

**ITEM No ...6.....**

**REPORT TO: SCRUTINY COMMITTEE – 12 DECEMBER 2018**

**REPORT ON: INTERNAL AUDIT REPORTS**

**REPORT BY: SENIOR MANAGER – INTERNAL AUDIT**

**REPORT NO: 374-2018**

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

**7.0 BACKGROUND PAPERS**

None

Pamela Redpath, Senior Manager – Internal Audit

DATE: 21 November 2018

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## i) INTERNAL AUDIT REPORT 2017/17

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>ParentPay</b>

**Introduction**

ParentPay is an online payment service for schools and families. It provides online payments, income management and school meal funding administration for schools, local authorities and caterers and allows parents and guardians to make payments using credit / debit cards. Payments can also be made via ParentPay for activities and events such as school trips.

ParentPay integrates with the Council's general ledger in order to record financial transactions and with SEEMIS, the pupil management information system, daily in order to automatically update pupil data.

Each pupil's balance is tracked individually, with parents and carers able to manage multiple children within one account.

ParentPay has been operating in the Council on a phased implementation basis since October 2015. All schools in the Council now make use of ParentPay.

The Council's vision is to have completely cashless schools, which will provide a safer, more secure environment. The use of ParentPay greatly reduces administration tasks in the classroom and school office. Paying via ParentPay helps provide parents and carers with a secure method to make online payments at a time convenient to them.

**Scope and Objectives**

Review to assess the efficiency and effectiveness of the implementation and operation of the ParentPay system within schools.

**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:

- In order to reduce the risk of fraud or error, the ParentPay income journals should be reviewed and authorised by different individuals prior to being posted to the general ledger. The reconciliations of ParentPay to the General Ledger and Cashbook should be evidenced as prepared and having been subject to independent review. In order to ensure the accuracy of system data and completeness of records, schools should be reminded of the importance of running the daily process for updating ParentPay from SEEMIS and ensuring that any changes to student information within SEEMIS have been accurately reflected in ParentPay.

**Management Response to the Audit Report**

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

## ii) INTERNAL AUDIT REPORT 2017/22

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Pentana</b>

**Introduction**

Pentana is a web-based Performance and Risk Management System utilised by Dundee City Council to monitor and report on a range of performance indicators and action plans for the Council and partnership Services. The purpose of Pentana is to capture, manage, monitor and report on performance indicators and action plans to management and committee as well as providing updates on the projects and associated actions that the Council has identified in its related plans and strategies to achieve agreed targets and outcomes and improve performance.

In addition to providing a Council wide repository for performance information, Pentana also allows users to visually compare trend data for performance indicators against specified time periods and can provide dashboard displays of the most important information.

Pentana also incorporates a risk management module which allows the Council to record and manage its Corporate and Service-level Risk Registers in a co-ordinated manner.

As part of the Council's recent review of its performance management framework, the Council decided to further utilise Pentana for presenting performance and risk information. Strategic Service Area Scorecards have been developed with further service scorecards planned for development at a Head of Service level. Strategic Service Area Scorecards will be used to produce Committee reports for reporting performance.

**Scope and Objectives**

Review to assess the effectiveness of the utilisation of Pentana, the Council's performance and risk management system.

**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:

- In order to ensure that accurate progress reports can be generated in respect of the City and Council Plans, all of the relevant performance indicators and projects / actions should be input to Pentana. In addition, to ensure that staff can easily access performance indicator information and accurately perform the calculations to generate the PI when required, the corresponding metadata, guidance documents and source data details should be recorded in Pentana. A formal process should be developed and agreed to ensure that where there is a justifiable need to change a performance target within Pentana, it is approved as appropriate.
- Local Government Benchmarking Framework (LGBF) Indicators should be input to Pentana within the dedicated LGBF area of the appropriate Strategic Service Area Portal. Given that LGBF Indicators are statutory, the data formally reported by the Improvement Service should be accurately reflected in Pentana. The formal metadata / guidance issued by the Improvement Service should also be uploaded to Pentana for all of the LGBF Indicators.
- Pentana incorporates a risk management module, which is currently being further developed and will be taken forward as part of the Risk Management Improvement Plan.

**Management Response to the Audit Report**

The audit findings and recommendations were formally reported to the Chief Executive and appropriate action agreed to address the matters raised.

## iii) INTERNAL AUDIT REPORT 2017/23

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Public Performance Reporting (PPR)</b>

**Introduction**

Under section 13 of the Local Government in Scotland Act 2003, it is the duty of a Local Authority to make arrangements for reporting to the public on the outcome of the performance of its functions. It is for the Local Authority to determine the form, content and frequency of, and time limits for, reports, to whom they are to be given and by what means they are to be published or made available to members of the public subject to section 1 (1)(a) of the Local Government Act 1992. Under section 1 (1)(a) of the Local Government Act 1992, the Accounts Commission is required to direct relevant bodies to publish information for performance comparison in relation to cost, economy, efficiency and effectiveness and securing Best Value (BV) in accordance with section 1 of the Local Government in Scotland Act 2003.

During 2015, the Accounts Commission reviewed and revised its strategy in relation to statutory performance information with a view to improving the quality of performance information reported by councils. In the 2015 Direction, the Accounts Commission reflected this new SPI strategy, by incorporating the following principles:

- A longer term Statutory Performance Information (SPI) Direction.
- Reflecting the increasing maturity of, and the Commission's ongoing support for, the further development of the LGBF within the SPI Direction.
- Incorporating the assessment of councils' approaches to Public Performance Reporting (PPR) as an integral element of the new approach to BV, rather than as a separate assessment of this aspect of councils' performance.

The 2015 Direction sets out a streamlined SPI regime aligning SPI and PPR activity within the Accounts Commission's new approach to auditing BV. Councils are required to publish the required performance information from the financial year ending 31 March 2017, and each subsequent year, through to the financial year ending 31 March 2019. The Accounts Commission is clear that councils' approach to benchmarking and PPR needs to be comprehensive and reflect local improvement priorities.

Over the last 12 months the Council has been reviewing and revising its performance management framework, including developing service scorecards, making further use of the Pentana performance management system and refining what is being reported to committee and published on 'Dundee Performs', the performance management section of its website.

**Scope and Objectives**

Assessment of the data sets in respect of organisational performance formally reported as part of the Council's Public Performance Reporting framework.

**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:*

- Overall, whilst the type of performance information currently being compiled and reported meets the PPR requirements in terms of diversity, in order to ensure that Elected Members and the general public have access to relevant, up to date information, performance information / reports should be submitted to Committee and then published on Dundee Performs as quickly as possible after the reporting period. To assist with achieving this, services should be reminded of the importance of continually maintaining and verifying performance information.

## iii) INTERNAL AUDIT REPORT 2017/23 (Cont'd)

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Public Performance Reporting (PPR)</b>
<b>Management Response to the Audit Report</b>	
The audit findings and recommendations were formally reported to the Chief Executive and appropriate action agreed to address the matters raised.	

## iv) INTERNAL AUDIT REPORT 2017/24

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Data Integrity</b>
<b>Introduction</b>	
<p>In broad terms data integrity refers to the accuracy and consistency of data over its lifecycle. The Council relies on data to assess its performance and inform the decision making process at various levels within the organisation, including senior management and Elected Members. More specifically, the Council uses data to inform and evaluate its financial and non-financial performance, helping to determine how efficiently and effectively it delivers its services and whether any changes may be required.</p> <p>The use / reporting of inaccurate performance information could potentially impact on how the Council is perceived externally, by members of the public and external scrutiny bodies. Given that important decisions may also be made on the basis of certain data, potentially influencing the strategic direction of the Council and / or determining how resources will be utilised, it is critical that the underlying information can be relied upon by management and Elected Members. Data can either be manually or system generated, both of which may require adjustments to be made before it can be used. As a general principle, the higher the degree of manual intervention required, the higher the potential for error occurring.</p> <p>As part of the development of the Council Plan and the City Plan, a number of new indicators have been developed which will be used to demonstrate performance towards achievement of the outcomes and targets within these plans. In addition, each Strategic Service area is developing its own Service Scorecard.</p> <p>The Council's Performance Management System, Pentana is now used for the recording and reporting of each of the indicators within the Council Plan, City Plan and the Strategic Service Area Scorecards.</p>	
<b>Scope and Objectives</b>	
<p>High level review of the accuracy of some of the performance indicators (PIs) in the new corporate suite of indicators, which are considered by management to be critical to the decision making process. A total of 7 indicators, covering each of the 4 Strategic Service areas, was reviewed following consideration of the City and Council plans and consultation with management.</p>	
<b>Conclusion</b>	
<p><i>The principal conclusion drawn from this review is that there are weaknesses in the system which should be addressed.</i></p> <p>The main areas highlighted upon in the report are as follows:</p> <ul style="list-style-type: none"> <li>• A key area for improvement identified during this review surrounds the requirement to document detailed metadata / guidance for each PI and hold it in Pentana. This is being addressed in general terms via Internal Audit Report No. 2017/22, Pentana and once implemented should reduce the risk of differing interpretations being adopted for the compilation of PIs and assist with ensuring that clear instructions exist for the actions required to compile each of the indicators.</li> <li>• Areas for improvement were identified in 4 of the 7 indicators reviewed. The main areas for improvement relate to ensuring that evidence is being obtained and retained to support the figures for one of the indicators and formally defining another one of the indicators, including its purpose and the scope of information to be included in the calculation.</li> </ul>	
<b>Management Response to the Audit Report</b>	
<p>The audit findings and recommendations were formally reported to the relevant Executive Directors and appropriate action agreed to address the matters raised.</p>	

