

**REPORT TO: SCRUTINY COMMITTEE – 26 APRIL 2023**

**REPORT ON: INTERNAL AUDIT REPORTS**

**REPORT BY: CHIEF INTERNAL AUDITOR**

**REPORT NO: 123-2023**

**1.0 PURPOSE OF REPORT**

To submit to Members of the Scrutiny Committee a summary of the Internal Audit Reports finalised since the last Scrutiny Committee.

**2.0 RECOMMENDATIONS**

Members of the Committee are asked to note the information contained within this report.

**3.0 FINANCIAL IMPLICATIONS**

None

**4.0 MAIN TEXT**

4.1 The day-to-day activity of the Internal Audit Service is primarily driven by the reviews included within the Internal Audit Plan. Broadly, on the completion of a specific review, a report which details the audit findings and recommendations is prepared and issued to management for a formal response and submission of management’s proposed action plan to take the recommendations forward. Any follow-up work subsequently undertaken will examine the implementation of the action plan submitted by management.

4.2 Executive Summaries for the reviews which have been finalised in terms of paragraph 4.1 above are provided at Appendix A. Within each Executive Summary the prime aim is to provide both Elected Members and management with key information which includes the reason for undertaking the review, a summary of financial data and statistics, the areas encompassed within the review and specific areas which were excluded, the principal audit objectives, an audit opinion on the adequacy of the systems and control framework of the area reviewed, the key conclusions based on the audit findings and recommendations and a summary of management’s response to the audit report. The full reports are available to Elected Members on request.

**5.0 POLICY IMPLICATIONS**

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

**6.0 CONSULTATIONS**

The Council’s Leadership Team have been consulted in the preparation of this report.

**7.0 BACKGROUND PAPERS**

None

Cathie Wyllie, Chief Internal Auditor

DATE: 31 March 2023

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## i) INTERNAL AUDIT REPORT 2022/07

<b>Client</b>	<b>Children and Families Service – Education</b>
<b>Subject</b>	<b>School Income Collections and Reconciliations</b>

**Introduction**

There are currently 8 secondary schools in Dundee, plus Rockwell Learning Centre and Kingspark School. Rockwell is the offsite learning centre providing secondary education for up to 45 pupils, while Kingspark has around 180 pupils from 5 to 18 all with complex additional support needs.

Income can be collected each week from pupils and staff for school meals provided by Tayside Contracts (meal deals are currently available from £1.50 up to £2.25 per day or individual menu options are available) and also, small amounts of other miscellaneous income can be received on an ad-hoc basis. Online payments using the ParentPay website are also made for school meals, school trips, uniforms etc by card, bank transfer and PayPoint.

The ParentPay system helps to remove the costs associated with having to manage cash securely on school premises and it frees up time to better support the smooth running of the school. In addition, schools continue to accept cash and cheque payments as necessary. There is also other income collected for each individual School Fund (e.g. school trips and special activities such as awards for prize giving ceremonies) which is recorded and banked separately from Council income.

School Fund transactions are recorded on a spreadsheet package each week/month and have a separate bank account from the main DCC account. Each school has a Business Manager who is responsible for supervising the recording of income each week and reconciling the bank statements each month.

Self-assessment proforma returns were completed at each school in 2020/21 and issues raised were followed-up to ensure all risks identified have been fully mitigated.

**Scope and Objectives**

Review of the arrangements for collection, recording, banking and reconciliation of income in secondary schools.

Overall objective was to ensure that adequate controls are in place covering the systems for income collection/recording and bank reconciliation each month in each school.

**Conclusion**

*The principal conclusion drawn from this review is that there are significant weaknesses in relation to School Funds which must be addressed.*

*In relation to Council Funds the conclusion is that whilst there is basically a sound system of control there are some areas where it is viewed that improvements can be made.*

The main areas of concern highlighted in the report are as follows:

1. Procedures and guidance material relating to financial processes within schools have not been updated in some time, and these are no longer fully reflective of current practice. There is no systematic review which seeks to ensure that the guidance which is in place is complied with. The Service should update and issue a revised set of guidance and supporting procedure documentation, and support this with training where required. Compliance with procedures should be regularly assessed by individuals outwith the school. (School Fund)
2. Annual School Fund accounts have not been independently verified and signed off at any of the schools under review. The procedure documentation currently in place states that this is required, but does not offer any guidance as to the nature of independent verification required. This should be clarified in updated guidance. (School Fund)

## i) INTERNAL AUDIT REPORT 2022/07 (cont'd)

<b>Client</b>	<b>Children and Families Service – Education</b>
<b>Subject</b>	<b>School Income Collections and Reconciliations</b>

**Conclusion (cont'd)**

3. We noted a number of instances of issues arising as a consequence of lack of availability of cheque signatories, including delayed payments. In one case we found that the school had adopted a practice of retaining signed blank cheques in their safe as a means of working around this issue. Schools should arrange for adequate cheque signatories to be put in place to meet their needs, and explore the use of online banking to reduce reliance on manual signatures for payments. (School Fund)
4. There is no process for carrying out regular safe counts within schools. Our own safe counts found that two schools were holding cash in excess of insurance limits. Guidance should be updated to introduce a requirement for regular safe counts to ensure that cash is regularly banked, and not held in excessive quantities. (School Fund and Council Funds)
5. Bank Reconciliations are not consistently carried out, reviewed, and signed off. We identified two instances in which variances between bank statements and reconciled school fund records had not been followed up. (School Fund)
6. A lack of systematic review of balances owed to the Council means that invoices for recharges due to DCC were overdue at all but one school, with the total of the outstanding balances at 30 September 2022 totalling some £69,000. Most overdue invoices are at least three months old. Guidance documentation should introduce a requirement to periodically review outstanding invoices, combined with the recommendation to review the number of available cheque signatories to reduce delayed payment. (School Fund, Council Funds)

Each individual school has been issued with their own specific action points arising from the audit visits, and we note that action has been taken already to address specific points raised. In this report, we have sought to make recommendations which focus on the guidance and support available to schools, to help ensure that the identified issues do not reoccur.

**Management Response to the Audit Report**

A short life working group has already been established to review and update the current guidance which will include the recommendations noted in this report. A procedure will be established which will ensure there is an on-going system of termly spot checking and discussions with Business Managers and secondary Head Teachers regarding school funds. Annual high-level financial induction training is provided to all new Business Managers and Head Teachers, this covers high level messages regarding school funds. Due to the recommendations included in this report we will ensure that specific school fund training will be provided to existing Head Teachers and Business Managers before 31 March 2023. Annual training for all new secondary Head Teachers and Business Managers will be provided at the start of each academic year.

The audit findings and recommendations were formally reported to the Executive Director of Children and Families and appropriate action agreed to address the matters raised.

## ii) INTERNAL AUDIT REPORT 2022/14

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Follow-up Review of Commercial Lets</b>

**Introduction**

As part of the planned internal audit work, a follow-up review of Internal Audit Report 2019/04, Commercial Lets, is to be undertaken.

The original internal audit report concluded that there were weaknesses in the system which should be addressed. The main areas highlighted in the report were as follows:

- At the time of the audit fieldwork, the Sure Tenant checks carried out on behalf of the Council did not include verification of the prospective tenants' income as standard. In addition, the Council did not, as a matter of course, require references to be provided, verify that funds required to start up a new business were available or that a credible business plan existed. In addition, checks were not being routinely carried out to determine whether there were any outstanding debts with the Council. To assist the Council to make an informed and evidence based decision surrounding the suitability of a prospective tenant going forward, minimise the risk of non-payment of rent and maximise its income, the Estates Management Team should meet with Corporate Finance and Economic Development with the view to developing an agreed solution for the vetting of prospective tenants. The Estates Management Team should also work in conjunction with the Corporate Debt Service to develop and implement an efficient process for checking related Council debt.
- It was established as part of the audit fieldwork in November 2019 that one tenant had never been billed for a lease entered into in June 2018. Whilst it is acknowledged that there are controls built into the process for inputting a new lease to the GVA system and for checking the accuracy of billing, improvements in the control arrangements are required to ensure accurate information is recorded in the GVA system and that tenants are billed correctly. Additional controls are also required in order to ensure that terminations of leases are notified to all relevant parties timeously and that information held in the GVA system and the lease spreadsheet are reconciled.
- Where the Corporate Debt Team is notified of a change in the name of a commercial let tenant / debtor, it should notify the Estates Management Team prior to making the change so that appropriate action can be taken from a Commercial Lets perspective.
- To ensure that the status of any outstanding debt is correct, the system errors identified with the debt recovery process within the Civica Debtors System should be investigated by the Corporate Debt Service and steps taken to rectify them. In addition, the Estates Management Team Leader should be provided with an outstanding debt report containing debts for commercial lets only. The report should then be reviewed and used as the basis for discussion at regular meetings between the Corporate Debt Team and the Estates Management Team to assist on jointly deciding on the most appropriate action to take, including whether or not a tenancy should be irritated. Roles and responsibilities for dealing with commercial lets debt, including reviewing debt reports and agreeing subsequent actions to be taken should also be established.

**Scope and Objectives**

To assess whether or not each of the recommendations agreed by management in Internal Audit Report 2019/04, Commercial Lets have been implemented within the given timescales. The follow-up will be restricted to areas included in the original report.

**Conclusion**

*The principal conclusion drawn from the follow-up work undertaken is that the actions taken by management have addressed the control weaknesses highlighted in the original review.*

## iii) INTERNAL AUDIT REPORT 2022/16

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Follow-up Review of Integrated Impact Assessments</b>

**Introduction**

As part of the planned internal audit work, a follow-up review of Internal Audit report 2018/18 Integrated Impact Assessments (IIA) was undertaken.

The original internal audit report concluded that there were weaknesses in the system which should be addressed. The two main areas highlighted in the previous report were as follows:

- There is an IIA User Guide in place within the Council which comprises instructions on the technical process of how to use the tool through the use of screen shots. However, the User Guide requires to be reviewed and revised in order to provide clarity over when to complete an IIA as well as the process to be followed when doing so. In addition, the standard wording utilised in the Policy Implications section of committee reports should be revised to make it clear to stakeholders whether an IIA has been completed or not.
- The IIA toolkit was developed to facilitate the assessment of four separate policy implications, Equality & Diversity, Fairness & Poverty, Environment and Corporate Risk, in one intranet-based document. While the system is user friendly, making use of a series of tick box questions as well as text boxes for report authors to provide an explanation of the rationale behind their decision making, there is sometimes limited written input/commentary provided. A review of the IIA toolkit should be carried out with a view to ensuring that report authors fully understand the level of information they are required to provide.

**Scope and Objectives**

To assess whether or not the three recommendations (two significant and one routine) agreed by management in Internal Audit Report 2018/18 have been implemented within the given timescales. The follow-up review is restricted to areas included in the original report.

**Conclusion**

*The principal conclusion drawn from the follow-up work undertaken is that the actions taken by management have addressed the control weaknesses highlighted in the original review.*