

REPORT TO: SCRUTINY COMMITTEE – 22 APRIL 2015

REPORT ON: INTERNAL AUDIT REPORTS

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 140-2015

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 Members and Management with key information which includes the reason for undertaking the review, summary 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 Members on request.

5.0 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6.0 CONSULTATIONS

The Chief Executive, Director of Corporate Services and Head of Democratic and Legal Services have been consulted on the content of this report.

7.0 BACKGROUND PAPERS

None

i) INTERNAL AUDIT REPORT 2014/22

Client	Corporate
Subject	Follow-up Review of Tayside Pension Fund

Introduction

As part of the internal audit work, a follow-up review of Internal Audit Report 2012/01, Tayside Pension Fund, was 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:

- To reduce the potential risk that key information held electronically could be permanently lost in the event of a system failure, checks should be carried out to ensure that Altair is being satisfactorily backed up. In addition, formal disaster recovery and business continuity arrangements should be put in place.
- To raise awareness of risk management, ensure prompt identification of new and emerging risks and assist with ensuring the on-going review of risks in general, consideration should be given to including the pension fund risk register as a standing agenda item at the Pension Investment Sub-Committee meetings.
- To strengthen the day to day administration of employee and employer contributions, further checks should be introduced to ensure that such contributions are received timeously and are complete and accurate.

Scope and Objectives

To assess whether or not each of the recommendations agreed by management in Internal Audit Report 2012/01 have been implemented within the given timescales. The follow-up review was restricted to areas included in the original report.

Conclusion

The principal conclusion drawn from this review is that whilst there is basically a sound system of control there are some areas where it is viewed improvements can be made.

The main areas where actions agreed by management are still outstanding are as follows:

- Further checks re employee and employer contributions are to be introduced during the 2014/15 year-end reconciliation process.
- Business continuity arrangements, including Business Continuity Plan, are being developed by the Payroll and Pensions Manager in conjunction with the Risk and Resilience Manager.

Management Response to the Audit Report

The audit findings and recommendations were formally reported to the Director of Corporate Services and appropriate action agreed to address the matters raised.

ii) INTERNAL AUDIT REPORT 2014/27

Client	Corporate
Subject	Schemes of Administration

Introduction

A review of the Schemes of Administration which detail the Council's financial regulations, tender procedures and delegation of powers was undertaken as part of the planned internal audit work.

The Standing Orders of the Council and the Schemes of Administration help ensure that robust, clear and accountable organisational frameworks are in place to govern and guide the decisions made by the Council and its officers. It is important as part of the governance framework that these remain up to date and incorporate any relevant updates or changes. They are therefore subject to periodic review and update throughout the term of the Council and at the first statutory meeting of the Council following local government elections approval is sought in respect of any proposed amendments which require to be made.

The Schemes of Administration, which are the focus of this particular review, were last updated following the 2012 local government elections. The report detailing the proposed amendments was submitted to the Statutory Meeting of the Council on 21 May 2012. (Refer Report No. 185-2012).

Scope and Objectives

Review to assess the suitability and completeness of the Council's Schemes of Administration in respect of financial regulations, tender procedures and delegation of powers.

Conclusion

The principal conclusion drawn from this review is that whilst there is basically a sound system of control there are some areas where it is viewed improvements can be made.

The main area highlighted in the report is as follows:

- To mitigate the potential risks arising from the fact that comprehensive up-to-date guidance on the Council's procurement practices is not currently contained within the Schemes of Administration steps should be taken for these to be updated as soon as practicable.

Management Response to the Audit Report

The audit findings and recommendations were formally reported to the Director of Corporate Services and appropriate action agreed to address the matters raised.

iii) INTERNAL AUDIT REPORT 2014/29

Client	Corporate Services
Subject	ICT Refresh Programme (Education Network)

Introduction

A review of the ICT Refresh Programme within schools was part of the planned internal audit work.

In order to increase use and maximise the benefits that can be delivered through ICT, a programme to refresh and update the hardware used within the school estate was put in place by the Council in 2003. Currently the ICT refresh programme is based on a five year cycle and the updating of hardware is undertaken on a rolling basis across the various locations. This programme covers a total of 54 sites which consists of secondary schools, primary schools, nurseries and specialist services. These locations currently deliver learning and teaching to around 18,500 children and there are of the order of 5,000 desktop devices within the school estate. The expenditure for the refresh programme is of the order of £570,000 per annum.

It should be noted however that as part of the budget setting process for the 2015/16 financial year a one off reduction of £460,000 in the Schools ICT Capital Budget has been approved. The opportunity to take forward this particular proposal has been due to a number of factors including improved reliability of IT equipment and increased hardware lifecycle.

Scope and Objectives

Assessment of the annual programme to refresh computer hardware within schools to provide assurance that the process is effectively managed.

Conclusion

The principal conclusion drawn from this review is that whilst there is basically a sound system of control there are some areas where it is viewed improvements can be made.

The main area commented upon in the report is as follows:

- From an operational perspective the ICT Refresh Programme works well. It would be prudent however given the one-off reduction in the financial commitment and also staffing changes which may potentially impact upon the knowledge in respect of this programme that steps be taken to formally document guidance for key areas of the process. Thereafter these should be reviewed periodically and refreshed as appropriate.

Management Response to the Audit Report

The audit findings and recommendations were formally reported to the Director of Corporate Services and appropriate action agreed to address the matters raised.