

REPORT TO: SCRUTINY COMMITTEE – 10 DECEMBER 2015

REPORT ON: INTERNAL AUDIT REPORTS

REPORT BY: SENIOR MANAGER – INTERNAL AUDIT

REPORT NO: 440-2015

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: 18 November 2015

i) INTERNAL AUDIT REPORT 2013/23

Client	Social Work
Subject	Managing Client Finances

Introduction

A review of the arrangements in place for the management of client finances was part of the planned internal audit work.

The Adults with Incapacity (Scotland) Act 2000 (the Act) provides a framework for managing finances and property and safeguarding the personal welfare of adults who lack capacity due to a mental disorder or inability to communicate due to a physical condition. The Office of the Public Guardian in Scotland (OPG) is responsible for supervising the actions of those appointed in terms of the Act to manage the financial or property affairs and safeguard the personal welfare of adults who lack the capacity to do so themselves. The Act provides a hierarchy of mechanisms that can be used to act or make decisions in relation to financial affairs, property and personal welfare. In relation to financial affairs, these include the OPG Access to Funds Scheme and Intervention Orders.

In addition, the Council can also administer the state benefits of clients as an Appointee. Permission to become an Appointee is obtained from the Department of Work and Pensions (DWP).

The Finance Section of the Council's Social Work Department is responsible for the administration of client finances. There are currently DWP Appointeeships in place to administer the financial affairs of approximately 200 clients residing in the community, Council residential homes and private / voluntary sector nursing / residential homes and a small number of clients have an OPG Access to Funds Scheme in operation.

Scope and Objectives

Review of the arrangements in place within the Social Work Department for the management of finances for clients who are deemed to be at risk. The day to day management of client finances, including personal allowances within the Council's residential homes, was specifically excluded from the scope of this review.

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:

- Steps should be taken in conjunction with key members of staff to ensure that, as part of the Centralisation of Ancillary Account Administration project, all transactions for DWP Appointeeship clients are managed as appropriate through a dedicated DWP Appointeeship bank account. In the interim and as agreed, the practice of transferring full balances from these bank accounts to the Council's main bank account should cease. Control checks should be introduced to ensure that the data input to the Events Recording System is in line with source documentation. Thereafter, the DWP Appointeeship bank accounts should be reconciled on a monthly basis.

Management Response to the Audit Report

The audit findings and recommendations were formally reported to the Head of Service – Strategy, Integration, Performance and Support Services and the Executive Director - Corporate Services and appropriate action agreed to address the matters raised.

ii) INTERNAL AUDIT REPORT 2014/08

Client	Corporate
Subject	Data Matching

Introduction

A review of the Council's approach to managing counter-fraud, including the use of data matching initiatives, was part of the planned internal audit work.

The National Fraud Initiative (NFI) in Scotland is a biennial counter-fraud exercise led by Audit Scotland that utilises computerised techniques to compare electronic data, about individuals, held by different public bodies to identify potential matches that may, following further examination, indicate the existence of fraud or error. As a participating body, the Council uploads files of specific electronic data to the secure NFI website for matching purposes. It is also increasingly recognised as good practice for organisations to have other corporate data matching initiatives in place to supplement the NFI exercise and assist with identifying potential fraud over a range of service areas such as housing tenancy, pensions, recruitment, grants and blue badge schemes.

At a national level, across the UK, there has been increasing reference made to the level of fraud within public services. Currently this is estimated to be £21 billion a year. In addition, with effect from 1 June 2015 responsibility for investigating housing benefit fraud transferred from Dundee City Council to the Department of Work and Pensions, Single Fraud Investigation Service. This transfer of responsibility along with the increasing emphasis for counter fraud initiatives to be put in place within the public sector resulted in the establishment of a Corporate Fraud Team. This newly established Team which reports directly to the Senior Manager – Internal Audit has wide-ranging roles and responsibilities in respect of taking forward the Council's counter fraud agenda, including data matching initiatives.

Scope and Objectives

Assessment of the Council's approach to data matching initiatives including action taken to resolve any potential matches and anomalies. The review examined the arrangements in place for the NFI exercise as well as other data matching initiatives developed locally to supplement this. In addition, a high level review of the governance arrangements in place for the new Corporate Fraud Team was carried out.

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 strengthen the existing governance arrangements in place for the new Corporate Fraud Team and ensure that the Council is in a position to identify, manage and monitor corporate fraud activity, a number of improvements require to be taken forward. These include development of a strategy document clearly outlining the purpose, aims and objectives of the Team and how these should be achieved and measured going forward, finalisation of job descriptions, undertaking staff training needs assessments, compilation of a formal risk-based work plan to include scheduled data matching exercises as appropriate and establishing a formal reporting regime.

Management Response to the Audit Report

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

iii) INTERNAL AUDIT REPORT 2015/03

Client	Social Work
Subject	Follow-up Review of Community Equipment Services
Introduction	
<p>As part of the internal audit work, a follow-up review of Internal Audit Report 2011/32, Community Equipment Services, was undertaken.</p> <p>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:</p> <ul style="list-style-type: none"> The areas for improvement identified during this exercise should form the basis of an improvement plan for implementation within a reasonable timeframe. Measures that require to be taken include developing the service model to become more outcomes focussed, revising and finalising the Dundee Joint Equipment Store Draft Operational Agreement and developing joint protocols. 	
Scope and Objectives	
<p>To assess whether or not the recommendations agreed by management in Internal Audit Report 2011/32 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 areas where actions agreed by management are still outstanding are as follows:</p> <ul style="list-style-type: none"> A competency and training framework for all prescribers of equipment has been drafted, however, work is still ongoing to develop the relevant learning modules to support this. The Joint Criteria for the Provision of Equipment and Adaptations in the Homes of People with Disabilities who live in Dundee and the Joint Manual Handling Strategy are in their final stages of development. 	
Management Response to the Audit Report	
<p>The audit findings and recommendations were formally reported to the Head of Service – Strategy, Integration, Performance and Support Services and appropriate action agreed to address the matters raised.</p>	

iv) INTERNAL AUDIT REPORT 2015/07

Client	Corporate
Subject	Data Integrity

Introduction

A high level review of the data integrity of management information, specifically focusing on sickness absence, was part of the planned internal audit work.

In broad terms data integrity refers to the accuracy and consistency of data over its lifecycle. The Council relies on a number of data streams to assess its performance and inform decision making at various levels within the organisation, including at a senior management level. The Council uses data to inform and evaluate its financial and non-financial performance and thereby determine how efficiently it delivers its services. Performance information that is incorrect or flawed may potentially impact upon how the Council is perceived externally for example by scrutiny bodies such as Audit Scotland and external regulators. Given that decisions may also be made on the basis of such data, which affect the strategic direction of the Council or determine how its resources will be allocated, it is critical that the underlying information can be relied upon. In practice, data can either be generated manually or be system generated, which then may or may not be subject to further review and adjustment. In addition, as a general principle, the higher the degree of manual intervention, the higher the potential for error occurring.

As part of efforts to manage costs, the management of sickness absence is a major priority for councils. The 2014 Scottish Local Government Benchmarking Framework (LGBF) annual report stated that the rate of sickness absence had remained flat at an average of around 10 days. The Council reported that sickness absence for the 2014/15 financial year was 10.79 days. This represents a composite figure for both local government employees and teachers and the absence rates for these two groups during the same period were 11.99 days and 6.93 days respectively.

Scope and Objectives

High level assessment of the completeness, reliability and timeliness of critical management information used by the Council as part of its decision making processes. The specific focus of this review was to examine data integrity in respect of the sickness absence data being routinely reported as part of the organisation's performance framework.

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:

- Steps should be taken to ensure that the LGBF definition is used going forward, in place of the superseded albeit identical Audit Scotland definition, for the creation of the sickness absence indicator and operational procedures detailing the process that should be followed internally when collating sickness absence information should be compiled to support this. In addition, further training should be carried out with a view to ensuring that the existing key person dependency is removed. Lastly, key members of staff should be reminded of the importance of updating the Employee Resources system timeously.

Management Response to the Audit Report

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