

REPORT TO: SCRUTINY COMMITTEE – 28 JUNE 2023

REPORT ON: INTERNAL AUDIT REPORTS

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 181-2023

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: 06 June 2023

This page is intentionally left blank

i) INTERNAL AUDIT REPORT 2022/05

Client	Corporate
Subject	Follow-up Review of Project Management

Introduction

As part of the planned internal audit work, a follow-up review of Internal Audit report 2020/22 Project Management was undertaken.

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

- There is no standard project management methodology utilised within the IT Service or the wider Council. As a result, the approach to project management varies across the portfolio of projects. While some of the variations can be attributed to the size and scale of specific projects, some key project management disciplines expected in all projects are absent. A formalised methodology should be developed to outline the minimum expected project management processes and controls required for all major IT projects, alongside guidance to be used for projects requiring heightened levels of governance.

It was noted as part of the audit fieldwork, however, that two recent IT projects delivered during the COVID-19 pandemic that did not have full formal project management governance arrangements in place, were successfully delivered within the timescales expected.

- The Council has not undertaken a skills assessment to identify employees who have project management qualifications and / or training, and project managers who are not qualified or trained. Although the project managers identified in audit testing had adequate project management experience, they were primarily appointed based on technical knowledge. Projects do not include a capacity analysis at the outset to determine whether the project manager and wider team have capacity to successfully deliver project management responsibilities in addition to any business as usual workloads.

A skills analysis should be carried out to help identify any gaps within the organisation that need to be addressed and a capacity assessment should be carried out at the initiation phase of all projects to help ensure sufficient, sustainable capacity is available to successfully deliver the project and ensure project management disciplines are upheld.

- Governance arrangements, including the establishment and operation of a dedicated project board, vary between projects. This inconsistency results in variable oversight and increases the risks that individuals involved in managing and delivering projects are not accountable. All major IT projects should have a dedicated project board, which should have a formalised role in governing the project from initiation through to implementation, by monitoring progress and managing / mitigating corresponding risks.

Scope and Objectives

To assess whether or not each of the three recommendations (one Critical and two Significant) agreed by management in Internal Audit Report 2020/22 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.

ii) INTERNAL AUDIT REPORT 2021/20

Client	Corporate
Subject	Tayside Contracts

Introduction

Tayside Contracts is the commercial trading arm of Dundee City Council (the Council), Angus Council and Perth and Kinross Council. The organisation was formed in 1995 under a Minute of Agreement entered into by the three Councils and is governed by a Joint Committee of 18 elected representatives (six from each Council). In addition to the Joint Committee, a management group comprising the three Chief Executives of the constituent local authorities and the Managing Director of Tayside Contracts exists to consider the performance and development of Tayside Contracts.

Tayside Contracts provides catering, cleaning, roads maintenance, vehicle maintenance and winter maintenance services throughout the Tayside area to each of the constituent Councils. This includes provision of school meals catering, cleaning of education buildings and janitorial services to the Council which is overseen by the Children and Families and City Development Service areas. The cost of services provided by Tayside Contracts to the Council for 2021/22 was approximately £27million including £9million for the Children and Families Service and £5.6million per annum for the City Development Service. The two service area costs exclude any capital works. The nature of Tayside Contracts is such that each of the constituent Councils is also liable to pay an element of overhead to support the running of the organisation. Similarly, should Tayside Contracts achieve a surplus in a financial year this is repayable to the three Councils proportionate to their use of the provider.

As the commercial trading arm is a distinct legal entity, it has its own governance arrangements which includes internal audit services, external audit services and the Joint Committee and management group referred to above. In addition, as a supplier of the Council, there are internal governance arrangements such as the agreement of budgets at the outset of the financial year between Service areas and Tayside Contracts, monitoring of budgets and year to date spend.

Scope and Objectives

High level review of the governance arrangements in place to manage and monitor the Council's partnership with Tayside Contracts, including current billing arrangements. The scope of the audit did not include the Roads Maintenance and Street Lighting partnerships which have been subject to previous Internal Audits.

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 commented upon in the report are as follows:

- There is scope for improving the financial and operational performance monitoring processes for the Council's arrangements with Tayside Contracts. There is currently no formal documented process for agreeing and challenging charges levied by Tayside Contracts, which exposes the Council to risks of financial inefficiency. Furthermore, there is scope for improving the contract monitoring processes such that Tayside Contracts can be held to account more effectively, to ensure that all aspects of the expected services are provided, to the expected standards.
- A clear reporting process should be put in place which is applied consistently across financial monitoring and operational performance management. Both financial and performance management measures should be reported to an appropriate group with oversight, such as a Senior Strategic Group, e.g. Governance and Strategy Group.

ii) INTERNAL AUDIT REPORT 2021/20 (cont'd)

Client	Corporate
Subject	Tayside Contracts

Conclusion (cont'd)

- The Council does not regularly complete a Best Value assessment, in line with the Scottish Government's Best Value: Revised Statutory Guidance 2020. The Council should perform a Best Value assessment of the overall service provided by Tayside Contracts identifying areas for improvement in performance management whilst obtaining the appropriate balance between quality and cost. This Best Value assessment should incorporate a detailed review and analysis of the services provided by Tayside Contracts as well as benchmarking core operational costs to ensure that the Council's costs incurred are reasonable.

Management Response to the Audit Report

The audit findings and recommendations were formally reported to the Executive Directors of Corporate Services, City Development and Children and Families and appropriate action agreed to address the matters raised.

iii) INTERNAL AUDIT REPORT 2021/22

Client	Corporate
Subject	Fire Risk Assessments

Introduction

In Scotland the primary legislation outlining fire safety responsibilities are the Fire (Scotland) Act 2005 and the Fire Safety (Scotland) Regulations 2006. The Fire (Scotland) Act, Part 3, Chapter 1, Sections 53-56 details Fire Safety Duties and more specifically, Section 54 (2) outlines the requirement to carry out fire risk assessments for the purposes of identifying any risks to safety in respect of harm caused by fire and to put in place relevant fire safety measures.

The Council's Corporate Health and Safety Policy and Guidance 2018, includes the Council's fire safety policy and guidance including fire risk assessment requirements. This document details the Council's responsibilities for managing fire risks including its arrangements for ensuring that fire risk assessments are conducted.

The Council's City Development Fire Safety Staff are responsible for ensuring that relevant building fire risk assessments are undertaken for 227 Council and Leisure and Culture Dundee (L&CD) properties. They also support Duty Holders / Building Managers to make sure that fire risk assessments are kept under review and that appropriate measures are in place for the provision and maintenance of fire safety equipment, firefighting equipment and emergency lighting. Each fire risk assessment includes an action plan detailing actions that are required to be carried out to ensure properties remain compliant with fire safety legislation. After a fire risk assessment has been completed, the City Development Fire Safety Team will carry out an audit to identify if the action plan is being addressed. Where required these audits take place at 3, 6 and / or 12-month intervals after the fire risk assessments have been issued.

In addition to the Council and L&CD properties referred to above, there are also properties which are recorded in the Housing Revenue Account. These include communal areas within Multi Storey Developments and Sheltered Housing Complexes. Neighbourhood Services are responsible for ensuring that these properties are fire risk assessed.

Scope and Objectives

Review of the processes, procedures and controls in place within the Council to manage and monitor delivery of fire risk assessments in line with relevant legislation.

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 commented upon in the report are as follows:

- The content of the City Development FRA spreadsheet should be verified in order to ensure it is accurate and that all relevant properties are included or archived as required. A formal process for notifying the Fire Safety Officer when properties require to be removed from or added to the FRA spreadsheet should be put in place. In addition, all current FRA's should be uploaded into the GVA system as soon as possible.

iii) INTERNAL AUDIT REPORT 2021/22 (cont'd)

Client	Corporate
Subject	Fire Risk Assessments

Conclusion (cont'd)

- In order to ensure there is appropriate programming, completion and monitoring of actions in relation to properties which currently fall under the responsibility of the Housing Division as part of Neighbourhood Services, operational responsibility for FRA's should be assigned to a specific appropriately trained individual / team. To facilitate this, consideration could be given to combining the fire safety functions and resources of City Development and the Housing Division of Neighbourhood Services under a Corporate function, such as the Corporate Health and Safety Team. This arrangement will require the appointment of a Corporate officer to assume responsibility for the role of Duty Holder for the entire Council property portfolio.

Management Response to the Audit Report

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

This page is intentionally left blank