

**REPORT TO: SCRUTINY COMMITTEE – 11 DECEMBER 2019**

**REPORT ON: INTERNAL AUDIT REPORTS**

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

**REPORT NO: 404-2019**

**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 an assessment of any impacts on Equality and Diversity, Fairness and Poverty, Environment and Corporate Risk. 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: 20 November 2019

## i) INTERNAL AUDIT REPORT 2018/07

<b>Client</b>	<b>City Development</b>
<b>Subject</b>	<b>Climate Change</b>

**Introduction**

In 2009, the Scottish Parliament passed the Climate Change (Scotland) Act (the Act). Part 4 of the Act states that a “public body must, in exercising its functions, act: in the way best calculated to contribute to the delivery of (Scotland’s climate change) targets; in the way best calculated to help deliver any (Scottish adaptation programme); and in a way that it considers most sustainable”.

The three elements of the public bodies climate change duties are:

- Mitigation - reducing greenhouse gas emissions
- Adaptation - adapting to the impacts of a changing climate
- Acting Sustainably – behaviour change / awareness raising as a core value

The Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015 came into force in November 2015 as secondary legislation made under the Act. The Order requires public bodies to prepare annual reports on compliance with climate change duties.

The first mandatory reporting deadline, for reporting 2015/16 data and activities, was 30 November 2016. The Council’s first mandatory report was approved by the Policy and Resources committee at its meeting on 14 November 2016. Subsequent annual reports have been submitted to the Policy and Resources Committee in November 2017, 2018 and 2019.

A self-assessment was carried out in 2015 using the Climate Change Assessment Tool to evaluate the Council’s performance under the Act, identifying key priorities. An improvement plan was subsequently prepared and continues to be implemented. Focus has been on continuous improvement of the Council’s carbon footprint, its boundary, emissions data, carbon reduction projects and measuring impact.

The Covenant of Mayors for Climate and Energy (CoM) is an initiative that brings together local authorities and their community partners in a voluntary commitment to implement and surpass climate and energy targets. Organisations that have signed up to the CoM are committed to a 40% Greenhouse Gas (GHG) reduction target by 2030 and the adoption of a joint approach to tackling mitigation and adaptation to climate change. In addition, they are also required to develop a Sustainable Energy and Climate Action Plan (SECAP), now known as the Dundee Climate Action Plan to address future carbon emissions, energy consumption / generation and resilience. Progress towards implementation of the Dundee Climate Action Plan will, once established, be overseen by a Dundee Climate Change Partnership.

In March 2018, the Lord Provost and Leader of the Council, signed the CoM, committing the Dundee Partnership to developing a Climate Action Plan. This city-wide strategy will, once finalised, align with the Scottish Government’s Climate Change Plan, Scottish Energy Strategy and Cleaner Air for Scotland Strategy. An update on progress with developing the Climate Action Plan was reported to the Policy and Resources Committee in August 2018 as part of the update on the Council Plan 2017-2022 and again in June 2019.

At the meeting of the Policy and Resources Committee on 24 June 2019, the Council agreed to recognise the serious and accelerating environmental, social and economic challenges faced by climate change and declared a climate emergency.

**Scope and Objectives**

A review of the Council’s arrangements in place to meet climate change targets

## i) INTERNAL AUDIT REPORT 2018/07 (Cont'd)

<b>Client</b>	<b>City Development</b>
<b>Subject</b>	<b>Climate Change</b>

**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:

- It is acknowledged that a new governance structure is about to evolve with the establishment of the Partnership. It is recommended that, in order to ensure the responsibility for strategic direction of climate change in the Council is formalised along with responsibilities for scrutinising climate change activities / work at Council-level, the terms of references / remits of the Partnership, CMT and the Group should be developed / reviewed with this in mind.
- It is acknowledged that priority is being given to the development of the Climate Action Plan during 2019/20, however, in order to ensure that there is a clear approach to Climate Change for the Council, the Carbon Management Plan should be reviewed and updated as a matter of priority to incorporate the other areas of Council responsibility within the Carbon Management Boundary such as waste management and sustainable transport.
- To assist with ensuring the successful and timeous delivery of the Climate Action Plan, including implementation of the actions within it, the Council should proactively consider, in conjunction with key partners, how best to ensure that appropriate and adequate resources will be available as and when required.
- In order that the Sustainability and Climate Change Team can carry out reasonableness checks and be confident as to the accuracy of the figures provided in respect of the Public Bodies Climate Change Duties Report, information to support the figures should also be provided along with details of the methodology utilised to gather the information and from what sources. In addition, explanations should be provided as a matter of course where the figures contained within the report differ significantly from the previous year.

**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 2019/02

<b>Client</b>	<b>Neighbourhood Services</b>
<b>Subject</b>	<b>2018/19 Grant Claim: Local Authority Air Quality Action Plan</b>

**Introduction**

The Council was awarded grant funding of £438,600 by Scottish Government Ministers for the 2018/19 financial year to assist the Council in progressing its Air Quality Action Plan. In addition, authorisation was given by Scottish Government for £30,195 to be carried forward from 2017/18 into 2018/19, which relates to Measure 3, preparation of a Corporate Travel Plan and Measure 9, delivery of air pollution and active / sustainable travel workshops to Primary 5 classes. The total amount of funding available in 2018/19 was, therefore, £468,795.

The amount expended during 2018/19 financial year in respect of this grant funding totalled £118,837.20, leaving a balance of £349,957.80. Agreement has been obtained to carry forward £343,970.59 of this in to 2019/20, including the £30,195.00 already carried forward from the previous year into 2018/19.

The funding conditions of this grant state that at the end of each financial year, the Council is required to prepare an account showing the expenses reasonably and properly incurred by it in executing the Project during that financial year and the amount of funding support received by it from the Scottish Ministers. This account requires to be certified as true and accurate and in addition, where the amount exceeds £10,000, requires to be audited by a member of a recognised accountancy body.

**Scope and Objectives**

The overall aim of this review was to enable the Senior Manager – Internal Audit to provide an opinion as to whether or not the grant funding received in respect of the above subject has been spent in accordance with the related Terms and Conditions.

**Conclusion**

*Having examined the accounts and records of this grant claim, obtaining such explanations and carrying out such tests as deemed necessary, two low value adjustments required to be made to the expenditure statements submitted to the Scottish Government as part of the Chief Internal Auditor's Statement of Compliance. Whilst there is agreement that these adjustments will be corrected during 2019/20, it is considered that some improvements to systems are required to ensure the accuracy of future claims.*

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

The officer responsible for compiling the grant claims should ensure that all invoices submitted have been appropriately authorised and correct payment has been made prior to them being included in the claim. In order to adhere to the conditions of this grant, it is recommended that the officer also ensures that any money spent in a given quarter is claimed at the end of that quarter.

**Management Response to the Audit Report**

The audit findings and recommendation were formally reported to the Executive Director of Neighbourhood Services and appropriate action agreed to address the matters raised.

## iii) INTERNAL AUDIT REPORT 2019/03

<b>Client</b>	<b>Neighbourhood Services</b>
<b>Subject</b>	<b>2018/19 Grant Claim: Local Air Quality Management</b>

**Introduction**

The Council was awarded grant funding of £98,100 by Scottish Ministers for the 2018/19 financial year to assist with Local Air Quality Management. The amount expended during the 2018/19 financial year in respect of this grant totalled £97,490.00.

The funding conditions of this grant state that at the end of each financial year, the Council is required to prepare an account showing the expenses reasonably and properly incurred by it in executing the Project during that financial year and the amount of funding support received by it from Scottish Ministers. This account requires to be certified as true and accurate and in addition, where the amount exceeds £10,000, requires to be audited, by a member of a recognised accountancy body.

**Scope and Objectives**

The overall aim of this review was to enable the Senior Manager – Internal Audit to provide an opinion as to whether or not the grant funding received in respect of the above subject has been spent in accordance with the related Terms and Conditions.

**Conclusion**

*On the basis of examining the accounts and records of this grant claim, obtaining such explanations and carrying out such tests as deemed necessary, it is considered that the entries in the claim form are fairly stated, and that the sums claimed are properly due and have been used in accordance with the terms and conditions of the Offer of Grant.*

