
Report to: Audit & Scrutiny Committee

Date of Meeting: 05 February 2026

Subject: Internal Audit Progress Report

Report by: Internal Audit Manager

1.0 Purpose

- 1.1 This report provides an update on progress with completion of the 2025/26 Internal Audit Plan.
- 1.2 The report also sets out the work required to demonstrate compliance with the Global Internal Audit Standards.

2.0 Recommendations

- 2.1 It is recommended that the Committee notes:

- progress with completion of the 2025/26 Internal Audit Plan;
- the action taken on duplicate payments; and
- the update relating to the work on compliance with the Global Internal Audit Standards.

3.0 Progress with Completion of the 2025/26 Internal Audit Plan

- 3.1 The 2025/26 Internal Audit Plan was agreed at Committee on [12 June 2025](#). It sets out seventeen assignment areas to be completed by the team during the year. This includes eight audit reports to be issued to Clackmannanshire Council (those eight audit reports do not include those assignments or reports undertaken and issued to the Central Scotland Valuation Joint Board¹). Of these eight audit reports:

- four audit reviews (Building Security, Climate Change, Council Tax Refunds, and Follow Up of the Review of Purchase Order Arrangements at Clackmannanshire Council for Adult Social Care) have been completed to final report stage (as part of our committed assignment programmes of work);

¹ Other client work in 2025/26 only includes the Central Scotland Valuation Joint Board and not the Clackmannanshire and Stirling Integration Joint Board. From 2025/26 (for the next three years), the internal audit provision for Clackmannanshire and Stirling Integration Joint Board has passed to Stirling Council.

- one audit review (Medication in Schools) is currently in progress and will be reported to a future Committee; and
- three have not been started. These reviews include Stirling and Clackmannanshire City Region Deal, Stores Management, and Disposal of IT Equipment.

3.2 A summary of progress is set out at **Appendix 1**. Details on the scope of, and findings arising, from the three reviews finalised since the last Committee we reported to is at **Appendix 2**. The assurance is provided in line with the definitions at **Appendix 3**.

4.0 Continuous Auditing

4.1 Our work to identify duplicate creditor payments is conducted on a six monthly basis. All payments are reviewed to identify, for example, cancelled payments; credit notes; refunds; and duplicates.

4.2 For the period 01 April to 30 September 2025 we identified 43 potential duplicate payments with a gross value of £62,203 (0.08% of total payments). After further investigation by the Corporate Accountancy Team 5 transactions have been confirmed as duplicates (value c£1,725) and appropriate recovery action is underway.

5.0 Compliance with Global Internal Audit Standards (GIAS)

5.1 The new GIAS and accompanying Application Note: GIAS in the UK Public Sector issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) came into force from 1 April 2025. These replace the Public Sector Internal Audit Standards (PSIAS).

5.2 At the last Committee we made you aware that we were undertaking a gap analysis exercise to identify areas which need to be addressed to demonstrate compliance with the GIAS. We have now undertaken this gap analysis, and using the results have produced an action plan for implementing the changes. This includes the production of an Internal Audit Strategy as well as updates to the Internal Audit Manual and Charter, details of which will be presented to Committee in due course. The Action Plan is set out at **Appendix 4**.

6.0 Conclusions

6.1 We are making reasonable progress with the 2025/26 Internal Audit work. This will contribute to a balanced and evidenced based year end opinion on arrangements for risk management, governance, and control.

7.0 Sustainability Implications

7.1 None Noted.

8.0 Resource Implications

Financial Details

8.1 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

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

Staffing

8.3 No implications other than those set out in the report.

9.0 Exempt Reports

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

10.0 Declarations

10.1 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**

Complies with relevant Council Policies

11.0 Impact Assessments

11.1 Have you attached the combined equalities impact assessment to ensure compliance with the public sector equality duty and fairer Scotland duty? (All EFSIAs also require to be published on the Council's website)

Yes

11.2 If an impact assessment has not been undertaken you should explain why:

Not necessary as this report does not require a decision.

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: Progress with Internal Audit Plan 2025/26
- Appendix 2: Internal Audit Plan 2025/26 Assignment Outcomes
- Appendix 3: Definition of Internal Audit Assurance Categories and Classification of Recommendations
- Appendix 4: Global Internal Audit Standards Implementation Action Plan

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
Chris Alliston	Strategic Director Partnership and Performance	

INTERNAL AUDIT PLAN

Summary of Progress with 2025/26 Internal Audit Plan

Planned Assignments (as per 2025/26 Internal Audit Plan)			
	Directorate	Assignment	Progress Status
Annual Recurring Assignments			
1.	Internal Audit	Global Internal Audit Standards: Self Assessment	In Progress
2.	Internal Audit	Strategic Annual Planning and Annual Assurance Work	Ongoing
3.	Internal Audit	Audit Committee / Working Group preparation and attendance	Ongoing
4.	Internal Audit	Team Management and other related tasks	Ongoing
5.	All Directorates	Continuous Auditing	Ongoing Assurance
6.	All Directorates	National Fraud Initiative	Ongoing Assurance
7.	All Directorates	Consultancy Work	Ongoing Assurance
8.	All Directorates	Work on Recommendations Outstanding	Ongoing Assurance
9.	Place	Validation Work Requests	Ongoing Assurance
10.	Place	Climate Change Act Public Body Duties Audit	Final Report Issued
Committed Assignments			
11.	Partnership and Performance / Health and Social Care Partnership	Follow Up of the Review of Purchase Order Arrangements at Clackmannanshire Council for Adult Social Care	Final Report Issued
12.	All Directorates	Stirling and Clackmannanshire City Region Deal	Not Started
13.	Partnership and Performance	Disposal of IT Equipment	Not Started
14.	All Directorates	Building Security	Final Report Issued
15.	Place	Stores Management	Not Started

Planned Assignments (as per 2025/26 Internal Audit Plan)			
	Directorate	Assignment	Progress Status
16.	Partnership and Performance	Council Tax Refunds	Final Report Issued
17.	People	Medication in Schools	In Progress
Other Client Work			
18.	Central Scotland Valuation Joint Board	The Internal Audit Plan for 2025/26 was presented to the Central Scotland Valuation Joint Board on 27 June 2025.	In Progress

INTERNAL AUDIT PLAN 2025/26 ASSIGNMENT OUTCOMES

Summary of Key Findings from Reviews Complete to Final Report
Not Previously Reported to Committee

Review	Directorate	Assurance
Public Body Climate Change Duties	Place	Substantial Assurance
Scope	Final Report Summary	
<p>The Climate Change (Scotland) Act 2009 (the Act) introduced the requirement for public bodies to report on their climate change duties.</p> <p>The Council submitted its 2024/25 report to the Scottish Government, ahead of the deadline of 30 November 2025. This is in line with the timescales from the Act.</p> <p>In August 2022, the Council set a target for the Council's own operations to reach net zero greenhouse gas emission by 2040 at the latest.</p>	<p>Our work focused on reviewing the reporting arrangements and the accuracy of the information included in the Annual Report.</p> <p>To ensure the consistency of returns to Scottish Government across public bodies, the annual report format is a standard template split into six required areas:</p> <ul style="list-style-type: none"> • Profile of Reporting Body; • Governance, Management, and Strategy; • Emissions, Targets, and Projects; • Adaptation; • Procurement; and • Validation and Declaration. <p>We were content that the figures recorded and the data reflected in the report was consistent and could be matched to supporting documentation. We did, however, make two recommendations; the Council governance documents noted in the return pre date the 2024/25 reporting period; and a calculation of all potential carbon savings are included in each of the Council's carbon reduction projects. The Team Leader Energy and Sustainability has agreed to undertake a review of the identified outdated documents and will explore the potential tools that could assist the Council to capture the relevant carbon data.</p> <p>We can provide SUBSTANTIAL ASSURANCE in relation to the Council's reporting arrangements and the accuracy of the information in the report (see Appendix 3 for assurance category definitions). Two recommendations were made and accepted: one at grade 2 and one at grade 3. Grading classification is also detailed at Appendix 3.</p> <p>Both recommendations to be implemented by Responsible Owners by 30 June 2026.</p>	

Appendix 2

Review	Directorate	Assurance
Council Tax Refunds	Partnership and Performance	Limited Assurance
Scope	Final Report Summary	
<p>Council Tax helps to pay for the services that the Council provides. It funds around £0.17 for every £1 that the Council spends or invests in local services, with the remaining £0.83 in every £1 being funded by Scottish Government grants and business rates contributions. For 2025/26, the total amount needed to be raised from Council Tax (to balance the budget) was £28.868 million².</p> <p>The persons liable for paying Council Tax for a property are listed³ below and are categorised in order of liability:</p> <ul style="list-style-type: none"> the owner, if they live in the property; the tenant (or subtenant) who lives in the property; anyone else who lives in the property; the leaseholder; anyone else with the right to live in the property; or the owner, if nobody lives in the property or if it is considered in multiple occupancy. <p>The Council Tax charge is based on the value of each property. The value is decided by the Assessor for Central Scotland then placed into a property valuation band (A to H). The band reflects the Assessor's opinion of the property's open market value on 1st April 1991, taking account of its physical state and its locality on 1st April 1993.</p> <p>If a Council Tax account has been overpaid by a resident, then it might be appropriate to issue a refund to them (subject to any amounts being owed to the Council). Council Tax Refunds are also due when the taxpayer is no longer liable for Council Tax in the Clackmannanshire Council area. If the taxpayer moves within the Council boundaries, credits can be transferred to the new property, but this is not an option if they move to another area (or do not</p>	<p>Council taxpayers can have credit balances on their account when they sell their property or give up a tenancy; or if there is a change in liability regarding discounts, reductions, or exemptions (as Council Tax is due in advance). These credits can be transferred to the taxpayer's new property within Clackmannanshire Council or, if this is not applicable, they can be refunded. The Revenues and Treasury sections of the Finance division of the Partnership and Performance Service are responsible for identifying, processing, authorising, and paying Council Tax Refunds.</p> <p>In relation to Council Tax Refunds, we reviewed roles and responsibilities; policies and procedures (including system documentation); arrangements for segregation of duties (including system access); Council Tax system extracts and reconciliations; and monitoring of the refunds.</p> <p>We were content that:</p> <ul style="list-style-type: none"> responsibility for identifying, processing, authorising, and paying Council Tax Refunds has been assigned to different employees. In addition, the refunds are processed and paid via two different systems (CTX ORBiS and Technology One), with approval required from an authorised signatory; and contingency arrangements are in place for the authorisation of Council Tax Refunds in the absence of the Team Leader (Revenues and Benefits). <p>We also reviewed the available Council Tax Refund transaction data (for April 2023 to August 2025), which we found to be insufficient to confirm segregation of duties. Our testing of this data found:</p> <ul style="list-style-type: none"> 51 duplicate entries (123 refunds with a total value of £45,503.52) based on payee bank details (multiple refunds to the same customer); 8 matches to an employee details file (9 refunds with a total value of £3,168.66); 32 duplicate entries based on the Council Tax account number (comprising 64 refunds with a total value of £20,574.84); and 24 refunds (with a total value of £18,936.48) that had been processed by two of the four employees who have authorisation permission. <p>In addition, we found that there is scope to enhance all of the internal controls, and the implementation of our recommendations should help to demonstrate this. We identified some significant weaknesses in the existing framework of control. We have, therefore, made recommendations to enhance the risk, control, and governance systems that are currently in place and to enable good practice to be followed. These recommendations relate to ensuring that:</p> <ul style="list-style-type: none"> roles and responsibilities for identifying, processing, authorising, and paying Council Tax Refunds are documented; a policy and also procedures that govern the Council Tax Refund process are developed; and an Anti-Fraud and Corruption Strategy is developed, approved, and clearly communicated to all employees; a detailed evaluation of the refund processes (for both Council Tax and Non-Domestic Rates) is conducted by the Revenues and Benefits team; the potential losses are quantified (by determining the number and value of Council Tax credit balances) should the Council be subject to a similar fraud to what was perpetrated against Aberdeen City Council; 	

² Source: Council Tax Leaflet 2025/26.

³ The Council Tax charges are subject to discounts, exemptions, reductions, and surcharges depending on the circumstances of the property and of the liable persons.

<p>provide a forwarding address). As Council Tax is due in advance, most taxpayers will have a credit balance when they sell properties (or give up tenancies). The obvious exception to this is those who have Council Tax arrears.</p>	<ul style="list-style-type: none"> action is taken so that extracted files from the Council Tax system cannot be amended prior to them being uploaded to Technology One; and reconciliations are conducted each month (and reviewed by a senior employee) between the ORBiS system and Technology One for the Council Tax Refunds; action is taken to prevent the same person from identifying a credit balance and then requesting, authorising, and processing the payment of a Council Tax Refund (to ensure a segregation of duties); consideration is given to removing the permission of Council Tax Refund authorisers to change the refund amounts (as this is not required); and system access permissions of the authorisers (for example, to change amounts or BACS details) are documented in the policy and procedures for Council Tax Refunds; consideration is given to enhancing the available transaction data to include who has requested, processed, authorised, and paid each Council Tax Refund (the availability of this additional information should be investigated) and a programme to regularly test the transaction data should also be established; the Council Tax Refunds are monitored (this monitoring should be added to the policy and procedures); and our analysis of the available Council Tax Refund data is reviewed by the Council Tax team.
<p>The CTX ORBiS system is used to monitor Council Tax accounts and to process any refunds. The refund payments are then made via Technology One (the Council's finance system).</p>	<p>Between 1 April 2023 and 18 August 2025, a total of 1,156 Council Tax Refunds were issued (with a cumulative value of £377,384.07). As Council Tax was expected to generate income of £28.868 million for 2025/26, this shows that the refunds represent a very small proportion of the income received (around 0.5%).</p>
<p>In January 2025, the Chair of the Accounts Commission wrote to all Local Authority Chief Executives in Scotland (copied to Directors of Finance and External Auditors). The purpose of the letter was to share the lessons that Local Government can learn from a significant Council Tax Refund fraud that was perpetrated against Aberdeen City Council. It was found that weaknesses in the Council's internal controls⁴ allowed the fraud to continue over a prolonged period (17 years). Failure to implement controls and a lack of monitoring enabled an abuse of authority which, when combined with a detailed operational knowledge, provided the opportunity to withdraw funds inappropriately (with a total value of £1.1 million).</p>	<p>We can provide LIMITED ASSURANCE in relation to the adequacy of the arrangements in place for Council Tax Refund arrangements (see Appendix 3 for assurance category definitions).</p> <p>Nine recommendations were made and accepted in total: two at grade 1 and seven at grade 2. Grading classification is also detailed at Appendix 3.</p> <p>Four of the recommendations should be implemented by Responsible Owners by 28 February 2026, three to be implemented by 31 January 2026, and the remaining one by 31 July 2026. One recommendation has already been implemented.</p>
<p>This review helps to assess the status of these internal controls that apply to Council Tax Refunds.</p>	

⁴ A lack of segregation of duties and monitoring enabled the perpetrator (a Council Tax and Recovery Team Leader) to transfer balances between Council Tax accounts, to input bank details, and to process Council Tax Refunds. The Team Leader had unsupervised authority to issue refunds of up to £3,000 and he could also alter payee details which allowed him to transfer money to himself. This embezzlement happened where a resident had left a property, but had not claimed for overpayment of their Council Tax. The fraud was identified when a check of an arrears recovery report by another officer highlighted multiple transfers on an account that was in credit, and a satisfactory explanation was not provided by the perpetrator. The Team Leader received a prison sentence of four years in July 2024.

Review	Directorate	Assurance
Follow Up of the Review of Purchase Order Arrangements at Clackmannanshire Council for Adult Social Care	Partnership and Performance / Health and Social Care Partnership	No Assurance
Scope	Final Report Summary	
<p>The purpose of the review was to follow up on the progress with implementing the recommendations from our 2023/24 review and testing a sample of recent Adult Social Care payments made to review purchase order and invoice authorisation to ensure compliance with policies and procedures.</p> <p>In summary, the 2023/24 audit of Adult Social Care Purchase Order Arrangements review provided NO ASSURANCE. The review identified 10 recommendations relating to significant weaknesses involving purchase orders not being raised in advance of payments and examples of non-contract expenditure.</p> <p>Internal Audit also found weaknesses in the care plan approval and payment process including instances of no care plans, no details of specific manager approval, care plans approved by a manager with insufficient Clackmannanshire Council delegated authority, an no evidence of review of care plans and further approval of ongoing care costs.</p>	<p>For the 10 recommendations made in 2023/24 we found that 7 had been partially implemented, and 3 were not implemented. We identified that:</p> <ul style="list-style-type: none"> • Purchase orders have not been raised on Techone for all Adult Care purchases. • No sample audits / data cleansing exercises have been undertaken to provide assurance on the completion and accuracy of care plans. • Adult Social Care Standard Operational Procedures including processes for compiling, approving, and reviewing care plans have not been finalised. • A review has, however, been undertaken on the Health and Social Care Scheme of Delegation, and work is progressing to update Clackmannanshire Council's authority levels to ensure consistency. <p>A sample of 15 Adult Social Care payments made through Techone in 2024/25 were selected for testing to ensure compliance with Financial Regulations and Contract Standing Orders. This involved checking each transaction had a valid purchase order, invoice, evidence of authorisation, contract, contract rates, and where appropriate care plans were in place. This replicated the test carried out in the 2023/24 review where we found purchase orders had not been raised in advance of payments and weaknesses in the care plan approval and payment process. During this follow up review we found that processes for making payments has not changed since the 2023/24 review. In addition, we were not provided with related supporting evidence of Techone purchase orders, authorisations, and contracts for the sample of payments. We, therefore, conclude that the same weaknesses apply. The prescribed adult care provision and payment process is summarised as follows:</p> <ul style="list-style-type: none"> • Social Workers complete care plans for service users on the Community Care Information System (CCIS⁵) which are approved by a Care Manager. The Business Support Team (BST) access the approved care plans and upload to FINCH⁶. • The BST update care rates on FINCH and CCIS based on the Planning and Commissioning Manager's spreadsheet of contract rates, and confirm actual costs incurred with the care provider. The BST upload care plan transactions onto Techone which are then approved for payment by a Senior Adult Care Manager. <p>CCIS and FINCH are legacy systems that have limited reporting functionality to support management and due to the lack of IT technical support for the systems there is limited development to allow them to keep up to date with changes to operational and legislative needs. In August 2025, Clackmannanshire Council approved investment in the transformation of the Social Care Target Operating Model (TOM) underpinned by the procurement and implementation of a replacement Social Work IT System (SWITS), which will enable the transformation of social care. Health and Social Care Partnership Senior Management advised that the new system when implemented should assist with the implementation of the outstanding recommendations.</p> <p>This follow up review in 2025/26 identified that 100% (10 out of 10) of the 2023/24 recommendations (this includes eight recommendations at grade 1 that are most significant and are of the highest priority) have not been fully implemented. No evidence was provided to support transactional testing which resulted in Internal Audit being unable to assess whether there were appropriately authorised care plans in place and if contracts were in place for care suppliers. We can, therefore, provide NO ASSURANCE in relation to the adequacy of the controls put in place to implement the recommendations from the 2023/24 review. See Appendix 3 for assurance category definitions.</p>	

⁵ CCIS holds all the information about Social Work clients and the assessment process.

⁶ The Social Work Finance System holds details about clients and suppliers.

	<p>An additional recommendation has also been made regarding the administration of Pentana and maintaining the most up to date responsible owners on the system. This additional recommendation was accepted, with an agreed implementation date of 31 January 2026.</p>
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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.

CLASSIFICATION OF RECOMMENDATIONS

Classification of Recommendations		
Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently, management needs to address and seek resolution urgently.	Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt, but not immediate action by management.	Grade 3: Less significant issues and / or areas for improvement which we consider merit attention, but do not require to be prioritised by management.

GLOBAL INTERNAL AUDIT STANDARDS IMPLEMENTATION ACTION PLAN

Key:	Implemented (or of an ongoing nature)	On track	On track, but deadline may be tight	Deadline not met
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Number	Action	Due Date / Progress Made
1.	Undertake gap analysis between PSIAS and GIAS requirements.	Completed by 29 August 2025.
2.	Hold team sessions to outline new GIAS requirements based on gap analysis undertaken and provide support and / or training to the Internal Audit team.	Team sessions held: 19 September; 03 October; 31 October; 14 November; 27 November; and 12 December. Further sessions planned for January 2026.
3.	Update the Internal Audit Charter to reflect changes required by GIAS.	Draft due by 19 December 2025. Completed.
4.	Draft an Internal Audit Strategy and Mission to reflect changes required by GIAS.	Draft due by 19 December 2025. Completed.
5.	Update the Internal Audit Manual and relevant procedures to reflect changes required by GIAS.	Ongoing – first draft completed by 19 December 2025, final due by 31 March 2026.
6.	Identify and produce new declarations as part of the Internal Audit annual declarations housekeeping exercise.	Draft due by 19 December 2025. Completed.
7.	Review the Essential Conditions requirements and decide what actions are required. This may include the production of new materials.	Draft presentation completed and presented to the Internal Audit team. Revisions in progress following feedback from team presentation. Due to be completed by 19 December 2025.

Number	Action	Due Date / Progress Made
8.	Update Internal Audit report templates in line with GIAS requirements.	Ongoing – due by 31 March 2026.
9.	Update / brief CMT and Elected Members periodically. Bring drafts (Strategy / Charter / Essential Conditions) to stakeholders for discussion / consultation. Approval of the Internal Audit Charter and Internal Audit Strategy (including the Internal Audit Mission).	Ongoing – due by 31 March 2026. Ongoing – due by 31 March 2026.
10.	Review and update Annual Audit Planning process. Links to the update of the Internal Audit Manual. Consider Topical Requirements as part of the annual planning process.	Due by 31 March 2026.
11.	Undertake assessments of audit fieldwork to check compliance with requirements.	Periodic deep dives into audit fieldwork to commence by April 2026.
12.	Identify GIAS training requirements, then review against the IIA Competency Framework. Create a prioritised training plan for the year ahead using GIAS and team requirements.	By 31 March 2026.
13.	Review the templates: for auditee questionnaire and service annual surveys to ensure useful feedback is obtained. Review Chief Officers Annual Assurance Statements to check compliance with GIAS requirements. Issue Chief Officers Annual Assurance Statements.	By 31 March 2026. By 31 March 2026. By 17 April 2026.

Number	Action	Due Date / Progress Made
14.	Assess External Quality Assessment (EQA) requirements / gap analysis.	Agree approach by 31 March 2026.
15.	Undertake External Quality Assessment (EQA) self-assessment. Include action on External Quality Assessment recommendations.	By 30 April 2026.

