

**REPORT TO: SCRUTINY COMMITTEE – 10 FEBRUARY 2021**

**REPORT ON: INTERNAL AUDIT REPORTS**

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

**REPORT NO: 52-2021**

**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

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DATE: 20 January 2021



## i) INTERNAL AUDIT REPORT 2020/07

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Follow-up Review of Business Continuity (2<sup>nd</sup> follow-up)</b>

**Introduction**

As part of the planned internal audit work, a follow-up review of the outstanding recommendations from Internal Audit Report 2014/28, Business Continuity, was undertaken. A previous follow up audit was completed with progress at that stage reported in Internal Audit Report 2016/09 in June 2017.

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

- In general, implementation of the recommendations is at an early stage, which in part is due to the Council re-structure and corresponding changes to responsibilities of key staff. However, work to develop and document IT resilience and business continuity arrangements, which are integral to the service business continuity arrangements, has been completed and reports on implementation of Business Continuity Plans, IT Disaster Recovery Plans and associated recovery strategies were approved by the Council Management Team (CMT) at its meeting on 31 January 2017. To support the Council to progress the outstanding recommendations, a decision was made to utilise Zurich, the Council's insurance supplier, to provide a number of business continuity workshops aimed at assisting services to develop their business continuity plans. These workshops are scheduled to take place in August 2017.

**Scope and Objectives**

To assess whether or not the outstanding recommendation from the follow up audit had been implemented with the revised agreed timescales. This review has also considered the impact of COVID-19 on existing business continuity arrangements.

**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 and initial follow-up reports, there is still one recommendation which requires to be implemented by management.*

Whilst the COVID-19 pandemic has been the primary reason for this delay, the corporate approach taken by the Council in responding to the pandemic has highlighted that existing Business Continuity and Emergency Planning arrangements are well established and have been referred to as part of its response. In particular, key business continuity challenges such as prolonged staff absences, redeployments of staff to critical Council functions, denial of access to premises, support to vulnerable individuals, access to Council IT systems, effective Council communications and flexible leadership in times of crisis were all tested and show evidence of strong resilience arrangements.

The outstanding elements of the original audit should be reviewed in the context of the COVID-19 pandemic and areas where further improvements should be made to the Council's Business Continuity arrangements should be considered. In particular,

- Services should review their Business Continuity Plans in the context of their approach to dealing with the COVID19 Pandemic to ensure that lessons learned are reflected within their business continuity arrangements and submit them to the Service Manager, Community Safety and Resilience for review and consideration in terms of wider Council arrangements.
- When developing its Business Continuity Strategy in line with the Continuous Improvement Agenda, the Council should give appropriate consideration to how it, as well as the Scottish / UK governments, has responded to the COVID-19 pandemic, making use of lessons learned where applicable.

## i) INTERNAL AUDIT REPORT 2020/07 (Cont'd)

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Follow-up Review of Business Continuity (2<sup>nd</sup> follow-up)</b>
<b>Management Response to the Audit Report</b>	
The audit findings and recommendations were formally reported to the Executive Director of Neighbourhood Services and appropriate action agreed to address the matters raised.	

## ii) INTERNAL AUDIT REPORT 2020/08

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Capital Plan</b>

**Introduction**

A five-year Capital Plan is prepared and approved each year, providing an updated position, year on year, in line with the Council's ten-year Capital Investment Strategy. This details the expenditure on creating, purchasing or upgrading the fixed assets which are used in delivering the Council's services and includes the plan in respect of the Housing Revenue Account (HRA) on a summary basis.

The Updated Capital Plan 2020-2025 was approved by the Council's Policy & Resources Committee in September 2020. The plan updates the previously approved Capital Plan for General Services and HRA and includes updates for planned future commitments for the Council, such as the Tay Cities Deal which is a planned partnership between public, private and voluntary organisations across Angus, Dundee, Fife and Perth & Kinross through negotiation with the UK and Scottish governments.

The plan reports on the basis of gross Capital Expenditure throughout the year and is summarised into strategic themes that reflect the Council's visions and aims, as published in the City Plan for Dundee 2017-2026 including Fair Work & Enterprise, Children & Families, Health, Care & Wellbeing, Community Safety & Justice and Building Stronger Communities.

During the year reports are prepared monitoring both the revenue and capital spend against budget. These are discussed with the Council Management Team and presented to the Policy and Resources Committee. The Updated Capital Plan 2020-2025 reports anticipated gross capital expenditure investment of £391m over the 5-year period.

**Scope and Objectives**

To assess the monitoring and reporting arrangements in place at both a corporate and service level for the general services capital programme contained within the Capital Plan.

**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:

- Sample testing confirmed that there is monitoring and scrutiny at appropriate levels, including by the Council Management Team, Capital Monitoring Group and the Policy and Resources Committee. Although there have been no changes to key staff and limited revisions to capital monitoring processes, preparation of reports and monitoring information is reliant on two key members of staff within Corporate Finance. A minor improvement opportunity has been identified, to ensure that the Budget Control Manual is updated to incorporate the process notes that are used to guide current practices, providing a basis to help train and inform new members of staff, or be followed in case of absence of existing staff.

**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 2020/11

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Follow-up Review of Transformational Change</b>

**Introduction**

As part of the planned internal audit work, a follow-up review of Internal Audit Report 2019/01, Transformational Change 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 Elected Members can assess the progress of the C2022 Transformation Programme, more regular Transformation Programme update reports should be submitted to Committee. To assist in ensuring the success of the Transformation Programme, it is recommended that the Programme Management Office (PMO) reaches out to key officers within services with a view to providing clarification and ultimately aiding understanding surrounding the specific objectives of their project, roles and responsibilities and (where appropriate) how their day to day work links into the C2022 Transformation Programme. In addition, project management training should be provided to key staff involved in the C2022 Transformation Programme and, in order to support the identification and management of current and emerging risks, a specific risk register for the C2022 Transformation Programme should be developed and maintained.
- The C2022 Transformation Programme should be reviewed and revised in order to ensure that: the scope of each project is clearly defined; what the project aims to achieve is accurately described; and the specific actions required to realise the project vision are detailed.
- In order to ensure that the CMT and Elected Members receive accurate information relating to the progress of the C2022 Transformation Programme, Pentana should be reviewed and updated to accurately reflect the completion percentages against the scope of each project. Issuing detailed guidance to officers regarding the methodology to be used when determining the percentage completion of transformation projects, in particular the maximum percentage completion to be assigned to a project before the project implementation phase has commenced, should assist with interpreting progress and achieving consistency in approach. Consideration should be given to providing specific training to officers in how to make better use of the project management module within Pentana, including the milestones function.

**Scope and Objectives**

To assess whether or not each of the recommendations agreed by management in Internal Audit Report 2019/01 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:

- Whilst all project sponsors and assigned project leads have been contacted to review their objectives in the template scoping document, issued by the PMO, and all projects were reviewed and scored for impact versus feasibility, the remaining recommendations including the frequency of reporting to committee, project management training and the development of a specific risk register have yet to be fully implemented. The primary reason for this is that the PMO has been supporting the programme of work arising from the COVID-19 pandemic.

**Management Response to the Audit Report**

The audit findings and recommendations were formally reported to the Chief Executive and appropriate action agreed to address the matters raised.



## iv) INTERNAL AUDIT REPORT 2020/12

<b>Client</b>	<b>Children and Families Service</b>
<b>Subject</b>	<b>Follow-up Review of Out of Hours Service</b>

**Introduction**

As part of the planned internal audit work, a follow-up review of Internal Audit Report 2017/08, Out of Hours Service, 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:

- A review of the structure and staffing of the Out of Hours Service should be undertaken in light of the increasing volume of work, proposed additions to management responsibilities and operational difficulties encountered under the current arrangements. The areas where staff regularly encounter operational difficulties should be reviewed with a view, in the first instance, to addressing these through training and improvements in communications. In addition, more formalised arrangements for out of hours management support from services should be put in place and the potential for further delegation of responsibilities should be explored by management. Responsibilities delegated to the Service should be documented in a scheme of delegation and communicated to all relevant parties.
- The Team Manager should ensure that a business continuity plan is in place for the Service, made available to appropriate officers, regularly tested and updated.
- The Team Manager should arrange for her staff to have access to Dundee City Council's corporate Potentially Violent Persons Database (PVPD) and ensure that procedures are put in place instructing them to consult the database as part of the risk assessment process when organising visits. In addition, the Team Manager should liaise with relevant staff in Angus Council to ensure that her team also has access to all relevant sources of information maintained on potentially violent persons there. A procedure should be developed to notify the Community Alarm Service when the night-time Co-ordinator makes a visit alone.

**Scope and Objectives**

To assess whether or not each of the recommendations agreed by management in Internal Audit Report 2017/08 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 the actions taken by management have addressed the control weaknesses highlighted in the original review.*



## v) INTERNAL AUDIT REPORT 2020/16

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Follow-up Review of Housing Capital Plan</b>

**Introduction**

As part of the planned internal audit work, a follow-up review of Internal Audit Report 2018/04, Housing Capital Plan, was undertaken.

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. The main areas highlighted in the report were as follows:

- In order to reduce the potential risk of errors and omissions in the Housing Capital Plan and reduce reliance on key individuals who are experienced in the process, comprehensive documented procedures should be developed for the budget setting and monitoring processes. The procedures should be approved by management and regularly reviewed and updated.
- In order to reduce the risk of inaccurate information being used to prepare the Housing Capital Plan budget and its monthly phasing, the summary of relevant sources used in its preparation should be supported by document control and version management arrangements with a clear process maintained for storing and controlling access to final versions. An audit trail should be maintained.
- In order to reduce the risk of the HRA budget being under / overspent, the content and format of the budget monitoring reports submitted to the Policy & Resources Committee should be reviewed with a view to including comparison of original approved budget, year to date expenditure and full year forecast. Significant variances in excess of an agreed threshold should be commented upon, together with identification of actions in progress or recommended.

**Scope and Objectives**

To assess whether or not each of the recommendations agreed by management in Internal Audit Report 2018/04 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 the actions taken by management have addressed the control weaknesses highlighted in the original review.*

