

REPORT TO: AUDIT AND RISK MANAGEMENT SUB-COMMITTEE 22/01/07
REPORT ON: INTERNAL AUDIT REPORTS
REPORT BY: CHIEF INTERNAL AUDITOR
REPORT NO: 73-2007

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. SUSTAINABILITY POLICY IMPLICATIONS

None

5. EQUAL OPPORTUNITIES IMPLICATIONS

None

6. MAIN TEXT

- 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.

7. CONSULTATIONS

The Chief Executive and Head of Finance have been consulted on the content of this report.

8. BACKGROUND PAPERS

None

**MARJORY STEWART
HEAD OF FINANCE**

12 January 2007

i) INTERNAL AUDIT REPORT 2006/20

Department	Waste Management
Subject	Income from Recycling Activities

Introduction

As part of the planned audit work for 2005/06 a review of the income obtained from sale of recyclates recovered from recycling activities at Waste Management was carried out.

Dundee City Council provides householders and businesses of Dundee with the opportunity to dispose of a wide variety of materials for recycling via a number of means namely recycling centres, recycling points, blue bin kerbside paper collections, brown bin kerbside botanical collections, commercial glass collections and aluminium can recycling. The Council is currently running a pilot household kerbside recycling scheme targeting around 6,450 properties within Dundee which means that plastic, glass and aluminium is uplifted from homes rather than the occupant having to take items to a recycling point. The Council has also produced a Reduce Reuse Recycle Guide to try to encourage the community to recycle rather than dispose of items.

In the region of £219,000 of income was generated from recycling activities during 2005/06 by Waste Management. This was through the sale of approximately 4,230 tonnes of waste paper and cardboard which generated £73,000, 2,450 tonnes of glass which raised £64,000, 1,170 tonnes of scrap metal which produced £56,000 and 15 tonnes of aluminium which resulted in £11,000. The balance, £15,000 was due to income from compost.

Scope and Objectives

The overall aim of the assignment was to undertake a review of the Waste Management Department's arrangements for income derived from recycling. The objective of the review is to provide an opinion on the adequacy and effectiveness of the controls which exist to ensure that tonnage of recyclates is correctly quantified, rates paid for recyclates is maximised, accounts are properly raised for sale of recyclates, accounts are issued promptly, and payments received from clients are processed and posted to debtors' accounts promptly. Arrangements for write offs, cancellations, credit notes and arrears were considered as were the overall arrangements for efficient management of recycling activities.

Conclusion

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

The main areas commented upon the report are as follows:

- In order to ensure that income received from recycling contractors is accurate, the problems with the weighbridge at Marchbanks should be addressed and weights recorded reconciled to weighbridge tickets provided by contractors.
- In order to optimise cash flow, contractors should be encouraged to make payments directly into the Council's bank account. If invoices are deemed necessary these should be raised promptly. In addition, staff monitoring debtor accounts should highlight to line managers as a matter of urgency situations where the contractor appears to be having difficulties making payments.
- In order to ensure that the Council is using suitable contractors and that there is transparency in the selection/de-selection process, the Department should compile a list of contractors who have been assessed using both financial and non-financial criteria.

Management Response to the Audit Report

The audit findings and recommendations were formally reported to the Head of Waste Management and appropriate action agreed to address the specific issues raised.

ii) INTERNAL AUDIT REPORT 2006/27

Department	Economic Development
Subject	2005/06 Statutory Performance Indicators

Introduction

The Local Government Act 1992 requires the Accounts Commission to give such direction as it thinks fit for requiring Councils, Fire and Police Authorities to publish such information relating to their activities in any financial year or such other period as is specified in the direction as will facilitate comparisons of the standards of performance achieved between periods and enable the drawing of conclusions about the discharge of the bodies' functions under Part 2 (Community Planning) of the Local Government in Scotland Act 2003.

The Statutory Performance Indicators (SPIs) to be reported upon are reviewed annually by the Accounts Commission and as a result of this exercise new SPIs may be introduced. In addition, for existing SPIs, the definitions may be unaltered, changed, simplified or SPIs may be deemed to be transitional ie they do not meet the selection criteria but have been retained for other reasons. SPIs cover a broad spectrum of services such as respite care, school occupancy, council tax collection and planning applications and Dundee City Council's are compiled at a departmental level.

At the request of the external auditor, Audit Scotland, a review of the systems underpinning the compilation of some of the 2005/06 Accounts Commission Indicators was undertaken and, as part of this exercise, systems relating to Corporate Management Indicator 4 which is compiled by the Economic Development Department was examined. This indicator relates to the percentage of council buildings from which the Council delivers services and which have public areas suitable for and accessible to disabled people.

Scope and Objectives

The objective of the audit was to examine the systems underpinning the compilation of indicators which were either new or had been changed, simplified, or deemed transitional for 2005/06. Procedures relating to the compilation of indicators which had not been changed were not examined.

Conclusion

On the basis of examining the procedures and data used in the compilation of this Statutory Performance Indicator, and obtaining explanations and carrying out such tests as deemed necessary, it is considered that as a result of improvements made to procedures during this review appropriate systems are now in place to ensure that the Statutory Performance Indicator can be compiled in line with the guidance issued by the Accounts Commission.

iii) INTERNAL AUDIT REPORT 2006/29

Department	Social Work
Subject	2005/06 Statutory Performance Indicators

Introduction

The Local Government Act 1992 requires the Accounts Commission to give such direction as it thinks fit for requiring Councils, Fire and Police Authorities to publish such information relating to their activities in any financial year or such other period as is specified in the direction as will facilitate comparisons of the standards of performance achieved between periods and enable the drawing of conclusions about the discharge of the bodies' functions under Part 2 (Community Planning) of the Local Government in Scotland Act 2003.

The Statutory Performance Indicators (SPIs) to be reported upon are reviewed annually by the Accounts Commission and as a result of this exercise new SPIs may be introduced. In addition, for existing SPIs, the definitions may be unaltered, changed, simplified or SPIs may be deemed to be transitional ie they do not meet the selection criteria but have been retained for other reasons. SPIs cover a broad spectrum of services such as respite care, school occupancy, council tax collection and planning applications and Dundee City Council's are compiled at a departmental level.

At the request of the external auditor, Audit Scotland, a review of the systems underpinning the compilation of some of the 2005/06 Accounts Commission Indicators was undertaken. As part of the audit fieldwork systems relating to Adult Social Work Indicators 1, 2, 5, 6 and 7 and Education and Children's Services Indicators 4,7 and 9, all of which are compiled by the Social Work Department.

In respect of Adult Social Work, indicator 1 was new, indicator 2 was changed and indicators 5, 6 and 7 were simplified in 2005/06. These indicators relate to Community Care Services, Residential Accommodation, Respite Care, Social Enquiry Reports and Probation respectively. With regard to the Education and Children's Services indicators, 4 and 7 were changed and 9 was simplified. These indicators relate to Children's Reporter Liaison, Staff Qualifications and Provision of Respite Services.

Scope and Objectives

The objective of the audit was to examine the systems underpinning the compilation of indicators which were either new or had been changed, simplified, or deemed transitional for 2005/06. Procedures relating to the compilation of indicators which had not been changed were not examined.

Conclusion

On the basis of examining the procedures and data used in the compilation of this Statutory Performance Indicator, obtaining explanations and carrying out such tests as deemed necessary, it is considered that whilst for four of the indicators systems are satisfactory, improvements require to be made to the systems currently used for the four remaining indicators to ensure that the Statutory Performance Indicator(s) can be compiled in line with the guidance issued by the Accounts Commission.

The main areas which require to be addressed are as follows:

- To ensure that data is readily available for compilation of the Statutory Performance Indicators, all relevant information should be recorded in the Social Work Department's database, K2.
- To ensure that information received from 3rd parties is usable and accurate, staff should request it in the desired format and check data received to Social Work department records.

Management Response to the Audit Report

The audit findings and recommendations were formally reported to the Director of Social Work and appropriate action agreed to address the specific issues raised.

iv) INTERNAL AUDIT REPORT 2006/32

Department	Education
Subject	School Clothing Grants

Introduction

As part of the planned Internal Audit work a review of the arrangements for the provision of School Clothing Grants was carried out.

Dundee City Council provides school clothing grants for children of families who are in receipt of Income Support, Income Based Jobseekers Allowance, Support Under Part VI of the Immigration and Asylum Act 1999, Housing Benefit, Council Tax Benefit, Guaranteed Pension Credit, Child Tax Credit or Working Tax Credit. Children who are currently in receipt of free school meals also qualify for a grant for school clothing.

Application forms for school clothing grants are sent to schools and child and family centres in May of each year. Forms are also made available at the main reception desk on floor 2 of Tayside House. Guidance on completing the forms is included in the package and completed forms and the relevant supporting documentation detailed in the application form should be submitted to the Finance Department office at 6/7 City Square, any of the Area Housing Offices or to the main reception desk on floor 2 of Tayside House.

The amount of grant payable is at the discretion of each local authority. Some authorities have one rate for both primary and secondary school pupils while others have a higher rate for secondary school pupils than for primary pupils. The amounts paid by Dundee City Council were £45 per annum for children under 10 years of age whilst those over 10 years old received £50 which is broadly in line with the rates paid by other Scottish local authorities. During 2005/06 in the region of 6,600 grants were awarded at an approximate cost of £319,000.

Scope and Objectives

The overall aim of the assignment was to provide an opinion on the adequacy of the procedures associated with school clothing grants. This included the eligibility for school clothing grants, the adequacy and availability of application forms, assessment of applications, adherence to criteria set, the level of supporting documentation required, arrangements for payment of clothing grants and overpayments, procedures operated for clients without bank accounts, reconciliation procedures and the adequacy of management information.

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:

- To ensure that applicants are accessing the latest information and application form, the information on the Council website should be updated.

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 specific issues raised.

v) INTERNAL AUDIT REPORT 2006/35

Department	Finance
Subject	2005/06 Statutory Performance Indicators

Introduction

Statutory Performance Indicators (SPI) cover a broad spectrum of services such as respite care, school occupancy, council tax collection and planning applications and are compiled by various departments within the Council. Guidance on procedures to be adopted has been issued by the Finance Department and returns should be submitted by the end of June to the Principal Accountant within Finance who has responsibility for this area. The figures are then submitted to the Council's external auditors, Audit Scotland, who check them for accuracy and pass them to the Accounts Commission by the end of August.

At the request of Audit Scotland, a review of systems underpinning compilation of the 2005/06 SPIs was undertaken. Audit fieldwork focussed on indicators which were new, changed simplified or transitional in 2005/06 or which Audit Scotland had queried as part of their 2004/05 audit work.

The review covered systems operated within several departments. Individual reports have been issued to departments indicating where systems are operating satisfactorily or making recommendations for improvements where it is considered these are necessary.

Scope and Objectives

The objective of the audit was to examine the systems underpinning the compilation of indicators which were either new or had been changed, simplified, or deemed transitional for 2005/06. Procedures relating to the compilation of indicators which had not been changed were not examined.

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 area commented upon in the report is as follows:

- In order to ensure that SPIs do not require to be amended once submitted, departments should be reminded that appropriate systems should be in place to allow SPIs to be compiled from Dundee City Council data unless otherwise stated by the Accounts Commission.

Management Response to the Audit Report

The audit finding and recommendation was formally reported to the Head of Finance and appropriate action agreed to address the specific issue raised.

vi) INTERNAL AUDIT REPORT 2006/36

Department	Social Work
Subject	2005/06 Grant Claim : Resources for Community Care (Equipment and Adaptations)
Introduction	
<p>In the 2005/06 financial year the Scottish Executive offered grant assistance to Dundee City Council to support improvements in equipment and adaptation service delivery. The grant provision made to the Council for financial year 2005/06 was £171,168.</p> <p>It is a requirement of the Conditions of Grant that "the Council shall by the 30 June submit to the Grantor a statement of compliance with the grant conditions signed by the head of internal audit".</p>	
Scope and Objectives	
<p>The overall aim of this review was to enable the Chief Internal Auditor to provide an opinion as to whether or not the entries on the Statement of Expenditure submitted by the Council are fairly stated, the sums claimed are properly due, substantiated with documentary evidence and have been used for the intended purposes in accordance with the terms and conditions under which the claim for grant is made.</p>	
Conclusion	
<p><i>On the basis of examining the accounts and records of this grant claim, obtaining such explanations and carrying out such tests as deemed necessary, it is considered that the entries in the claim form are fairly stated, and that the sums claimed are properly due and have been used in accordance with the terms and conditions of the Offer of Grant.</i></p>	

vii) INTERNAL AUDIT REPORT 2006/38

Department	Planning and Transportation
Subject	2005/06 Grant Claim : Bus Route Development Grant Scheme

Introduction

The Bus Route Development Grant, which falls under the powers contained in Section 70 of the Transport (Scotland) Act 2001, has the specific aim to provide financial support for up to 3 years to aid the development of new and existing local bus services which can demonstrate the potential for growth. The overall purpose of the Grant is to improve access to public transport, encourage modal shift and reduce congestion. Under this scheme, the Scottish Executive made a formal offer to Dundee City Council in their letter of 24th March 2005, of grant of up to a maximum of £1,771,000 for the financial years 2005/06 to 2007/08 inclusive.

For the 2005/06 financial year the grant provision made to the Council was £1,002,000 and the actual grant payments received totalled £806,146. This sum was based on projected and actual expenditure. Due to delays in commencing the project, the actual net expenditure to the 31st March 2006 was of the order of £669,178. The Scottish Executive subsequently confirmed that as this was a three year grant a request for repayment of grant monies would not be made. However the Scottish Executive has requested that the Council submit a revised financial profile showing the new proposals for the duration of the grant.

Under the conditions of grant there is a requirement that "the [Transport Authority] shall by the 30 June in the financial year following receipt of any grant submit to The Scottish Ministers a statement of compliance with the grant conditions signed by the head of internal audit."

Scope and Objectives

The overall aim of this review was to enable the Chief Internal Auditor to provide an opinion as to whether or not the entries on the Statement of Expenditure submitted by the Council are fairly stated, the sums claimed are properly due, substantiated with documentary evidence and have been used for the intended purposes in accordance with the terms and conditions under which the claim for grant is made.

Conclusion

Having examined the accounts and records of this grant claim, obtaining such explanations and carrying out such tests as deemed necessary, adjustments required to be made to the expenditure statements submitted to the Scottish Executive as part of the Chief Internal Auditor's Statement of Compliance. Whilst these adjustments did not on this occasion result in loss of grant to the Council, it is considered that some improvements to systems are required to ensure maximisation of income from external sources.

The main area commented upon in the report are as follows:

- To ensure that external funding is maximised by the Council, minimise the risk of loss of grant through slippage and reduce the potential for a request for repayment of funds staff should ensure that appropriate systems are in place to enable any external funding to be spent in full and in line with the terms and conditions of the award.

Management Response to the Audit Report

The audit findings and recommendations were formally reported to the Director of Planning and Transportation and appropriate action agreed to address the specific issues raised.