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Report By:	Corporate Director Regeneration and Environment	Report No:	AC/10/10/AF/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	EXTERNAL AUDIT PROGRESS REPORT		

1.0 PURPOSE

- 1.1 The purpose of this report is to present to members the reports produced by Audit Scotland since the last meeting of the Audit Committee meeting.

2.0 SUMMARY

- 2.1 Three reports have been finalised by Audit Scotland since the last Audit Committee:-

- National Fraud Initiative in Scotland (May 2010)
- Review of Governance Arrangements and Main Financial Systems (June 2010)
- National Scrutiny Plan for Local Government 2010-2011 (July 2011)

- 2.2 A representative from Audit Scotland will be in attendance at the meeting in order to address any issues arising from these reports.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that Members consider the matters raised in this report.

**Aubrey Fawcett
Corporate Director
Regeneration and Environment**

4.0 BACKGROUND

- 4.1 Members of the Audit Committee are required to monitor progress by Audit Scotland who are responsible for the external audit of the Council to enable them to discharge their scrutiny and performance monitoring roles.
- 4.2 In practice, audit plans and findings are reported by Audit Scotland to the Council in a series of reports.
- 4.3 Members are provided with copies of each report to support their understanding and knowledge of the matters raised.

5.0 IMPLICATIONS

- 5.1 Legal: None
Finance: None
Personnel: None
Equalities: None

6.0 CONSULTATIONS

- 6.1 Consultations took place with relevant officers throughout the audit process.

7.0 LIST OF BACKGROUND PAPERS

- 7.1 Audit Scotland's External Audit reports
- National Fraud Initiative in Scotland (May 2010)
 - Review of Governance Arrangements and Main Financial Systems (June 2010)
 - National Scrutiny Plan for Local Government 2010-2011 (July 2011)

National Fraud Initiative in Scotland

Making an impact



Prepared for the Auditor General for Scotland and the Accounts Commission
May 2010

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Summary



The cumulative outcomes from the NFI in Scotland are now around £58 million.

Key messages

- The National Fraud Initiative (NFI) is a counter-fraud exercise currently undertaken in Scotland as part of statutory audits. In 2008/09, 74 public bodies took part in NFI.
- Scottish public bodies have recorded a further £21.1 million of outcomes since we last reported on the NFI in May 2008.¹ This has been the most successful period since NFI was introduced in Scotland.
- The cumulative outcomes from the NFI in Scotland are now around £58 million.
- The NFI, other anti-fraud work, and improving systems of control in bodies are helping to reduce the levels of housing benefit fraud and error reported under NFI. However, new areas of matching are helping bodies to identify fraud and error in other systems.
- In the current economic climate, bodies must remain vigilant in their efforts to minimise losses from fraud and error.
- The vast majority of bodies managed their involvement in NFI satisfactorily; but a minority need to do more.
- Audit Scotland expects to increase the number of bodies that take part in the 2010/11 NFI once new powers for data matching are enacted in Scotland.

1. Audit Scotland, working with the Audit Commission, external auditors and a range of public bodies in Scotland, has undertaken another major counter-fraud exercise. These

exercises, known as the National Fraud Initiative in Scotland (NFI), are undertaken every two years as part of the statutory audits of the participating bodies. The latest exercise (NFI 2008/09) commenced in October 2008 and is now well progressed or substantially complete.

2. In 2008/09, 74 bodies took part in NFI. These were the same bodies that took part in 2006/07 and included councils, police authorities, fire and rescue authorities, Strathclyde Partnership for Transport, health boards, the Scottish Public Pensions Agency (SPPA) and the Student Awards Agency for Scotland (SAAS). Audit Scotland also includes data about its own employees. The 2008/09 exercise built on previous NFI exercises and pilots first carried out in 2000.

3. NFI uses computerised data matching to compare a range of information held on bodies' systems (eg, housing benefits, public sector pay and pensions, council tax, students, disabled persons' 'blue badge' parking permits and a government register of deceased persons) to identify potential inconsistencies or circumstances that could indicate fraud or error. We make these 'matches' available to the audited bodies to investigate via a secure website.

4. Since we last reported on NFI in May 2008, participating bodies have recorded outcomes valued at £21.1 million. This includes £7.8 million of outcomes from further follow-up work on NFI 2006/07 matches and £13.3 million of outcomes which have been recorded following the investigation of 2008/09 NFI matches. The 2008/09 outcomes will continue to increase in the months ahead. The main results, in non-financial terms, from the 2008/09 matches include:

- 179 occupational pensions stopped after it was confirmed that the pensioner was deceased.
 - 1,042 housing or other benefit payments to public sector pensioners stopped or reduced.
 - 405 housing or other benefit payments to public sector employees stopped or reduced.
 - 4,322 council tax single person discounts withdrawn after investigation of NFI matches confirmed that these were being wrongly deducted from bills.
 - 4,340 disabled blue badges cancelled, or flagged to be checked at any future attempted renewal, after NFI identified that the holder was deceased.
- 5.** The cumulative outcomes from NFI in Scotland are now around £58 million; and this does not include the value that might be attributed to deterring individuals from committing fraud.
- 6.** No obvious trend can be assumed from the results of the last three NFI exercises because of changes in the scope of the exercise and in the approach by bodies to tackling fraud and error, except for housing and other social security benefit outcomes. Fraud and error outcomes are falling in this area most likely because:
- previous NFI exercises helped councils to identify the longest running frauds and errors
 - the NFI, and other anti-fraud work by bodies, continues to have a positive impact in deterring fraud
 - bodies continue to make improvements to their systems of control, informed by the types of frauds and errors identified previously.

¹ The value of NFI to the public purse is measured by the amounts of overpayments (whether due to error or fraud) that are identified and stopped, estimates of amounts that bodies will save by stopping incorrect payments that would have continued if not identified by NFI and, in some cases, attaching an appropriate value to other significant findings. We refer collectively to these as 'outcomes'.

7. However, 2008/09 NFI matches were produced from information collected from bodies mainly in late 2008, before the recent recession took hold. It is widely recognised that an economic downturn is linked with a heightened risk of internal and external fraud and error. Bodies need to bear this in mind as they plan for the next NFI exercise and must remain vigilant in their efforts to keep losses to a minimum.

8. Local auditors concluded that the vast majority of participating bodies made adequate arrangements overall for discharging their responsibilities under the exercise. However, a few showed scope for significant improvement. The [Appendix](#) to this report includes a checklist that we encourage all bodies to use to self-appraise their involvement in NFI prior to NFI 2010/11.

9. The 2010/11 exercise will commence in October 2010. We expect this to be carried out under new powers for data matching included in the Criminal Justice and Licensing (Scotland) Bill (the Bill), currently before the Scottish Parliament. Once enacted, these provisions will provide Audit Scotland with similar express data matching powers to those already available to the other UK public sector audit agencies.

10. As well as bringing more clarity to the legal framework in Scotland, these powers will provide the opportunity for more collaboration with the other UK audit agencies to tackle cross-border fraud. They will also help us to extend NFI to a wider range of public sector bodies in Scotland and allow data matching to be used to prevent and detect other crime, as well as fraud.

11. The Bill includes important data protection safeguards, including a formal requirement for Audit Scotland to prepare a Code of Data Matching Practice and to consult with the UK Information Commissioner and others before publication. We are well placed to revise our existing Code to reflect the new legislation and to ensure that NFI exercises continue to comply with data protection requirements and best practice in notifying individuals about the use of their information for NFI purposes.

12. [Part 2](#) of this report contains case studies of the significant frauds and errors that the NFI helped bodies to detect, and the serious consequences that fraudsters have to face as a result.

Part 1. What is the National Fraud Initiative?



Bodies only reach conclusions about whether or not there has been a fraud, or error, after they have completed their investigations.

Key messages

- The NFI is a counter-fraud exercise currently undertaken in Scotland as part of statutory audits. In 2008/09, 74 public bodies took part in NFI.
- Participating bodies mostly supplied data for NFI 2008/09 in October 2008. An encrypted upload facility ensures secure transfer and avoids data having to be physically sent for processing.
- Data was processed and matches were made available to bodies from early February 2009.
- Matches identify circumstances that may represent an inconsistency which, after further investigation by bodies, could indicate fraud or error. There is no presumption that fraud or error has taken place.
- Bodies access matches via the encrypted website, which offers high levels of security. The application is designed to help bodies prioritise the matches to be followed up.

13. Fraud is a crime. Citizens rightly expect that public bodies will safeguard the taxes that are paid to them. They expect that the local and national taxes they pay into the public purse are used to provide the services they were meant for, including that housing and other benefits are paid to those that need the help, in accordance with the rules that are in place. Regrettably, the honest majority of citizens pay for the activities of the minority who cheat the system. Tackling fraud should be a priority for all organisations. A zero tolerance approach is essential.

14. The National Fraud Initiative (NFI) is a counter-fraud exercise. It uses computerised techniques to compare information about individuals held by different public bodies and on different financial systems to identify potential inconsistencies or circumstances

(matches) which require further enquiries by bodies. Neither Audit Scotland nor any participating body presumes that an NFI match is a fraud – most are not. Conclusions are only reached about whether or not there has been a fraud or error after bodies have completed their investigations.

15. The NFI helps:

- public bodies – to investigate these matches and, if fraud or error has taken place, to stop payments; to attempt to recover the amounts involved; and strengthen controls for the future. If no fraud or error is found, bodies should be able to take assurances about their internal controls
- auditors – to assess the arrangements that public bodies have put in place to prevent and detect fraud and error, including how they approach the NFI exercise.

16. The NFI and other data matching exercises can also deter fraud. Individuals receive a 'fair processing notice' explaining that their data is provided to auditors for the purpose of preventing and detecting fraud.

17. Audit Scotland initially became involved in NFI pilots in 2000. The Audit Commission, our sister organisation in England, had undertaken data matching exercises previously and had substantial expertise and systems already in place. Audit Scotland has now benefited from that infrastructure for a decade. The Audit Commission continues to match Scottish data on behalf of Audit Scotland and appointed auditors.

18. The NFI has gradually expanded in Scotland since the first relatively full roll-out of the exercise in 2004/05, by involving more audited bodies and new areas of data matching. For example, we made it mandatory from 2008/09 for all councils to submit data about blue badge parking permits issued to disabled persons.

19. Like the other UK audit agencies, Audit Scotland has a Code of Data Matching Practice (the Code) aimed at ensuring compliance with data protection requirements during NFI exercises. We consulted with the UK Information Commissioner's Office (ICO) and the bodies that participate in NFI prior to publishing our Code in 2006.

20. We improved the Code for NFI 2008/09 by extending the guidance about fair processing notices. Individuals are provided with a summary notice containing basic information about the use of their personal data for the purpose of preventing and detecting fraud. This summary notice (eg, included on an employee's payslip) includes web links and contact details to help individuals access more detail from the participating body or Audit Scotland. The ICO considers this approach to be good practice. The Code also requires, among other things, that data matches are handled only by authorised persons (such as investigators and auditors) and that data are destroyed when they are no longer needed. All bodies and auditors involved in NFI in Scotland are expected to follow the Code.

21. We asked participating bodies to provide the data for the 2008/09 exercise in October 2008. The bodies uploaded the data via the Audit Commission's secure website. Data are encrypted during the transfer. The Audit Commission then matched the data on our behalf.

22. For NFI 2008/09, Audit Scotland made it mandatory for bodies to provide the data sets described in [Exhibit 1](#).

23. In addition to the data sets in [Exhibit 1](#), the NFI benefits from the inclusion of other information, such as deceased persons, failed asylum seekers and visas refused, expired or granted where there is no entitlement to work, provided by other government departments.

Exhibit 1

The information that bodies were required to provide for NFI 2008/09

Dataset	Bodies that submit this data
Housing and council tax benefits	Councils
Disabled persons' parking permits ('blue badges')	Councils
Residents in supported care home accommodation	Councils
Council tax data	Councils
Payroll	Councils, police and fire and rescue authorities, Strathclyde Partnership for Transport, health bodies, Audit Scotland
Student data	Student Awards Agency for Scotland
Occupational pensioners (former local government, police, fire, teachers and NHS employees)	Councils that administer the local government pension scheme, police and fire and rescue authorities, Scottish Public Pensions Agency

Source: Audit Scotland

28. The 2008/09 NFI application included:

- New online interactive training modules for users to access as often as they wish and at times that suit them best – avoiding the financial and environmental costs of travelling to training events.
- New 'recommended' match reports for most match types. These identify the matches that bodies should investigate first (eg, due to value or other criteria, such as where an occupational pensioner or employee's housing benefit record suggests that they failed to declare their income). Bodies can also apply their own filters and sort matches to suit local decisions and circumstances, if they prefer.
- The ability to tailor the disclosure of matches so that individual approved officers can access only the matches they need to discharge their own responsibilities. Controls were also introduced to prevent matches being downloaded or printed without the authority of the director of Finance. System restrictions prevent auditors from downloading or printing matches in any circumstances.
- An improved case management system. Bodies can annotate reports or individual matches with comments about their approach to investigations and their progress, and update the status of matches (eg, opened; closed – fraud; closed – error; closed – already known). Financial outcomes and other actions about individual investigations can also be recorded and the aggregate outcomes identified at a glance.
- A new suite of management information reports to help bodies and auditors identify 'exceptions' more easily. These include key match reports that have not been opened, or show no activity for a period of time, and users that have not accessed the training modules.

24. For the 2008/09 exercise we also invited local authorities, in the main, to submit information from a menu of 'risk-based' data sets where, in conjunction with their auditors, they considered that there were special risks or that they were likely to benefit from the matching. This included data about taxi licences, insurance claims and trade creditor payments.

25. We also asked councils to provide a copy of the electoral register, in effect, as a risk-based data set. Although Audit Scotland is satisfied that it is legitimate for councils to supply the register for NFI purposes, some councils chose to obtain alternative advice, and we did not insist on submission in these cases. We did not enforce submission either where councils insisted that they had alternative arrangements for checking the validity of council tax 'single person discounts', such as commissioning their own data matching exercises from commercial organisations.

26. Exhibit 2 (overleaf) includes examples of the types of data matches undertaken during NFI 2008/09 and the types of frauds and errors that can be found.

27. Audit Scotland has provided guidance and held NFI training events for Scottish participating bodies and their auditors, in conjunction with colleagues in the Audit Commission. This included demonstrations of the secure web-based NFI application. Bodies access the application via the internet using password access and encryption controls similar to internet banking. The secure website is the means of providing the data matches to bodies without the need to send matches on a physical storage device, such as a CD, eliminating the risk of loss or poor security once delivered. The Audit Commission regularly reviews the application and implements developments to improve its functionality, ease of use and security.

Exhibit 2

Examples of the types of data matches undertaken

Type of data match	Potential fraud or error
Housing benefit claimants to students	Improper claims for benefit. Students can only claim housing benefit in limited circumstances.
Housing benefit claimants to employees and public sector occupational pensions	Employees or occupational pensioners may claim benefit without declaring their income or by under-declaring the amounts.
Council tax to electoral register	There may be more than one qualifying adult resident at a property where a single person discount is being deducted from the household's council tax bill. Subject to checking for residents that are 'disregarded' for council tax purposes, the discount may not be valid.
Employees to employees	An employee may be on long-term sick leave while working at another body.
Public sector pensions to deceased persons records held by the Department for Work and Pensions	A pensioner's death may not have been reported to the pension authority. The pension continues to be paid to a bank account or may be collected by a relative.
Public sector pensions to employees	A public sector employee may have retired but returned to work, and not told the pension authority. Pensions sometimes need to be reduced because of a return to work.
Employees to failed asylum seekers or expired visas	It is unlawful for any body to employ persons who are not entitled to reside or work in the UK.
Blue badges to deceased persons records	The permit holder's death may not have been reported to the council. The permit may continue to be used fraudulently or be sold for improper use.

Source: Audit Scotland

- The ability to monitor for improper use of the application, including failed login attempts and 'out of hours' access.

29. In 2009, the whole of the Audit Commission's NFI system was subjected to a stringent security review. This covered infrastructure, information storage, handling and processing when under the control of the Audit Commission's data processing contractor and

the NFI team. The review was undertaken by a consultant from the National Computing Centre (NCC) who confirmed compliance with government information standards. This accreditation involved demonstrating to key government departments that NFI is suitably secured and that information risks are managed to government standards. The NCC also undertook independent penetration testing of the NFI systems and concluded that NFI was '...well implemented and robust from a security perspective'.

30. As well as regular internal reviews by the Audit Commission, the other UK audit agencies (ie, Audit Scotland, the Wales Audit Office, the Northern Ireland Audit Office and the National Audit Office) now also share a programme of independent audits of the different aspects of NFI data security. The Information Commissioner's Office has also conducted an NFI data security audit at the invitation of the Audit Commission.

31. All of these measures provide current and future NFI participants with assurances that data is processed according to rigorous government security standards.

32. The 2008/09 NFI matches were available to bodies from early February 2009. Councils that participated in the initial matching of council tax data and the electoral register, which we have been unable to report on until now, had access to these matches from April or July 2008, depending on how soon they supplied their data.

33. Since then, participating bodies have been investigating the NFI matches that are most likely to result in the identification of significant fraud or error. Local external auditors monitored bodies' participation, including their progress with following up the matches. Almost all auditors mentioned NFI in their 2008/09 annual audit reports and all provided assessments of bodies' arrangements for managing NFI for this report.

Part 2. Outcomes and impact



Another 80 successful prosecutions have been secured because of NFI.

Key messages

- The NFI outcomes since we last reported in May 2008 are £21.1 million and will increase in the coming months. Cumulative outcomes are now around £58 million.
- The main outcomes in 2008/09 have been in matches involving housing benefits, pension payments, invalid council tax single person discounts and disabled persons' parking permits ('blue badges') that are no longer valid.
- 179 public pensions were stopped after NFI identified that the individual was deceased, and councils have so far stopped or reduced 1,447 housing benefit payments to public sector employees and pensioners.
- 4,322 council tax single person discounts were cancelled after investigation of NFI matches confirmed that these were being invalidly deducted from council tax bills.
- 4,340 blue badge records were corrected after NFI identified that the holder was deceased.
- Re-allocating outcomes to the NFI cycle to which they strictly relate shows that housing and other benefit outcomes continue to fall. This is encouraging and, among other things, suggests that NFI continues to help deter fraud as well as detect it, and that system controls are being strengthened.

34. Based on the outcomes recorded by bodies in the secure website at the end of March 2010, the outcomes from NFI since we last reported in May 2008 are around £21.1 million ([Exhibit 3](#)). This is another substantial result to add to the £37 million identified from previous NFI exercises in Scotland.

"The approach and commitment to NFI adopted by Audit Scotland, together with the enthusiasm and expertise of investigators in participating bodies and their auditors, has resulted in some outstanding outcomes at a number of Scottish authorities. The frauds and overpayments detected in NFI 2008/09, including some of major significance, reflect the importance of prompt and rigorous investigation of key matches."

Peter Yetzes, associate director and head of NFI, Audit Commission

35. More than a third of the £21.1 million is further outcomes that relate strictly to the 2006/07 exercise, but had not been recorded when we last reported. These are mainly:

- Further housing and council tax benefit outcomes in councils.
- Outcomes from benefit matches involving income support, jobseeker's allowance and pension credit that were followed up by Job Centre Plus and the Pension Service in 2006/07.
- Outcomes from cancelled single person discounts from the first tranche of that exercise.
- Further outcomes from 2006/07 pension matches (deceased persons) investigated by the Scottish Public Pensions Agency.
- Outcomes recorded by the Student Awards Agency for Scotland for support payments to students who were not entitled to reside or study in the UK.

36. It is normal for us to add further outcomes from the last NFI cycle to the outcomes from the current exercise. However, on this occasion this distorts the overall trend in the outcomes from the last three NFI cycles in Scotland. For reporting purposes, the outcomes have been

£15.1 million (2004/05), £9.7 million (2006/07) and £21.1 million (2008/09). But, if we 'add back' the further outcomes to the NFI cycle that they strictly relate to, the trend is closer to that shown in [Exhibit 4](#).

37. NFI 2004/05 was the first exercise to include data from all councils in Scotland and it represents a reasonable baseline against which to compare later exercises. Given that subsequent NFI cycles (ie, 2006/07 and 2008/09) added new bodies (eg, health bodies from 2006/07) and new data sets (eg, blue badges and council tax matches) it is evident that outcomes in the areas that have been NFI 'constants' (such as housing benefits and occupational pensions) show diminishing amounts of recorded fraud and error. This is encouraging. Previous NFI exercises have likely detected the most significant and longest running frauds and errors and the trend may also demonstrate both the exercise's impact in deterring fraud and the efforts of bodies to continuously improve their systems.

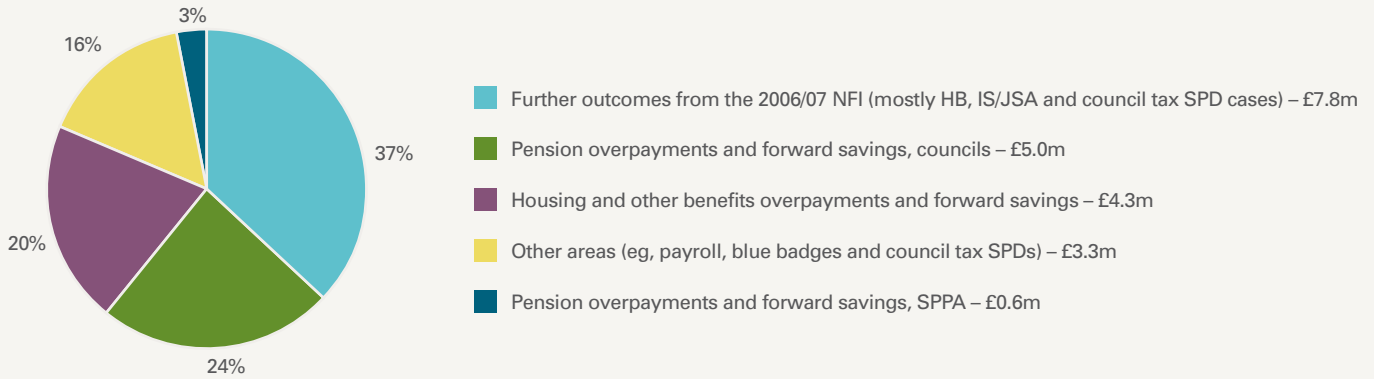
38. In absolute terms, NFI outcomes continue to be substantial; £13.3 million for NFI 2008/09 matches to the end of March 2010 only and, as explained previously, this will continue to increase for some time.

39. [Exhibit 5 \(page 12\)](#) summarises in non-financial terms the main outcomes from NFI 2008/09 matches in Scotland.

40. Of the 220 2008/09 cases where sanctions were applied, 89 have been reported to the Procurator Fiscal (PF). While this is low, compared to the number of overpayments detected, there are many reasons for this. Overpayments may not have resulted from deliberate actions or omissions or there may be insufficient evidence of intent to defraud. Councils may not refer a case to the PF if experience suggests that it will not be accepted for prosecution or if an individual is very elderly or in poor health.

Exhibit 3

Analysis of the £21.1 million outcomes recorded since May 2008



Source: Audit Commission/Audit Scotland NFI application log

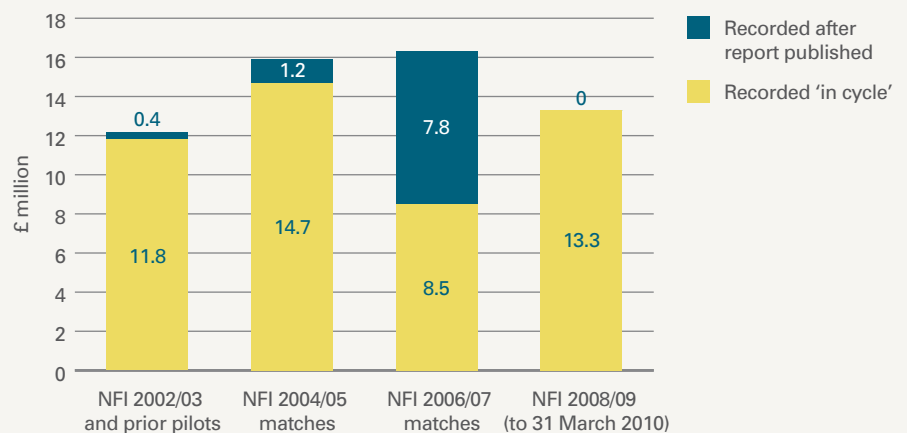
41. Significantly, based on past experience, we expect that the number of 2008/09 cases reported to the PF, or subject to other sanctions, will increase significantly in the months ahead. Audit Scotland's report on the 2006/07 NFI identified that 49 cases had been referred to the PF by early April 2008. Having recently contacted councils to refresh this information we now know that at least 193 cases were ultimately reported to the PF. Of these, 80 successful prosecutions have been secured and a further 48 proceedings are ongoing.

42. Our NFI 2006/07 report set out a number of case studies (examples of alleged frauds detected through NFI) where criminal proceedings were ongoing. Examples of the verdicts and sentences passed in these and other 2006/07 NFI cases that have now been heard by the courts include the following:

- An individual found guilty of fraudulently obtaining £32,000 in benefits by failing to disclose an occupational pension was sentenced to 11 months in prison.
- A council employee who fraudulently obtained £14,000 sick pay while at the same time working for a health board was

Exhibit 4

NFI outcomes after 'adding back' further outcomes (£ million)



Note: For example, the outcomes since we last reported on NFI in May 2008 comprise £7.8 million from 2006/07 matches and £13.3 million from 2008/09 matches. Further 2008/09 outcomes will be reported as part of the 2010/11 NFI.

Source: Audit Commission secure website

successfully prosecuted. After agreeing to repay the amount, plus interest and court fees, from her pension fund she was sentenced to 200 hours community service.

- A married student who was found guilty of obtaining £8,900 by falsely claiming single parent status for student support purposes was sentenced to three years probation and ordered

to pay £5,000 compensation to the Student Awards Agency for Scotland.

- A retired police officer who obtained housing benefit of £17,000 after failing to declare an occupational pension for at least ten years, pleaded guilty to the offence but died before sentence was passed.

Exhibit 5

NFI in Scotland 2008/09 matches – summary of main outcomes

-  179 occupational pensions stopped (**deceased** pensioners)
-  1,042 housing benefit (HB) payments to public sector **pensioners** stopped or reduced
-  331 HB payments to **local authority employees** stopped or reduced
-  74 HB payments to **NHS employees** stopped or reduced
-  208 HB payments to **students** stopped
-  4,322 invalid council tax **single person discounts** withdrawn
-  4,340 **blue badges** cancelled after NFI helped identify that the holder was deceased
-  18 employees **dismissed or resigned**
-  220 alleged frauds reported to the **Procurator Fiscal**, administrative **penalties** imposed or official **cautions** issued
-  At least **80 successful prosecutions** secured as result of **2006/07** NFI investigations; and a further **48** proceedings still in progress

Source: Audit Commission/Audit Scotland NFI application log and NFI participants

Case study 1

SPPA suspended a pension in order to recover an overpayment of £24,000 identified from an NFI match. The overpayment was attributed to a misunderstanding on the part of the pensioner who had re-entered employment and exceeded the amount they were entitled to earn without a reduction in the level of their pension.

Source: SPPA

- An individual who fraudulently obtained £6,000 in benefits by concealing a partner's pension in a bank account opened after previously being convicted of a similar offence was again found guilty and sentenced to 100 hours community service. The council is also recovering the sum involved.

Pension outcomes

43. The NFI provides pensions administering councils and the Scottish Public Pensions Agency (SPPA) with an efficient and effective means of checking that payments are only being made to living persons. NFI 2008/09 helped these bodies identify 179 pensioners whose deaths had not been reported to them. Including other pension-related outcomes (eg, cases where early retirees have returned to work but not reported circumstances that require their pension to be reduced) and forward savings the amounts for NFI 2008/09 are, so far, about £5.6 million.²

44. As in previous NFI exercises the majority of the outcomes in local government are in the Strathclyde Pension Fund (SPF) administered by Glasgow City Council (£3.4 million). This is unsurprising given that SPF administers 192,000 pensions (about 42 per cent of the local government pensions in Scotland). The Lothian Pension Fund, administered by City of Edinburgh Council, (65,000 members) achieved pension outcomes of £1.3 million.

45. The Scottish Public Pension Agency recorded outcomes of £565,000 from its 2008/09 matches. This compares with £5.3 million in 2004/05 and £2.3 million in 2006/07. The Agency undertook an exercise with information about deaths obtained from the General Registers Office for Scotland (GROS) between the 2006/07 and 2008/09 NFI exercises. This significantly reduced the number of unknown

2 A forward saving assumes that a pension would have continued to be paid to age 90 had NFI not identified the death. Where the deceased person is already 90 one year's forward saving is counted. This calculation is common in the pensions industry.

deceased pensioners that remained to be detected from their 2008/09 NFI matches. The use of GROS data will now be a routine feature of the Agency's control system.

Housing benefit outcomes

46. Benefit outcomes from the 2004/05 and 2006/07 NFI cycles ultimately reached £5.8 million and £5.4 million respectively. NFI 2008/09 has so far helped councils to identify HB and other benefit outcomes of around £4.3 million. Although the 2008/09 outcomes will increase for some time, we do not expect them to reach the level of 2006/07.

47. A total of 408 HB overpayments (about a quarter of the number and half of the value of the 2008/09 outcomes) were recorded by councils as frauds.

48. Where other benefits such as income support and jobseeker's allowance are also in payment, councils liaise with the Department for Work and Pensions and joint investigations may be carried out. The amounts in this report include these other benefits, where relevant.

49. The NFI provides councils with the opportunity to identify a wide range of benefit frauds and errors. The most common are caused by undeclared occupational pensions and undeclared earnings from public sector employment. By the end of March 2010, councils had identified benefit overpayments from their 2008/09 NFI matches relating to 1,042 public sector pensioners, 331 local government employees and 74 persons working in the NHS in Scotland.

50. North Lanarkshire and Glasgow City Councils have so far achieved the highest levels of outcomes from their 2008/09 NFI benefits investigations (£375,000 and £368,000 respectively). A further four councils have HB outcomes in excess of £300,000. Overall, relative to size

(measured by total annual benefit expenditure), East Dunbartonshire Council has the highest yield from HB investigations for the second successive NFI exercise (£350,000). East Dunbartonshire's chief internal auditor and fraud investigation team leader have demonstrated significant enthusiasm for NFI and, in Audit Scotland's view, this is a vital ingredient for any successful body.

"East Dunbartonshire has again obtained outstanding results from the NFI. To continually achieve such results, a systematic approach is taken to reviewing matches, allowing our highly committed and experienced investigators to target the suspected fraudsters. A holistic multi-agency approach ensures that those committing fraud against other public bodies, in particular the Department for Work and Pensions, are also identified and appropriate action taken."

Gerry Cornes, chief executive, East Dunbartonshire Council

51. Again taking size into account, the following councils have also achieved significant outcomes from their 2008/09 benefits investigations:

- Dumfries & Galloway
- Inverclyde
- Midlothian
- Moray
- Stirling.

"The 2008/09 NFI has proved very beneficial in highlighting fraudulent benefit claims in Midlothian. In the past year some 60 per cent of the £349,000 that has been uncovered in benefit fraud is attributable to NFI. When viewed against annual benefit payments of around £22 million, the total fraud uncovered is under two per cent and gives the council some assurance that its benefit gateway is robust."

Ian Jackson, director, corporate services, Midlothian Council

Case study 2

An NFI match in a Scottish council led to the identification of a £70,000 benefit overpayment after the claimant allegedly failed to disclose a partner's earnings for a number of years. Enquiries continue in respect of other significant alleged irregularities identified during the initial investigation. This may yet be the most significant individual case identified through the NFI.

Source: Local authority

Case study 3

A benefit claimant pleaded guilty in court to fraudulently obtaining housing and other benefits of around £37,000 over the best part of 20 years. He failed to disclose to the council and the Department for Work and Pensions that he had a partner living with him who was the main earner in the household. The judge considered sending the defaulter to prison, but ultimately decided to sentence him to three years probation and 300 hours unpaid work for the community. He was also given a tagging order for 12 months, confining him to home between the hours of 7pm and 7am.

Source: Local authority

Case study 4

A local authority elected member has been charged after allegedly failing to declare his income from his council duties when claiming housing and council tax benefits and pension credit. The councillor is further alleged to have failed to disclose an improvement in his health which could impact on other benefits such as disability living allowance. Court proceedings were ongoing at the time of preparing this report.

Source: Local authority

Case study 5

The NFI helped a council identify a benefit claimant who allegedly failed for more than a decade to disclose a pension and the bank account it was paid into. The benefits that were improperly claimed amounted to over £45,000. The claimant has repaid some £7,000 and made an arrangement to repay the balance. Court proceedings are pending.

Source: Local authority

Case study 6

An NFI match identified a salaried professional who had been paid by two councils at the same time for almost two years. One of the councils discovered that the employee had not been removed from the payroll when they moved to the new job with the other council. The employee did not inform the council and incorrectly received around £98,000. The council is taking measures to recover the overpayment and a report has been sent to the Procurator Fiscal.

Source: Local authority

Case study 7

A council discovered through an NFI payroll match that an employee in its works department who was also a retained fire-fighter had failed to notify his employer when called away to carry out fire-fighting duties. This resulted in him being overpaid from his main job. The employee was dismissed.

Source: Local authority

Payroll outcomes

52. The NFI matches data to identify cases of potential payroll fraud. But investigations can also lead, for example, to the discovery that employees are in breach of conditions of service or EU working time limits. Apart from other consequences, excessive working hours may pose public safety risks.

53. The NFI also matches payroll data to Home Office information about failed asylum seekers and expired and granted visas where there is no entitlement to work in the UK. It is unlawful to employ anyone who is not entitled to reside or work in the UK and the NFI provides bodies with a means of supplementing their recruitment checks.

54. Case study 6 represents, by value, the most significant payroll irregularity since we made these matches available in 2004/05.

55. Payroll matches are the main area where NHS bodies may require to lead in conducting investigations. One health board dismissed an employee after enquiries confirmed that they had no right to work in the UK. Another health board has referred a case to NHS Counter Fraud Services for investigation where an employee is alleged to have been working for the board while claiming sick pay from another health board.

56. As a result of 2008/09 NFI matches, 12 public sector employees in Scotland have so far been dismissed or resigned after bodies confirmed that they did not have permission to reside or work in the UK.

Council tax single person discounts

57. A 25 per cent 'single person discount' is deducted from a council tax bill where there is only one qualifying adult resident in a property. There can be more than one adult, but the others need to be 'disregarded' persons as specified in legislation (eg,

students and the severely mentally impaired) for a deduction to be valid. Council taxpayers are required to inform councils if they are no longer eligible for a discount but it is evident across the UK that significant numbers of discounts are deducted incorrectly.

58. The NFI matches council tax records with the electoral register to identify households where there is more than one adult registered and where a discount may therefore be invalid. NFI matches also identify where a resident is about to reach the age of 18, at which time an additional adult may mean that a discount is no longer deductible. There is no presumption of fraud or error in any case until councils have made further enquiries.

59. These matches were mostly released to participating Scottish councils in April and July 2008. Several councils submitted data later than others and had matches to review from April 2009.

60. Ultimately, only half of Scottish councils took part in this area of NFI but a number recorded worthwhile outcomes after following up their matches. These councils cancelled 4,322 discounts amounting to almost £1.4 million in over-deductions which they are now recovering. Dumfries & Galloway Council corrected more than 450 discounts. The council is recovering £435,000 of invalid discounts and £44,000 of benefit overpayments also identified from the matches, going back several years. Unsurprisingly, in view of its size, Glasgow City Council cancelled the most discounts, although it now prefers to use a credit reference agency because of the wider range of data that is accessible in the private sector for this type of exercise.

61. These councils also increased the amount of council tax that will be collected from the affected households in the future. If they retain the improvement in collectable income for a further three years, the

total value of these single person discount outcomes in Scotland can be estimated at around £4.5 million.

62. The councils that declined to take part relied on their own procedures, paid credit reference agencies to undertake similar data matching exercises, or had reservations about providing the electoral register to Audit Scotland for legal reasons. While we respect the position of most of these councils, we were disappointed that some did not adequately engage with us about their reasons.

63. We again requested council tax data and the electoral register from councils in late 2009 – with the aim of providing further matches in March 2010. Again, a few councils did not contact us about delays in data submission or explain unambiguously why they had not provided data. The vast majority of councils across the UK (and almost all English councils) now take part in this type of NFI data matching. Audit Scotland will take a firmer stance in future with any audited body that fails to submit data without explaining its reasons and allowing us to discuss the position.

64. NFI data matching is inexpensive. It costs only £500 per council to match council tax data with the electoral register. We would urge councils that have yet to make full use of these matches to review their strategy and consider whether there are savings to be made or further outcomes to be achieved by first using the NFI council tax matches, or using these alongside their other arrangements.

Blue badges

65. The 'blue badge' scheme allows individuals with mobility problems to park free at on-street parking meters and pay and display machines. Holders may also be permitted to park on single or double yellow lines in certain circumstances. However, badges are sometimes used or renewed improperly by people

after the death of the badge holder. The use of a blue badge by an unauthorised person is an offence.

66. Glasgow City Council was the first in the UK to ask the NFI team to pilot the matching of information about blue badges with records of deceased persons. In view of the successes achieved at the last NFI cycle, we requested that all councils submit blue badge data for NFI 2008/09.

67. Scottish councils have reported correcting 4,340 blue badge records where NFI helped them to identify that the holder was deceased. Perth & Kinross and Fife Councils each corrected more than a thousand records.

68. These outcomes have more value to citizens and councils than just correcting records. They help to ensure that badges are not used to evade parking charges or fines, and that those with genuine mobility problems have access to the parking spaces that are provided for them. Councils do not always attempt to recover a badge relating to a deceased person to avoid causing distress but, by 'flagging' the relevant records, they can at least ensure that badges are not improperly renewed in the future. By sharing information with other departments councils can also recover valuable equipment and aids if they have not been informed of a person's death.

69. The Audit Commission identified the problem of blue badge fraud in a report published in September 2009. Their report also identified how criminals forge badges or steal genuine ones from cars, and how a badge can be sold on the black market for as much as £500.

Student matches

70. Information about full-time students was initially used by the NFI to help councils check for invalid awards of housing benefit. Except in limited circumstances, full-time students are not entitled to housing

benefit. Over the last three exercises, NFI matches have helped councils identify hundreds of cases where housing benefit was being paid improperly to students.

71. Since NFI 2006/07, the Student Awards Agency for Scotland (SAAS) has been provided with its own matches, identifying cases where students may be failed asylum seekers or may not hold valid permissions to reside or study in the UK. Since we reported on NFI 2006/07 in May 2008, SAAS has recorded 15 cases of students that were found, after enquiries with the UK Border Agency, to be not entitled to be in the UK. These students had received student support for up to four years prior to the launch of NFI, amounting to around £286,000.

72. The Agency also advised Audit Scotland that through its liaison with councils they had obtained information about students who had continued to receive funding but had withdrawn from college without advising SAAS, resulting in overpayments of around £10,000.

Other matches

73. Bodies are required to submit data in other areas, such as tenancy information. They may also submit information, after discussion with their auditors, from a range of 'risk-based' areas. For example, bodies may submit data about trade creditor payments to allow checks for duplicate payments. Employees' details can also be checked against information about registered company directors and payments to trade creditors, to identify potential conflicts or undeclared interests and procurement fraud.

Case study 8

A student identified from 2006/07 NFI matches who was not entitled to be in the UK was arrested and deported after the Student Awards Agency for Scotland was able to provide information about their whereabouts to the Home Office.

Source: SAAS

Case study 9

After we had reported on NFI 2006/07, we were informed that three employees had resigned from a Scottish council following enquiries into their interests in a company providing services to other local authorities. No criminal activity is alleged but there were breaches of council policies, including failing to notify secondary employment.

Source: Local authority

What do bodies actually save or recover because of NFI?

74. As indicated previously, the estimated value of NFI to the public purse since we last reported in May 2008 is £21.1 million. However, some of this represents overpayments that will never be recovered and values that have been attached, for example, to cancelling a blue badge. These amounts may not translate into savings, but they are valuable outcomes nonetheless.

75. During 2009, we canvassed bodies and established from those that responded that NFI overpayments are usually subject to the same recovery processes that apply to other debt. Most bodies do not keep separate records of NFI recoveries. Indeed, Audit Scotland would prefer that bodies devoted their resources to investigation work, rather than require them to record NFI amounts that are often recovered by frequent small amounts over long periods of time.

76. However, the average level of housing benefit overpayment recovery in Scottish councils is around 31 per cent. Assuming, very conservatively, that this is typical of all NFI recoveries, and if we add the estimated forward savings from areas such as benefits and pensions, we can reasonably estimate that the actual cash savings or recoveries for the public purse are at least half of the total outcomes of £21.1 million.

Part 3. Holding to account – how well did bodies perform?



Public bodies have a duty to prevent and detect fraud and error.

Key messages

- The vast majority of participating bodies managed their role in the 2008/09 NFI exercise satisfactorily.
- About eight per cent of bodies need to plan better for NFI and show more commitment to the exercise.
- A few bodies submitted data long after the requested deadline.
- About one in five bodies need to follow up their NFI matches more promptly.
- Local auditors concluded that seven councils in particular need to do more.

77. The appointed external auditors monitored bodies' participation in NFI 2008/09. Almost all included a reference to the body's involvement in NFI in their 2008/09 annual audit reports issued last summer or autumn.

78. Auditors also provided up-to-date information about each body's NFI performance and progress at the end of February 2010. In reaching their conclusions, auditors do not attach significant weight to the NFI outcomes achieved by bodies. While Audit Scotland views high levels of NFI outcomes as a good result, and we commend bodies for this, it could be that a body's systems are not preventing enough fraud and error in the first place. Consideration of bodies' wider systems of control is not part of NFI. These are matters for local auditors to review, if necessary, as part of their wider risk assessments in audited bodies.

79. Local auditors reported that 90 per cent of participating bodies performed their role in NFI 2008/09 satisfactorily.

80. Almost all of the officers nominated to coordinate the exercise in each body (referred to as the 'key contact') were considered to be suitable for the role and to have discharged their responsibilities adequately. Further, the vast majority of bodies were considered to be committed to the NFI exercise, prioritised their investigations and made sufficient progress with reviewing matches and conducting investigations.

81. Auditors confirmed that appropriate arrangements had been made for issuing fair processing notices to those individuals whose data is submitted for the exercise.

82. Reported performance was not as good in the following areas:

- Eight per cent of participants could have planned better and about one in five failed to make a prompt start to the follow-up of the matches once they were available on the NFI secure website. In eight per cent of bodies, auditors concluded that insufficient progress had been made with the investigation of matches.
- One in ten participants need to demonstrate more commitment to the NFI. Commonly in these cases, progress with investigations and outcomes is not reported regularly to senior management, elected members, audit committees or boards. The proper tone needs to be set by senior management to ensure that the right attitude to tackling fraud exists throughout a body.
- A few bodies submitted data for NFI 2008/09 long after the specified processing deadline. This creates a need for another processing run at a later date, and thereby increases the cost of processing data. These bodies fell

several months behind the other participants while waiting on their matches, as well as causing other bodies to receive late matches.

83. Only one body was considered to have devoted excessive resources to a particular match report before deciding to suspend its enquiries. Despite that, several bodies complain about the time spent following up matches compared to the amounts of fraud and error detected. It is encouraging that most bodies appreciate that they are responsible themselves for deciding on the resources to devote to following up NFI matches and when to 'draw a line' if no fraud or error is being found.

84. Twelve per cent of bodies did not record their outcomes fully on the NFI secure website. Many could also improve the way they record their investigations and conclusions on the NFI application. Audit Scotland will work with colleagues in the Audit Commission to improve the clarity of recording requirements. However, the likely effect is that the value of the outcomes referred to in this report are understated in some areas.

85. Ultimately, auditors concluded that seven councils in particular need to do more. All of these bodies have indicated that they have or will make improvements in the areas identified by their auditors before NFI 2010/11.

86. Public bodies have a duty to prevent and detect fraud and error. The 'proper officer' in local authorities, usually the chief finance officer, is required in statute to make arrangements for the proper administration of the organisation's financial affairs. These include arrangements for preventing, detecting and deterring fraud. Accountable officers in other sectors have similar responsibilities.

Exhibit 6**Bodies that need to improve their arrangements**

Council	Key issue(s)
Argyll & Bute	<p>Commitment – senior management are committed to NFI, but the council has further work to do in order to fully integrate the departments and services that process the matches into the exercise.</p> <p>Prompt follow-up – apart from housing benefits, there were delays in following up matches.</p>
Comhairle nan Eilean Siar	<p>Insufficient planning – mandatory data was submitted late.</p> <p>Prompt follow-up – substantive work did not commence until several months after matches were available.</p> <p>Progress with matches – the comhairle followed up a relatively low number of matches.</p>
East Renfrewshire	<p>Progress with matches – a number of match reports were not adequately followed up, including council tax SPD matches.</p> <p>Prioritisation – available filters were not well used. Certain match reports got extensive coverage while others received little attention.</p> <p>The council had a structured plan but it was not followed.</p>
Moray	<p>The council made good progress with HB matches and achieved significant outcomes. But other areas, including payroll matches, were not considered for a long time.</p> <p>The NFI is being treated mainly as an HB fraud exercise, but it now has a much wider scope.</p>
Orkney	<p>Coordination – the key contact responsible for marshalling NFI arrangements changed during the course of the exercise.</p> <p>Planning and commitment – most of the mandatory data sets were submitted late; no separate reporting of NFI 2008/09 progress or outcomes took place, including to members.</p> <p>The council's approach has been influenced by low outcomes from previous NFI exercises.</p>
Shetland	<p>Planning and commitment – no planned, structured approach and no reporting of NFI progress or outcomes to senior management or members.</p> <p>Progress with matches – follow-up work was late in starting and progress slow.</p> <p>The council viewed the NFI exercise as low priority alongside other demands on resources.</p>
Stirling	<p>Planning and coordination – insufficient planning; affected by not clarifying promptly where responsibility for marshalling the exercise should lie (ie, the key contact role). Some mandatory data was submitted late.</p> <p>Commitment – HB investigation staff are committed and significant outcomes have been achieved. However, progress and results are not reported regularly to senior management or members.</p>

Source: Auditors

87. However, we note a tendency in some bodies, especially smaller bodies where NFI outcomes can be low, to attach less value to the assurances that can be taken from the exercise. Bodies sometimes assume that because they have found

little or no fraud or error from previous NFI exercises, or because they do not have a history of detected fraud in general, that the exercise should be given less priority. Bodies need to guard against complacency. This and previous reports published about

NFI amply demonstrate the potential for significant fraud and error to be uncovered in any body.

Part 4. Helping to improve – self-appraisal



Bodies should not let down their guard because of falling or historically low levels of fraud and error.

Key messages

- The current economic climate is likely to have increased the risk of fraud and error in public bodies, and this may be reflected in the outcomes from future NFI exercises.
- Bodies should not let down their guard because of falling or historically low levels of outcomes from their previous involvement in NFI.
- Before NFI 2010/11, we recommend that all participating bodies review their arrangements for NFI and consider for themselves whether they could, or should, improve their approach.

88. While auditors monitor NFI participation in the bodies they audit, this is not an ‘in-depth’ review and it is undertaken from existing audit resources. Recognising this, we only ask auditors to assess whether bodies perform adequately, and not to make finer judgements or assess whether bodies comply with best practice. In future, we may ask auditors to assess bodies, for example, on a ‘traffic light’ scale of risk and scope for improvement.

89. In the current economic downturn, it is important that bodies strive to ensure that every pound of taxpayers’ money is spent on the purpose for which it was intended. Most of the data for NFI 2008/09 was extracted from financial systems in late 2008, before the recession took hold. Since then, most commentators suggest that the risk of error and fraud has increased, as individuals are tempted to consider less honest means of alleviating the impact on their finances. Financial constraints may also place a strain on bodies maintaining high standards of internal checks and controls.

90. Before data is collected again for NFI later this year, we recommend that all bodies reflect on their performance at past NFI exercises, and any recommendations made by their auditors, and undertake an honest self-appraisal of their approach. This should help to ensure that bodies get the best outcomes from NFI, whether from the amounts of fraud and error that are detected, or the assurances that can be taken if fraud and error is low.

91. The [Appendix](#) to this report contains a checklist including a number of key questions that bodies should ask themselves. These are based in part on the content of the questionnaires that we provided to auditors for local audit assessments and our experiences from the central coordination of the exercise.

92. For some questions, bodies may need to complete a separate appraisal for each department or section responsible for the different areas of matching (eg, benefits section, pensions, social work, insurance, etc).

Part 5. Next steps



The 2010/11 NFI exercise will commence in October 2010.

Key messages

- The NFI 2010/11 exercise will commence later this year, with data being collected in October 2010.
- The inclusion of explicit provisions for data matching in the Criminal Justice and Licensing (Scotland) Bill should enable Audit Scotland to expand the number of bodies included in the NFI and to share data with the other UK audit agencies.
- Further outcomes from NFI 2008/09 data matches will continue to be monitored. We will report on these with the next NFI exercise in spring 2012.

93. The 2006/07 NFI exercise showed that significant outcomes are likely to materialise from NFI 2008/09 for some time yet, not least because of the introduction of 'mid-cycle matching' (eg, council tax matching). We will continue to monitor these outcomes and report on them as part of the 2010/11 NFI in spring 2012.

94. The 2010/11 NFI exercise will commence in October 2010. The exact scope of the exercise has yet to be decided although we are minded to retain the concept of 'risk-based' datasets, which allows bodies some flexibility to agree with their auditors whether or not local risks and likely rewards merit the submission of certain data sets. We will also seek to increase the number of public bodies that take part in NFI in Scotland and request that external auditors do more to promote the NFI at the bodies they audit.

95. Aside from NHS employees that were linked to housing benefit overpayments in councils, NFI outcomes in health bodies have been low, even though the NHS arguably carries a higher risk of:

- payroll fraud – due to the scope for individuals to be employed by more than one body
- public safety issues – if working hours are excessive
- employing individuals who are not entitled to work in the UK.

We are pleased that the Scottish Government Health Directorates and NHSScotland Counter Fraud Services (CFS) support the continued participation of health bodies. CFS made its expertise available to health bodies to assist with assessing their 2008/09 NFI matches and with any subsequent further investigation work. However, few boards took up the offer. We recommend that boards re-appraise their use of CFS before NFI 2010/11.

96. Our partnership with the Audit Commission is central to the development of NFI in Scotland. The Audit Commission will further develop the web-based application and ensure that the highest standards of data security continue to be applied. NFI systems are accredited to handle, store and process information to the required government classification levels. Arrangements are also in place for all of the UK audit agencies that take part in NFI to undertake security reviews on a shared basis.

97. So far as possible, we will continue to develop our exercise in line with the matches that are available in England, subject to the enactment of the Criminal Justice and Licensing (Scotland) Bill currently before the Scottish Parliament.

98. The data matching provisions in the Bill, once enacted, would bring Scotland into line with the explicit powers that are already available to the other public sector audit agencies in the UK, and among other things:

- help to allay any residual concerns that may remain about data matching in Scotland and avoid any future issues about the provision of information to Audit Scotland for the data matching purposes set out in the Bill
- allow Audit Scotland to add to the public bodies that require to take part in NFI (eg, large central government bodies) and to consider including other organisations that volunteer to submit data
- allow Scotland to take part in 'cross-border' data matching which is already undertaken by the other UK audit agencies
- ensure that Scotland is equipped to prevent and detect fraud as effectively as the rest of the UK and avoid any false perception that we are any less determined to tackle the problem.

99. The NFI team in the Audit Commission provides Audit Scotland and Scottish participating bodies with significant help and support. Its contribution to the NFI in Scotland is gratefully acknowledged.

100. We are also grateful for the efforts of the investigators and other officers in the audited bodies, and the auditors who monitor their participation in NFI.

Appendix 1.

Self-appraisal checklist

	Yes/no/ partly	Is action required?	Who by and when?
Leadership and commitment			
1. Are we committed to NFI? Has the council/board, audit committee and senior management expressed support for the exercise and has this been communicated to relevant staff? Do officers directly involved in preparing for NFI and following up matches demonstrate commitment?			
2. Where NFI outcomes have been low in the past, do we recognise that this may not be the case the next time, that NFI can deter fraud and that there is value in the assurances that we can take from low outcomes?			
3. Is our NFI key contact (KC) the appropriate officer for that role and do they oversee the exercise properly? Does the KC have the time to devote to the exercise and sufficient authority to seek action across the organisation?			
4. Is NFI an integral part of our corporate policies and strategies for preventing and detecting fraud and error?			
Planning			
5. Do we plan properly for NFI exercises, both before submitting data and prior to matches becoming available?			
6. Do we confirm promptly (using the online facility on the secure website) that we have met the fair processing notice requirements?			
7. Do we plan properly to provide all NFI data on time using the secure data file upload facility?			
8. Do we adequately consider the submission of any 'risk-based' data sets in conjunction with our auditors? Are decisions about submitting risk-based data sets (and, in councils, the electoral register) being taken at an appropriate level?			
Effective follow-up of matches			
9. Do all departments involved in NFI commence the follow-up of matches promptly after they become available?			
10. Do we give priority to following up recommended matches, high-quality matches, those that become quickly out of date and those that could cause reputational damage if a fraud is not stopped quickly?			
11. Do we recognise that NFI is no longer predominantly about preventing and detecting benefit fraud? Have we recognised the wider scope of NFI and are we ensuring that all types of matches are followed up?			

	Yes/no/ partly	Is action required?	Who by and when?
12. Are we investigating the circumstances of matches adequately before reaching a 'no issue' outcome, in particular? (In health bodies) are we drawing appropriately on the help and expertise available from NHS Scotland Counter Fraud Services?			
13. Do all departments follow up their NFI matches on a reasonable timescale?			
14. Are we taking appropriate action in cases where fraud is alleged (whether disciplinary action, penalties/cautions or reporting to the Procurator Fiscal)?			
15. Do we avoid deploying excessive resources on match reports where early work (eg, on recommended matches) has not found any fraud or error?			
16. Where the number of recommended matches is very low, are we adequately considering the related 'all matches' report before we cease our follow-up work?			
17. Overall, are we deploying appropriate resources on managing the NFI exercise?			
Recording and reporting			
18. Are we recording outcomes properly in the secure website and keeping it up to date? Do staff use the online training modules in the secure website and do they consult the NFI team if they are unsure about how to record outcomes?			
19. If, out of preference, we record some or all outcomes outside the secure website, have we made arrangements to inform the NFI team about these outcomes?			
20. Do we review how frauds and errors arose and use this information to improve our controls? Does internal audit monitor our approach to NFI and our main outcomes, ensuring that any weaknesses are addressed in relevant cases?			
21. Are NFI progress and outcomes reported regularly to senior management and elected/board members (eg, the audit committee or equivalent).			
22. Do we publish internally and externally the achievements of our fraud investigators (eg, successful prosecutions)?			

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Inverclyde Council 2009/10

Review of Governance Arrangements and Main Financial Systems

May 2010



 AUDIT SCOTLAND

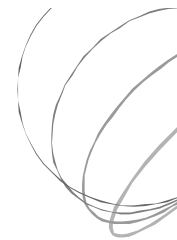


Inverclyde Council 2009/10

**Review of Governance Arrangements and Main Financial
Systems**

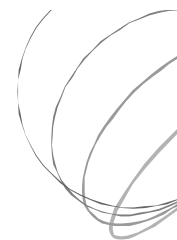
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Introduction

1. As part of our 2009/2010 audit activity, we undertook a high level review of the governance arrangements and the main financial systems operated by Inverclyde Council (“the Council”), which were identified during our planning process. The purpose of this review was to evaluate whether the Council have sound and transparent governance arrangements in place and whether the key internal controls operating within the main financial systems are adequate. It should be highlighted that these reviews were restricted to a subset of the overall controls for each system. Those reviewed were the ones we determined to be the key controls to meet our audit objectives and therefore these reviews do not represent a comprehensive review of the controls in place over any of the specified systems.
2. A listing of the systems reviewed is shown on page 2. The code of audit practice requires us to establish the controls in place through discussions with officers, walkthrough tests and tests of controls to confirm that controls are operating in accordance with our understanding.
3. In April 2010, in response to a letter from an Elected Member, we audited the submitted 2008/2009 statutory performance indicator (SPI) ‘Education & Children Services 5 – Looked After Children’. The findings of this review are incorporated into this report.
4. This report summarises the findings from our review highlighting, on an exception basis, where we have identified any governance or control weaknesses or areas where procedures are deemed adequate but could be improved further.
5. The issues outlined in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily, therefore, all of the weaknesses which may exist. It should be noted that the members and officers of the Council are responsible for the management and governance of the organisation and, as such, communication of issues arising from this audit does not absolve management from its responsibility to address the issues raised and maintain an adequate system of governance, internal control and performance management.
6. The co-operation and assistance afforded to audit staff during the review are gratefully acknowledged.



Scope

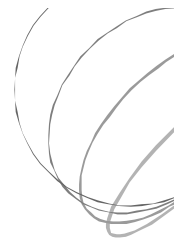
7. Our review of the Council's governance arrangements drew upon a variety of information sources including committee minute review, Council reports, meetings with Council officers, corporate and directorate plans and Council documentation such as financial regulations, scheme of delegation and standards of conduct.

8. We identified the key controls and completed walkthrough tests in the following main financial systems:

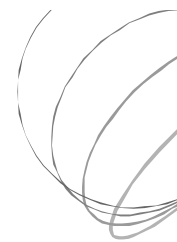
▪ Creditors	▪ Council Tax Billing & Collection
▪ Debtors	▪ Non Domestic Rates Billing & Collection
▪ Main Accounting	▪ Unified Benefits
▪ Payroll	▪ Budgetary Control
▪ Cash, Income & Banking	▪ Treasury Management

9. Responsibility for the performance of more detailed tests of control on these systems was split between External Audit and the Council's Internal Audit Team. Internal Audit have issued reports detailing their findings and conclusions for each of the systems they reviewed and we are grateful for their co-operation and the work they performed. The table below shows how responsibility for the reviews was split.

System	Reviewed by
Main Accounting	Audit Scotland
Council Tax Billing & Collection	Audit Scotland
Non Domestic Rates Billing & Collection	Audit Scotland
Debtors	Audit Scotland
Budgetary Control	Audit Scotland
Payroll (refer to para 10)	Audit Scotland
Creditors	Internal Audit
Cash Income and Banking	Internal Audit
Treasury Management	Internal Audit



10. As a new combined Human Resources (HR) / Payroll system was implemented during the year, a more detailed review was carried out on payroll. Note that Internal Audit are scheduled to perform a review of the implementation project as part of their 2009/10 Annual Plan and discussions were held with the Chief Internal Auditor to ensure there was no overlap between our work and theirs. This review was to commence in May 2010 but has been rescheduled to start in August 2010.



Summary of Main Findings

11. We found that while the governance arrangements and internal control systems are generally adequate, some areas were identified where improvements could be made. These are highlighted below.

Governance

12. **Organisational Restructure** - A new corporate management structure was implemented on 1 April 2010. The structure was reviewed to support delivery of the Council's future plans and partially address the shortfall in future budget settlements. Opportunities for staff to participate in an early release programme were progressed and this has resulted in a significant reduction in Chief Officer posts. The new structure retains four Directorates and incorporates the introduction of a Community Health Care Partnership through joint Inverclyde Council / National Health Service funding of a Corporate Director post and four Heads of Service posts. This change creates an opportunity for Council services to evolve in the current climate of scarce financial resource but also presents a number of risks associated with loss of expertise, reductions in resource available to maintain and improve current service levels, and a potential impact on staff morale.

Action Plan 1

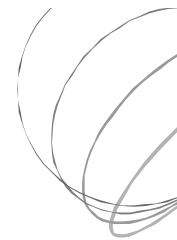
13. **Single Outcome Agreement (SOA) Annual Report** - The Council, in conjunction with Inverclyde Alliance, completed their 2008/09 SOA Annual Report and submitted it to the Scottish Government. They are now in the process of writing the "*Inverclyde Alliance Single Outcome Agreement Annual Report "Tackling Poverty, Sustaining Growth 2009 - 2010"*" which is projected to be available by the end of June 2010. The Council should work with partners to ensure ongoing improvement is made in the reporting process.

Action Plan 2

14. **Public Performance Report (PPR)** - The 2008/09 PPR highlights some of the achievements in each of the five outcomes outlined in the Council's corporate plan. However it is noted that the report rarely highlights areas where performance could be improved. The PPR should provide a balanced reflection of the Council's performance in the year.

Action Plan 3

15. **Governance Documentation - Scheme of Delegation** - The Council partially updated the Scheme of Delegation during 2008/09 however a revised version was not finalised due to the impending organisational restructure. The new structure has now been implemented and the Scheme of Delegation should be revised to reflect it.



16. **Governance Documentation - Members' Handbook** - The Members' Handbook has not been updated since 2007. The Council aims to refresh the handbook after the new structure has been implemented in April 2010.
17. **Employee Code of Conduct** - The Employee Code of Conduct has not been reviewed since May 2000. It had been scheduled to be reviewed and updated in 2009/10 but the resource allocated was reassigned.

Action Plan 4

18. **Carbon Management Plan** – The Council's Carbon Management Plan documents performance levels, however the Council are not currently monitoring their progress against targets set. It is intended that this monitoring will be conducted by the new joint Carbon Management/Energy Officer.

Action Plan 5

19. **Public Service Improvement Framework (PSIF)** - The Council has adopted the Public Sector Improvement Framework and this has been used at a corporate level and for a number of service assessments. The assessment outcomes have resulted in the production of improvement plans which are directly linked to Directorate Plans. A review process is not however in place to ensure outputs from service reviews are considered for sharing best practice and common issues.

Action Plan 6

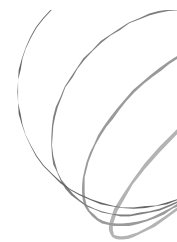
20. **Missed Audit Implementation Dates** – Internal Audit follow up Internal and External Audit recommendations in line with the implementation date agreed with the responsible Council officer. The progress reports presented to the Audit Committee on 27 April 2010 highlighted 29 Internal Audit recommendations and one External Audit recommendation where the agreed implementation date had been missed. It is recognised that, for the majority of these, revised timescales have been set and explanations for the slippage have been provided by the relevant Council Officer.

Action Plan 7

Payroll

21. **Access to Payroll Records** - During 2009/10 the new CHRIS21 combined HR and payroll system was implemented in a staged process. The new system is used by both payroll and personnel sections. Whilst we were satisfied that there remained clear segregation between officers in the two sections we noted that some users have access to their own records and the capability to amend them.

Action Plan 8



22. **Payroll Reconciliations** - Staff costs represent the largest single item of expenditure for the Council. These costs are processed in the financial ledger via a direct interface from the payroll system. In order to ensure that the interface is working correctly good practice involves a monthly reconciliation between amounts (such as tax, national insurance contributions and net pay) posted in the ledger to totals from the payroll system. During 2009/10 these reconciliations have not been carried out due to the time involved in implementing CHRIS21. A year-end exercise has been undertaken to reconcile the values from both systems and this will be examined by audit as part of the review of the financial statements.

Action Plan 9

23. **Data Migration Testing** - No documentation has been retained to evidence the process undertaken to verify the completeness and accuracy of the migration of data from the old KVPAY system to the new CHRIS21 system. Parallel running of the two systems for the main payroll provides some assurance however a clear audit trail to evidence the process undertaken and testing performed should have been maintained. This process should have featured in the project plan / management arrangements.

Action Plan 10

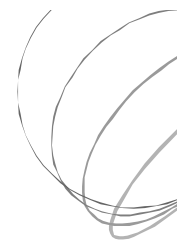
24. **Payroll Standing Data** - There is a lack of clarity about who will be responsible for the maintenance and integrity of employee standing data. This role was previously carried out by payroll however it may now be the responsibility of HR or, alternatively, the employing services. Periodic review of employee standing data is essential to ensure the validity and accuracy of data is maintained.

Action Plan 11

25. **Documented Payroll Procedures** - Documented procedural instructions provide an important control for a system, especially when the system has been recently implemented. These instructions should provide both a high level guide to the process to be followed, and a detailed user guide. This ensures performance of key tasks within the section comply with standard working practice. Procedural instructions also provide important guidance during the provision of staff training. Work is currently underway to draft these procedures with approximately half of the processes completed.

Action Plan 12

26. **Authorisation of New Starts** - Testing of twelve new starts (four processed on KVPAY and eight on CHRIS21) highlighted two instances (both CHRIS21) where there was no new start form in the employee's file. When this point was raised with officers, forms were produced which were then authorised at the current date. As a new start form, authorised at the time of appointment, was not available it was not possible to confirm the appointment had been appropriately authorised. In



addition, the hourly rate quoted on one of the forms differed from the rate on CHRIS21 (which is the rate employee was actually paid).

Action Plan 13

27. **Maintaining Employee Files** - Testing of terminations highlighted an instance where the appropriate termination form could not be provided. This was because the employee had been transferred to another organisation under TUPE¹ arrangements and their file had been passed on without a copy being taken of its contents.

Action Plan 14

28. **Independent Check of Data Input** - The key control to ensure the accuracy of data input to the payroll system is a second officer check performed by someone independent of the input process. Testing of this control highlighted the following issues:

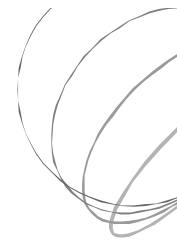
- KVPAY – evidence of the performance of the second officer check was not always apparent. This applied to all forms of input, including temporary amendments, i.e. timesheets, which remain the responsibility of payroll officers going forward.
- CHRIS21 – When HR input new starts, terminations or transfers, standard practice involves a screen dump being taken of the changes being printed which is then checked and initialled by the officer. Testing of 24 amendments highlighted two instances (both terminations) where the screen dumps had not been evidenced in any way and a further instance (a transfer) where no screen dumps were found in the file.
- CHRIS21 – HR are responsible for entering bank details for new employees on CHRIS21 and payroll are responsible for changing the bank details of existing employees. For three of the four changes to bank details tested there was no evidence of the second officer check being performed.

Action Plan 15

Debtors

29. **Extending Credit Terms** – Whilst debt levels are monitored by the debt recovery team, there is no formal Council wide approach to the level of credit to be extended. Services are encouraged not to provide services to individuals or organisations who have built up excessive debt however the service have the discretion to extend further credit if they deem it appropriate. The current economic downturn increases the risk of non payment of debt and consideration should be given to tightening controls in this area.

¹ Transfer of Undertakings (Protection of Employment)



Action Plan 16

Main Accounting / Financial Management System (FMS)

30. **Financial Account Management Model** - The newly implemented financial account management model presents a significant change to the structure of Finance (in terms of numbers, skill mix and interaction with services). A period of adjustment to the new model may have a detrimental impact on the delivery of finance services and on the ability of Finance to help ensure scarce financial resources are directed both efficiently and effectively.

Action Plan 17

Budgetary Control

31. **Budget virements** – We have raised concerns in prior years about the quantity of budget virements and quality of explanations for budget virements in committee reports. We have noted an improvement in this area however feel that further improvements could be made. Whilst we recognise that budget virements are valid where they reflect operational decisions, a number of the explanations reviewed suggest they are simply to move funding into areas which would otherwise report a budget over run. In these circumstances the original budget should be retained to inform future expenditure planning and to highlight where variances have arisen.

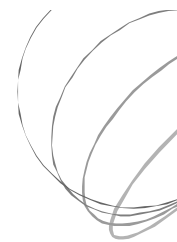
Action Plan 18

32. **Profiling budgets** - The Council do not profile budgets and consequently are not able to provide an accurate comparison of expenditure to date, against the budgeted position. Reports to committee only show projected variances against projected out-turn. Note that where a projected variance is in excess of £10k the actual expenditure at the current period is shown. Consideration should be given to placing greater focus on zero based budgeting with budgets profiled over the financial year.

Action Plan 19

Council Tax / Non-Domestic Rates Billing and Collection

33. **Council Tax – Discounts & Reliefs** – Unless applications for discounts and exemptions are supported by appropriate evidence and have adequate documentation there is a risk that awards are made in error without following proper procedures. From a sample of 30 discounts and reliefs in place for properties in 2009/10, it was not possible to verify nine to supporting documentation. Of these nine properties:
- Six had been in receipt of long term relief and the forms had since been archived and were not easily accessible.



- One was due to be demolished, however the notification from River Clyde Homes could not be produced.
- Two were in receipt of single person discount and their accounts had been updated to reflect the receipt of a review form in a previous year which confirmed they were still entitled to this relief; however these review forms could not be produced.

We note that the Council have recently implemented an electronic document management system within which all documentation relevant to applications will be scanned and be readily accessible.

Action Plan 20

34. **Council Tax & NDR Reviews** – With the exception of single person discounts there were no relief and discount reviews completed for council tax during 2009/10. As part of our audit sample, cases were found where no review had been completed in over 10 years.

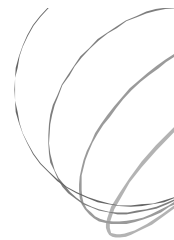
Action Plan 21

35. **Council Tax & NDR – Logical Access** – No formal review is performed of user accounts on either the NDR or Council Tax system, nor is there a formal process to ensure the systems administrator is made aware of the need to remove a user.

Action Plan 22

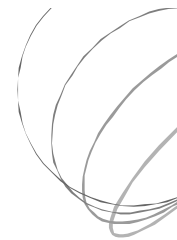
SPI - 'Education & Children Services 5 – Looked After Children'

36. In the 2008/2009 financial year Inverclyde Council submitted the Statutory Performance Indicator (SPI) 'Education & Children Services 5 – Looked After Children' This submission requires data on the number of new supervision requirements made during the year and the proportion of children seen by a supervising officer within 15 working days of the date of issue by the Children's panel. The figures submitted included 68 new supervision orders with 65 of the children being seen with 15 working days (thus the overall performance reported was 95.6%)
37. The Council are only required to submit their annual outturn for the purpose of meeting the requirements set out by the SPI Direction. However they also have an internal Social Work performance report for which Social Work prepare quarterly performance indicators.
38. In October 2009 an Elected Member contacted the Council's Head of Service for Community Care & Strategy to raise concern over the accuracy of the performance report submitted to the Health & Social Care Committee on 22 October 2009. In particular he queried the reliability of the data due to the combined quarterly returns not totalling the outturn as per the SPI submission.



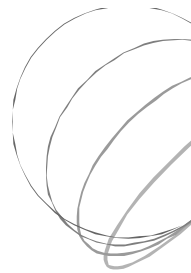
39. Social Work provided a revised performance report which agreed to the submitted SPI and we undertook an audit of the revised report and the audit trail supporting the revised figures.
40. The audit concluded that, within materiality, the revised performance report and submitted SPI was fairly stated. It did, however, identify three errors which we have highlighted below:
- One case where there was no file note either in the Social Work SWIFT system, or a manual file, to support the date of first contact and provide a summary of the discussion held. Our testing did not provide evidence that this is a recurring weakness.
 - Two cases where dates on manual file notes did not agree exactly to dates entered on the SWIFT system. In both cases the dates only differed by a maximum of four days and neither results in a need to change the performance report however similar errors in future could impact on the accuracy of performance reporting.

Action Plan 25



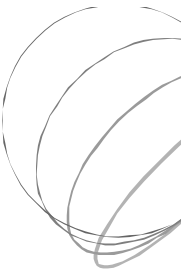
Conclusion

41. On the basis of the work undertaken, we have concluded that, in the main, we are satisfied that there are adequate governance arrangements and controls operating within the main financial systems. There are, however, some important areas where improvements could be made and an action plan to address these weaknesses has been provided for consideration by the Council.

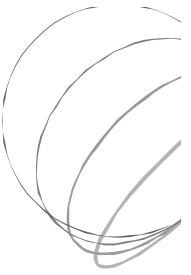


Action Plan

Ref.	Para.	Issue	Responsible Officer	Agreed Action	Action Date
Governance					
1	12	<p>Organisational Restructure</p> <p>The Council need to manage the opportunities and risks associated with the new organisational structure. This change creates an opportunity for Council services to evolve in the current climate of scarce financial resource but also presents a number of risks associated with loss of expertise, reductions in resource available to maintain and improve current service levels, and a potential impact on staff morale.</p>	J Mundell	Corporate Performance will continue to be monitored through the established mechanisms and any issues addressed.	On Going
2	13	<p>Single Outcome Agreement (SOA) Annual Report</p> <p>The Council should continue to work with partners to ensure that the SOA Annual Report, due to be issued in June 2010 enhances information available to the public on progress made in achieving outcomes.</p>	P Wallace	Noted. Will be addressed through SOA Programme Board	June 2010
3	14	<p>Public Performance Report (PPR)</p> <p>The 2009/10 PPR should present a balanced reflection of the Council's performance in the year.</p>	P Wallace	Noted.	December 2010



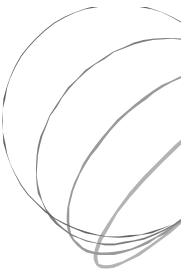
Ref.	Para.	Issue	Responsible Officer	Agreed Action	Action Date
4	15-17	<p>Governance Documentation</p> <p>A review of key governance documents should be carried out to ensure they are current, reflect the revised organisational structure and take account of the CIPFA/SOLACE 'Delivering Good Governance in Local Government Framework' published in 2007. In particular we noted that the following documents required review:</p> <ul style="list-style-type: none"> • Scheme of Delegation • Members' Handbook • Employee Code of Conduct 	J Mundell	<p>This matter is being managed through the Organisational Improvement Plan and is due to be completed in 2010/11</p> <p>HR have been reviewing Employee Code of Conduct and have revised draft almost finalised</p>	March 2011
5	18	<p>Carbon Management Plan</p> <p>The Council need to implement a process to monitor progress toward achieving the targets set out in the Carbon Management Plan.</p>	A Fawcett	It has been agreed to fill the CEMO post and the primary function of the post is to develop and report on progress of the Carbon Management Plan	Ongoing
6	19	<p>Public Service Improvement Framework (PSIF)</p> <p>The Council are making good progress implementing PSIF as a self assessment tool however there is currently no review process in place to ensure outputs from service reviews are considered for sharing best practice and common issues.</p>	P Wallace	Service assessments are facilitated by assessors from outwith the service who have conducted other reviews across the organisation. Service assessment also utilise benchmarking information where appropriate.	Ongoing



Ref.	Para.	Issue	Responsible Officer	Agreed Action	Action Date
7	20	<p>Missed Audit Implementation Dates</p> <p>Services should be reminded of their responsibility to take ownership of the action required to meet agreed audit recommendation implementation dates.</p>	A Priestman	<p>This report is regularly presented and reviewed by the Corporate Management Team and where appropriate the relevant Directorate Management Team. The Chief Internal Auditor will highlight any issues with implementation of agreed actions to relevant Chief Officers as part of this review process.</p> <p>The report is also subject to regular review and challenge at Audit Committee.</p> <p>The Council is therefore satisfied that a robust escalation process is in place.</p>	No further action proposed.
Payroll					
8	21	<p>Access to Payroll Records</p> <p>Some users have access to their own payroll records and the capability to amend them. The functionality of CHRIS21 should be investigated to see if this can be prevented. If prevention is not possible consideration should be given to implementing an audit report which documents changes to the records of payroll and HR staff. This report should be reviewed periodically by an independent officer.</p>	A Moore	<p>The latest Chris21 upgrade increases the number of levels within the hierarchy. This is intended to resolve this issue. ICT are working with Frontier to progress the solution.</p>	September 2010



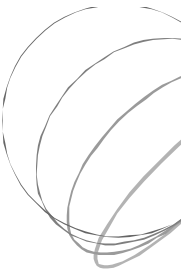
Ref.	Para.	Issue	Responsible Officer	Agreed Action	Action Date
9	22	Payroll Reconciliations The monthly reconciliations to ensure the accuracy of the interface between CHRIS21 and the financial ledger have not been performed in 2009/10 due to the resource commitment to the implementation of CHRIS21. Regular reconciliations should be reinstated.	J Buchanan / B McQuarrie	All payroll reconciliations on the KV system were completed on a regular basis however during the migration to Chris between October and March some of the reconciliations have not been completed within the planned timescales. All outstanding reconciliations will be completed for the year end process and to timescale going forward.	July 2010
10	23	Data Migration Testing No documentation has been retained to evidence the process undertaken to verify the completeness and accuracy of the migration of data from the old KVPAY system to the new CHRIS21 system. It is recognised that there is no value in creating retrospective evidence of testing already completed however measures should be taken to ensure evidence of future testing is maintained.	B McQuarrie	A comprehensive testing plan will be devised between the HR and Payroll teams to ensure all areas are covered for future upgrades.	December 2010
11	24	Payroll Standing Data There is a lack of clarity about who will be responsible for the maintenance and integrity of employee standing data. This should be resolved and a periodic review of employee standing data should be performed.	B McQuarrie	The new structure places the payroll and HR admin team in the same service under the same manager, this combined team will be responsible for maintaining the standing data thus removing any uncertainty.	August 2010



Ref.	Para.	Issue	Responsible Officer	Agreed Action	Action Date
12	25	Documented Payroll Procedures There are currently documented procedures for approximately half of the payroll processes. The exercise to draft these should be completed to ensure procedures are in place to support operational activity, compliance with good practice and the provision of staff training.	J Buchanan /B McQuarrie	Completion of the payroll processes and procedures is ongoing.	December 2010
13	26	Authorisation of New Starts Sample testing highlighted two cases where there was no authorised new start form in employee's files. Care should be taken to ensure that employees are not added to the payroll without an appropriately authorised new start form. These forms should then be maintained in the employee's file to provide evidence of this authorisation.	A Moore	This is current practice and has been restated to all HR staff by email. With the development of CHRIS however we had eventually hoped to move away from the completion of forms by corporate HR staff as the information normally exists in other format and is a duplication - any change would be in consultation with internal audit to ensure audit trail	Ongoing
14	27	Maintaining Employee Files Copies of employee files are not retained when employees transfer to another organisation under TUPE arrangements. This information should be retained to ensure the Council can respond to future queries, for example pension contribution that may arise about former employees.	A Moore	Agreed with External Audit that HR would take a copy of all essential documentation for TUPE transfers e.g. entry to service, contract, termination document etc	Ongoing



Ref.	Para.	Issue	Responsible Officer	Agreed Action	Action Date
15	28	<p>Independent Check of Data Input</p> <p>Sample testing highlighted occasions where there was no evidence that the appropriate second officer checks had been carried out to ensure the accuracy of data input into the legacy KVPAY and new CHRIS21 systems.</p> <p>The possibility of implementing a system authorisation control within CHRIS21 whereby key data cannot be processed until an independent officer authorises it should be investigated. If this functionality is not available then officers should be reminded of the need to perform, and evidence, these manual checks.</p>	B McQuarrie	This has been restated to HR staff at team meetings and will be incorporated in process checklist	August 2010
Debtors					
16	29	<p>Extending Credit Terms</p> <p>Whilst debt levels are monitored by the debt recovery team, there is no formal Council wide approach to the level of credit to be extended. The current economic downturn increases the risk of non payment of debt and consideration should be given to tightening controls in this area.</p>	A Puckrin	<p>Information on outstanding debts is given to Services as part of the monthly budget monitoring.</p> <p>Consideration will be given as to whether any further action is required.</p>	October 2010



Ref.	Para.	Issue	Responsible Officer	Agreed Action	Action Date
Main Accounting / Financial Management System (FMS)					
17	30	<p>Financial Account Management Model</p> <p>The new financial account management model presents a significant change to the structure of the finance department. A period of adjustment to the new model may have a detrimental impact on the delivery of finance services and on the ability of the finance department to help ensure scarce financial resources are directed both efficiently and effectively.</p>	A Puckrin	<p>The model is now fully populated and a development programme being progressed from June 2010.</p> <p>Monthly meetings between the CFO, managers and Principal Accountants will review progress.</p>	On Going
Budgetary Control					
18	31	<p>Budget Virements</p> <p>Explanations provided in committee reports for budget virements have improved however there is still scope for further improvement.</p> <p>We note some explanations which suggest funding is being moved into areas to avoid a budget over run. In these circumstances the original budget should be retained to inform future expenditure planning and to highlight where variances have arisen.</p>	A Puckrin	<p>Virements can be either one off or on going. Where they are on going then it has been assessed that there is an on going need. The action proposed is not therefore believed to add any value.</p>	No further action proposed.



Ref.	Para.	Issue	Responsible Officer	Agreed Action	Action Date
19	32	<p>Profiling Budgets</p> <p>The Council do not profile budgets and consequently are not able to provide an accurate comparison of expenditure to date, against the budgeted position. Reports to committee only show projected variances against projected out-turn. Note though that where projected variance is in excess of £10k the actual expenditure at the current period is shown. Consideration should be given to placing greater focus on zero based budgeting with budgets profiled over the financial year.</p>	A Puckrin	<p>In the current economic climate it is not believed that zero based budgets would add real value and could divert the limited finance resource away from key tasks.</p> <p>The Chief Financial Officers previous comments on budget profiling remain.</p>	No further action proposed.
Council Tax / Non-Domestic Rates Billing & Collection					
20	33	<p>Council Tax – Discounts & Reliefs</p> <p>Sample testing of 30 awarded discounts or reliefs identified nine cases where supporting documentation was not available. We recognise that six of the nine cases were due to documentation having been archived however documentation for the remaining three should have been readily available.</p> <p>We recognise that the implementation of the new electronic document management system will reduce the risk of documentation not being available however staff should be reminded of the importance of securing relevant documentation.</p>	Fiona Borthwick	<p>All cases with missing documentation were prior to the implementation of an Electronic Document Records Management System. None of the cases examined that were processed post this exercise had missing documentation.</p> <p>In addition staff have been reminded that no discount or relief should be processed unless the supporting documentation is held electronically</p>	Complete



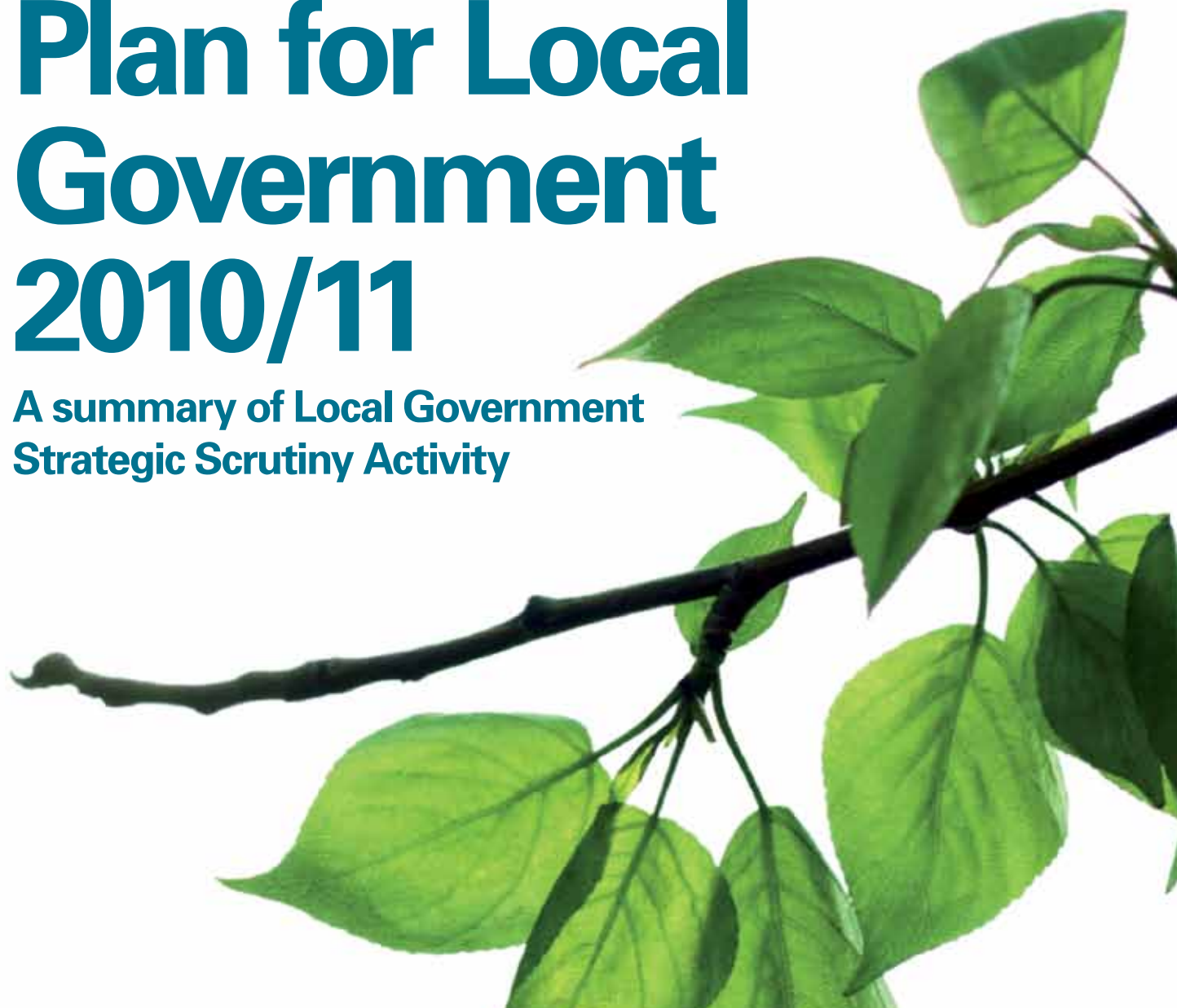
Ref.	Para.	Issue	Responsible Officer	Agreed Action	Action Date
21	34	<p>Council Tax & NDR – Reviews</p> <p>With the exception of single person discounts there were no relief and discount reviews completed for council tax during 2009/10. As part of our audit sample, cases were found where no review had been completed in over 10 years.</p>	Fiona Borthwick	<p>A schedule is now in place to ensure that annual checks for council tax reviews such as students, 2nd home, status type i.e. severely mentally impaired, apprentices etc as well as disabled and deceased cases are carried out.</p> <p>Rates relief reviews are carried out 3 or 5 yearly and again a schedule is in place for these reviews.</p>	On going in line with schedule
22	35	<p>Council Tax & NDR – Logical Access</p> <p>No formal review is performed of user accounts on either the NDR or Council Tax system, nor is a formal process for identifying and removing obsolete user accounts.</p>	Fiona Borthwick	<p>A form has been designed that the Principal Revenues Officer or Principal Benefits Officer will complete for a starter or leaver. They will then pass this to the Systems Administrator to action.</p> <p>A quarterly review of user accounts will be performed with the first occurring at the end of May 2010. The reviews will be recorded for audit purposes.</p>	<p>Complete</p> <p>Ongoing</p>



Ref.	Para.	Issue	Responsible Officer	Agreed Action	Action Date
SPI - 'Education & Children Services 5 – Looked After Children'					
23	40	<p>Social Work Case File Notes</p> <p>Whilst our audit of this SPI concluded that, within materiality, the revised performance report and submitted SPI was fairly stated, it did identify three cases where there were errors relating to the maintenance of file notes.</p> <p>In one case where there was no file note either in the Social Work SWIFT system, or a manual file, to support the date of first contact and provide a summary of the discussion held. Our testing did not provide evidence that this is a recurring weakness.</p> <p>In two other cases there were minor differences between the dates on manual file notes and those entered on the SWIFT system. In both cases the dates only differed by a maximum of four days and neither resulted in a need to change the performance report however similar errors in future could impact on the accuracy of performance reporting.</p>	R Murphy	Both professional and administrative staff have been briefed on the importance of ensuring the accurate inputting of data to the system. This will be reviewed as we continue to evaluate the data validity.	April 2010 Review September 2010

National Scrutiny Plan for Local Government 2010/11

A summary of Local Government
Strategic Scrutiny Activity



Prepared by the Local Government Scrutiny Coordination Strategic Group

July 2010



ACCOUNTS COMMISSION



AUDIT SCOTLAND



social work
inspection agency



THE SCOTTISH
HOUSING
REGULATOR

HMIe

improving Scottish education
leasachadh foghlam na h-Alba



HM INSPECTORATE OF
CONSTABULARY FOR SCOTLAND



Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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We have developed a joint process to identify where scrutiny work is needed

We are developing a more proportionate and risk-based approach to scrutiny

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We have moved away from a 'one size fits all' approach and developed a broader set of scrutiny responses

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Appendix 1. The Local Government Scrutiny Co-ordination Strategic Group Members

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Audit Scotland

Her Majesty's Inspectorate of Education

Social Work Inspection Agency

Scottish Commission for the Regulation of Care (The Care Commission)

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The Scottish Housing Regulator

Her Majesty's Inspectorate of Constabulary for Scotland

NHS Quality Improvement Scotland

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About this report

This report introduces Scotland's *National Scrutiny Plan for Local Government 2010/11*. This is the first time that a plan of this nature has been produced. This report outlines the context within which it has been prepared; sets out how it has been developed; summarises what has been achieved; and outlines what will happen next. It details the changes made within the individual scrutiny bodies to streamline their scrutiny work, the benefits to councils and the impact of councils' own self-evaluation work.

The National Scrutiny Plan for Local Government (the Plan) is the key output from work being led by the Accounts Commission, at the request of the Cabinet Secretary for Finance and Sustainable Growth in March 2008 to undertake a 'coordinating and gate-keeping role' with regard to 'scrutiny relating to the corporate and strategic role of local government'. We have sought to be open and transparent and have included all strategic scrutiny activity of which we are currently aware. In line with the phased approach requested by the Cabinet Secretary, our focus has been on planned scrutiny activity which assesses whole services or corporate functions. Thus, we do not focus on scrutiny activity carried out at service unit or institution level, eg school or care home inspections and we do not include the annual financial audit.

The Plan has been jointly prepared by the Local Government Scrutiny Coordination Strategic Group. This group includes the Accounts Commission, Audit Scotland, Her Majesty's Inspectorate of Education (HMIE), Social Work Inspection Agency (SWIA), Scottish Housing Regulator (SHR), the Care Commission, Her Majesty's

Inspectorate of Constabulary for Scotland (HMICS) and NHS Quality Improvement Scotland. Details of each body can be found in [Appendix 1](#); they are collectively referred to as 'scrutiny bodies' in this report. The group has also benefited from observer representation by the Scottish Government, COSLA, and SOLACE.

In developing this Plan we have engaged with COSLA and SOLACE on an ongoing basis and we acknowledge the input we have had from them and councils to date. Further feedback on the experiences of councils will be a fundamental part of an independent evaluation of the shared risk assessment process.

Background

Following the publication of the Crerar report on the *Independent Review of Regulation, Audit, Inspection and Complaints Handling of Public Services in Scotland* in September 2007, the Scottish Government undertook to develop a simplified and more coherent approach to local government scrutiny, as part of its wider approach to improving the arrangements for the external scrutiny of public services. A key aspect of this was the need to better coordinate and streamline strategic scrutiny work at corporate and service level, while continuing to provide assurance to the public. This marked a fundamental shift from scrutiny which had typically been based on audits and inspections done on a routine cyclical basis, towards a more risk-based and proportionate approach.

In response to the Scottish Government's request, based on a key recommendation from Crerar, the main scrutiny bodies for local government have worked together through the Local Government Scrutiny Coordination Strategic Group to identify and agree the key risks in each individual council and to develop a plan of scrutiny activity to respond to those specific risks. This new approach, called Shared Risk Assessment (SRA), is designed to ensure proportionate and focused scrutiny and reduce the overall amount of external scrutiny activity in local government, while continuing to provide public assurance and help councils to improve.

This Plan summarises the strategic scrutiny work for April 2010–March 2011 described in each of the 32 council's individual scrutiny plans, called Assurance & Improvement Plans (AIPs). While the AIPs cover a three-year rolling programme for

each council, the Plan covers 2010/11 only. A number of factors, including the creation of the new scrutiny body Social Care and Social Work Improvement Scotland (SCSWIS), have made it difficult to schedule precisely, at this stage, all of the activity planned for years two and three.

Part 1. What has been achieved?

We have reduced the time we will spend undertaking strategic scrutiny work in councils in 2010/11 by 36 per cent compared to the 2008 level

1. Compared to the level of scrutiny work undertaken in 2008, we have made a 36 per cent reduction¹ in the time we will spend on strategic scrutiny work in councils in 2010/11. This is a reduction in the fieldwork element of our strategic scrutiny work. This is the part of our activity which affects councils most directly.

2. This reduction in fieldwork activity relates to strategic scrutiny work that takes place at corporate or whole service levels of councils. This is only one element of the work we do. Each scrutiny body also undertakes a wide range of other activity which has always been outside the scope of the SRA process, such as baseline financial audit, inspections of schools and care homes, policy development and provision of guidance.

3. The 36 per cent reduction is a direct result of the changes we have individually made to the ways we undertake scrutiny and the application of our SRA approach to the planning our scrutiny work. The approach has also resulted in an increase in the number of individual 'scrutiny activities' across Scotland in 2010. This reflects the changing nature of scrutiny work from whole system, large scale audits and inspections to smaller, targeted activities. These activities will individually have a smaller 'footprint' as they will take

less time, involve fewer inspectors, and be more specifically tailored to the issues and risk involved.

4. The detailed National Scrutiny Plan for Local Government 2010/11, can be accessed on www.audit-scotland.gov.uk/work/scrutiny/

We have developed a joint process to identify where scrutiny work is needed

5. We have developed 32 Local Area Networks (LANs) of inspectors and auditors to enable us to share all the relevant information we hold about an individual council. The LANs undertake a SRA process, using that information to determine where scrutiny work is most needed to provide public assurance and/or to stimulate improvement. The LANs determine the most proportionate way to undertake that work, identify where joint work would be appropriate and engage with the council in developing its AIP.

6. We have developed a quality assurance process to ensure consistency in approach between the 32 LANs and the quality of the AIPs. This approach involves a panel of senior officers from each scrutiny body and peer representatives from Local Government. For this exercise there were four quality and consistency review panels, each reviewing eight AIPs. The panels reviewed the quality of the individual AIPs, as well as the consistency of risk assessment and scrutiny response across councils.

7. Through this joint process we have improved our understanding and knowledge of individual councils, and also of each other:

- We have a better and shared understanding of each council, its context, the information we collectively hold about it and the challenges it faces.
- We better understand each scrutiny body's remit, role, methodologies, approaches and scrutiny tools.
- We have developed a *Joint Scrutiny Code of Practice* which for the first time sets out the arrangements for co-operation between the scrutiny bodies, our commitment to collaborative working, and the principles which underpin our work.

8. This improved understanding and knowledge will help us to continue to reduce scrutiny activity where appropriate in the future, through increasingly sharing each other's evidence and evaluations, and by building more effective relationships with councils across all scrutiny bodies. It will also help us deliver more effective scrutiny where it is most needed.

We are developing a more proportionate and risk-based approach to scrutiny

9. We have, for the most part, stopped using an approach based on cyclical audit and inspection activity

¹ Thirty-six per cent reduction in on site contact days. That is the number of days spent in the council multiplied by the number of auditors/inspectors involved in the work.

in councils. Any cyclical work is now undertaken only as a result of specific requests by ministers. For example, ministers requested a second cycle of child protection inspection because of the variability in performance in councils. Where a cycle of inspection has been required, we have worked to ensure this activity is also streamlined and proportionate, eg the Care Commission statutory inspections have reduced in frequency and intensity.

10. In the 2010/11 National Scrutiny Plan for Local Government, around half of the scrutiny activity is driven by Government requirements. We are working together to ensure that this work is proportionate, eg HMIE and the Care Commission are piloting the coordination and integration of inspection of fostering and adoption with the joint inspection of child protection to maximise the links and reduce overlaps.

11. There have been a number of other important developments which have the potential to reduce scrutiny activity further. For example, provisions in the Public Services Reform (Scotland) Act 2010 have placed on scrutiny bodies a duty to co-operate and the new Systematic Scrutiny Check (SSC) approach has been introduced to deliver on the Government's commitment to apply 'a test before considering any new bodies or new scrutiny functions'. The second cycle of child protection inspections went through the SSC process to ensure it was necessary and proportionate.

We have streamlined our scrutiny methods

12. More proportionate and risk-based approaches to scrutiny have been adopted by each scrutiny body:

- HMIE has ceased its cyclical inspections of the education functions of local authorities (INEA2), although the model remains if required in individual cases as a scrutiny response to assessed risk. The second cycle of joint inspections of child protection in local areas is based upon a proportionate approach. It has extended its more proportionate approach to inspection beyond council level through its new school and pre-school inspection models.
- Following the conclusion of the first cycle of Local Government Best Value and Community Planning audits, Audit Scotland, on behalf of the Accounts Commission, has refined its BV audit approach, which it has tested at five pathfinder audits. The new 'Best Value 2' (BV2) approach is a more proportionate audit, based on activity directed towards areas of highest scrutiny risk. The redesign of the BV2 audit included the development of a single Corporate Assessment Framework for councils. This framework, when combined with the SRA process, allows Audit Scotland to coordinate corporate assessment work with scrutiny partners and reduce duplicated work.
- SWIA no longer carries out full performance inspections. These have been replaced by a risk-based approach (the initial scrutiny level assessment or ISLA), resulting in more proportionate, targeted scrutiny.
- SHR is no longer undertaking baseline inspections.
- HMICS has stopped its cycle of primary and review inspections and has moved to supported force self-assessment, combined with risk-based and proportionate thematic activity. For example, attendance management, and the management of high risk offenders.
- The Care Commission has amended the frequency of inspections, their regulatory support assessment process and 'Regulation for Improvement Project' according to assessments of risk and quality.
- Work is being undertaken to streamline and integrate future scrutiny activity as part of the development of the new agencies Social Care and Social Work Improvement Scotland and Health Improvement Scotland.

We have moved away from a 'one size fits all' approach and developed a broader set of scrutiny responses

13. We have developed joint working arrangements to reduce duplication of work and scrutiny overlap. Our work is now more proportionate and tailored to the risk areas being examined:

- HMIE, SWIA and the Care Commission's pilot integrated inspection activity around Child Protection and Fostering and Adoption inspections.
- Care Commission and SWIA inspectors are members of each Child Protection inspection team, facilitating opportunities for sharing information and joint work.
- The Mental Welfare Commission and the Care Commission are undertaking joint inspections in a small number of care homes for older people.
- Audit Scotland and HMICS have developed and tested a joint and proportionate BV2 approach in police forces and boards.
- The National Scrutiny Plan for Local Government indicates a number of one-off pieces of joint work between two or more scrutiny bodies to examine specific risk areas. For example, Audit Scotland and the Care Commission are working together to examine care support services in the City of Edinburgh Council; SHR and Audit Scotland are working together in East Renfrewshire Council to look at housing issues.

14. Scrutiny activity is a catalyst for improvement and we have individually made changes to our scrutiny approaches and methods to better support improvement. This includes supporting councils in developing their improvement plans and capacity-building activities. Some inspectorates are also developing a supported self-evaluation model:

- HMIE's voluntary validated self-evaluation work, which has now been undertaken successfully in a number of authorities who requested to be early participants in the programme.
- SWIA's comprehensive approach to supported self-evaluation, including published self-evaluation guides, web-based e-tool, and network of link inspectors.
- Care Commission inspections are based on the validation of self-evaluation undertaken by service providers.
- HMICS's supported force self-assessment.

15. Early indications from councils are that targeted scrutiny activity now being undertaken, is more proportionate and beneficial compared with traditional cyclical inspections, eg more focused on improvement and less time consuming for councils.

Part 2. What does the National Scrutiny Plan for Local Government tell us?

Emerging national themes

16. The post-Crerar Policy and Approaches Action Group (PAAG) recommended that ministers should agree strategic priorities and priority risk categories to support a coordinated approach for all new and existing scrutiny. The PAAG also made a recommendation on the priorities for public service scrutiny which was accepted by the Government. We have, therefore, used these national risk priorities to guide the SRA and the decisions on scrutiny activity.

17. The national risk priorities are:

- Protection, welfare and access to opportunities for children; adults in need of support and protection; and older people.
- Assuring public money is being used properly.

18. In light of the timing of the activity, we also made a decision to take into account the effect of the recession as a national risk priority in driving our work.

19. Each LAN considered and reported on how the national risk priorities are being addressed in each council. We recognise that at this stage in the development of the process, individual LANs may not have taken a consistent approach to

examining these areas in terms of the level of analysis of current risks and scrutiny work proposed in future years. We will address this more fully in future; however, we have identified the following emerging themes:

- The protection of vulnerable people, welfare and access form a key element of councils' local outcomes and service provision. There is evidence in the AIPs of some variation in the effectiveness of councils' operations in this area. A significant proportion (70 per cent) of the scrutiny activity planned for 2010/11 is focused on these areas of risk, including the second round of joint child protection inspection as requested by ministers, and much of the work carried out by SWIA and the Care Commission.
- Ensuring public money is being used properly is central to the management of local authorities. This is closely linked to the national risk priority we considered relating to the current economic circumstances. Many councils are in the process of developing or implementing transformation programmes in order to ensure they are responding to the economic climate and making best use of public money. The effect of these programmes will become apparent over the next 12 to 18 months and work to follow up on progress is captured in many AIPs.

- It is clear that while all Scottish councils face significant challenges as a result of tightening financial environment, they have plans in place to manage council funding reductions and to attempt to mitigate the effects on the local economy. The nature of these plans varies across councils and progress will become apparent in the next 12 to 18 months. It will be assessed as part of the annual financial audit and the updated risk assessment.

Effective self-evaluation is central to reduced scrutiny but more work is needed

20. The ability of councils to undertake robust and reliable self-evaluation of the effectiveness of their corporate processes, performance of services and impact on the local area, is central to a reduction in levels of external scrutiny undertaken by all scrutiny bodies. Detailed, accurate, up to date, readily available and verifiable information allows us to more accurately assess risk and target scrutiny activity to where it is most necessary.

21. All councils across Scotland are committed to developing robust self-evaluation arrangements. However, councils themselves recognise that the maturity and effectiveness of self-evaluation is currently under-developed. Even within those councils where self-evaluation is used as

an improvement tool, there are inconsistencies in coverage and the quality of information across services, outcome areas and corporate processes. We found that:

- the completeness and reliability of self-evaluation varies across the 32 councils in Scotland, with some councils having well-developed systems in place and others only beginning to develop a robust system of self-evaluation
- the completeness and reliability of self-evaluation varies across council services, with more mature approaches in education, where there is a history of self-evaluation being developed in close association with inspection, and less well developed processes in non inspected services such as roads maintenance and planning. Some councils have volunteered to have their self-evaluation processes in education validated through joint activities with HMIE
- strategic and council wide self-evaluation is less well developed than service level self-evaluation. This is particularly apparent in relation to the strategic use of resources, such as people, property and finance
- self-evaluation against outcomes tends to be less well developed than corporate and service level self-evaluation
- the robustness of self-evaluation information is closely linked to the maturity and effectiveness of the council's performance management systems.

22. Service user views and customer satisfaction information are central aspects of self-evaluation, and represents a significant gap in existing self-evaluation information in many councils. User views and customer satisfaction information is powerful evidence for us in assessing risk and deciding what scrutiny activity is required.

23. About a quarter of scrutiny activity in the Plan arises from uncertainty about risks because of a lack of public, readily available and verifiable information available to us. There is a need for substantial improvements in the quality of self-evaluation processes and information in individual councils and services, in order to achieve further reductions in the amount of scrutiny activity required to provide public assurance.

24. The role of elected members in challenging the processes and outcomes of self-evaluation activities undertaken by councils, is also central to good governance. Effective internal challenge lends further credibility to self-evaluation work and assists us in targeting scrutiny activity to where it is most needed.

Self-evaluation must always be supported by independent challenge to maintain public assurance

25. Self-evaluation is important in reducing and targeting scrutiny but it will not eliminate all scrutiny activity. A degree of challenge of a council's self-evaluation will always be required to provide strong, independent public assurance. This is particularly the case in services provided for vulnerable service users, where assurance cannot be provided through self-evaluation and desk-based scrutiny activity alone.

26. There will continue to be a need for independent public assurance. Credible public assurance relies on clear, evidence-based, independent evaluations and accessible public reports. We will continue to review how we achieve this assurance, and we are committed to delivering a scrutiny system for local government in Scotland that is risk-based and proportionate.

We will continue to work with Scottish Government to further reduce scrutiny

27. About half of the scrutiny activity described in the Plan has been requested by the Scottish Government. Although we have tailored this activity and sought to work in a more collective and coherent way, the LANs have had limited ability to reduce this work significantly. The Scottish Government, therefore, will continue to play an important role in delivering further reductions in scrutiny work by considering how requests for new scrutiny activity can be better assessed and matched to risk. We will continue to work closely with the Scottish Government to ensure that the Systematic Scrutiny Check approach is used to support ministers in decisions on if, where, when and how scrutiny activity is to be applied.

Part 3. Next steps

28. This first year of implementation has been a significant exercise for all the scrutiny bodies involved. It is the first time scrutiny bodies in Scotland have come together in this way. It would not have been possible to achieve the National Scrutiny Plan for Local Government without the fully collaborative nature of the approach.

29. We have undertaken the SRA as one element in a programme of significant change in the scrutiny landscape of Scotland. For example, the Care Commission and SWIA will be replaced by one new body. We believe the SRA approach will provide us with a flexible framework to respond to the changing nature of scrutiny in the future, and will allow us to improve the approach further.

We will continue to evaluate our approach

30. We have undertaken evaluation exercises throughout the development and roll out of the SRA process and the production of the AIPs. We have also commissioned an independent evaluation of the work, which will ask councils and other stakeholders for their feedback. This will help to take stock of the Accounts Commission's gate-keeping role and coordination work as requested by the Cabinet Secretary for Finance and Sustainable Growth.

We will focus on further streamlining our activity and improving our approach

31. We have achieved a great deal but recognise we have more to do. The scrutiny bodies are developing a revised workplan which will be influenced by the findings of the independent evaluation. However, we are already clear on some key areas for improvement and development:

- We can make further efficiencies and continue to streamline our activity.
- We need to reduce the time taken to complete our annual SRA/AIP drafting cycle.
- We need to embed the Shared Risk Assessment approach more fully in our individual audit and inspection bodies.
- We need to ensure consistency in delivering a proportionate response to scrutiny risk.
- We need to ensure consistency in the way the LANs communicate and engage with councils.
- We need to be more consistent in the way we consider the national risk priorities in individual councils as part of our SRA process.
- We need to better support improvement by more effectively and consistently identifying and sharing good practice.
- We need to develop a Plan in future years that is clearer about the rolling programme of planned work for years two and three.

32. Our commitment to further development and improvement of the new approach will be set out in the Local Government Scrutiny Coordination Operational Group Workplan. Underpinning the specific objectives outlined in this workplan, is the need for input from our key stakeholders and our commitment to ongoing engagement.

Appendix 1.

The Local Government Scrutiny Coordination Strategic Group Members

The Accounts Commission

The Accounts Commission is independent of central and local government. Its role is to examine how Scotland's 32 councils and 44 joint boards manage their finances; help these bodies manage their resources efficiently and effectively; promote Best Value; and publish information every year about how they perform. The Accounts Commission has powers to report and make recommendations to the organisations it scrutinises, hold hearings and report and make recommendations to Scottish Government ministers.

Audit Scotland

Audit Scotland is a statutory body set up under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Accounts Commission and the Auditor General for Scotland (AGS). Working together, the Accounts Commission and Audit Scotland ensure that public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

Her Majesty's Inspectorate of Education

Her Majesty's Inspectorate of Education in Scotland (HMIE) is a Scottish Government executive agency. HMIE aims to promote sustainable improvements in standards, quality and achievements for all learners in a Scottish education system which is inclusive. HMIE works towards the achievement of its aims by providing independent

evaluations; providing advice and reports, based on the experiences and achievements of learners and vulnerable children and the provision made for them; working with establishments, services, their partners and other organisations, to increase their capacity to improve through rigorous self-evaluation and well-targeted support; and providing professional advice for Scottish ministers. HMIE currently have responsibility for leading the joint inspections of services to protect children in all 32 local authority areas across Scotland. Provisions in the Public Services Reform (Scotland) Act 2010 will transfer responsibility for child protection inspections from HMIE to a new body, Social Care and Social Work Improvement Scotland (SCSWIS) in April 2011.

Social Work Inspection Agency²

The Social Work Inspection Agency (SWIA) is a Scottish Government executive agency set up in 2005 under the terms of the Scotland Act 1998. Its strategic objective is to modernise and improve social work services across Scotland. SWIA does this by delivering focused and proportionate national scrutiny that provides assurance, acknowledges good performance in social work services and assists poor performers to improve; working with other scrutiny bodies to deliver integrated inspections; encouraging self-evaluation and improvement by providers of social work services; connecting policy development with practice through a knowledge base derived directly from inspections; and providing professional advice to Scottish ministers.

Scottish Commission for the Regulation of Care (The Care Commission)³

The Scottish Commission for the Regulation of Care (the Care Commission) is a Non-Departmental Public Body. It was set up to regulate care services for adults and children in Scotland under the Regulation of Care (Scotland) Act 2001. The Care Commission has a statutory duty to regulate care services in order to further improve the quality of care in Scotland. The Care Commission registers care services; inspects all registered services against the National Care Standards; investigates complaints; takes enforcement action when services fail to make required improvements; works with people who use care services and their carers, care service providers, the Scottish Government and other public bodies; promotes improvement of care services while also providing protection for the vulnerable people receiving care; provides information about the availability and quality of care services in Scotland; provides Scottish ministers with evidence and expert advice on the quality of social care; informs social and healthcare policy; and collaborates with other scrutiny bodies on the joint inspection of services for children and vulnerable adults.

The Scottish Housing Regulator

Scottish Housing Regulator (SHR) is a Scottish Government executive agency. It exercises the regulatory powers of Scottish ministers in the Housing (Scotland) Act 2001. SHR regulates registered social landlords and the landlord and homelessness

2. SWIA and the Care Commission under provisions in the Public Services Reform (Scotland) Act 2010 will be dissolved and their functions transferred to one new body, Social Care and Social Work Improvement Scotland (SCSWIS) in April 2011.
3. Ibid.

services of local authorities. Its purpose is to protect the interests of current and future tenants and other service users; ensure the continuing provision of good quality social housing, in terms of decent homes, good services, value for money, and financial viability; and maintain the confidence of funders. SHR registers and regulates independent social landlords. It also inspects the housing and homeless services provided by local authorities. The agency drives improvements in landlords' efficiency and performance, and help to ensure that registered social landlords continue to attract private finance at competitive rates to build and improve affordable homes. Provisions in the Housing (Scotland) Bill, which was introduced to the Scottish Parliament in January 2010 and currently is being considered by the Parliament, will change the status of SHR from an executive agency to a non-ministerial department.

Her Majesty's Inspectorate of Constabulary for Scotland

Her Majesty's Inspectorate of Constabulary for Scotland (HMICS) operates independently and is responsible for inspecting the eight police forces in Scotland and the five police services provided by the Scottish Police Services Authority (SPSA), in order to improve those services. HMICS does this by inspecting and advising police forces and the services; undertaking a risk-assessed programme of thematic inspections, including working with partners on joint inspection activity; working with the police service in Scotland on driving forward an annual self-assessment programme that

promotes continuous improvement; and sharing good practice. HMICS provides public reports and independent advice to ministers, police board members and police forces and services.

NHS Quality Improvement Scotland⁴

The function of NHS Quality Improvement Scotland (NHS QIS) is to improve the quality of health care in Scotland by setting standards and monitoring performance, and by providing advice, guidance and support to NHSScotland on effective clinical practice and service improvements. The two key aims of the organisation are to report to the public on the performance of NHSScotland against nationally agreed standards, and to support NHSScotland in improving the quality of care and treatment it provides. NHS QIS achieves this by developing and implementing, in partnership with health care professionals and the public, a national framework to determine, share and promote consistent high-quality care across Scotland.

4. NHS QIS will be dissolved and its functions transferred to Health Improvement Scotland under provisions in the Public Services Reform (Scotland) Act 2010 in April 2011.

National Scrutiny Plan for Local Government 2010/11

A summary of Local Government Strategic Scrutiny

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