

**REPORT TO: SCRUTINY COMMITTEE – 14 DECEMBER 2016**

**REPORT ON: INTERNAL AUDIT REPORTS**

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

**REPORT NO: 395-2016**

**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, 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 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: 23 November 2016

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## i) INTERNAL AUDIT REPORT 2015/19

<b>Client</b>	<b>City Development</b>
<b>Subject</b>	<b>Employability and Skills</b>

**Introduction**

The Dundee Partnership's Employability Pipeline, which is based on the nationally recognised five stage strategic skills pipeline model, was developed and introduced in Dundee to support effective delivery of employability services locally. The five stages of the strategic skills model, which are Registration, Assessment and Case Management; Overcoming Barriers; Work Focussed Training; Work Activity; and Job Sustainability and In Work Development, have been designed specifically to assist clients to move in to work and ultimately sustain employment.

The way in which some of these employability services are awarded in Dundee changed in 2014 from the traditional grant funding method to a procured payment by results approach and consequently tenders were formally invited from potential partners via Public Contract Scotland for nine contracts, covering all five stages of the Employability Pipeline. Following the tender process, eight of these contracts were let amongst three contractors, namely Claverhouse, Craigowl and Lifeskills. Since commencement of the contracts, two contractors (Claverhouse and Lifeskills) have gone into liquidation and the Council has put in place arrangements to 31 March 2017 to ensure continued service provision for clients. European Social Fund (ESF) monies can be drawn down when certain conditions are met to supplement funding already available for the Dundee Employability Pipeline activities.

The Council's web based management information system OSCER (Operating System for Client Employment Routes) is used remotely by all contractor / partner organisations delivering Employability Pipeline services to clients in Dundee to record client information along with details of the support provided and positive outcomes.

For the 21 month period from 1 July 2014, when the contracts commenced, to 31 March 2016, actual corresponding expenditure was £608,854. This figure includes an element of Council staff salary costs, incurred following the liquidation of Claverhouse and subsequent transfer of some service delivery requirements to the Council.

**Scope and Objectives**

Review of key initiatives to improve employability and skills within the local economy including assessment of achievement of outcomes. This review will focus on the governance arrangements in place for the procured contracts let under the Employability Pipeline.

**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:

- With a view to timeously identifying and resolving any potential performance difficulties and / or deviations from the ESF and Employability Guidance, steps should be taken to ensure that contractors complete and submit to the Council for examination, the monthly self-audits / quality checks. In addition, independent client file reviews should be carried out by the Council on a sample basis in line with the timeframes stipulated in the Audit Section of the Specification of Requirements in the Invitation to Tender documentation. Steps should also be taken to ensure that Method Statements do not conflict with the Specification of Requirements or the Conditions of Contract for the Provision of Services.
- To remove any potential element of doubt surrounding how service provision should be evidenced going forward, in addition to the suite of Dundee Partnership forms, the formal Specification of Requirements and the Dundee Employability Pipeline Guidance should be expanded to include specific examples.

## i) INTERNAL AUDIT REPORT 2015/19 (Cont'd)

<b>Client</b>	<b>City Development</b>
<b>Subject</b>	<b>Employability and Skills</b>

**Management Response to the Audit Report**

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

## ii) INTERNAL AUDIT REPORT 2015/32

<b>Client</b>	<b>City Development</b>
<b>Subject</b>	<b>Pay on Foot (POF) Parking</b>

**Introduction**

A review of the Pay on Foot (POF) car parks was carried out as part of the planned internal audit work. There are currently four Council POF car parks, Greenmarket, Gellatly Street, Olympia and West Bell Street that utilise the same integrated parking solution, Affiliated Computer Services Inc. (ACS).

The ACS system is a computerised car park management system which utilises remote intercom as well as Automatic Number Plate Recognition (ANPR) software linked to centrally based operatives at Gellatly Street. Users enter and exit by way of a rising barrier with payment required in either cash or by credit/debit card at the Pay Station or via Ringo (telephone) before exiting. Monthly ticket holders can also park at these car parks if they have been issued with an ACS system compatible pass-card and / or are registered via ANPR. In addition, Blue badge holders may also park free of charge and without time limit at these car parks as can City Centre Resident Parking Permit holders if their vehicle registration number plate has been registered on the ACS system and their annual fee has been paid.

Formal enforcement, which may lead to a Penalty Charge Notice being issued, is assessed in terms of non-compliance with local Traffic Regulation Orders (TROs). The key controls around remote / on-site barrier raising are therefore a combination of payment of the required tariff, the car park user holding a legitimate permit and demonstrating this, if required, to the operative and the ACS technology working as intended, in particular the ANPR software successfully recognising a user's vehicle details.

Procedures have been established for the end to end process of cash collection, counting and banking through to subsequent reconciliation and ledger updating. POF cash cartridges are collected on a rota basis by Cash Security Couriers employed within Corporate Services. During the 2015/16 financial year, income generated by POF car parks was in the order of just over £1,000,000.

**Scope and Objectives**

Review to assess the adequacy of the control framework for income collection, enforcement and compliance with regulations in respect of Council operated car parks.

**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 accordance with City Development Committee Report No. 367-2015, a Traffic Regulation Order for West Bell Street Pay on Foot car park should be made as soon as possible in conjunction with Legal Services. Steps should also be taken to ensure that there is adequate reference made to electric and disabled bays in all Pay on Foot car park Traffic Regulation Orders.
- Access levels / permissions within the ACS system should be reviewed and revised to ensure that they are commensurate to roles and responsibilities of users. As part of this exercise, generic logins should be removed and the number of super-users restricted.
- The ACS system should be configured to ensure that the anti-fraud pass back functionality is switched on and regular reviews of system data should be carried out to ensure that it is accurate. Data reconciliation and cleansing routines should be built into the review process. In addition, training on the use of the ACS system should be provided to key members of staff along with corresponding guidance notes.

**Management Response to the Audit Report**

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

