

**REPORT TO: SCRUTINY COMMITTEE – 14 FEBRUARY 2018**

**REPORT ON: INTERNAL AUDIT REPORTS**

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

**REPORT NO: 44-2018**

**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

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DATE: 24 January 2018



## i) INTERNAL AUDIT REPORT 2016/05

<b>Client</b>	<b>Children and Families</b>
<b>Subject</b>	<b>Follow-up Review of School Transport</b>

**Introduction**

As part of the planned internal audit work, a follow-up review of Internal Audit Report 2013/06, School Transport, was undertaken.

The original internal audit report concluded that there were weaknesses in the system which should be addressed.

The main areas highlighted in the report were as follows:

- To ensure that the provision of school transport continues to be sustainable and cost pressures in this area are more fully assessed, a review of the entitlement criteria currently in place for distance and pupils with additional support needs should be undertaken. As part of this exercise consideration should be given to ensuring that the actual expenditure for providing this service is more closely aligned to the budget.
- To improve clarity for key stakeholders and help ensure that the guidance and operational procedures are aligned, the Policy Statement and Code of Practice for the Home / School Transport of Children and Young People with Additional Support Needs should be reviewed and updated as appropriate. In addition, to assist parents / carers, the entitlement criteria for receipt of school transport for pupils with additional support needs and corresponding application form should be made more readily available.

**Scope and Objectives**

To assess whether or not each of the recommendations agreed by management in Internal Audit Report 2013/06 have 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 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 areas where actions agreed by management are still outstanding are as follows:

- To ensure that the provision of school transport continues to be sustainable and cost pressures in this area are more fully assessed, a comprehensive review of the entitlement criteria currently in place for distance and pupils with additional support needs should be undertaken. As part of this exercise consideration should be given to ensuring that expenditure and budget levels are more closely aligned.
- To improve clarity for key stakeholders and help ensure that the guidance and working practices are aligned, the Policy Statement and Code of Practice for the Home / School Transport of Children and Young People with Additional Support Needs should be reviewed and revised. Following on from that, to ensure consistency, all supplementary school transport guidance should be updated. Any changes brought about through the entitlement criteria review referred to above should also be incorporated as appropriate into the Policy Statement, Code of Practice and supplementary guidance.

**Management Response to the Audit Report**

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

## ii) INTERNAL AUDIT REPORT 2016/15

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Pension Fund – Administration</b>

### Introduction

A review of specific pension fund administration practices and procedures was part of the planned internal audit work.

Dundee City Council is the administering authority of the Tayside Pension Fund. The fund is one of the 11 Local Government Pension Schemes in Scotland with a total fund value of circa £3.4 billion as at 31 March 2017. The Council is responsible for managing investments to meet the pension liabilities and acting in the interests of the Fund. The Tayside Pension Fund is managed on a fully discretionary basis by seven external Fund Managers and is maintained for the benefit of its membership, which includes the majority of Local Government employees (excluding teachers) within Dundee City, Perth and Kinross and Angus Councils as well as 45 other scheduled and admitted bodies.

Local Government Pension Scheme (LGPS) reform was introduced by the Public Service Pensions Act 2013 (the 2013 Act), the primary legislation that sets out requirements for scheme governance, regulation and administration to ensure transparency and accountability. The Scottish Local Government Advisory Group discussed and agreed the governance framework required by the 2013 Act and documented these requirements in the 2015 Scheme Regulations, which include The LGPS (Scotland) Regulations 2014 and The LGPS (Governance) (Scotland) Regulations 2015. The LGPS Regulations and supporting Statutory Guidance and Administration Guides for administering authorities in Scotland provide direction on specific aspects of fund administration including Aggregation, Trivial Commutation and small pot payments. Aggregations are transfers of membership from one LGPS scheme to another. Trivial commutations and small pot payments arise when a member has a pension with value sufficiently low as to allow for a lump sum payment in place of regular monthly pension payments.

The 2016/17 Annual Report and Accounts of the Tayside Pension Fund reported, as at 31 March 2017, that there were 46,044 members, of which 18,230 were active contributing members, 15,136 were pensioners (or relatives of ex-contributors in receipt of a pension) and 12,678 were either deferred pensioners, undecided or frozen.

### Scope and Objectives

High level review of the framework in place within the Council to ensure compliance with the regulations surrounding local government pension scheme administration in Scotland. The review focused on benefit calculations as well as administering aggregations, trivial commutations and small pot payments.

### 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 in the report are as follows:

- To assist in dealing with any resource difficulties and managing any backlog of aggregations, a procedural document should be developed to provide detailed guidance to staff on how aggregation options should be dealt with.

### Management Response to the Audit Report

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

### iii) INTERNAL AUDIT REPORT 2016/23

<b>Client</b>	<b>Neighbourhood Services</b>
<b>Subject</b>	<b>Health and Safety</b>

#### **Introduction**

A review of the arrangements in place within Dundee City Council's Neighbourhood Services to respond to health and safety risks was part of the planned internal audit work.

The Council has a statutory duty to comply with health and safety legislation both in its capacity as an employer and a public service provider. It also has a legal requirement to ensure health and safety within its premises and during the delivery of services / activities provided by Neighbourhood Services.

Health and Safety policies and procedures within Neighbourhood Services should support the Council's own Health and Safety policies, procedures and governance arrangements. The key elements of an effective health and safety provision should include regulating health and safety through a range of planned training, communication and compliance activities. In addition, clear and effective policies and procedures should be in place to identify, record and respond to all health and safety incidents and "near misses". Effective governance arrangements should also be in place to provide assurance that the health and safety legislation is being complied with.

Following re-organisation within the Council, Neighbourhood Services was established. It is responsible for a diverse range of services, including community engagement, the improvement and maintenance of community infrastructure, housing, land and facilities, together with environmental regulation, waste and recycling services, community safety and public protection. As well as employing staff, the wide range of services it is responsible for results in significant interaction with members of the public.

#### **Scope and Objectives**

High level review of the arrangements in place within Neighbourhood Services to identify, manage and mitigate health and safety risks.

#### **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:

- The Council's Health and Safety Policy requires all services to develop and implement specific guidance and instructions to ensure a safe working environment for their staff. Neighbourhood Services' is in the process of reviewing existing arrangements and developing specific service-wide arrangements. An action plan should be put in place to take this forward.
- A comprehensive service-wide inventory of risk assessments and Safe Systems of Work is not currently in place and should be compiled along with a detailed review schedule as soon as possible.
- Management and task monitoring checks to ensure compliance with required health and safety controls should be put in place for all service areas within Neighbourhood Services. A requirement for managers to confirm when these checks have been performed should also be introduced.
- Senior management within Neighbourhood Services should ensure that line managers are reminded to complete the induction checklist for all new staff, confirming that all relevant Health and Safety training has been carried out.

#### **Management Response to the Audit Report**

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

#### iv) INTERNAL AUDIT REPORT 2016/27

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Emergency Planning</b>

#### **Introduction**

A review of the arrangements in place within the Council to ensure that it is effectively discharging its statutory duties under Civil Contingencies legislation and regulations was part of the planned internal audit work.

The Civil Contingencies Act 2004 (the Act) imposes statutory duties and responsibilities on local authorities for emergency planning. The UK Cabinet Office has published additional guidance for achieving 'Emergency Preparedness' and, for Scotland, this framework is supplemented by The Contingency Planning (Scotland) Regulations 2005. The Act sets out roles and responsibilities for those involved in emergency preparations at a local level and divides local responders into two categories, placing different duties on each. As a local authority the Council is classed as a category 1 organisation. Category 1 organisations have significant responsibilities imposed upon them by the Act including assessing the risk of emergencies, undertaking business continuity planning, communicating with other local responders, warning the public of emergencies as well as providing advice and assistance to other organisations regarding business continuity.

Emergency planning is a systematic and ongoing process that aims to formalise emergency incident handling and response and ensure that robust and tested plans are in place to contain and minimise the impact of such incidents should they occur. Effective co-operation and co-ordination between all Category 1 and Category 2 responders is essential for achieving holistic and effective emergency planning and systems of response. Category 1 responders include local authorities, emergency services and health boards. Category 2 responders include Scottish Water and operators of infrastructure such as railways, airports and harbours. Utility operators also fall into Category 2 although gas, electricity and telecommunications emergency planning is overseen by UK ministers.

The Council has been operating within a significantly changing environment for some time and this is expected to continue for the foreseeable future. As a result of the most recent organisational re-structure, which included the establishment of a new Dundee Health and Social Care Partnership, a number of necessary staffing changes were made, some of which resulted in the movement of non-specialist emergency planning related roles and responsibilities.

The Council's Community Safety and Protection Service is responsible for ensuring that the City of Dundee can respond effectively to any major incident and recover from it as quickly as possible. To this end the Council has a Generic Emergency Plan in place for co-ordinating its response to any incident. The Plan was developed and is maintained in conjunction with the emergency services and neighbouring councils through the Tayside Strategic Co-ordinating Group (SCG).

#### **Scope and Objectives**

A review of the arrangements in place within the Council to ensure that it is achieving best practice and complying with Civil Contingencies legislation.

#### **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:

- The Council should formally map out all emergency planning duties and responsibilities and how these are being fulfilled. This exercise should clearly distinguish between the Council's own specific duties and responsibilities and those of the local, regional and national resilience partnerships. The output from this exercise should then be shared with all relevant parties to ensure mutual understanding and appropriate ownership and accountability.

**iv) INTERNAL AUDIT REPORT 2016/27 (Cont'd)**

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Emergency Planning</b>

**Conclusion (Cont'd)**

- An appropriate formal record of compliance gaps, potential risks and / or issues threatening the Council's ability to effectively discharge its civil contingencies responsibilities should be developed together with details of action plans, owners and target implementation dates to address them. Progress towards implementing these action plans should be monitored on a regular basis by management.
- The Council's Generic Emergency Plan should be updated to incorporate the statutory definition of 'emergency' and the wider resilience agenda as well as fully reflect organisational and role changes within the Council. In addition, the functional / hazard specific emergency plans should be reviewed and revised accordingly.
- The Council should document its emergency planning training and exercise / simulation strategy and ensure that corresponding staff attendance and participation records are retained and readily available for review purposes.

**Management Response to the Audit Report**

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

## v) INTERNAL AUDIT REPORT 2016/31

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Risk Management Arrangements</b>

### **Introduction**

A review of the Council's risk management arrangements was part of the planned internal audit work.

Risk management is a fundamental element of good governance and decision making. The Council's risk management arrangements are intended to support the identification, documentation, scrutiny, and management of both current and emerging risks. The range and extent of services provided by the Council results in a varied and complex risk profile. It is, therefore, important that there are sound risk management arrangements in place to capture all risks and manage and escalate these appropriately. Effective risk management arrangements should include a clear risk strategy and supporting framework, including documented processes for capturing and managing risks at a strategic and operational level and assigning ownership over individual risks and associated mitigating controls.

The Council has been operating within a significantly changing environment for some time and, as a result of resource constraints, it is expected that the level and pace of change will continue for the foreseeable future. Locally, changes include an organisational re-structure comprising the amalgamation / realignment of former departments, establishment of the new Dundee Health and Social Care Partnership, responsible for the operational delivery of health and social care services, as well as the development of new City and Council Plans setting out the organisation's vision and priorities. As a result of this continually changing and complex landscape, governance arrangements, including risk management, require to continually evolve to support it.

The Scrutiny Committee's terms of reference includes the power to consider and monitor the strategy, plan and performance of the Council's risk management arrangements and seek assurances that action is being taken on risk related issues.

The past two years have seen increasing momentum across all organisations to review and enhance risks management practices. In keeping with other public sector bodies, including local authorities, the Council is currently reviewing its risk management arrangements.

### **Scope and Objectives**

Review of the Council's risk management arrangements at corporate and service level against recognised good practice. A facilitated risk management workshop was also held with the Council Management Team to assist the organisation in taking its first steps towards developing its risk management arrangements.

### **Conclusion**

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

The areas of concern highlighted in the report are as follows:

- An exercise should be carried out to establish the resources required to achieve the desired level of risk management maturity in the organisation. As part of this exercise, roles and responsibilities should be defined. In addition, to assist the CMT and service management teams, as before, key members of staff from throughout the Council should be identified as risk management advocates / champions. Co-ordinated by the Risk Manager, or equivalent, these individuals should be responsible for helping to foster and encourage development and implementation of a robust Risk Management framework, ultimately, over time, embedding it into the culture of the organisation.



**v) INTERNAL AUDIT REPORT 2016/31 (Cont'd)**

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Risk Management Arrangements</b>

**Conclusion (Cont'd)**

- The Council's current Risk Management Strategy has not been updated for some time and, as a result of the significant level of change noted above, does not reflect the Council's revised structure or operating arrangements. The Risk Management Strategy should be reviewed and revised as soon as possible, setting out new roles and responsibilities, the Council's approach to risk management, including risk appetite, and how it supports delivery of strategic objectives. Formal risk management procedures should also be developed to support the Risk Management Strategy.
- The corporate risk register has not been updated for some time and should be developed as a matter of priority, with due consideration being given to the Council's strategic objectives and available service / relevant partners' risk registers. Steps should also be taken to ensure that service-level risk registers are updated to reflect the Council's revised structure in the first instance and then monitored for completeness and accuracy on an ongoing basis.
- Going forward, to assist with ensuring the successful implementation of the revised Risk Management Strategy and supporting procedures, as well as raising awareness in general, a comprehensive and targeted training programme should be developed for staff at all levels within the organisation and Elected Members.

**Management Response to the Audit Report**

The audit findings and recommendations were formally reported to the Council Management Team, Executive Director of Corporate Services and the Executive Director of Neighbourhood Services and appropriate action agreed to address the matters raised.

## vi) INTERNAL AUDIT REPORT 2017/05

<b>Client</b>	<b>City Development</b>
<b>Subject</b>	<b>Follow-up Review of Pay on Foot Parking</b>

### Introduction

As part of the planned internal audit work, a follow-up review of Internal Audit Report 2015/32, Pay on Foot (POF) Parking was undertaken.

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

- In accordance with City Development Committee Report No. 367-2015, a TRO for West Bell Street POF 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 POF car park TROs.
- 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.

### Scope and Objectives

To assess whether or not each of the recommendations agreed by management in Internal Audit Report 2015/32 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 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 areas where actions agreed by management are still outstanding are as follows:

- To date, no reports have been run on Anti-Fraud Passback (AFP) attempted violations. Whilst the ACS system has recently been configured to ensure that the anti-fraud pass back functionality is switched on, regular reviews of AFP violations have, to date, not been carried out. This is partly because a global report is not included in the standard suite of reports that can be run from the Conduent (formerly ACS) system by the main system administrator. Further work is also required around data reconciliation and cleansing routines.

### 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.