

REPORT TO: SCRUTINY COMMITTEE – 15 FEBRUARY 2017

REPORT ON: INTERNAL AUDIT REPORTS

REPORT BY: SENIOR MANAGER – INTERNAL AUDIT

REPORT NO: 41-2017

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: 25 January 2017

i) INTERNAL AUDIT REPORT 2015/13

Client	Children and Families
Subject	SEEMiS

Introduction

A review of the user access control framework in place for SEEMiS was part of the planned internal audit work.

SEEMiS is an education management information system (MIS) written specifically to address the requirements of Scottish local authorities. It is now the standard MIS within Scottish education and data relating to the local authority pupil population is processed and managed within the software. In July 2010, the organisation became a Limited Liability Partnership (LLP) wholly owned and managed by its member councils. All 32 Scottish local authorities are now members of SEEMiS. Dundee City Council joined SEEMiS in 2006, becoming a partner authority of the LLP subsequent to its formation in 2010. SEEMiS is fully hosted by South Lanarkshire Council and governed by a Board of Management, which includes Council Officers and Elected Members who are appointed on a rotational basis.

The Council's in-house Support for Pupils database, used to administer various education services, is in the process of being discontinued and as a result of this the utilisation of SEEMiS has been evolving for some time. Current SEEMiS usage includes the administration of pupil attendance and timetabling. The main users of the system are teaching and support staff, within the various education establishments, and central support staff. There are currently of the order of 20,000 pupil and 2,500 staff records held in the system.

Scope and Objectives

The overall objective of this review was to examine the appropriateness of the access control framework for the SEEMiS management information 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:

- Access controls for the SEEMiS system should be reviewed to establish whether there are any areas where further restrictions would be beneficial.
- The Children and Families Service systems access / security guidance, including the Acceptable Use Policy, should be reviewed, revised and linked to relevant corporate policies and guidance to ensure that there is sufficient coverage and detail in respect of internal threats and logical and physical controls over system data. In addition, the in-house SEEMiS user guidance should be reviewed and updated to reflect operational changes. Thereafter, all of this guidance should be held centrally, accessible to users and reviewed and updated regularly.
- Staff with responsibility for administering SEEMiS within schools should be advised to periodically review and, where necessary, amend access rights in respect of their users. Similarly, staff in the IT SEEMiS Support Team should periodically review the access rights of users whose accounts are managed by them. School staff should be reminded of the importance of closing down SEEMiS work records for staff who have left their school. In addition, steps should be taken to ensure that user accounts are locked when appropriate and relevant staffing changes are communicated to the Council's IT Service.

Management Response to the Audit Report

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

ii) INTERNAL AUDIT REPORT 2015/33

Client	City Development
Subject	Stocks and Inventories

Introduction

A review of year end arrangements for stocks and inventories within the Fleet Service was part of the planned internal audit work.

The overall term stocks and inventories includes fuel stock, which is kept at designated locations across the city, and stock held at the fleet workshop store at Marchbanks.

The Council's Financial Regulations with respect to stores and inventories state that the safe custody of stores and equipment (including inventories) shall be the responsibility of the Chief Officer concerned. Such responsibilities include ensuring that there are adequate arrangements in place with regard to the control and reconciliation of stock and that a physical count of stock is carried out at least annually by personnel who are independent of day to day operation of the store. As a minimum, all stores, including fuel locations, should undertake a year end stock check as close as possible to the Council's financial year, which is the 31 March. Some locations, however, may also undertake interim stock checks during the course of the year. On completion of a stock check, the physical stock count records are reconciled to the book stock. Any material adjustments arising from the stock count and subsequent reconciliation process require to be authorised by the Executive Director of Corporate Services.

For the 2015/16 financial year, the year end stocks and inventories balance for fuel and workshop inventories for the Fleet Service was of the order of £55,000.

Scope and Objectives

Review of the arrangements in place to ensure that procedures and processes are to the required standards and records are complete and accurate. The focus of this review was fuel stocks kept at 9 designated locations across the City, and other consumable stock held at the fleet workshop store at Marchbanks.

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 development and implementation of procedures is required at a number of the Council's smaller fuel sites i.e. Baldovie and Riverside. The requirement to conduct regular fuel dips and more timely reconciliation of fuel receipts / issues at these sites should be incorporated into the procedures.
- All stock counts performed at the fleet workshop store at Marchbanks should be in accordance with agreed instructions, compiled in line with best practice. More specifically, stock items should be counted, labelled and recorded in a logical manner by employees who are independent of the day to day operation of the workshop store.

Management Response to the Audit Report

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

iii) INTERNAL AUDIT REPORT 2016/08

Client	Corporate
Subject	Follow-up Review of Schemes of Administration
Introduction	
<p>As part of the planned internal audit work, a follow-up review of Internal Audit Report 2014/27, Schemes of Administration, was undertaken.</p> <p>The original internal audit report concluded that whilst there was basically a sound system of control there were some areas where it was viewed improvements could be made.</p> <p>The main area highlighted in the report was as follows:</p> <ul style="list-style-type: none"> To mitigate the potential risks arising from the fact that comprehensive up-to-date guidance on the Council's procurement practices is not currently contained within the Schemes of Administration steps should be taken for these to be updated as soon as practicable. 	
Scope and Objectives	
<p>To assess whether or not each of the recommendations agreed by management in Internal Audit Report 2014/27 had been implemented within the given timescales. The follow-up review was restricted to areas included in the original report.</p>	
Conclusion	
<p><i>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.</i></p> <p>The main area where action agreed by management is still outstanding is as follows:</p> <ul style="list-style-type: none"> The Standing Orders of the Council which incorporate the Schemes of Administration were updated in July 2016 to reflect changes in the Service, Management and Committee structures. However, it was decided that, with the impending local government elections, any major revisions should be deferred and presented to Elected Members at the first statutory meeting of the new Council in May 2017. Work has already commenced on the revisions, including the Council's procurement practices, which are being updated to reflect the 2014 Procurement Reform Act and the Procurement (Scotland) Regulations 2016. 	
Management Response to the Audit Report	
<p>The audit findings and recommendations were formally reported to the Executive Director of Corporate Services and appropriate action agreed to address the matters raised.</p>	