

REPORT TO: SCRUTINY COMMITTEE – 11 DECEMBER 2013

REPORT ON: INTERNAL AUDIT REPORTS

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 512-2013

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, summary 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, Director of Corporate Services 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: 26 November 2013

i) INTERNAL AUDIT REPORT 2012/01

Client	Corporate
Subject	Tayside Pension Fund

Introduction

A high level review of the arrangements in place to administer the Tayside Pension Fund (Main Fund) was part of the planned internal audit work.

The Scottish Public Pensions Agency is responsible for developing and maintaining the regulations covering the Local Government Pension Scheme (LGPS) in Scotland. Dundee City Council is the administering authority for the Main Fund and the Tayside Transport Pension Fund (Transport Fund), which is managed on a fully discretionary basis by six external Fund Managers. The Main Fund 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 41 other scheduled and admitted bodies. The LGPS in operation is a defined benefit scheme, the benefits of which are determined by pensionable service and final pensionable pay. The Council utilises Heywood's software solution, Altair, to administer the Main Fund on behalf of its members.

The Council's Pension Investment Sub-Committee is responsible for the supervision and control of the Main and Transport Funds, including the review of investments. The Director of Corporate Services has delegated authority for administering the LGPS and ensuring that all income and expenditure is properly accounted for.

The 2011/12 Annual Report and Accounts of the Tayside Superannuation Funds reported that as at 31 March 2012 the value of Main Fund was £1,959.1m. At this point there were 39,097 members, of which 17,228 were active contributing members, 12,301 were pensioners or relatives of ex-contributors in receipt of a pension and 9,568 were either deferred pensioners, undecided or frozen.

Scope and Objectives

To carry out a high level review of the arrangements in place to administer the Main Fund. The review specifically excluded the arrangements in place in respect of pension fund investment

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:

- To reduce the potential risk that key information held electronically could be permanently lost in the event of a system failure, checks should be carried out to ensure that Altair is being satisfactorily backed up. In addition, formal disaster recovery and business continuity arrangements should be put in place.
- To raise awareness of risk management, ensure prompt identification of new and emerging risks and assist with ensuring the on-going review of risks in general, consideration should be given to the Pension Investment Sub-Committee reviewing the pension fund risk register at least six monthly.
- To strengthen the day to day administration of employee and employer contributions, further checks should be introduced to ensure that such contributions are received timeously and are complete and accurate.

Management Response to the Audit Report

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

ii) INTERNAL AUDIT REPORT 2012/28

Client	Education
Subject	Pre School Provision

Introduction

A review of the Education Department's pre-school provision in respect of establishments operated by the Council was part of the planned internal audit work.

From the start of the term following their third birthday, a child is entitled to 2.5 hours a day of free pre-school education for a period of 38 weeks. This equates to a maximum annual entitlement of 475 hours. In Dundee, pre-school education is provided by the Council via 8 nursery schools and 19 nursery classes. Pre-school education is also delivered through 22 private and voluntary sector providers working in partnership with the Council. At some of the Council-run establishments parents may be able to purchase additional hours. In addition, under certain circumstances, children may be eligible to receive an increased provision of free pre-school education.

The application process for pre-school provision delivered by the Council is administered at a local level. Parents are required to visit the nursery of their choice to provide proof of eligibility and complete the placing request application form. Whilst parents may submit an application to more than one nursery, each child can only receive their pre-school education entitlement at one establishment. Central support staff undertake various manual information gathering exercises throughout the year to estimate demand for pre-school provision, including staffing requirements, and to verify actual uptake.

In the current financial year there are of the order of 2,250 children receiving nursery education at Council-run establishments.

Scope and Objectives

To carry out a review of the Education Department's pre-school provision in respect of establishments operated by the Council. The review primarily focussed upon the processes and procedures which underpin estimating demand and the associated staffing requirements.

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 area commented upon in the report is as follows:

- Whilst a reasonably accurate estimate of demand for pre-school provision and the associated staffing requirements is obtained from existing processes, it is considered that this information could be captured more efficiently and effectively. To achieve this, a comprehensive review of the end-to-end process should be undertaken with a view to capturing additional key information at the initial application stage and maximising the functionality of the Department's computerised systems including the management reporting capabilities.

Management Response to the Audit Report

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