk Management Guidance is also provided for information (Appendix D).

2.0 Recommendations

2.1. That Committee notes the report, commenting and challenging as appropriate.

3.0 Considerations

3.1. Summary

3.1.1. The Council has several key goals regarding how it will care for and support the people and area of Clackmannanshire. In order to plan how we will achieve these goals, we must also consider the challenges, in terms of both internal and external factors with the potential to prevent or hinder their achievement. An effective risk management approach ensures that the Council is aware of such factors and, where appropriate, takes action to reduce or remove risks to ensure the success of its initiatives. While Council officers and services deal with many operational risks to individuals, communities and physical aspects of the area on a daily basis, a corporate risk management approach must take a wider, more strategic view. The hierarchy of risk logs from teams, to services (and partnerships), to the corporate log should ensure that the Council has holistic oversight of the most significant issues which must be monitored and managed.

3.1.2. The purpose of risk management is not to prevent activities from taking place, but to ensure that all relevant factors are taken into account in their planning and execution so that the best possible outcomes are realised. Various steps are taken to integrate the corporate risk management approach with key organisational areas, such as governance (including Internal Audit), sustainability, equalities, workforce management, communications, legal, health & safety, etc. Though external auditors have a key focus on financial management, Audit Scotland's revised Best Value Audit approach aims to enhance assessment of wider areas, such as performance and change management, to present a more comprehensive audit opinion. For the same reason, this report presents corporate risk alongside external audit recommendations to ensure that both internal and external views, as well as short- and longer-term factors are summarised together.

3.2. Corporate Risk Management Process

3.2.1. The corporate risk log is owned by the Corporate Management Team, and the Head of Strategy & Customer Services is responsible for the corporate risk management approach. The Council follows a systematic risk process, reporting corporate and service risks to Committee on a 6-monthly basis. Processes are assessed via internal and external governance and audit mechanisms, and peer-reviewed by other local authorities. Each corporate risk log review involves gathering information from internal and external sources (environmental scanning) and review of the log by the Corporate Risk & Integrity Forum. Individual meetings are also held with risk owners and delegated officers, to:

- Review changes and developments in existing corporate and service risks;
- Analyse dependencies, 'knock-on effects' and wider perspectives;
- Investigate emerging externally-identified risks for local relevance;
- Evaluate emerging internally-identified risks, such as those highlighted during the Annual Governance Statement process.

3.2.2. Risks with implications for 3 or more Council services, or assessed as significant (red) for any specific service, are considered for escalation to the corporate log, where they are managed until their significance reduces. Risks are recorded on the Pentana (formerly Covalent) performance management system and associated with outcomes, actions (or action plans), and existing controls (strategies, policies, procedures, etc.). It would be impossible to remove all risk from our operations as many Council functions have inherent risks, as do most organisational changes, thus, never taking risks would also mean missing key improvement opportunities. The aim, therefore, is not to be 'risk averse', but to be 'risk aware'. We identify our approach to managing each risk as:

- Treat: actions will be completed to reduce the risk;
- Tolerate: actions within our control are complete and plans are in place;
- Transfer: the risk will be passed to another party, such as insurers;
- Terminate: the activity that is causing the risk will be ceased.

3.2.3. Pending revisions to be incorporated into the next report (2018/19 half year):

- The new Local Outcome Improvement Plan (LOIP) includes a revised set of priority outcomes for the area (shown in section 7), to which corporate risks will be aligned;
- The new service structure, to which risk ownership will be aligned, once implemented;
- The Corporate Risk Management Guidance is currently under review, and the revised version will be presented to Committee once approved.

3.3. Corporate Risk Log – Appendix A

3.3.1. Last year's elections delayed risk reports to Audit & Finance Committee until September (2016/17 year end) and January (17/18 half year), though reporting timescales have now been corrected for better alignment to the financial year. There has, therefore, been less movement in terms of risk scores than would normally be the case in a standard 6-month period, as shown in Appendix A. Revised assessment of the likely financial impact of Welfare Reform has reduced this risk from red to amber, so there are now 5 red risks, 7 amber and 2 green. The only other change is an increased score for Health & Safety Non-compliance, through further investigations into service adherence to procedures, though this already had a red status. As in the previous report, 10 risks are being treated, and 4 are being tolerated due to the causes being outwith the Council's control and/or strategies being in place to manage the risks, should they occur.

Approach: Treat

3.3.2. As highlighted in Audit Scotland's Best Value Audit, Financial Resilience remains a key focus and services continue to identify and implement efficiency opportunities. As noted above, the Health & Safety risk has increased, though, in response to recommendations from Gallagher Bassett, senior managers have completed training, and revised policies are currently being deployed. Both Organisational Change and corporate Governance are closely linked to Financial Resilience, and corporate redesign proposals are being progressed, where statutory duties and good practice must be prioritised.

3.3.3. As noted above, ongoing changes, embedding and developing understanding of Welfare Reform has reduced the score, though longer-term impacts for the area are not yet known. Work also continues around Extremism and/or Radicalisation, with developments to security protocols, plans, and staff information and training. Changing Demographics, needs and demand for services are routinely incorporated into plans and strategies, including the Local Outcome Improvement Plan and service redesign proposals.

3.3.4. Information Management is another key governance area during service re-organisation and workforce contraction, and GDPR requirements are being implemented alongside ongoing system modernisation across services. Child Protection remains another key priority for the Council, as highlighted in LOIP outcomes and locality plans, with the Child Protection Committee and sub-groups progressing the Children's Services Plan. Priorities regarding Serious Organised Crime have been identified through a Police Scotland self-assessment, and are being taken forward by the Corporate Risk & Integrity Forum.

Approach: Tolerate

3.3.5. Risks which must be 'Tolerated' are generally those where the cause is outwith Council control (often relating to Emergency Planning and Business Continuity), and/or where plans are in place to respond to the issue/incident, should it materialise.

3.3.6. National work continues to target the resilience of Public Utilities, which remains a key concern, particularly in relation to protecting vulnerable people. Business Continuity Plans were recently tested by Severe Weather, where a very positive organisational and community response was seen, though lessons learnt will be built into future plans. Industrial Unrest remains amber due to ongoing discussions in relation to staff terms and conditions and organisational redesign though, again, plans are in place to ensure business continuity in the event of industrial action. NHS concerns regarding Flu Pandemic during January did not have a significantly adverse impact on Council service provision, and this risk remains green due to being controlled to a tolerable level.

3.4. Statement of Preparedness – Appendix B

3.4.1. Further details on Emergency Planning/Business Continuity risks are presented, with both Utilities and Public Health Emergency corresponding directly to a single corporate risk. Anti-extremism relates to the elements of the corporate risk regarding an actual incident occurring. The corporate risk on Severe Weather is separated into 2 summaries, detailing differing responses for storms or winter weather and flooding. The only item in the statement not included in the Corporate Risk Log is Climate Change, as management of longer-term aspects have been delegated to Development & Environmental Services.

3.4.2. Despite internal and external events and developments, re-assessment of these risks have not resulted in any changes to scores in the last year. The Council's Emergency Planning Officer, and all Council services review and develop Business Continuity Plans and other procedures on an ongoing basis. Partnership work also continues with other public and voluntary sector organisations, and in resilience planning with 3rd-party suppliers.

3.5. External Audit Actions – Appendix C

3.5.1. Progress is presented on the recommendations made by Audit Scotland in their audit of the 2016/17 accounts, reported to Council on 28-Sep-17. These relate to annual reconciliation of the Asset Register to ensure accuracy, amendments to Accountancy processes to address underspend in the Capital Programme, and reviewing a greater volume of matches identified by the National Fraud Initiative. Actions on better linking Financial Planning to new Local Outcome Improvement Plan priorities, and developing a new Corporate Plan, as well as work on developing Savings Plans to address funding gaps are also detailed.

3.6. Corporate Risk Management Guidance – Appendix D

3.6.1. The Corporate Risk Management Guidance is provided alongside this report to provide Elected Members with information on the principles and internal processes followed in relation to Risk Management, as well as their role in relation to Risk Scrutiny. This version of the guidance was produced in 2015 as a key practical appendix to the Corporate Risk Management Policy and Strategy. As per its 3-year review cycle, this is currently again under review by the Corporate Risk & Integrity Forum, and the revised version will be presented to Committee, once approved by the Corporate Management Team.

3.6.2. Though some changes to Committee structures and Business Plan reporting frequencies have occurred since the guidance was produced, all other aspects remain relevant to how we assess and manage risks. The guidance is applicable at a team, service and corporate level, and has been adopted by the Health & Care partnership. Though risk management can never be an 'exact science', and must inherently involve a certain degree of forecasting, estimation and subjectivity, consistent use of the guidance ensures that the Council can provide Elected Members with assurance that appropriate governance processes are being followed. Guidance, support and facilitation is also provided to Council services and partnerships on an ongoing basis by the Strategy & Performance team.

Abbreviations:

CBRN	Chemical, Biological, Radiological & Nuclear	CEA	Community Empowerment Act
CONTEST	Counter-terrorism Strategy	D&E	Development & Environmental Services
EP	Emergency Planning	FRB	Forth Road Bridge
FV	Forth Valley	GDPR	General Data Protection Regulations
GraSP	Graduated Security Plan	HR	Human Resources
HSE	Health & Safety Executive	ICT	Information & Communication Technology
LOIP	Local Outcome Improvement Plan	LRP	Local Resilience Partnership
NHS	National Health Service	PSN	Public Services Network
RRP	Regional Resilience Partnership	SW	Social Work
WRAP	Workshop to Raise Awareness of Prevent		

4.0   Sustainability Implications

4.1.   There are no direct sustainability implications arising from this report.

5.0   Resource Implications

5.1.   Financial Details – There are no direct financial implications arising from this report.

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.   Yes ✓

5.3.   Finance have been consulted and have agreed the financial implications as set out.   Yes ✓

5.4.   Staffing – There are no direct staffing implications arising from this report.

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 ☑)

Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all   ✓

Our families; children and young people will have the best possible start in life   ✓

Women and girls will be confident and aspirational, and achieve their full potential   ✓

Our communities will be resilient and empowered so that they can thrive and flourish   ✓

(2)   **Council Policies** (Please detail)

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?   Yes ✓   No

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. If there are no appendices, please state "none".

Appendix A – Corporate Risk Log

Appendix B – Statement of Preparedness

Appendix C – External Audit Actions

Appendix D – Corporate Risk Management Guidance

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)
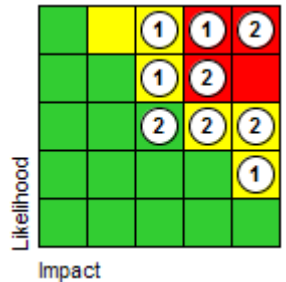
NAME	DESIGNATION	TEL NO / EXTENSION
Judi Richardson	Performance & Information Adviser	2105

Approved by

NAME	DESIGNATION	SIGNATURE
Stuart Crickmar	Head of Strategy & Customer Services	
Garry Dallas	Executive Director	

Appendix A – Corporate Risk Log

(See main report for expanded abbreviations from all Appendices)

Clackmannanshire Council | Comhairle Siorrachd Chlach Mhanann
www.clacks.gov.uk

Summary of Changes	Distribution of Scores
At the 2017/18 year end stage (out of a total of 14 risks): **Status** 🔴 5 risks are red (decrease from 6 in the 2017/18 half year report) 🔺 7 risks are amber (increase from 6 in previous report) ✅ 2 risks are green (same as in previous report) **Approach** 10 risks are being **Treated** (same as in previous report) 4 risks must be **Tolerated** (same as in previous report) **Change in Scores Since Last Review** ⬆️ 1 risk has increased ➖ 12 risks remain the same ⬇️ 1 risk has reduced **N** No new risks have been added to the log	(risk matrix: Likelihood vs Impact)

Code	Title	Score	Status	Approach	Change
COU CRR 008	Insufficient Financial Resilience	25	🔴	Treat	➖
COU CRR 012	Health & Safety Non-compliance	25	🔴	Treat	⬆️
COU CRR 034	Insufficient Pace and Scale of Organisational Change	20	🔴	Treat	➖
COU CRR 033	Major Governance Failure	16	🔴	Treat	➖
COU CRR 040	Failure of Public Utility Supply	16	🔴	Tolerate	➖
COU CRR 032	Council & Community Impact of Welfare Reform	15	🔺	Treat	⬇️
COU CRR 038	Failure to Prevent Extremism and/or Radicalisation	15	🔺	Treat	➖
COU CRR 005	Inability to Respond to Changing Demographics	15	🔺	Treat	➖
COU CRR 009	Information Not Managed Effectively	12	🔺	Treat	➖
COU CRR 031	Failure to Prepare for Severe Weather Events	12	🔺	Tolerate	➖
COU CRR 023	Industrial Unrest	12	🔺	Tolerate	➖
COU CRR 011	Harm to Child(ren)	10	🔺	Treat	➖
COU CRR 037	Failure to Address Serious Organised Crime	9	✅	Treat	➖
COU CRR 022	Public Health Emergency	9	✅	Tolerate	➖

Approach Treat

Insufficient Financial Resilience		Priority Outcome	9. The Council is efficient, effective and recognised for excellence	Status	🔴	Change	➖
Deputy Chief Executive	COU CRR 008			Current Score	25	Target Score	5

Description	The Council does not have sufficient funds to meet its liabilities and cannot meet essential service demands or customer needs, or respond to external agendas.			
Potential Effect	Reputational damage, legal implications and severe and extended loss of service provision. Possibility of Alliance partners also being affected contributes to the potential impact, given the interdependencies.			
Latest Note	Independent analysis suggests Clackmannanshire is experiencing amongst the greatest budget pressure of all 32 councils. The funding gap for 19/20 is estimated at £12.9m, and the cumulative gap to 2022 is £29.5m, requiring more significant budget reductions on top of those already achieved. Given that significant savings have been made in recent years, it is proving extremely challenging to identify new proposals and significant priority is being given to progressing the Council's organisational redesign.			
Related Actions	Savings and/or income from increased focus on efficient and compliant business processes. Initial focus on procurement and income maximisation.	COU 178 017	Existing Controls	Budget Challenge & Monitoring
	External Audit Action Plan (Audit of 2016/17 Accounts by Audit Scotland)	COU EXA 167		Financial Management Strategy
	Corporate Change Programme activity from 2017/18 onwards.	MCB PRG 201718		Interim Procurement Strategy

Health & Safety Non-compliance		Priority Outcome	7. Health is improving and health inequalities are reducing; 9. The Council is efficient, effective and recognised for excellence	Status	🔴	Change	🔼
Head of Resources & Governance	COU CRR 012			Current Score	25	Target Score	4

Description	A Health & Safety incident or statutory breach results in the injury to or death of a staff member or customer due to lack of awareness of or non-compliance with policies and procedures. Such incidents may also arise from the actions of third parties, whose activities may be outwith the direct control of the Council.			
Potential Effect	The effects on individuals and their families, financial penalties (including HSE intervention fees), criminal proceedings, adverse publicity, increased insurance or damage to Council assets.			
Latest Note	Recent evidence suggests that there is a lack of basic maintenance in our buildings to ensure that they meet the legal requirements, meaning there are inherent safety risks of which staff in the buildings are not necessarily aware. Recent incidents suggest that there is still a culture of ignoring/deliberately bypassing safety in some parts of the Council.			
Related Actions	Governance Improvement Plans across all services	CRR RAG 001	Existing Controls	Health & Safety Management System / Maximising Attendance & Employee Wellbeing Policy
	Health & Safety action plan, based on recommendations from Gallagher Bassett	CRR RAG 012		Health & Safety Handbook for Managers

Appendix A – Corporate Risk Log   ✅ Low - 9 or below   🔺 Medium - 10 to 15   🔴 High - 16 or above   🔼 Increased score   ➖ Consistent score   🔽 Reduced score   Page 2 of 20

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Insufficient Pace and Scale of Organisational Change		Priority Outcome	9. The Council is efficient, effective and recognised for excellence	Status	🛑	Change	�–ー
Chief Executive	COU CRR 034			Current Score	20	Target Score	5

Description	The Council fails to proactively drive the fundamental redesign of services and organisational planning/ development with the speed required to address the funding gap due to ineffective change management.
Potential Effect	Failure to maintain the required level of provision for statutory services. The corporate business improvement programme does not establish sustainable service delivery and a sustainable cost base for the future.
Latest Note	Council approved a balanced Budget for 2018/19 in March 2018. The Budget report contains recommendations for a strategic redesign and proposals to achieve financial savings through managed contraction of staffing, organisational redesign, new policy decisions and management efficiencies. Actions to implement agreed financial savings for 2018/19 are underway, with progress reported on an ongoing basis to Council. However, as the scale and complexity of organisational change increases, there is an increasing likelihood that the pace of change required may be inhibited by additional social, economic, political, technological factors.

Related Actions	Corporate Change Programme activity from 2017/18 onwards.	MCB PRG 201718	Existing Controls	Communications Strategy
				Business Planning Process
				Trade Union & Elected Member Communication Forums

Major Governance Failure		Priority Outcome	9. The Council is efficient, effective and recognised for excellence	Status	🛑	Change	�–ー
Head of Resources & Governance	COU CRR 033			Current Score	16	Target Score	5

Description	A significant failure of compliance with statutory duties due to a lack of awareness or understanding of corporate policies or codes of conduct, or through non-adherence, including through management or elected member override of controls.
Potential Effect	Significant reputational damage, injury or loss of life, legal action, financial loss or disruption to service delivery.
Latest Note	This risk remains high. Staffing changes and ongoing organisational re-design at a senior level reaffirm the need to closely monitor and manage compliance with statutory good practice requirements.

Related Actions	External Audit Action Plan (Audit of 2016/17 Accounts by Audit Scotland)	COU EXA 167	Existing Controls	Scheme of Delegation
	Annual Internal Audit & Fraud Programme	COU IAF		Audit & Finance Committee
	Governance Improvement Plans across all services	CRR RAG 001		Governance & Audit Processes

Appendix A – Corporate Risk Log   ✅Low - 9 or below 🔺Medium - 10 to 15 🔴High - 16 or above   ⬆️Increased score ➖ Consistent score ⬇️Reduced score   Page 3 of 20

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Council & Community Impact of Welfare Reform		Priority Outcome	1. The area has a positive image and attracts people and businesses; 5. Vulnerable people and families are supported	Status	⚠️	Change	⬇️
Head of Housing & Community Safety	COU CRR 032			Current Score	15	Target Score	6

Description	The welfare reform agenda increases deprivation in the area, removes £8 to £10 million from the local economy and requires the Council to provide additional services and support due to a national priority of reducing welfare expenditure.			
Potential Effect	Reversal of efforts to reduce deprivation and improve economic development in the area, as well as reputational, budget and staffing implications of providing new services (impact of the transfer to Universal Credit cannot yet be quantified).			
Latest Note	Latest understanding is that housing benefit can be paid on temporary accommodation from April, at previous rates. Lowers financial impact.			
Related Actions	Review the Housing Allocation Policy	HCS SBP 079	Existing Controls	Scottish Welfare Fund (Crisis & Community Grants)
	Review the Local Housing Strategy	HCS SBP 080		Housing Options Service

Failure to Prevent Extremism and/or Radicalisation		Priority Outcome	1. The area has a positive image and attracts people and businesses; 4. Our communities are safer	Status	⚠️	Change	➖
Head of Strategy & Customer Services	COU CRR 038			Current Score	15	Target Score	4

Description	A terrorist incident (or other malicious attack) causes physical or financial harm to individuals or groups in Clackmannanshire, potentially caused by the radicalisation of someone from the area (who could be involved in an incident either here or elsewhere). The fear of these issues could also have an impact on quality of life.			
Potential Effect	Casualties and fatalities, damage to property and infrastructure, need for evacuation or temporary housing for those affected and potential for wider economic damage. Financial harm to individuals, businesses or the Council. Direct or indirect disruption to Council services and reputational and/or legal implications.			
Latest Note	We continue to implement the CONTEST strategy and delivery plan, and have revised building security protocols. WRAP and Prevent Awareness information has been consolidated on one Connect page to allow easy access for staff. Risk must remain amber as a reflection of several instances of 'Move to Critical' in light of terrorist attacks. We now have in place a Graduated Security Risk Profile which identifies a number of actions in the event that we move to critical with a security plan ready to be rolled out.			
Related Actions	Ensure deployment of the corporate CONTEST delivery plan	SCS 17 15-07	Existing Controls	FV Local Resilience Partnership
				CONTEST Working Groups (FV & Clacks)
				WRAP Training (High Priority Staff)

Appendix A – Corporate Risk Log   ✅ Low - 9 or below ⚠️ Medium - 10 to 15 🔴 High - 16 or above   ⬆️ Increased score ➖ Consistent score ⬇️ Reduced score   Page 4 of 20

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Inability to Respond to Changing Demographics

Chief Executive	COU CRR 005

Priority Outcome	9. The Council is efficient, effective and recognised for excellence

Status	⚠️	Change	▬
Current Score	15	Target Score	5

Description	The Council is unable to appropriately redesign services due to not acting on predictions of changing needs and demand in areas such as the 'ageing population' (including more single-person households), and changing needs relating to health, complexity of care needs and socio-economic behaviour.
Potential Effect	Inappropriate allocation of resources & assets, misalignment of corporate objectives with needs, inability to demonstrate Best Value, and possible financial and reputational consequences of responding to unplanned situations.
Latest Note	The new Local Outcome Improvement Plan for 2017/27 (LOIP) and Locality Plans sets out the new outcomes for partners taking into cognisance the changing demographics in Clackmannanshire. The Health and Social Care Strategic Plan for Clackmannanshire and Stirling has identified 8 local priorities which will strengthen community and place based services for adults in Clackmannanshire. In addition to these strategic plans, we continue to use data and research to understand the demographic context and impact of changing demographics in Clackmannanshire.

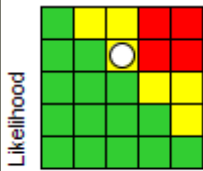| Related Actions	Finalise and implement delivery plan for Health & Care Integration	CRR SOS 005	Existing Controls	Customer Consultation & Communication
	Develop and publish a Local Outcomes Improvement Plan (LOIP) for Clackmannanshire and Locality Plans for Clackmannanshire in line with the CEA Act.	SCS 17 06		Budget Challenge & Monitoring
				Health & Social Care Strategic Plan

Information Not Managed Effectively

Head of Resources & Governance	COU CRR 009

Priority Outcome	9. The Council is efficient, effective and recognised for excellence

Status	⚠️	Change	▬
Current Score	12	Target Score	8

Description	Information is not protected due to a lack of compliance with information sharing, records management or ICT protocols. Information is not managed due to lack of compliance with records management protocols and good practice. Data is of poor quality, duplicated, or held across multiple systems. Lack of Business Intelligence and Management Information.
Potential Effect	Possible legal and reputational issues relating to data breaches, increased difficulty and time to access information and loss of tacit information when staff leave or are absent, resulting in duplication or non-completion of (possibly statutory) duties. Loss of productivity when systems do not operate or integrate appropriately, causing frustration and impact on morale. Uninformed decision-making when organisational knowledge is not available when needed, due to 'single points of failure', poor succession planning, lack of awareness of knowledge held by different service areas, or system failure.
Latest Note	Technical controls remain in place (PSN accreditation achieved). Working group implementing Records management Plan& improving records management. Introduction of GDPR providing stimulus for improved records management but also brings additional risk. Continued programme of system modernisation, HR/Payroll and Document Management System moving to cloud and consolidation D&E systems. Project underway to replace Social Care systems which should improve Information Management. System improvements offset by contraction of workforce and loss of information.

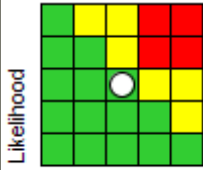| Related Actions	Implement Records Management Plan	RAG SRR A01	Existing Controls	Information Management Strategy
	Deliver the business benefits from the introduction of the new finance system	RAG SRR A02		Digital Strategy
				Records Management Plan

Appendix A – Corporate Risk Log   ✅ Low - 9 or below   ⚠️ Medium - 10 to 15   🔴 High - 16 or above   🔼 Increased score   ▬ Consistent score   🔽 Reduced score   Page 5 of 20

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Harm to Child(ren)			Priority Outcome	5. Vulnerable people and families are supported; 6. Substance misuse and its effects are reduced	Status	△	Change	▬
Head of Social Services; Head of Education		COU CRR 011			Current Score	10	Target Score	5

Description	A lack of intervention or action by the Council fails to prevent the serious harm of a child/children.
Potential Effect	The effects of the injury or death on the individual, family, friends and staff members, and reputational harm or criminal proceedings, with associated costs, as well as the impact of reputational damage and negative publicity on morale, workforce development and sustainability.
Latest Note	The Child Protection Committee has representatives from key Council Services and sub groups are now in place to progress the Committee's Strategic Action Plan. Overview is provided by the Public Protection Forum. The Children's Services Plan has been developed and keeping children and young people safe is a core priority in the Plan.

Related Actions	Children's Services Plan	SOS CHC CSP	Existing Controls	Child Protection Procedures
	Education Business Plan 2017/18	EDU SBP 178		Public Protection Forum
	Social Services Business Plan 2017-22	SOS BP 2017-22		Child Protection Committee

Failure to Address Serious Organised Crime			Priority Outcome	4. Our communities are safer; 6. Substance misuse and its effects are reduced	Status	✓	Change	▬
Head of Strategy & Customer Services		COU CRR 037			Current Score	9	Target Score	6

Description	Public bodies fail to address the issues around serious organised crime involving drugs, violence, fraud, corruption, money laundering and/or human trafficking.
Potential Effect	Physical or financial harm to individuals, businesses, communities or the Council. Direct or indirect disruption to Council services and associated reputational and/or legal implications.
Latest Note	A number of controls are in place to manage our approaches under Serious Organised Crime including completion of a Police Scotland self-assessment, reviewed by the Corporate Risk & Integrity Forum. Learning and development is being provided for Council employees on aspects of Serious Organised Crime, which includes briefings, cascades and information on general security measures around data, Cyber and IT security and personal security around the workplace. Safety and security pages have been published for employees through Connect. We have enhanced our IT/Web systems to protect from external cyber attacks. The rollout of an improvement plan is being overseen by a cross service Risk & Integrity Forum.

Related Actions	Implement actions and requirements of the National Fraud Initiative	CRR RAG 008	Existing Controls	Serious Organised Crime Delivery Plan
	Ensure deployment of the corporate Serious Organised Crime delivery plan	SCS 17 15-08		Let Scotland Flourish Strategy

Appendix A – Corporate Risk Log   ✓ Low - 9 or below   △ Medium - 10 to 15   ● High - 16 or above   ⬆ Increased score   ▬ Consistent score   ⬇ Reduced score   Page 6 of 20

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Approach Tolerate

Failure of Public Utility Supply		Priority Outcome	4. Our communities are safer; 5. Vulnerable people and families are supported	Status	🔴	Change	➖
Head of Strategy & Customer Services	COU CRR 040			Current Score	16	Existing Controls	
Description	Loss of gas, electricity, water or communications over a significant area due to failure of a provider's infrastructure as a result of a local or national event.					Business Continuity Plans	
Potential Effect	Fatality, injury or health risk caused by loss of gas/electricity/water/telecoms supply. Requirement to evacuate areas and find alternative accommodation, including for vulnerable people. The Council has limited capability to reduce the risk of failure or disruption of external provider's infrastructure, other than following best practice in excavation work. Disruption to local agencies and businesses in providing normal services and potentially large costs associated with actions relating to care for people. Failure of telecoms infrastructure preventing contact with health, care and emergency services.					Major Incident Operational Procedures	
Latest Note	This risk remains high due to the national infrastructure and power generation interdependencies, particularly the length time utilities will take to recover from an outage (previously 3-5 days, then moved to 5-14 days, now believed to be a minimum of 7 days). This is seen as a priority for the Resilience community and in particular for Councils in regard to their responsibilities around caring for people. Planning and work is ongoing.					Emergency Response Plan	

Failure to Prepare for Severe Weather Events		Priority Outcome	1. The area has a positive image and attracts people and businesses; 4. Our communities are safer	Status	🔺	Change	➖
Executive Director	COU CRR 031			Current Score	12	Existing Controls	
Description	Inability to respond to impact of severe weather events on workforce or community due to lack of appropriate planning and equipment. This is most likely to include flooding from rainfall or coastal surges, hazardous winter weather or heatwaves (all of which, due to climate change, are likely to become more frequent and severe).					Business Continuity Plans	
Potential Effect	Widespread community dislocation, damage to properties, businesses, roads and utility infrastructure (including telecoms or power loss), or inability of staff to get to workplace. Increased workload in Emergency Planning, Housing, Roads and Customer Services, resulting impact on service delivery, reputation and finances. Consideration of requirements for 4x4 vehicles must also be planned for.					Forth Valley Local Resilience Partnership	
Latest Note	Existing controls remain in place for both winter-related weather and flooding threat, with recent weather events proving procedures to be broadly robust, though with lessons always being learnt and built into the development of future plans. Reduction in staff numbers is threatening resilience but Service is implementing measures for mitigation. Controls continue to be developed and de-briefs will outline actions required.					Winter & Flood Management Plans	

Appendix A – Corporate Risk Log   ✅ Low - 9 or below   🔺 Medium - 10 to 15   🔴 High - 16 or above   ⬆ Increased score   ➖ Consistent score   ⬇ Reduced score   Page 7 of 20

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Industrial Unrest			Priority Outcome	9. The Council is efficient, effective and recognised for excellence	Status	⚠️	Change	➖
Head of Resources & Governance		COU CRR 023			Current Score	12	Existing Controls	
Description	Industrial action by Council staff, partners or suppliers arises, normally in relation to local or national budget-related changes to terms and conditions, or restructuring.						Business Continuity Plans	
Potential Effect	Impact on staff morale and productivity with associated impact on service delivery, costs and reputation, as well as impact on customers dependent on services. In the case of partner or supplier strike action, we may decide not to complete all aspects of normal service delivery during strike action. Business Continuity & Resilience planning mitigate the impact of strike action to a tolerable level.						Forth Valley Local Resilience Partnership	
Latest Note	Remains unchanged. Ongoing discussions with unions regarding proposed changes to terms and conditions, council redesign together with social and economic factors mean that there is a strong chance of unrest and break down of relationships.						Trade Union Communications Protocol	

Public Health Emergency			Priority Outcome	7. Health is improving and health inequalities are reducing; 9. The Council is efficient, effective and recognised for excellence	Status	✅	Change	➖
Head of Strategy & Customer Services		COU CRR 022			Current Score	9	Existing Controls	
Description	Significant numbers of Council staff and customers become ill due to the occurrence of a public health emergency, such as a flu pandemic.						Business Continuity Plans	
Potential Effect	Depending on the nature of the health emergency, potentially short- and long-term health implications for members of the public and staff absence if either ill themselves or caring for family and/or friends. Substantial disruption to back-office support functions and front-line service provision, including to customer groups already considered vulnerable. Consideration required of minimal service provision requirements according to critical business continuity levels.						Major Incident Operational Procedures	
Latest Note	Scottish government focus will be on pandemic flu going forward, with a significant training programme planned for this year through the NHS.						Pandemic Flu Plan	

Appendix A – Corporate Risk Log　　✅ Low - 9 or below　⚠️ Medium - 10 to 15　🔴 High - 16 or above　　⬆️ Increased score　➖ Consistent score　⬇️ Reduced score　　Page 8 of 20

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Appendix B – Statement of Preparedness

This appendix provides more detail on Council preparedness to respond to the most significant Emergency Planning/Business Continuity risks

Risk & Score	Category	Impact Description	Scale	Internal Controls	External Controls
Utility Failure (Loss of Electricity Gas and Water) 🔴 16 Developing	Social	• Service access limitations • Loss of Social Media • Panic-buying and unrest	High	➢ Business Continuity & Emergency Response Plans, Major Emergency Op. Procedures ➢ LRP & volunteer training using Clacks scenarios, and in Airwave Communications ➢ Testing of LRP Voluntary Sector Coordinating Group and Single Point of Contact system ➢ Recruitment of Incident Assistance Team from 3 FV Councils for large-scale incidents ➢ Power supply backups at Kilncraigs ➢ Ongoing work to import other resilient systems through voluntary sector ➢ LRP Transport & local fuel bunkerage Plan ➢ Training and workshops on this topic being run, including for senior staff ➢ National Plan at Strategic and tactical level almost complete, for local implementation.	➢ Emergency Response, and Resilience & Preparedness Frameworks ➢ LRP/RRP Mass Fatalities Framework ➢ LRP Public Communications Framework ➢ Resilient telecoms work on potential outside systems ➢ Scottish Government Resilience Office well practiced in recent events and has experience through FRB closure ➢ RRP structure improving mutual aid ➢ RRP Developing transport plan ➢ Separate RRP workstream on this topic, national plan to be developed ➢ Multi-agency work ongoing to minimise impacts ➢ Resilient telecoms Plan
	Health	• Failure of food/fuel supply chain • Disruption to care service • Hygiene issues from lack of water (or ability to heat)	High		
	Economic	• Loss of productivity/ business failure (inc. food outlets > no cold storage)	High		
	Environment	• Leaks of damaging products from system loss	Low		
	Co-ordination/ Communication	• Collapse of all phone- and internet-based comms at time of high demand	High		
CONTEST **Prepare** thread (Anti-extremism) 🔺 15 Developing	Social	• Fear & uncertainty • Need for local leadership	High	➢ Business Continuity/Emergency Resp. Plan ➢ Major Emergency Operational Procedures ➢ LRP & volunteer training using Clacks scenarios, and in Airwave Communications ➢ Testing of LRP Voluntary Sector Coordinating Group and Single Point of Contact system ➢ Recruitment of Incident Assistance Team from 3 FV Councils for large-scale incidents ➢ Recruitment of Vulnerable Persons Team ➢ Power supply backups at Kilncraigs ➢ Council GraSP plan, training and cascade of security information to managers and staff ➢ New Portal complete ➢ Security Plan being worked on ➢ Major Security Exercise Border Reiver 2017 ➢ Ongoing work to import other resilient systems through voluntary sector	➢ LRP Emergency Response Framework ➢ LRP Resilience & Preparedness Framework ➢ LRP/RRP Mass Fatalities Framework ➢ LRP Public Communications Framework ➢ Adoption of Resilience Direct ➢ Resilient Telecoms Plans ➢ Tried and tested working and exercising ➢ Debriefs on 'Move to Critical' even post Manchester bombing ➢ Sharing information and good practice with similar agencies
	Health	• Casualties & fatalities • Medical facility capacity	High		
	Economic	• Effect on industry/ consumer confidence • Disruption of transport/fuel supplies (if Grangemouth)	Low		
	Environment	• Permanent loss of facility (if CBRN incident) • Council must lead long-term recovery phase	Low		
	Co-ordination/ Communication	• Massive requirement for communication with public	High		
	Co-ordination/ Communication	• Massive requirement for communication with public	High		

✅ Low - 9 or below   🔺 Medium - 10 to 15   🔴 High - 16 or above

Risk & Score	Category	Impact Description	Scale	Internal Controls	External Controls
Severe Storms, Gales and Winter Weather △ 12 Developing	Social	• Care and other services • Travel dislocation	High	➤ Travel Plan, Business Continuity & Emergency Response Plans, Major Emergency Procedures ➤ LRP & volunteer training using Clacks scenarios, and in Airwave Communications ➤ Testing of LRP Voluntary Sector Coordinating Group and Single Point of Contact system. ➤ Recruitment of Incident Assistance Team from 3 FV Councils for large-scale incidents ➤ Recruitment of Vulnerable Persons Team ➤ Use of Voluntary and internal 4x4 teams	➤ RRP Transport plan for Forth bridge ➤ LRP Emergency Response, Resilience & Preparedness, Mass Fatalities & Public Communications Frameworks ➤ Strong links with utility companies ➤ Tried and tested working and exercising ➤ LRP Exercise winter 2015 ➤ Recent events, such as FRB closure / Snow have provided knowledge & experience of team working and BCM
	Health	• People cut off from others • Loss of utility e.g. power	High		
	Economic	• Loss productivity/comms	High		
	Environment	• Loss of road access • Damage to trees	Med		
	Co-ordination/ Communication	• Co-ordination issues > loss of web and phone	High		
Flooding (due to intense rainfall and/or coastal flooding from high tides & tidal surges) △ 12 Developing	Social	• Care and other services • Property	High	➤ Roads & Flood Management, Business Continuity & Emergency Response Plans, Major Emergency Operational Procedures ➤ LRP & volunteer training using Clacks scenarios, and in Airwave Communications ➤ Testing of LRP Voluntary Sector Coordinating Group and Single Point of Contact system. ➤ Recruitment of Incident Assistance Team from 3 FV Councils for large-scale incidents ➤ Recruitment of Vulnerable Persons Team (SW)	➤ LRP Emergency Response, Resilience & Preparedness, Care for People and Communications Frameworks ➤ LRP Voluntary Sector Coordinating Group and Single Point of Contact ➤ RRP Resilient Telecoms working group ➤ Adoption of Resilience Direct ➤ LRP Flood plan (focus on fuel supply) ➤ Understanding by Flood managers and EP staff of coastal flood causes
	Health	• Primary Care • Casualties or fatalities	Med		
	Economic	• Local Economy • Business Continuity	High		
	Environment	• Damage & clean up	High		
	Co-ordination/ Communication	• Public information • Multi-agency/central govt	Med		
Public Health Emergency ✅ 9 Developing	Social	• Care and other services	High	➤ National Flu Pandemic, Business Continuity & Emergency Response Plans, Major Emergency Operational Procedures ➤ Local & national Manager Resilience Training Continual local and RRP vigilance on diseases ➤ Exercising in regard to multi agency work - Exercise Coal Tip - March 2016 in Alloa. ➤ Recruitment of Vulnerable Persons Team ➤ Learning from Snow Events 17/18	➤ LRP Care for People Framework ➤ NHS Planning Framework ➤ LRP/RRP Mass Fatalities Framework ➤ LRP/RRP Communications Framework ➤ Scotland-wide 5 month exercise - 'Silver Swan' (2015) and follow-up with outside care providers ➤ Animal Health Plans and exercising
	Health	• Care & Public Health • Fatalities	Very High		
	Economic	• Business Continuity • Impact on local economy	High		
	Environment	• Damage & clean up	Low		
	Co-ordination/ Communication	• Public information • Multi-agency/central govt	Very High		
Negative Impact of Climate Change ✅ 9 Developing	Social	• Care and other services • Property	High	➤ Sustainability & Climate Change Strategy ➤ Local Biodiversity Action Plan ➤ Carbon Management Plan & Energy Strategy ➤ Flood Management Plan ➤ Roads Asset Management Plan ➤ Business Continuity Plan ➤ Emergency Response Plan ➤ Major Emergency Operational Procedures ➤ Recruitment of Vulnerable Persons Team	➤ LRP Care for People Framework ➤ NHS Planning Framework ➤ LRP Emergency Response Framework ➤ Resilience & Preparedness Framework ➤ LRP/RRP Mass Fatalities Framework ➤ LRP Communications Framework ➤ LRP Flood plan focussing on Grangemouth and fuel supply ➤ Improved staff understanding of causes
	Health	• Primary Care • Casualties or Fatalities	Med		
	Economic	• Local Economy • Business Continuity	High		
	Environment	• Damage & clean up	High		
	Co-ordination/ Communication	• Public information • Multi-agency/central govt	High		

The Way Ahead

1. Short life multi-agency sub-group has been established through LRP to identify more efficient and effective processes for partner agencies to identify "persons at risk" focussing on data sharing and data quality. Agreement has now been reached with Forth Valley NHS and the 3 Councils to pre-prepare data for this purpose. Update – Agreement on data sharing from Clacks now with FVNHS awaiting implementation.

2. RRP Resilience and Preparedness Sub group are currently reviewing the generic recovery framework following national exercise in 2017 – Border Reiver.

3. Communication Framework being reviewed in light of outcomes from national exercise

4. Clackmannanshire will contribute as a Category 1 member to these national frameworks and continue to review local plans and revise as appropriate

5. A number of Senior Managers have undergone Tactical Managers Training – more to undergo training post Grenfell Tower (11th September).

6. On going Multi Agency discussion in regard to flood preparedness development in Hillfoots area.

Capability Maturity Levels Defined

Developing   Not all risk critical elements of the capability to meet the required response are in place. Further capability development to achieve the required response will be progressed locally and/or part of the multi agency LRP/RRP capability development programme.

Achieving   All capability development to meet the risk critical elements of the response has been undertaken. Areas to improve the response have been identified and will be progressed locally and/or as part of the LRP/RRP capability development programme.

Maintaining   The LRP/RRP has a fully mature capability and in addition to this an active programme of monitoring and reviewing is in place to progress lessons identified and learnt at appropriate intervals. Further to this, maintenance of skills programme for responders has been developed and implemented.

Additional Information

Given the restructuring of Police and Fire Services in Scotland the restructure to Local Resilience Partnerships (LRPs) are now well established having locally directly replaced the LRP in Tactical matters. The Forth Valley LRP has now met for real in numerous situations and by teleconference for others.

Whilst the member organisations which constitute category 1 responders remain as before geographical and administrative changes to structure and deployment are being implemented.

The larger Regional Resilience Partnership is still developing although its work streams are well established and give a wider area view on developments and processes.

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Appendix C – External Audit Actions

Audit of 2016/17 Accounts by Audit Scotland

Overall Progress | 90%

External Audit Final Report to Members on the 2016/17 Audit, to Clackmannanshire Council on 28-Sep-2017.

Accuracy of Asset Register		Chief Accountant		EXA 167 001
Observation	During our audit testing we noted differences between the revaluation reserve values recorded in the Council's fixed asset register and the corresponding values recorded in its financial ledger. The individual differences are not material and the net book values for each category of asset have been correctly recorded in the financial statements. It is important that the Council maintains an accurate record of its assets to ensure it correctly accounts for these in future years.			
Risk	Assets are incorrectly accounted for in future financial statements			
Recommendation	The Council should review its fixed asset register and take corrective action to ensure individual asset values are accurately recorded.			
Progress	100%	Status ✅	Expected Outcome ✅	Due Date 30-Jun-2018

The asset register is reconciled annually and this will continue to be done at least annually. The differences referred to arose at the time of the migration from a spreadsheet asset register to the Real Asset Management System in 2013.

Capital Programme		Executive Director		EXA 167 002
Observation	There was significant underspending in the Council's capital programme of £11.107 million (52%). This continues the trend of capital underspends in recent years.			
Risk	Recurring underspending could lead to slippage in the capital programme which in turn could adversely affect service delivery and the achievement of the Council's strategic priorities			
Recommendation	The Council should review its arrangements for managing the capital programme to ensure they are effective.			
Progress	100%	Status ✅	Expected Outcome ✅	Due Date 31-Mar-2018

Accountancy hold monthly meetings with budget holders to discuss Capital Projects, spend to date, anticipated spend, legal issues, achievability and any potential re-phasing of the project. Reforecasting is carried out as soon as any variances are known, and the aim is to ensure that bids are completed for all capital works. Potential timescales of procurement/tender processes are highlighted and engagement with the Procurement Manager promoted. The timing of organisational redesign and staffing changes may, however, also impact the Capital Programme.

National Fraud Initiative		Head of Resources & Governance		EXA 167 003
Observation	The Council has made limited progress in investigating NFI matches with only 2% of matches reviewed as of August 2017.			
Risk	The Council does not identify fraudulent activity or errors resulting in financial loss			
Recommendation	The Council should work to complete its review of priority NFI matches and ensure it identified suitable resource to carry out this work.			
Progress	100%	Status ✅	Expected Outcome ✅	Due Date 31-Mar-2018

Action complete

Appendix C – External Audit Actions   ✅ Complete ▶ In Progress 🔴 Overdue ✔ Will meet target ⚠ Will exceed target   Page 13 of 20

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Financial Planning		Deputy Chief Executive	EXA 167 004
Observation	The Council's budget strategy is aligned with the aims of its change programme, Making Clackmannanshire Better. Further work is required to ensure there is a clearer link between all budget decisions and the priorities outlines in the Council's Corporate Plan. The Council is planning to work to ensure savings plans and financial projections reflect the objectives, priorities and structures required to ensure achievement of its ambitions. This is an important exercise, particularly as the Council is refreshing its corporate plan, Taking Clackmannanshire Forward.		
Risk	Budget decisions do not support the Council's priorities		
Recommendation	The Council should work to ensure savings plans and financial projections are aligned with its refreshed priorities.		

Progress	50%	Status	🔴	Expected Outcome	⚠️	Due Date	31-Mar-2018

Work is in hand to present the new Corporate Plan linked to the Local Outcome Improvement Plan to Council in June 2018. Financial plans will then be reviewed to ensure they remain aligned with the delivery of the stated corporate priorities.

Savings Plans		Deputy Chief Executive; Chief Executive	EXA 167 005
Observation	The Council has identified substantial funding gaps in each of the next three years. It has recognised that it cannot continue to use reserves to meet budget gaps. The Council plans to make significant savings from a new strategic model. It has yet to identify the savings achievable from redesigning how it delivers services.		
Risk	The Council is unable to deliver priority services		
Recommendation	The Council should work to develop savings plans to address funding gaps. This should include identification of the savings it expects to achieve from its new strategic model.		

Progress	100%	Status	✅	Expected Outcome	✅	Due Date	31-Mar-2018

The Council has a continuous cycle of review to identify potential savings from efficiencies, policy change and redesign activities. This will continue. Work to develop the corporate redesign is progressing and any savings identified will contribute towards closing future years' forecast funding gap alongside other measures to maximise efficiency and income and minimise expenditure.

Appendix C – External Audit Actions   ✅ Complete ▶ In Progress 🔴 Overdue ✔ Will meet target ⚠️ Will exceed target   Page 14 of 20

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Appendix D –
Corporate Risk Management Guidance

Clackmannanshire Council | Comhairle Siorrachd Chlach Mhanann
www.clacks.gov.uk

This guidance is an Appendix to the Corporate Risk Management Strategy and provides information on key considerations for each step in the Risk Management process (below).

A. Communicate & Consult
Seek stakeholder views and publicise actions and approaches

1. Establish the Context
Establish scope – service area being assessed and key objectives

2. Risk Identification
Identify key areas of risk, using internal and external sources

3. Risk Analysis
Analyse the potential Cause, Event and Consequence of the risk

4. Risk Evaluation
Gather information on likelihood and impact and score risk

5. Risk Control
Identify Controls and Actions, determine Owner and Approach

6. Risk Scrutiny
Document risk, discuss in meetings, report to relevant bodies

B. Review & Revise
Review individual risks frequently and entire log at least annually

A. Communicate & Consult

Two-way communication is important to every step in the risk management process to ensure the right information is gathered and people are aware of action to be taken, and why. **Staff members (at all levels), other teams/services/organisations, members of the public/ community groups, elected/board members, senior management and central support teams** can all contribute and/or benefit from others' knowledge. Different groups will have different perspectives and experience of practical, operational and strategic issues.

Different stakeholders can improve efficiency and effectiveness by **providing data, information and knowledge** to clarify areas of uncertainty. Others can provide insight into issues they've **identified** or **dealt with** or **solutions** they've found, and resource requirements can be minimised by **sharing information, experiences and controls**. If procedures are put in place to control risks, it's also highly important to communicate **what they are**, the **reasons** for them being put in place and, therefore, why it's important that they're **adhered to**.

B. Review & Revise

Risk management shouldn't be seen as a one-off, or even annual, task. The nature of risks, progress and the effectiveness of controls can change in a short period of time. It's therefore recommended that **key risks are discussed on a frequent basis** to ensure that developments are recorded, and the relevant people aware. If risks are reviewed **proactively**, more frequently than they're reported, updates are available when required, rather than being rushed as part of the reporting process. As well as focussing on the risks already identified, it's also important to review the entire log, at least annually, and **re-assess whether these are still the key risks**.

1. Establish the Context

There can be a temptation to just list everything that could go wrong, but this can be unproductive and unfocussed. The vital first step is to **clarify the scope** of the exercise - always start by **focussing on objectives**. An organisational model can be a useful tool for this step (templates available from Strategy & Performance).

Having a **concise summary** of the team or service area will make discussions more focussed and as no completely systematic process can be used, should assist in ensuring that all relevant aspects are considered. Risk management can only ever be a **'point in time' assessment** and, though it must involve projection, looking too far into the future can introduce too many uncertainties and be detrimental to planning. It should, therefore, be kept as **simple as possible** by looking solely at **goals within a set time period** (such as a single year).

2. Risk Identification

Steps 2, 3 & 4 form the risk assessment itself, and identification can often be the most difficult step, partly because there can be **no set process** for this. Often risk logs (or profiles/registers) are developed purely by reviewing previous logs and, though this can also be useful, it is unlikely to identify **new and emerging risks**. Logs from other **internal and external sources** can also be a useful stimulus but a risk should only be identified as relevant if it is likely to have a specific impact on the stated goals.

Many different **methodical** or **ad hoc** processes can be used to identify risks - **brainstorming, facilitation** by someone outwith the team/service, or **self-assessment** can all be useful. A **PESTELO** analysis can assist in working through the Political, Economic, Social, Technological, Environmental, Legal and Organisational implications of an objective. External sources such as other Councils, partner organisations and audit bodies can also assist in risk identification.

3. Risk Analysis

It's common for risks to be identified and documented without the **details and dependencies being considered fully**. Many 'risks' found in the Identification stage will actually be Causes, such as 'demographic changes' or 'lack of resource' but we must focus on how that will affect us achieving our goals. The key areas to be developed at this stage are:

Cause	**The source or trigger of a risk.** Risks generally originate from wider issues in the internal or external environment, often outwith our control. Examples are: climate change, the aging population, legislative changes or organisational change. The cause is **not the key focus of the risk**.
Event	**How the cause specifically affects us.** This may be a single point in time, such as staff not delivering services (cause: industrial action), or it may develop more gradually, such as inability to meet increasing demands (cause: reduced budgets). Several events may arise from the same cause (e.g. the financial crisis may also cause budget overspend or reduced staff numbers).
Consequence	**The result of the event occurring.** This should be more specific than 'inability to deliver on objectives' but needs to consider which objectives - will they not be delivered at all, or just less effectively, etc.? As much detail as possible should be given of the stakeholders and services affected, and the potential extent of reputational, legal or financial implications.

4. Risk Evaluation

At this point, as many elements should be **clarified**, or even **quantified**, as possible to better understand the **nature and extent** of the risk. While, again, there are no entirely scientific methods for evaluation and scoring, it should be **evidence-based**, where possible, and take into account as much management, organisational and environmental information as possible. Evaluation should include looking at:

|	
The past	Has it happened before? Was it managed effectively?
The present	Are similar circumstances developing? How are others managing it?
The future	Do projections suggest it will happen again in the near future?
Organisational changes	Will changes to leadership, policies or resources affect the risk?
External changes	Are there national initiatives? Are there legal factors to consider?
Relevant actions	Will current projects and initiatives increase or decrease the risk?
Performance indicators	Is the risk occurring? Are we managing it effectively?

Scoring (or rating) quantifies the **likelihood** of a risk occurring and the **impact** if it does occur and can be used as a very high-level summary of the **severity** of a risk. Scores should also be rationalised and **compared with each other** as there is a subjective element to scoring and they should be checked to ensure scores reflect the relative severity of different risks. See step 6 for definitions of the 3 different types of risk score.

Likelihood
1. Unlikely	Little evidence that the risk is likely to occur
2. Possible	Fairly low chance of the risk occurring
3. Quite Possible	Reasonable chance of the risk occurring
4. Likely	Strong chance of the risk occurring
5. Very Likely	Fairly certain that the risk will occur, or has already occurred

Impact   If there are several different potential impacts, use the score for the most severe

Score	Finance	Reputation	Harm	Disturbance	Audit/Legal
1 Slight	Up to £10k	Managed incident, no customer impact but in the public domain	Single minor injury or illness	Minor disruption to one service	Query from audit body or mention in Shared Risk Assessment
2 Minor	£10k to £500k	Local media interest and/or customer complaint	Multiple minor or single serious injury or illness	Minor disruption to multiple services	Negative audit/inspection report
3 Moderate	£500k to £1m	Regional (central Scotland) media interest and/or multiple customer complaints	Multiple serious injuries or illnesses	Serious disruption to multiple services and/or some loss of service	Follow-up action or repeated negative audit/inspection reports
4 Significant	£1m to £5m	National media interest and/or serious loss of confidence	Death	Major disruption and/or loss of multiple services	Legal action
5 Extensive	Over £5m	Major national media interest	Multiple deaths	Extended loss of service	Legal action from multiple sources

Overall Score   The overall risk score is the likelihood score multiplied by the impact score. In this example, impact = 4 and likelihood = 3, so 4 x 3 = 12, therefore the rating is 12 and the status is amber. As risk logs need to focus on the **most significant risks**, it's common for there to be more amber and red risks than green. If a risk is green, consideration should be given to whether it's **significant enough to be included** (unless we need to **demonstrate** that it's been assessed). The highest possible rating is 5 x 5 = 25.
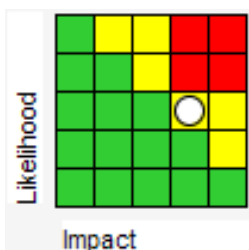
5. Risk Control

Once the risk has been evaluated, existing **Internal Controls** must be identified. These controls may be strategies, processes, arrangements, procedures, etc. that mitigate the risk to some extent by reducing either the likelihood of it occurring or the impact if it does occur. In most areas of risk we'll only be able to influence one of these factors but in some cases controls can influence both likelihood and impact. For example:

- Failure to prevent harm to individuals - the impact of this could be significant in many different respects so our efforts must focus on **preventative** controls,
- Severe weather events - here, the Cause is outwith our control so the actual risk is failure to prepare and we can only look at planning to limit the **consequences** when it occurs,
- Flu pandemic or Strike action - in these situations we can look **both** at preventative actions to reduce the likelihood but also use Business Continuity Plans to reduce the impact.

As well as existing controls, there may also be **planned actions** that are already scheduled or in progress and will reduce the risk's severity. Once controls and actions are identified, the risk should be assigned an **owner** who can make decisions around **appetite (or tolerance)**, weigh up **opportunities** against risks and identify the **approach** to be used. It's important to be risk **aware**, rather than risk **averse**, as we would miss opportunities if we decide to control every risk. Though the identified owner is not final (as risks can be escalated and demoted), it's important that they have an appropriate **remit, resources and authority** to manage the risk and ensure that treatment actions are completed, where appropriate.

There are 4 different **Approaches** that can be used to manage risks:

Treat - take action to reduce the likelihood or impact of a risk occurring,

Transfer - pass the risk to another party, such as through insurance,

Terminate - stop the activity that is causing the risk,

Tolerate - continue monitoring once reasonable actions within our control are complete.

Examples where risk appetite and prioritisation must be used:

Financial management   Short term efficiencies or 'spend to save' investment?

Legislative changes   Resource for training/process changes or statutory breach?

Statutory vs preventative   Statutory timescales or more frequent for early identification?

Procurement   Best functionality, maintenance, customisation, price, etc.?

Balancing rights   Protecting individuals or communities, or both?

Satisfaction vs efficiency   Channel shift to cheapest option or offer range of options?

6. Risk Scrutiny

Details to record on the Covalent Performance Management System, and the reporting cycle are shown below. Risk logs should be reviewed frequently and the hierarchy should be used to escalate and demote risks. This may depend on the owner's ability to manage the risk, or if the nature (or understanding) of the risk changes. As well as specific risks and logs, our risk management processes are assessed via internal and external governance processes.

Risk Recording on Covalent

ID (Code)	The unique reference for the risk, assigned by Covalent service superusers
Title	Short (3 to 5 word) name for the risk, focusing on the Event (see 3 above)
Description	An expanded version of the title, stating Cause and Event and giving more information on how the risk could come about and likelihood of occurrence
Potential Effect	Possible Consequences or impact - stakeholders or service areas that could be affected, to what extent, secondary implications (legal, reputation, etc.)
Approach	Treat, transfer, terminate or tolerate (see 5 above)
Related Links	Outcomes/Objectives (through Scorecards), Actions, Internal Controls and Indicators. If Treat - **must** have actions, if Tolerate, **must** have Controls.
Latest Note	Brief summary of progress where the approach is Treat (otherwise optional).
Score (Rating) (determines Status) 🔴 ⚠️ ✅	Quantification of the risk's severity (see section 4). **Original** Score with no controls ('gross' score), to show progress to date. **Current** Present position, including controls and completed actions. **Target** Risk appetite - the score required for us to Tolerate the risk.
Reviewer (Owner)	Person responsible for managing the risk, identifying the approach, providing updates and escalating/demoting between risk logs as appropriate.
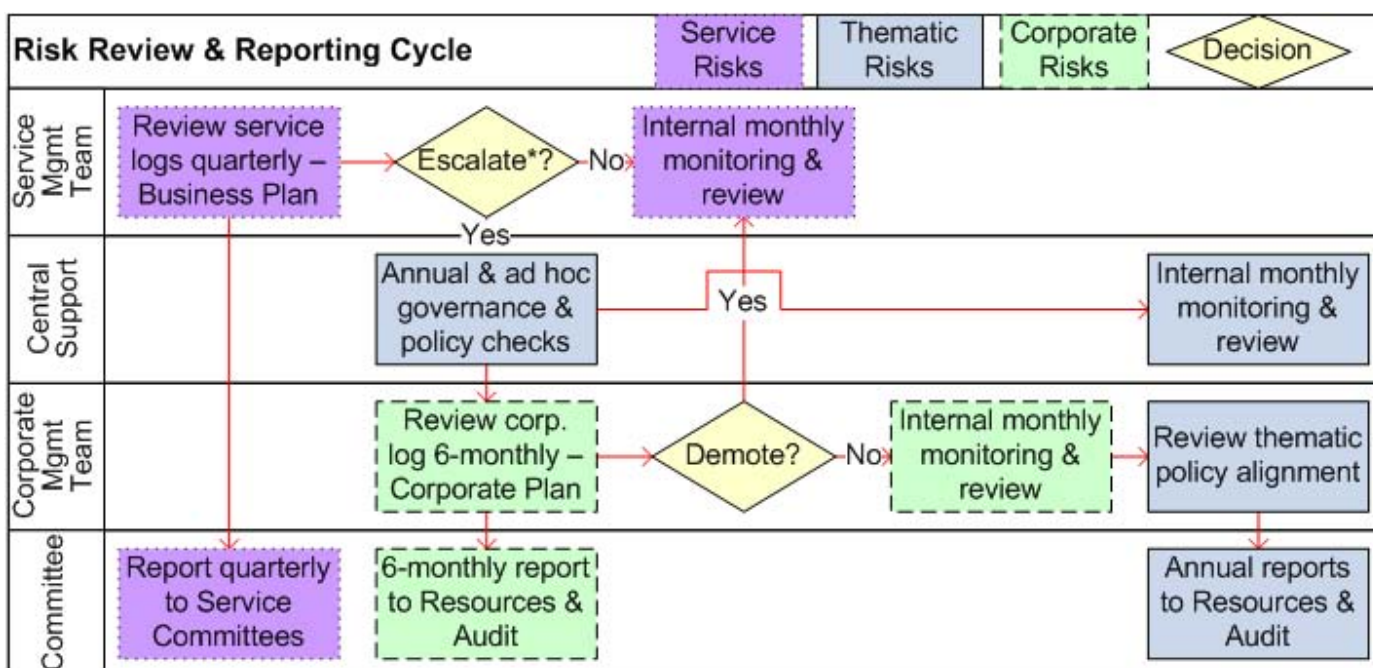
*Corporate impact? Affects more than 3 services? Requires consistent management? Significant for any service? Does owner lack authority to manage? If yes, consider escalating.

CLACKMANNANSHIRE COUNCIL

Report to: Audit and Finance Committee

Date of Meeting: 24 May 2018

Subject: Internal Audit Annual Assurance Report 2017/18

Report by: Internal Audit Manager

1.0   Purpose

1.1.   This report provides an overall assurance on the Council's arrangements for risk management, governance, and control, based on Internal Audit work undertaken during 2017/18.

2.0   Recommendations

2.1.   The Committee is asked to note:

- that sufficient Internal Audit work was undertaken to support a balanced assurance;

- that Internal Audit can provide SUBSTANTIAL assurance on the Council's arrangements for risk management, governance, and control for the year to 31 March 2018; and

- that Internal Audit met, or exceeded, each of its Key Performance Indicators.

3.0   Background

3.1.   It is senior managers' responsibility to establish and maintain effective and proportionate risk management, governance, and control arrangements. Internal Audit is not an extension of, or substitute for, operational management.

3.2.   The 2017 Public Sector Internal Audit Standards (the Standards) require the Internal Audit Manager to prepare an Annual Assurance Report. This report should include:

- a statement on the overall adequacy of the Council's control environment;

- a summary of Internal Audit work undertaken during the year; and

- a statement on the Internal Audit Section's conformance with the Standards.

3.3.   This report has been prepared to meet those requirements.

4.0   Overall Adequacy of the Council's Control Environment and Summary of Internal Audit Work Undertaken During 2017/18

4.1.   Seventeen main assignments were completed by Internal Audit during 2017/18. Sufficient Internal Audit work was undertaken to support a balanced opinion on the overall adequacy of the Council's control environment.

4.2.   Internal Audit use a set of Assurance Categories. A summary of these is set out at **Appendix 1**.

4.3.   On the basis of work undertaken, Internal Audit can provide **SUBSTANTIAL** assurance in relation to the Council's arrangements for risk management, governance, and control for the year to 31 March 2018.

4.4.   Internal Audit's Plan for 2017/18 was agreed by Audit and Finance Committee on 16 March 2017. It proposed 16 main assignments. Over the course of the year various changes were made to the programme of work, resulting in a total of 17 completed assignments.

4.5.   In addition, our work on Procurement and Contract Monitoring resulted in two separate reports (on Procurement Governance, and separately on Contract Management and Monitoring), as did our review of Social Care and Education Transport.

4.6.   A summary of work completed over the course of the year is set out at **Appendix 2** with the scope of, and findings arising from, each assignment set out at **Appendix 3**.

4.7.   Internal Audit measures performance against the following Key Performance Indicators.

Key Performance Indicator	2017/18
Complete **85%** of main audit programme	**100%**
Have **90%** of recommendations accepted	**100%**
Issue **75%** of draft reports within 3 weeks of completion of fieldwork	**100%**
Complete (to issue of final report) **75%** of main audits within budget	**82%**

4.8.   Actual performance met or exceeded target for all four indicators. Three assignments exceeded the initial, allocated, time budget. I am content, however, that this was appropriate and necessary to allow all relevant audit testing and fieldwork to be completed.

5.0 Compliance With Public Sector Internal Audit Standards 2017

5.1. Internal Audit seeks to undertake all work in compliance with the Public Sector Internal Audit Standards (PSIAS). These standards have four objectives:

- to define the nature of Internal Auditing within the UK public sector;

- to set basic principles for carrying out Internal Audit in the UK public sector;

- to establish a framework for providing Internal Audit services, which add value to the organisation, leading to improved organisational processes and operations; and

- to establish the basis for the evaluation of Internal Audit performance and to drive improvement planning.

5.2. The Standards require the Internal Audit Manager to establish a Quality Assurance and Improvement Programme (QAIP) to allow evaluation of compliance with the Standards. This comprises an annual self assessment and a five yearly external assessment.

5.3. As 2017/18 was the first year of the Internal Audit Joint Working Agreement with Falkirk Council, and due to the fact that processes and procedures have developed and changed over the course of the year, no self assessment or external assessment were undertaken during the year. A self assessment will be undertaken as a matter of priority during 2018/19, with independent external validation of this sought via the peer review framework established by the Scottish Local Authorities Chief Internal Auditors' Group.

5.4. That said, the Council's appointed External Auditors, Audit Scotland, undertook a review of Internal Audit during 2018/19. Audit Scotland concluded that Internal Audit has sound reporting arrangements in place and is complying with the main requirements of PSIAS.

6.0 Conclusions

6.1. Internal Audit undertook sufficient work during 2017/18 to support a balanced and evidence based opinion that Substantial Assurance could be placed on the Council's arrangements for risk management, governance, and control.

7.0 Sustainability Implications

7.1. None noted

8.0 Resource Implications

8.1. Financial Details

8.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate.   Yes ☐

8.3.   Finance have been consulted and have agreed the financial implications as set out in the report.   Yes ☐

8.4.   Staffing

9.0   Exempt Reports

9.1.   Is this report exempt?   Yes ☐ (please detail the reasons for exemption below)   No ☐

10.0   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)

11.0   Equalities Impact

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

12.0   Legality

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

13.0   Appendices

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

- **Appendix 1**: Definition of Internal Audit Assurance Categories

- **Appendix 2:** Summary of 2017/18 Internal Audit Programme

- **Appendix 3**: Details of 2017/18 Internal Audit Programme

14.0 Background Papers

14.1 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	Chief Executive (Acting)	███████████

Definition of Internal Audit Assurance Categories

Level of Assurance	Definition
Substantial assurance	Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement as current arrangements could undermine the achievement of objectives or leave them vulnerable to error or abuse.
Limited assurance	Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives and leave them vulnerable to an unacceptable risk of error or abuse.
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.

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Summary of 2017/18 Internal audit Programme

	Service	Assignment	Level of Assurance
Planned Assignments (as per 2017/18 Internal Audit Plan)			
1.	All Services	Pensions Transactional Testing	**Substantial Assurance**
2.	Resources and Governance / All Services	Payroll Transactional Testing	**Limited Assurance**
3.	Resources and Governance / All Services	Recruitment and Selection	**Limited / Substantial Assurance**
4.	Housing and Community Safety / All Services	Sundry Debtors	**Substantial Assurance**
5.	Resources and Governance / All Services	Procurement Governance Contract Management and Monitoring	**Limited Assurance** **Limited / Substantial Assurance**
6.	Resources and Governance	Cyber Security	**Substantial Assurance**
7.	Social Services	Public Protection - Governance	**Defer into 2018/19 Plan**
8.	Social Services / Education Services	Social Care Transport Education Transport	**Substantial Assurance** **Substantial Assurance**
9.	All Services	Cash and Income Collection: • Speirs Centre • St Mungo's Primary School • Park Primary School	**Not Applicable – Undertaken on Spot Check Basis**
10.	Education Services	Pupil Equity Fund	**Substantial Assurance**
11.	All Services	Follow Up of Internal Audit Recommendations	**Not Applicable**
12.	All Services	Ad Hoc / Consultancy Work	**Not Applicable**
13.	All Services	National Fraud Initiative	**Not Applicable**
14.	All Services	Continuous Auditing	**Duplicate Creditors payments of £116k identified – April 2016 to present**
15.	Clacks and Stirling IJB	Adult Social Care Invoicing System Arrangements	**To be reported to IJB Audit Committee**
16.	Central Scotland VJB	IT Control Environment / General Electoral Roll Registration Process	**To be reported to Valuation Joint Board**

	Additional Assignments		
	Service	**Assignment**	**Status**
1.	Development and Environmental	Validation of Climate Change (Scotland) Act 2009 Return	**Substantial Assurance**
2.	Development and Environmental / Housing and Community Safety	Vehicle Management and Usage, Bulky Uplifts, and Garden Aid	**Not Applicable – Undertaken on Consultancy Basis**

Details of 2017/18 Internal Audit Programme

Assignment	Service	Assurance
Pensions Transactional Testing	All Services	**Substantial**
Scope	**Final Report Executive Summary**	

Scope	Final Report Executive Summary
The purpose of our work was to ensure that: • new member contributions were properly calculated and accurately processed; and • leaver requests were correctly actioned, and annual pensions (including lump sum payments) were properly calculated and accurately processed.	We found that the processes associated with new member contributions, for leaver requests, and annual pension and lump sum payments were operating effectively. The supporting documentation had been appropriately completed and authorised, the calculations were correct, and the Pensions Administration System had been accurately and timeously updated. Falkirk Council's Internal Audit Section provides the Internal Audit Service to Falkirk Pension Fund. The annual Internal Audit coverage is agreed with the Pensions Committee and Pension Board. For 2017/2018 Internal Audit coverage focused on: • Pension Fund Governance (specifically the clarity of governance arrangements, accountabilities, and roles and responsibilities); and • Data Security and Management – Pensions Administration System. We provided **Substantial Assurance** in both of these areas. The output from this work will be reported to the Pensions Committee and Pension Board (which includes representation from Clackmannanshire Council) at their next meeting in June.

Assignment	Service	Assurance
Payroll Transactional Testing	Resources and Governance / All Services	**Limited**
Scope	**Final Report Executive Summary**	

Scope	Final Report Executive Summary
We reviewed: • the controls over the processing, checking, and authorisation of payroll changes, including: new starts; leavers; promotion / acting up allowances; increases / reductions to contractual working hours; deductions from salary; and changes to payee details; and • the accuracy and timely production of management information. In particular, the production, review, and authorisation of payroll exception reports, and payroll validation reports.	We provided **Limited Assurance** in relation to the adequacy of the controls in place to request and process payroll related changes. From our review of 50 transactions we were content that the information from the new start, leaver, and change forms was being accurately input to iTrent with the changes reflected in the employee's pay. That said, we did find some weaknesses in the controls over the processing, checking, and authorising of Payroll changes. In particular, the authorisation of new start and change forms was not being checked by Payroll or HR Sections prior to processing. The lack of existing scanning within Payroll Section meant that 13 of the 65 forms that we selected for testing were unavailable for review. As a result, we were unable to confirm the legitimacy, accuracy, and timeliness of the associated transactions (these forms were subsequently located as payroll documentation is scanned and retained in the Council's IDOX system as part of HR processes). There is a pilot project in progress to address the filing and scanning issues. Verification reports are provided by the Payroll Section to Service Management on a quarterly basis to facilitate checks on the accuracy of payments made to staff in the preceding three months. Services are not responding to the Payroll Section in a timely manner to confirm that the payments were accurate and / or to provide details of any necessary corrections. In relation to the monitoring of over and under payments, we made recommendations to ensure these are administered consistently, and that all reasonable steps are taken to recover overpayments.

Assignment	Service	Assurance
Recruitment and Selection	Resources and Governance / All Services	**Limited / Substantial**
Scope	**Final Report Executive Summary**	

Scope	Final Report Executive Summary
We reviewed arrangements for the recruitment and selection of permanent, temporary, and casual staff. In particular: • policies, procedures, and guidance; • advertisement, application, assessment, and approval arrangements, including pre-employment checks; • the process for appointing successful applicants, including salary placement and contract award processes; and • procedures for notifying HR, Payroll, and Pensions of the outcome from the recruitment and selection process.	We provided **Limited Assurance** in relation to the adequacy of the Recruitment and Selection Policy and the associated training arrangements, and **Substantial Assurance** in relation to the corporate processes followed to recruit staff. The Recruitment and Selection Policy was last revised in May 2007. This has been recognised by Human Resources and a new draft Policy has been prepared. There remains some scope for improving this further, for example by including greater clarity on the pre-employment checks required when recruiting internal candidates to a different post. The Policy requires that all staff involved in the process must be trained. It has been a number of years since any training has been organised (this was the responsibility of the corporate Learning and Development Adviser). Human Resources have recognised this and are currently working on a training programme to be available later this year. We found there to be instances where the audit trail was incomplete. In particular, there was a lack of documentation to confirm why applicants have, and have not, been selected for interview (eg shortlisting and interview scoring matrices not fully completed and / or certified by panel members). There were inconsistencies in documentation being retained for individual recruitment exercises.

Assignment	Service	Assurance
Sundry Debtors	Housing and Community Safety / All Services	**Substantial**
Scope	**Final Report Executive Summary**	

Scope	Final Report Executive Summary
We tested different sundry debtor transaction types, and reviewed supporting policies and procedures. In particular, we tested: • new sundry debtor accounts; • changes to sundry debtor accounts; and • sundry debtor invoices (including cancelled invoices). We also tested debt management, arrears, and write off controls. Audit testing of a sample of council tax, NDR, sundry debtor, and former tenant arrears transactions, and write offs, focussed on: • outstanding debt, to ensure that appropriate recovery action was being taken; and • 2016/17 debt write offs, to ensure that appropriate action was taken to assess the likelihood of full or partial debt collection, and that the debt write off was appropriately authorised.	We provided **Substantial Assurance** in relation to the adequacy of the key controls for sundry debtor transactions, debt management, and write offs. This was based on the results of our testing of a sample of processed sundry debtor transactions. The arrangements for identifying and recording sundry debtor payments are robust, with debt write offs for the 2016/17 financial year authorised in line with the Council's Recovery and Write Off Policy. We did, however, note a number of areas where there was scope for further improving the existing framework of control. We found several instances where the audit trail was incomplete. In particular, there was a lack of documentation being retained by Services to support new or amended debtor accounts, and the raising or cancelling of invoices. In addition, the authorisation arrangements within Services for these transactions require to be reviewed to ensure they are consistent and being authorised by the appropriate Officer. We have recommended that an Authorised Signatory List should be established for Service requests to cancel sundry debtor invoices. We have also suggested that the functionality within the Tech One system should be utilised to enable supporting documentation to be available electronically. Our work highlighted there is scope for establishing corporate written procedures. These should be developed for creating or amending debtor accounts, raising or cancelling invoices, and identifying accounts for write off.

Assignment	Service	Assurance
Procurement Governance	Resources and Governance / All Services	**Limited**
Scope	**Final Report Executive Summary**	

Scope	Final Report Executive Summary
We reviewed procurement governance arrangements, roles, and responsibilities.	We provided **Limited Assurance** in relation to procurement governance arrangements. This assurance was broadly based on the level of monitoring, reviewing, and reporting of current procurement activity to senior management and to elected Members. Information provided is mainly historical and does not relate to current procurement activity. In our view, this is a significant weakness as procurement activity accounts for c£61m of annual expenditure. In addition, the need for senior management to be aware of all procurement activity is particularly important given the significant savings that procurement could potentially deliver. There were effective elements of the governance arrangements. A Procurement Strategy has been developed and there are regular meetings of the Procurement Matters Group. The Procurement Manager was clear about roles and responsibilities, and corporate procurement guidance is kept under constant review. Contract Standing Orders are in the process of being updated.

Assignment	Service	Assurance
Contract Management and Monitoring	Resources and Governance / All Services	**Limited / Substantial**
Scope	**Final Report Executive Summary**	

Scope	Final Report Executive Summary
Our contract management and monitoring work focused on a sample of Service managed contracts: • Facilities Management Repairs and Maintenance; • Mental Health Counselling for Adults; and • Fencing Replacement. For each of these contracts we reviewed: • financial controls, including budget setting and monitoring arrangements, and billing and invoice validation / approval procedures; and • contract management and monitoring arrangements.	We provided a separate assurance for each of the contracts reviewed. In overall terms, we found that staff were clear about their roles and responsibilities. We could, however, provide only **Limited Assurance** in relation to the Facilities Management Repairs and Maintenance contract. While contract management and monitoring arrangements have evolved and improved, our assurance is based on the arrangements across the lifetime of the contract. There has been a significant overspend on the Facilities Management Repairs and Maintenance contract. This has not been reported to Committee, as required by Section 53 of Contract Standing Orders. In addition, the supplier has provided services that were not included in the original contract specification. There has been a lack of robust monitoring of spend by the contract manager, with a number of officers involved in engaging the supplier's services. We provided **Substantial Assurance** in relation to the Mental Health Counselling for Adults contract. This was being well managed and monitored with adequate segregation of duties in place for the ordering of, and payment for, services. We also provided **Substantial Assurance** in relation to the Fencing Replacement contract (albeit with the caveat below). The contract was being managed and monitored with adequate segregation of duties in place for the ordering of, and payment for, services. The spend on contract work was on budget. However, the supplier was also being used for reactive repairs, which are not part of the contract. These repairs are being initiated and approved by teams that are not within the span of control of the contract manager. Reactive repair spend (ie off contract spend) has totalled £129,491 over the period September 2016 to December 2017. A common theme across the contracts tested is that there is no specific contract budget embedded within the Tech One finance system. Contract expenditure is allocated to ledger codes which are not restricted to particular contracts. This could result in failure to identify contracts exceeding their original agreed value.

Assignment	Service	Assurance
Cyber Security	Resources and Governance	**Substantial**
Scope	**Final Report Executive Summary**	

Scope	Final Report Executive Summary
For a sample of externally hosted Council IT systems we reviewed arrangements for: • ensuring system security remains up to date, and the assurances received on the technical controls used by the vendor; and; • ensuring the quality and continuity of service provision.	We provided **Substantial Assurance** in relation to the adequacy of externally hosted Council IT system arrangements. We found that the system owners were able to outline the arrangements for software patch management / version control. They were also familiar with the steps to be followed for reporting internally and externally any information security incident. One system owner was unsure whether a documented business continuity plan was in place, and we recommended that a plan is established setting out the action to be taken in the event that the system is unavailable. During the course of this audit the Public Sector Action Plan on Cyber Resilience was published by the Scottish Government, and this will require the Council to work towards Cyber Essentials accreditation.

Assignment	Service	Assurance
Social Care Transport	Social Services	**Substantial**

Scope	Final Report Executive Summary
We reviewed arrangements for: • ensuring that all drivers and transport assistants are vetted under the Protection of Vulnerable Groups scheme; • checking driver licensing, vehicle and passenger insurance, and the road worthiness of vehicles; and • ensuring the suitability of volunteer drivers.	We provided **Substantial Assurance** in relation to the adequacy of Social Services transport management arrangements. We found that controls around transport management were sound. The staff in the business areas we visited had a clear understanding of their roles and responsibilities. We found that all drivers and passenger escorts were PVG Scheme members. We were also content with the arrangements in place to record and monitor vehicle usage, and for vehicle storage and security. Given the ongoing demand for transport services by service users, we have recommended that a formal Transport Policy is developed to ensure clarity and consistency of transport entitlement and provision.

Assignment	Service	Assurance
Education Transport	Education Services	**Substantial**

Scope	Final Report Executive Summary
We reviewed arrangements for: • ensuring that all drivers and transport assistants are vetted under the Protection of Vulnerable Groups scheme; and • checking driver licensing, vehicle and passenger insurance, and the road worthiness of vehicles.	We provided **Substantial Assurance** in relation to the adequacy of Education transport arrangements. We found that controls around transport management were generally sound. The staff who manage this process on a day to day basis had a clear understanding of their roles and responsibilities. We found that all passenger escorts were PVG Scheme members. We did, however, recommend that the SLA (between Education Services and Stirling and Clackmannanshire Councils' Public Transport Unit (PTU), which is staffed and operated by Stirling Council) could be more specific in relation to the driver and vehicle checks being carried out, and for the requirement that the PTU provides assurance that these checks have been satisfactorily completed.

Assignment	Service	Assurance
Cash and Income Collection	Strategy and Customer / Education Services	**N/A – Spot Checks**
Scope	**Final Report Executive Summary**	

Scope	Final Report Executive Summary
Over the course of the year we visited the following three premises to review local cash handling and safe security arrangements: • Speirs Centre; • St Mungo's Primary School; and • Park Primary School. As part of the visit to the Speirs Centre we also reviewed wider security arrangements.	**Speirs Centre:** Cash floats and income collected at the time of the visit were complete and reconciled. The arrangements for the handover of income to the external security firm for banking were also operating effectively. There was scope for improving the control framework by ensuring: • up to date written income handling, banking, and security procedures are in place; • cash drawers are locked when not in use and excess cash is stored securely in the safe; and • the physical security of the office is reviewed. **St Mungo's Primary School:** We were generally content with the processes being followed, though there was a need to ensure that: • a log is maintained of safe contents; and • an additional safe key is obtained. In general, income is counted and banked by administration staff, with the Banking Income Analysis form signed by the Headteacher. There were no written income handling and banking procedures in place at the school. Procedures on the roles and responsibilities of staff regarding the collection, storing, reconciliation, and banking of income should be established and rolled out across all schools. **Park Primary School:** Internal Audit's visit to Park Primary School followed two separate thefts of cash that had been reported to Internal Audit and the Police. The purpose of our visit was to discuss with the Depute Headteacher and administration staff the arrangements for cash and safe security. Since the thefts a number of changes had been made to the arrangements for storing school monies: • the original safe was no longer being used as it was identified by the Police as being potentially unsecure; • a locked filing cabinet was being used as an interim measure; and • two new safes and a key safe had been purchased by the school. We acknowledged that work was in progress to improve the framework of control. In addition to what is planned there was a need to ensure that a log is maintained of all safe contents. We re-iterated the recommendation above that procedures on the roles and responsibilities of staff are established and rolled out to all schools.

Assignment	Service	Assurance
Pupil Equity Fund	Education	**Substantial**
Scope	**Final Report Executive Summary**	

Scope	Final Report Executive Summary
We reviewed: • roles, responsibilities, policies, procedures, and guidance for Headteachers; • financial governance arrangements, including financial monitoring and reporting, and the accuracy and validity of payments; • the monitoring of outcomes, the evaluation of the impact of the funding, and the provision of management information; and • arrangements for reporting on plans and activity to parents, elected Members, and the Scottish Government.	Internal Audit have completed our fieldwork and issued a draft report to management. We have provided **Substantial Assurance** in relation to the PEF control framework, and will provide detail on our findings in a future report to Audit and Finance Committee once the report has been finalised.

Assignment	Service	Assurance
National Fraud Initiative	All Services	**Not Applicable**
Scope	**Final Report Executive Summary**	

Scope	Final Report Executive Summary
The purpose of the NFI exercise is to review and investigate the outcomes of data matching undertaken by Audit Scotland on behalf of the Cabinet Office. Matches cover areas such as Payroll, Pensions, Housing and Council Tax Benefit, Council Tax Single Person Discount, and Creditors. The Head of Resources and Governance and Internal Audit Manager act as joint Key Contacts for NFI, with responsibility for co-ordinating the process of ensuring that relevant matches are followed-up.	A total of 472 'Recommended' matches were released to Clackmannanshire Council for review and investigation (1,352 matches in total). Services have investigated and closed 952 matches. No instances of fraud, and a total of 31 errors (with a total value of £27,690), have been identified, with recovery underway. In addition to the core NFI exercise, Clackmannanshire Council participates in a related exercise designed to detect wrongly claimed Council Tax Single Person Discount. Since 01 April 2017, as a result of participation in this exercise (which matches Council Tax and Electoral Roll data), frauds or errors totalling c£17k have been detected, with recovery action taken or underway.

Assignment	Service	Assurance
Continuous Auditing	All Services	**N/A – Ongoing Assurance**
Scope	**Final Report Executive Summary**	
This involved analysing Creditors payment file data (payments to suppliers of goods and services) to identify any potential duplicate payments. We used audit interrogation software to identify any matches on invoice date, invoice amount, and invoice number. We then checked our initial results on Tech One to identify any cancelled payments; payments made to different suppliers; and duplicate payments that have already been identified and either cancelled or monies recovered. We also reviewed the scanned version of the invoices on Tech One.	For the period April 2017 to September 2017 we identified 23 potential duplicate payments, with a value c£24,000. The first stage of this work covered the period April 2016 to March 2017. The findings arising from this work were reported to management in July 2017, and identified 72 potential duplicate payments with a value c£90,000.	

Assignment	Service	Assurance
Validation of Climate Change (Scotland) Act 2009 Return	Development and Environment	**Substantial**
Scope	**Final Report Executive Summary**	
The Climate Change (Scotland) Act 2009, introduced the requirement for public bodies to report on their climate change duties. The Council's annual report had to be submitted to the Sustainable Scotland Network by 30 November. The annual report format is a standard template split into: • Profile of Reporting Body; • Governance, Management, and Strategy; • Emissions, Targets, Projects; • Adaptation; and • Procurement. Internal Audit work focused on reviewing the reporting arrangements and the accuracy of the information in the report.	We provided **Substantial Assurance** on the Council's reporting arrangements and the accuracy of the information in the report. We made one recommendation, relating to enhancing the audit trail associated with the reporting process by using an electronic evidence pack to support each of the sections of the report. During the course of our audit work we also identified issues which should be considered for future years' reporting. These related to the inclusion of Waste Management related emission sources in the annual report, and the inclusion of data for all carbon reduction projects. In addition, we suggested that target dates are set for updating the Sustainability and Climate Change Strategy, establishing a Carbon Management Group, revising the Carbon Management Plan, and developing a Climate Change Adaptation Strategy.	

Assignment	Service	Assurance
Vehicle Management and Usage (within Waste Services and Property Services)	Development and Environmental / Housing and Community Safety	**N/A – Consultancy Basis**
Scope	**Final Report Executive Summary**	

Scope	Final Report Executive Summary

Supervisory and monitoring roles and responsibilities of Service management in relation to:
 	
1. Vehicle Management and Usage (Waste Services and Property Maintenance):
 	
• vehicle management policies, procedures, and guidance;
• recording and monitoring of vehicle usage; and
• expenditure on vehicle maintenance and fuel.
 	
2. Bulky Waste Uplifts:
 	
• approving and monitoring service requests, work rotas, and works undertaken;
• ensuring that service charges are accurately recorded and billed for.
 	
3. Garden Aid:
 	
• approving and monitoring service requests, work rotas, and works undertaken; and
• the stock control of Garden Aid equipment.
	This work did not result in a formal Internal Audit report. It identified various common themes and operational findings that will form the basis of an action plan. The Internal Audit team are in the process of agreeing the content of that action plan with the Team Leader (Traffic and Transportation).
	
	Key common themes identified were:
	
	• No evidence of review of size of fleet by Services (eg, on an annual basis) to ensure continuing need and that best value is being achieved. No fleet related management information provided, by Fleet Services, to managers and supervisors since April 2017.
	
	• No corporate guidance detailing the roles and responsibilities of all vehicle users (and their supervisors). There is a Code of Practice for the Use of Council Vehicles dating from 2007. Updated corporate guidance should cover:
	
	  o requirement for first vehicle checks;
	  o details of when vehicles can and cannot be used;
	  o who can drive the vehicles;
	  o what vehicles are authorised to be taken home (and who approves this);
	  o the requirement to complete logbooks and for logbook review;
	  o refueling arrangements; and
	  o steps to be followed if vehicle is involved in an accident.
	
	• Telematics not widely used for monitoring purposes by managers or supervisors. Automated reports are being provided from Telematics on speed limits, idling time, and mileage but no indication that this is being reviewed. Could be better use of system functionality to highlight issues which require further manager or supervisor review (eg, vehicle not used, vehicle out with Clackmannanshire boundary, high daily mileage etc.).
	
	• Roles and responsibilities of supervisors for day to day vehicle management should be recorded in their job descriptions.