

REPORT TO: SCRUTINY COMMITTEE – 12 FEBRUARY 2014

REPORT ON: INTERNAL AUDIT REPORTS

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 76-2014

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

Sallie Dailly, Chief Internal Auditor

DATE: 28 January 2014

i) INTERNAL AUDIT REPORT 2012/10

Client	Corporate
Subject	Performance Measures

Introduction

A review of the arrangements in place to report a sample of the 2012/13 specific indicators was part of the planned internal audit work.

The Accounts Commission for Scotland is responsible for improving the standard of information made available to the public on the performance of Scottish councils. Using its statutory power, the performance information that must be published locally to comply with the requirements of the Local Government Act 1992 is defined by the Accounts Commission in the Direction and Guide.

In its 2008 Direction and Guide, the Accounts Commission significantly changed the scale of specified information that was to be reported locally through Public Performance Reports, giving councils the flexibility to develop under the direction of two Statutory Performance Indicators (SPIs) on corporate management and service performance, a comprehensive set of indicators sufficient to demonstrate that they were securing Best Value. Councils were advised that the information reported by them under SPIs 1 & 2 was to include their level of achievement against 25 specific indicators.

The 2011 Direction, for the 2012/13 financial year, maintained the broad terms of the 2008 Direction including, in general, the same 2 SPIs and 25 specific indicators. Going forward, as a result of a fundamental review of SPIs carried out during 2012, the 25 specific indicators have been replaced in the 2012 Direction by a third SPI requiring councils to report performance in accordance with the requirements of the Local Government Benchmarking Framework, a suite of indicators developed nationally to improve local government benchmarking. The new indicators include, either in whole or in part, some of the 25 specific indicators prescribed in the 2011 Direction.

Scope and Objectives

To assess the effectiveness of the arrangements in place to ensure adequate data quality, monitoring and reporting of performance information for specific indicators 23, 24 and 25. These broadly relate to the net cost of refuse collection and disposal per premises, the percentage of household waste collected by the Council during the year that was recycled and composted and the cleanliness index achieved following inspection of a sample of streets and other relevant land. This sample of specific indicators selected for review will, in general, continue to be reported going forward, albeit as part of the Local Government Benchmarking Framework.

Conclusion

The principal conclusion drawn from this review is that there is a sound system of control designed to achieve the system objectives and that the controls are being consistently applied.

ii) INTERNAL AUDIT REPORT 2012/27

Client	City Development
Subject	Building Quality Support

Introduction

A review of the procedures operated within the Planning Division's Building Quality Support Team was part of the planned internal audit work.

The Planning Division's, Development Management and Building Standards teams require a considerable amount of administrative support and this is provided by the Building Quality Support Team. Bulk scanning services are, however, provided by the City Development Department's Support Services Division.

Administrative responsibilities include registering and validating planning and building warrant applications, processing letter of comfort and section 50 applications, indexing scanned documentation, compiling the weekly list, recording objections and issuing correspondence such as application forms, neighbour notifications, decision notices, building warrants and completion certificates. In addition, the Building Quality Support Team provides a systems administration service for the Council's planning and building control software solution provided by IDOX.

There was of the order of 680 planning and planning related applications and 1000 building warrant applications, including 'late' and amendment to building warrant applications, received during 2012/13.

Scope and Objectives

To carry out a review of the administration procedures operated within City Development to support the services provided by the Development Management and Building Standards teams.

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 as follows:

- To ensure that key demands on the service are met, an exercise should be carried out whereby all tasks performed by the Building Quality Support Team are formally identified, analysed and prioritised. Consideration should be given as part of this process to the current and known future external demands on Planning and Building Standards e.g. via the national e-government agenda. In addition, going forward, in order to ensure that the IDOX systems are administered effectively and the functionality is fully utilised, training should be provided on an ongoing basis for key members of staff.
- Steps should be taken to further enhance the processes operated in respect of neighbour notification and in the capture of information to be made available via the public access area. In addition, in instances where it is projected that an application decision will not be made within the prescribed period, a written agreement should be put in place with the applicant. Similarly, staff should be reminded to ensure that applicants are notified within 14 days whether or not their completion certificate submission has been accepted.

Management Response to the Audit Report

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

iii) INTERNAL AUDIT REPORT 2012/31

Client	Corporate
Subject	Procurement Cards

Introduction

A review to provide assurance over the controls operated in the corporate roll-out of procurement cards was part of the planned internal audit work.

The Government Procurement Card (GPC) was introduced in the UK in 1997 as a convenient and cost effective way for public sector organisations to make low value purchases. GPCs are payment charge cards that individuals can use to purchase goods or services. Suppliers are paid immediately and the balance is paid off in full each month. The benefits of using GPCs potentially include faster processing of purchases, faster payments to suppliers, tighter control over spending limits and simplified monitoring arrangements made possible through the availability of online management information.

The Council's GPC provider is the RBS. There are currently of the order of 170 GPCs in circulation within the Council. In the 2012/13 financial year there was a significant increase in the volume of purchases made via this mechanism due to the roll-out of the programme and the payment to the card provider was of the order of £300,000. The Council receives 0.5% cash back from RBS on all payments made via this purchasing route.

Scope and Objectives

To provide assurance over the controls operated in the corporate roll-out of procurement cards as part of the purchase to pay strategy. The review focused specifically on procurement cards issued to members of staff for Council business.

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:

- With a view to ensuring that duties are suitably segregated and the most appropriate members of staff make purchases and input, match and authorise associated transactions, the Corporate Procurement Team should conduct a comprehensive review of existing access rights within CIVICA Purchasing. In addition, steps should be taken to ensure that the system controls within CIVICA Purchasing and RBS' Smart Data OnLine (SDOL) to restrict usage are more fully utilised.
- To ensure compliance with the GPC Policy and Guidelines and reduce the potential risk of GPC misuse, checking and monitoring arrangements in place centrally and locally should be further developed.

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.

iv) INTERNAL AUDIT REPORT 2013/09

Client	Corporate
Subject	Follow-up Review of Risk Management Arrangements

Introduction

As part of the planned internal audit work, a follow-up review of Internal Audit Report 2011/15, Risk Management Arrangements, was undertaken.

The original internal audit report concluded that there were weaknesses in the system which should be addressed. The main areas commented upon in the report were as follows:

- Through our discussions with the Risk and Business Continuity Manager and Social Work and Environmental Directorate teams we noted a good knowledge of the insurance and business continuity risks facing the Council. In addition, an understanding of project risks with specific examples such as the waterfront development were highlighted in discussions. However, a clear and robust process to capture the wider strategic and business risks facing the Council was not evident. Given this the Council's risk management arrangements should be reviewed with a view to ensuring an appropriate focus on the wider strategic and business risks. The key areas that require to be strengthened and developed include governance, the risk management strategic plan, roles and responsibilities, the corporate risk register and departmental risk registers.

Scope and Objectives

To assess whether or not each of the recommendations agreed by management in Internal Audit Report 2011/15 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 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:

- To assist Elected Members in discharging their governance responsibilities more fully, the regularity and detail of reporting risk management arrangements to Elected Members should be increased in line with the new reporting regime. It is anticipated that the frequency will increase following the review of the Strategic Risk Register, which is expected to be submitted to the June Scrutiny Committee.
- To ensure that the main strategic risks faced by each of the Council departments and corresponding mitigating actions are identified and monitored and also that the content and format of Departmental Risk Registers are aligned to that of the Corporate Risk Register, Departmental Risk Registers should be completed by the end of the financial year as scheduled and thereafter the registers should be reviewed by the Corporate Risk Management Group and Scrutiny Committee in line with the Risk Management Strategic Plan.

Management Response to the Audit Report

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

v) INTERNAL AUDIT REPORT 2013/10

Client	Leisure and Culture Dundee
Subject	Follow-up Review of Governance Arrangements

Introduction

As part of the planned internal audit work, a follow-up review of Internal Audit Report 2011/39, Governance Arrangements, 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 commented upon in the report were as follows:

- In order to ensure that the governance arrangements operated by L&C Dundee are in line with best practice, consideration should be given to clearly setting out its approach to performing each of the functions of governance in a local code of corporate governance. In addition staff should ensure that the areas of partial compliance are addressed. Measures to be taken include compiling a business plan, developing formal risk management arrangements, taking steps to finalise the draft Service Level Agreements with DCC and assessing / self-assessing the skills, knowledge and experience of trustees.

Scope and Objectives

To assess whether or not each of the recommendations agreed by management in Internal Audit Report 2011/39 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.

vi) INTERNAL AUDIT REPORT 2013/16

Client	Corporate
Subject	Disposal of IT Equipment

Introduction

A review of the Council's processes and procedures for the decommissioning and disposal of IT equipment was part of the planned internal audit work.

One of the fastest growing forms of waste is waste electrical and electronic equipment also known as WEEE. Such equipment may also contain hazardous substances which are harmful to the environment. As a result regulations to address the environmental impact of equipment at the end of its life are in place. These promote environmentally sound disposal and encourage re-use and recycling to endeavour to reduce the amount going to landfill. As part of this process cognisance should also be taken of electrical safety requirements detailed in the Electrical Equipment (Safety) Regulations 1994.

A number of externally reported high profile cases have highlighted the importance of data security when IT equipment containing sensitive information has been lost. This principle is equally important with the planned disposal of IT equipment. In particular, the Council is obliged under the Data Protection Act 1998 to protect personal data and also needs to ensure that sensitive data is not accessible.

Dundee City Council utilises the services of third parties which are approved by the relevant environmental protection agencies as an authorised treatment facility for the disposal of electrical and electronic equipment. However, the Council still retains a duty of care in ensuring that proper practices are followed.

Scope and Objectives

Review to provide assurance that the decommissioning and disposal of IT equipment minimises potential risks and is in line with the relevant regulations.

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 areas commented upon in the report are as follows:

- Steps should be taken to improve the inventory listings maintained in respect of IT equipment and mobile phones. This should include the introduction of cycle counts to periodically sample check higher risk or higher value items on the inventory listing.
- To provide additional assurance that IT equipment sent to third parties for disposal has been cleansed of sensitive data, the IT team should perform monthly sample checks between the Council's record of items sent for disposal and the destruction certificates received from the third party.

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.

vii) INTERNAL AUDIT REPORT 2013/22

Client	Corporate
Subject	Follow-up Review of Winter Maintenance - Communication

Introduction

As part of the planned internal audit work, a follow-up review of Internal Audit Report 2011/24, Winter Maintenance - Communication was undertaken.

The original internal audit report concluded that there were weaknesses in the system which should be addressed. In summary these related to the following:

- Implementation of specific actions to improve the Council's communication strategy on winter maintenance. These actions were categorised under five key themes namely agreeing priorities, service provision, customer services, internal and external communication and were assigned short, medium and long term target dates of November 2011 through to November 2013.
- Consideration being given to planning a number of local community initiatives to run in parallel with the Scottish Government's 2011 "Ready for Winter" week.

In the financial year 2012/13, a follow-up review was undertaken to assess whether or not each of the recommendations agreed by management for implementation by November 2011 had been implemented within the given timescale. The principal conclusion drawn from this was that the actions taken by management had addressed the control weaknesses that were to be dealt with in the short term. In addition, evidence obtained and reviewed as part of this follow-up process demonstrated that some of the medium and long term recommendations were already progressing.

Scope and Objectives

To assess whether or not each of the recommendations agreed by management in Internal Audit Report 2011/24 for implementation by November 2013 had been appropriately implemented and to ensure that, where little or no progress had been made towards implementation, that plans were in place to progress them. 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.