

REPORT TO: SCRUTINY COMMITTEE – 17 APRIL 2013

REPORT ON: INTERNAL AUDIT REPORTS

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 185-2013

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

Sallie Dailly, Chief Internal Auditor

DATE: 02 April 2013

i) INTERNAL AUDIT REPORT 2012/11

Client	Corporate
Subject	Fraud Governance

Introduction

A review of the Council's overarching fraud governance arrangements was part of the 2012/13 internal audit plan.

The Council recognises the need for high standards of probity in the public sector and proper stewardship of public funds and has put in place a number of arrangements to safeguard the organisation from the risk of fraud. Notwithstanding this, in the current climate, as a result of various internal and external pressures it is acknowledged the level of risk to which public sector bodies across the United Kingdom are exposed has increased.

Taking cognisance of the above it is essential for the Council to have appropriate fraud policies and procedures in place, in order to ensure and promote good governance. Policies need to be clear, up to date reflecting recent legislative requirements, accessible, understandable and built into the organisational controls in place at the Council. Examples of expected policies include whistleblowing, fraud strategy, fraud response plan, anti bribery and corruption policy, gifts and hospitality arrangements.

Scope and Objectives

To review the existing arrangements within the Council with a view to identifying key development areas to improve robustness of procedures and practices.

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:

- Existing policies and procedures for fraud governance should be updated to reflect current legislation and guidance, specifically in relation to the Bribery Act (2010).
- For all major fraud incidents within the Council, the potential relevance across the organisation should be formally assessed, to ensure that steps are taken to maximise the learning points from such cases. In addition, a summary report should be submitted annually to the Council's Strategic Management Team to provide a strategic oversight of fraud, the opportunity for challenge and identify whether or not any further work is required.

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 2012/12

Client	City Development
Subject	Health and Safety

Introduction

A review of the Health and Safety controls in place within the City Development Department, relating to contractors was part of the 2012/13 internal audit plan.

The Council is required to have in place clear Health and Safety policies to ensure that it is meeting legal and regulatory obligations. When working with Contractors, it is necessary to ensure that Contractors are aware of the Council's various health and safety policies and procedures and put in place mechanisms to ensure compliance with these policies. Although certain services are contracted out by City Development, the Department still has an obligation to monitor and report compliance in accordance with agreed Council procedures, as a health and safety incident could result in a negative impact on the Council's reputation, monetary fine or more significant consequences.

Scope and Objectives

To assess the controls in place within the City Development Department to ensure compliance with policies and the Council's legal obligations. The review was restricted to the management of health and safety matters in relation to areas falling within the remit of the property services division.

Conclusion

The principal conclusion drawn from this review is that there are weaknesses in the system which should be addressed.

The main areas highlighted in the report are as follows:

- To ensure that the Departmental Health and Safety Policy reflects current circumstances, the exercise to update this document should be completed in line with the Corporate deadline. In addition, the Departmental Risk Register, which forms part of the Policy, should be updated at least annually to ensure new risks in respect of health and safety matters are formally captured and mitigating actions address risks appropriately.
- In order to reduce potential risk in respect of health and safety incidents, both internal and external contractors should be reminded of their duty to report health and safety issues, incidents and near misses to the Client. In addition, the reporting system for such matters should be formalised to ensure not only that the extent of such matters can be quantified and monitored but also provide the opportunity to share lessons learned.
- To demonstrate that adequate consideration is given to health and safety on contracts managed by City Development, departmental staff should ensure that all contractors have adequate working practices and have signed up to Council health and safety requirements before starting work onsite.

Management Response to the Audit Report

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

iii) INTERNAL AUDIT REPORT 2012/13

Client	Social Work
Subject	Business Continuity

Introduction

A review of business continuity planning within the Social Work Department was part of the 2012/13 internal audit plan.

Business continuity management is an essential process that helps manage risk and the smooth running of the services, ensuring continuity of critical functions in the event of disruption, and thereafter recovery.

The Council has in place an overarching corporate business continuity plan, which sets out the emergency management team structure and their responsibilities. This plan was reviewed and updated in February 2009, and reported to the Policy and Resources Committee. In addition, the Social Work Department has in place a Support for People Emergency Plan; a Pandemic Influenza Contingency Plan and a Severe Weather Contingency Plan, which support wider social work business continuity arrangements.

Given the nature of social work services and the reputational risk associated with a potential delay in services, it is critical that the Department have undertaken a detailed business impact analysis to determine key areas of service provision and the order these should be restored. The Department should also have in place detailed plans which have been tested and a plan to revisit the arrangements. A business impact analysis will ensure that the business continuity planning is risk assessed and priorities are allocated depending on the nature of the services disrupted.

Scope and Objectives

Review to assess the status of the business impact analysis for the Social Work Department and arrangements to ensure appropriate plans have been developed and tested.

Conclusion

The principal conclusion drawn from this review is that there are weaknesses in the system which should be addressed.

The main areas highlighted in the report are as follows:

- To ensure all critical areas have been considered as part of business continuity planning, the Department should complete a formal business impact analysis by the end of 2013. This analysis should consider the critical activities of the service and the consequence of the potential loss of these activities, and any dependencies on the activities and set targets for recovery times. A business continuity plan should then be developed for each of these critical activities, clearly setting out ownership for the plan, key contacts, nature of the service and the order or priority that services are to be restored.
- To verify that business continuity plans are effective a test exercise should be scheduled as soon as practicable and any lessons learned incorporated into the plans.

Management Response to the Audit Report

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

iv) INTERNAL AUDIT REPORT 2012/18

Client	Corporate
Subject	Occupational Road Risk

Introduction

A review of the Council's approach to occupational road risk was part of the planned internal audit work.

Nationally up to one third of all road crashes involve someone who is driving for work purposes and more employees are killed in 'at work road accidents' than in all other occupational accidents. To improve road safety in Scotland, the Scottish Government published Scotland's Road Safety Framework in June 2009. This outlines the strategic vision, aims and commitments to improve road safety and includes a specific section entitled people who drive for work which advocates that employers have a policy on managing occupational road risk.

Employers have a duty of care to employees driving for work. Both management and employees can be prosecuted for road traffic crashes involving work-related journeys, including employees driving their own vehicles. Under Health and Safety Executive regulations, there is a requirement for any organisation employing five or more people to have a written policy statement on health and safety, which should cover work-related road safety. In the case of work-related road incidents, organisations will need to provide evidence that they have taken reasonable steps to manage their duty of care.

Currently the Council has an Occupational Road Risk Policy which includes practical guidance on safe driving and a Staff Business Travel Policy which aims to reduce the use of private vehicles for business journeys. These were approved by the Policy and Resources Committee in October 2010 and September 2011 respectively.

Scope and Objectives

To review the Council's approach to ensure that it is in line with recognised good practice in this area.

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:

- Following on from the restructure of Council Departments and consolidation of service areas it is an opportune time to review and update the Council's Occupational Road Risk Policy. As part of the review process the policy statement and operational guidance should be published as separate documents and the updated policy should be effectively communicated to staff.

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.

v) INTERNAL AUDIT REPORT 2012/26

Client	City Development
Subject	Follow-up Review of Residential Parking Permits

Introduction

As part of the planned internal audit work, a follow-up review of Internal Audit Report 2011/06, Residential Parking Permits, was undertaken.

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

- In order to reduce the risk of error, potential fraud and misappropriation, a comprehensive review of the Council's residents parking permit schemes including Traffic Regulation Orders (TROs) and working practices should be carried out. Following the review, the TROs should be revised and detailed operational procedures compiled and issued to key members of staff. In addition, parking permits should be held securely at all times with stock control being introduced for unused permit stationery. A full reconciliation should be carried out regularly between the number of parking permits sold / cancelled / destroyed and the income received.
- In order to maximise the Council's income, City Development should ensure that the permits identified during the audit fieldwork as requiring to be revoked, are cancelled immediately in line with Section 24 (2) of the TROs.

Scope and Objectives

To assess whether or not each of the recommendations agreed by management in Internal Audit Report 2011/06 have been implemented within the given timescales. The follow-up review will be restricted to areas included in the original report.

Conclusion

The principal conclusion drawn from the follow-up work undertaken is that whilst some action has been taken to strengthen the control weaknesses highlighted in the original review there are still some recommendations which require to be implemented by management.

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

- The City Development Committee agreed in February 2013 to pass the Dundee City Council (Changes to Residents Parking Qualification Requirements, Dundee) Order 2013, which will result in the variation of wording in the TROs to include specific new requirements for evidencing residency and vehicle ownership. Operational procedures will be amended accordingly. Going forward, the Department intends on carrying out a comprehensive review of the three residents parking permit schemes, associated TROs and City Centre Controlled Parking Zone, which should address the other main areas commented on in the original internal audit report.

Management Response to the Audit Report

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

vi) INTERNAL AUDIT REPORT 2012/30

Client	Corporate
Subject	Follow-up Review of Debtors and Debt Management – Sundry Debtors

Introduction

As part of the planned internal audit work, a follow-up review of Internal Audit Report 2011/10, Debtors and Debt Management – Sundry Debtors, was undertaken.

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

- To reduce the risk of inconsistent working practices and increased bad debt and write off a corporate debt management policy should be drafted along with comprehensive operational guidance and instructions for staff which include process maps where appropriate. To complement this consideration should be given to introducing good practice guidance for Council departments.
- To improve the overall management of write offs consideration should be given to undertaking this exercise on a more frequent basis, introducing additional approval levels and more formalised reporting mechanisms.
- To ensure that there is a corporate approach to the management of this area cross-departmental working arrangements between Finance, Housing and City Development should be further developed. In addition, a policy statement requires to be drawn-up detailing the circumstances in which additional goods or services should or should not be issued to existing bad debtors.

Scope and Objectives

To assess whether or not each of the recommendations agreed by management in Internal Audit Report 2011/10 had 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 the follow-up work undertaken is that whilst action has been taken to strengthen the control weaknesses highlighted in the original review there are still some recommendations which require to be implemented by management.

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

- The exercise to collate existing guidance documents into comprehensive operational guidance for Sales Ledger staff is currently on-going and is scheduled to be completed in the early part of the 2013/14 financial year.

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.