

REPORT TO: AUDIT AND RISK MANAGEMENT SUB-COMMITTEE

REPORT ON: INTERNAL AUDIT REPORTS

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 643-2003

1 PURPOSE OF REPORT

To submit to Members of the Audit and Risk Management Sub-Committee a summary of the Internal Audit Reports finalised since the last Sub-Committee.

2 RECOMMENDATIONS

Members of the Sub-Committee are asked to note the information contained within this report.

3 FINANCIAL IMPLICATIONS

None

4. LOCAL AGENDA 21 IMPLICATIONS

None

5. EQUAL OPPORTUNITIES

None

6. BACKGROUND

6.1 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.

6.2 Executive Summaries for the reviews which have been finalised in terms of paragraph 6.1 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.

DAVID K DORWARD
DEPUTE CHIEF EXECUTIVE (FINANCE)

BACKGROUND PAPERS

No background papers as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any confidential or exempt information) were relied on to any material extent in preparing the above Report.

Appendix A

Department	Education
Subject	School Meals

Introduction
<p>A review of systems pertaining to school meals was carried out as part of the planned internal audit work. As part of the audit fieldwork seven primary and four secondary schools were visited in order to review the feeder systems operated at an establishment level.</p> <p>For the 2001/02 financial year the budgeted and actual income for school meals was £1.074m and £1.154m respectively and the amount paid to Tayside Contracts for the provision of this service was of the order of £2.494m.</p>
Scope and Objectives
<p>The areas examined during this assignment included free school meals, cash collection, banking procedures, security, documentation, computation of payments due to Tayside Contracts, monitoring procedures and management information.</p> <p>The principal aim of this review was to assess the adequacy of the systems being operated and of the control framework.</p>
Conclusion
<p><i>Whilst in general the systems examined as part of this review were found to be operating satisfactorily areas were identified where improvements could be made.</i></p> <p>The key areas commented upon in the report were as follows:</p> <ul style="list-style-type: none"> • The need for consistency in the procedures operated by establishments and to ensure that they cover the key elements of the system i.e. security of cash, safe keys, reconciliation of meals served to supporting records, completion of returns, resolving queries. • The need to introduce a checklist to ensure that the centrally based Finance Section of the Education Department follow a consistent approach in the recording and reconciliation of school meals income. • Areas for consideration in the discussions between the Council and Tayside Contracts regarding the Partnership Agreement.
Management Responses to the Audit Report
<p>The report was submitted to the Director of Education and overall a positive response was received to the audit recommendations. Detailed operational guidance was subsequently prepared and issued by the Education Department's Finance Section to address a number of the audit findings and recommendations.</p>

Department	Leisure and Arts
Subject	Cemeteries and Burial Grounds

Introduction
<p>As part of the planned internal audit work a review of the system pertaining to the Council's Cemeteries and Burial Grounds was undertaken. Staff within the Leisure and Arts Department are responsible for the administration of all matters relating to burials, purchase of lairs and the erection of headstones.</p> <p>The number of interments administered during 2001/02 was in the region of 780. Approximately 355 lairs were purchased during the same period. During the 2001/02 financial year the actual expenditure was approximately £655,000 and the actual income was approximately £263,000 respectively. This compares to budgeted expenditure and income of £721,000 and £278,000 respectively.</p>
Scope and Objectives
<p>The review included examining and assessing the systems in place for requests for burials, the purchase of lairs, arrangements for the recording of information within central registers and the security of data.</p> <p>The audit fieldwork covered examination of fees levied and arrangements for the collection, banking and reconciliation of income and assessed the adequacy of these systems. At the time the audit was undertaken, funeral directors paid for the purchase of lairs, title deeds, interments and perpetuities in person at Tayside House. This was also the system for monumental sculptors wishing to erect headstones or individuals who wished to purchase lairs. Payment was made in cash or cheque and these were receipted through the Kalamazoo income receipting system.</p>
Conclusion
<p><i>The review identified certain areas where improvements could be made.</i></p> <p>The main areas reported upon are summarised below:</p> <ul style="list-style-type: none"> • To eliminate the risk of loss of prime records, all interment registers held in Tayside House should be stored in cabinets which are both fireproof and lockable. • Out-of-date headed stationery and other documentation currently in use should be withdrawn and replaced by appropriately headed Dundee City Council stationery. • For the computerised system of records for Birkhill Cemetery, a staff user guide should be prepared and validation checks of the data held be undertaken. • The need to review the receipting and reconciliation procedures in light of the revised income collection procedures.
Management Responses to the Audit Report
<p>The report was submitted to the Director of Leisure and Arts and appropriate action was agreed to address the specific issues raised.</p>

Department	Neighbourhood Resources and Development
Subject	Payroll Review

Introduction
<p>As part of the planned internal audit work a review of the payroll systems operated by staff within the Neighbourhood Resources and Development Department was undertaken.</p> <p>In the 2001/02 financial year a total of approximately 900 employees were employed by the Department of which 52% were monthly salaried staff, 14% were weekly paid staff and 34% sessional staff. The budgeted and actual expenditure for the 2001/02 financial year was £5.72m and £5.67m respectively.</p>
Scope and Objectives
<p>The scope of the audit assignment examined such areas as ensuring payments are only made to valid employees, data input into the systems is properly authorised, data and in particular standing data is accurate and complete, payments are correctly calculated in accordance with contracts of employment, pay scales, hours worked other allowances and payroll costs are correctly recorded in the financial ledger.</p> <p>The key objective of the review was to ascertain that the systems operated are appropriate and the controls within these systems are adequate.</p>
Conclusion
<p><i>Overall it was concluded that there were adequate systems in place but certain areas were identified where improvements could be made.</i></p> <p>The key areas commented upon in more detail in the report were as follows:</p> <ul style="list-style-type: none"> • Ensuring that the checks undertaken, particularly in terms of verification of payroll input and correction of errors, are evidenced on the appropriate documentation. • Maintaining an authorised signatory list. • Ensuring that the standing data held on the payroll system is consistent with that held on the personnel system and the employee's personal file.
Management Responses to the Audit Report
<p>The audit findings and recommendations were formally reported to the Director of Neighbourhood Resources and Development and appropriate action was agreed to address the specific issues raised.</p>

Department	Social Work
Subject	Charges for Non-Residential Services

Introduction
<p>As part of the planned internal audit activity a systems review of charges for non-residential services was carried out.</p> <p>In the 2001/02 financial year approximately 24,500 invoices with a total value of £1.5m were issued to clients for the provision of non-residential services.</p> <p>The Council principally uses three external service providers, namely Cornerstone, Crossroads and Carewatch to supplement the provision provided in-house by the Council. In the 2001/02 financial year the payments made to these providers totalled of the order of £1.6m.</p>
Scope and Objectives
<p>The review focussed on the charging for non-residential services and included the procedures and processes relating to the invoicing of clients, the issue of credit notes and initiating debt recovery procedures. In addition the systems for the procurement of non-residential services through the spot purchase mechanism and the information submitted to the Social Work Department by external service providers was examined.</p> <p>The principal aim of this exercise was to assess the adequacy of the systems and controls in the areas reviewed.</p>
Conclusion
<p><i>It was concluded from the audit fieldwork that although in general the systems are operating satisfactorily, there are areas which can be improved upon</i></p> <p>The key areas commented upon in the report were as follows:</p> <ul style="list-style-type: none"> • Ensuring consistency and completeness of the data held in the various systems, both computerised and manual, in respect of clients and the services provided. • Improving the administration procedures operated in relation to the management and monitoring of the paperwork and the computerised database associated with services acquired through spot purchases. • Ensuring all returns submitted by external service providers includes the Clients' unique reference number. • Ensuring requests for credit notes to be raised are made on a timeous basis and are appropriately authorised.
Management Responses to the Audit Report
<p>The audit findings and recommendations were formally reported to the Director of Social Work and a formal response was made detailing the action to be taken to address the issues raised.</p>

Department	Social Work
Subject	Financial Assessment of Non-Residential Clients

Introduction
As part of the planned internal audit activity work was undertaken within the Welfare Rights Section of the Social Work Department. The review focussed on the procedures underpinning the financial assessment of clients provided with non-residential Social Work Services.
Scope and Objectives
<p>The areas examined as part of the review included the compilation of information on the client's status, validation of information provided by clients and the calculation of the charges levied on Clients.</p> <p>The principle objective of this exercise was to provide an opinion of the systems operated and the adequacy of the controls within these systems.</p>
Conclusion
<p><i>Overall the procedures used by the Welfare Rights Section in the financial assessment of clients were found to be satisfactory.</i></p> <p>The principal areas commented upon in the report were as follows:</p> <ul style="list-style-type: none"> • Ensuring that the Client or their nominated representative always signs off assessment forms. • Ensuring assessment forms are correctly filed. • Ensuring that the staff member initials the assessment form in the appropriate place to verify that the information provided by the Client has been sighted.
Management Responses to the Audit Report
The audit findings and recommendations were formally reported to the Director of Social Work and confirmation was given that appropriate action would be taken.

Department	Neighbourhood Resources and Development
Subject	Social Inclusion Partnership Fund

Introduction
<p>As part of the planned internal audit activity a review of the roles and responsibilities of Dundee City Council as the grant recipient in respect of the Social Inclusion Partnership (SIP) Fund was undertaken.</p> <p>For the 2001/02 financial year the allocation for the Dundee Social Inclusion Partnership totalled of the order of £3.57m of which £3.43m was claimed.</p>
Scope and Objectives
<p>The areas examined during the audit included the acceptance of grant, recording of expenditure, computation of administration costs, procedures for monitoring and evaluating projects, claiming of grant and the programme of systems analysis visits undertaken by Neighbourhood Resources and Development Staff to projects. It should be noted that assessment of eligibility to receive funding, whether or not funding was used appropriately by projects and examination of the systems operated by individual projects was outwith the scope of this review.</p> <p>The main objective of this audit was to assess the adequacy of and provide an opinion on the controls within the systems.</p>
Conclusion
<p><i>Overall whilst the systems operated by Dundee City Council to fulfil its role and responsibilities as grant recipient were considered to be satisfactory, areas were identified where it is viewed that improvements could be made.</i></p> <p>The main areas commented upon in the report are summarised below:</p> <ul style="list-style-type: none"> • Ensuring all project files contain the relevant documentation. • Ensuring projects are assigned a unique name/reference. • Ensuring that projects submit returns e.g. reports, audited accounts and monitoring statements on a timeous basis. • The need to review the criteria used to draft the plan of Systems Analysis Visits which are undertaken by the Department.
Management Responses to the Audit Report
<p>The audit findings and recommendations were formally reported to the Director of Neighbourhood Resources and Development and confirmation was given that appropriate action would be taken to address the points raised.</p>

Department	Environmental and Consumer Protection
Subject	Animal and Pest Control

Introduction
<p>As part of the planned internal audit activity a review of the operation of the Animal and Pest Control Service was undertaken. The Environmental and Consumer Protection Department's Animal and Pest Control Service is divided broadly into two sections. The Animal Control Section deals primarily with stray dogs, the operation of Brown Street Kennels, the problem of dog fouling in public areas and noise from persistent dog barking. The Pest Control Section investigates complaints about rodents, birds, insects and other pests and provides disinfestations measures where necessary.</p> <p>For the 2001/02 financial year the actual gross expenditure of the Animal and Pest Control Service was approximately £451,000. Income relating to pest control activities was in the region of £244,000, whilst charges for stray dogs and the sale of dogs from Brown Street generated approximately £23,000. The Animal and Pest Control Service responded to approximately 9,200 queries during the 2001/02 financial year and in the same period around 720 dogs were admitted to Brown Street Kennels of which approximately 89% were successfully returned to the owner or re-homed.</p>
Scope and Objectives
<p>The audit fieldwork for Animal Control reviewed the procedures for the rounding-up, detention, charging and collection of income to the owner/sale of stray dogs, the investigation of dog fouling complaints including the initiation of legal proceedings and the recording and investigation of complaints regarding dogs and cats. In respect of Pest Control the areas examined included the procedures for logging requests (including out-of-hours), the recording and monitoring of response times and arrangements for charging and collection of income and the treatment of insect and rodent infestations. The review also examined the procedures for the compilation of the performance indicators detailed in the Department's Service Plan 1999-2002 and those prescribed by the Accounts Commission.</p>
Conclusion
<p><i>Overall whilst the systems operated were adequate areas were identified where improvements could be made.</i></p> <p>The principal areas commented upon were as follows:</p> <ul style="list-style-type: none"> • Consideration should be given to introducing an enhanced charge to reflect the cost of providing an out-of-hours service for Pest Control. • Rationalising the number of safe keys in circulation for the Brown Street Kennels. • Incorporating best practice into the procedures to be followed by Animal Control Officers who will be required, in the future, to issue on the spot fines. • Ensuring consistency in the information provided to the public regarding the £25 penalty which can be imposed for impounded dogs.
Management Responses to the Audit Report
<p>The audit findings and recommendations were formally reported to the Director of Environmental and Consumer Protection and an action plan agreed to address the specific points raised.</p>

h) INTERNAL AUDIT REPORT 2002/31

Department	Personnel and Management Services
Subject	Electronic Mail Policy and Application

Introduction
<p>A review of the electronic mail (email) policy was included as part of the planned internal audit activity for 2002/03. Dundee City Council utilises Teamware (version 6) to provide an email facility for employees. There are approximately 3,600 logins currently set up for staff and there are in the region of 5,500 external emails per day.</p> <p>The Council's current email policy is embodied in Report 443/2000 entitled Guidance for Usage of Computer, Internet and Electronic Mail which sets out employee responsibilities in these areas. These guidelines were subsequently issued to staff who were required to sign to acknowledge receipt of the policy. The Guidelines now incorporated into the Employee Handbook, which is issued to and signed for by new employees as part of the induction process. It should be noted that the guidelines are currently under review by Personnel and Management Services.</p>
Scope and Objectives
<p>The review examined the current policy implemented by the Council, the integrity and completeness of the data held on the email system and personnel who have user rights. As part of the audit fieldwork the policies of some other Councils were reviewed. The policies for putting mail on autoforward use of signature files and offline mailboxes and the systems in relation to cancellation of user rights for staff leavers and the application of signing for the policy within a sample of Departments were also considered.</p>
Conclusion
<p><i>Overall whilst the areas and systems reviewed were considered to be operating satisfactorily, areas were identified where improvements were recommended.</i></p> <p>The principal areas commented upon in more detail in the report were as follows:</p> <ul style="list-style-type: none"> • Areas were identified which should be considered for inclusion in the Council's Guidance which is currently subject to review e.g. scope of policy, data protection issues, autoforwarding of emails, use of signature files. • Ensuring consistency of narratives used and completeness of the various fields within the database. • Ensuring only bona fide cases are allocated a login to the Council's email system and that cancellation of user logins no longer required is done on a timeous basis. • Reviewing the methodology of ensuring employees acknowledge receipt and demonstrate an understanding of the Council's Policy.
Management Responses to the Audit Report
<p>The audit findings and recommendations, which were formally reported to the Director of Personnel and Management Services, were broadly accepted and the action to be taken has been agreed.</p>

Department	Leisure and Arts
Subject	Caird Hall Complex

Introduction
<p>As part of the planned internal audit a review of the systems operated in the booking of events for the Caird Hall Complex which includes the Marryat Hall, Caird and Ashton Suites and the Burgh Hall in Broughty Ferry was carried out.</p> <p>For 2001/02 the income for the Caird Hall Complex, budget and actual, was £188,750 and £229.25 respectively and the total net expenditure, budget and actual, was £732,297 and £747,247.</p>
Scope and Objectives
<p>The principal areas examined during the review included the booking of events, the reconciliation of income/expenditure and the payment of monies due to Promoters/Events Organisers.</p> <p>The key objective was to confirm that there are adequate and appropriate systems and controls to provide assurances in these areas which had been examined.</p>
Conclusion
<p><i>The overall conclusion drawn from this review are that the procedures operated by the staff at the Caird Hall Complex in relation to the booking of events and concerts are in general satisfactory.</i></p> <p>The principal areas where it is considered improvements could be made are as follows:</p> <ul style="list-style-type: none"> • Introducing the use of an official Dundee City Council receipt book to document the details of advances made to promoters. • Evaluating the security of safe keys to ensure compliance with best practice.
Management Responses to the Audit Report
<p>The audit findings and recommendations were formally reported to the Director of Leisure and Arts and confirmation received that appropriate action will be taken to address the specific matters raised.</p>

Department	Leisure and Arts
Subject	Box Office

Introduction
<p>As part of the planned internal audit activity a review of the systems operated by the Box Office was carried out. At the time of the audit fieldwork the Box Office sold tickets for shows and concerts, season tickets for Leisure & Arts bowling greens and monthly car parking tickets for the Planning & Transportation Department.</p>
Scope and Objectives
<p>The review covered the sale of all tickets by the Box Office which included events held at the Caird Hall and various other venues, e.g. the Whitehall Theatre, Perth Theatre and also season tickets for bowling and monthly car parking tickets. In addition, the systems for processing refunds in the event of cancellation of an event was examined along with ticket sales processed via the on-line booking system dundee.com.</p> <p>The principal objective of the review was to provide an opinion on the adequacy and appropriateness of the systems in place particularly in relation to the collection, recording, reconciliation and banking of income, processing of refunds, security matters and contract documentation.</p>
Conclusion
<p><i>Whilst the procedures operated by staff in relation to the areas reviewed were in general satisfactory there are certain aspects of the system where it is viewed improvements can be made.</i></p> <p>The principal areas commented upon in more detail in the report are as follows:</p> <ul style="list-style-type: none"> • Ensuring that the prenumbered Ticket Sales Contract Documentation is more effectively controlled and monitored. • Appraising the systems used and/or the cost effectiveness of selling tickets on behalf of other organisations and selling tickets on-line through dundee.com. • Adopting a more efficient system to process refunds for concerts which are cancelled. • Evaluating the security of safe keys and the storage of the back-up tapes for the computerised booking system to ensure that it is in line with best practice.
Management Responses to the Audit Report
<p>The audit findings and recommendations were formally reported to the Director of Leisure and Arts and an action plan agreed to address the specific issues raised.</p>

Department	Neighbourhood Resources and Development
Subject	Learning Centre and Learning Access Point Users (Accounts Commission Performance Indicator 4)

Introduction
<p>As part of the planned internal audit an activity review of the systems underpinning the compilation of the Accounts Commission, Libraries Performance Indicator 4, relating to learning centre and learning access point users was carried out. This was a new indicator for the 2002/2003 financial year.</p> <p>Part a) of the indicator requires the compilation of the number of users as a percentage of the resident population. The objective of this indicator is to ascertain the extent to which each council is developing its learning provision across its area.</p> <p>Part b) of the indicator requires compilation of the number of times the terminals are used per 1,000 population. The objective of this indicator is to reflect the extent to which the use of the service is marketed by the council and is seen as a valuable service which meets the needs of users.</p>
Scope and Objectives
<p>As part of their year-end work the External Auditor has a duty to obtain assurance that the Council has made adequate arrangements to ensure that the required performance information is complete and accurate. The key objective of this audit therefore was to examine the systems being used to compile the performance information and assess whether or not the definitions laid down by the Accounts Commission have been interpreted and applied correctly in the compilation of the 2002/03 performance information.</p>
Conclusion
<p><i>It was concluded that overall adequate systems to compile the required information per the Accounts Commission definitions are not currently in place. Specifically the required data to compile the number of users (indicator 4a) has not been collated and whilst figures have been collated for the number of times the terminals are used (Indicator 4b) these do not adhere to the definition laid down by the Accounts Commission.</i></p> <p>Given the above it is considered that the External Auditor will not be able to place reliance on the Council's submission of for the Learning Centre and Learning Access Points Users Performance Indicators for the 2002/03 financial year. In order to rectify this position for 2003/04 steps require to be taken as a matter of urgency to ensure that appropriate systems, both manual and computerised, to compile the required data per the Accounts Commission definitions are in place throughout the financial year.</p>
Management Responses to the Audit Report
<p>The audit findings and recommendations were formally reported to the Director of Neighbourhood Resources and Development and appropriate action agreed to address the specific issues raised.</p>

Department	Information Technology
Subject	Information Technology Recharges

Introduction
<p>As part of the planned internal audit work, a review of the systems and procedures that underpin the calculation of recharges used by the Information Technology Department was undertaken. The Department provides information technology services to all departments within the Council and the cost of these is recovered on the basis of the requirements of the various departments.</p> <p>For the 2002/03 financial year the actual income and expenditure for the Information Technology Department per the Management Accounts was £5.09m and £5.03 respectively. This was broadly in line with budget.</p>
Scope and Objectives
<p>The principal aim of the review was to provide an opinion on the adequacy of the systems and procedures pertaining to the recharges made for the services provided by the Information Technology Department.</p> <p>The areas examined included the computation of charge out rates, the bases used to compile the charges, the mechanisms used to allocate costs and raise charges and the adequacy of management information.</p>
Conclusion
<p><i>From the audit work undertaken it was concluded that the systems and procedures for the recharge of services provided by the Information Technology Department are satisfactory. Although a small number of errors in the spreadsheet used to calculate the recharges were identified during the audit fieldwork these were not material. The Head of Information Technology was advised of these during the course of the review in order that the appropriate amendments can be made to the master spreadsheet.</i></p>