

REPORT TO: SCRUTINY COMMITTEE – 28 APRIL 2021

REPORT ON: INTERNAL AUDIT REPORTS

REPORT BY: SENIOR MANAGER – INTERNAL AUDIT

REPORT NO: 126-2021

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

Pamela Redpath, Senior Manager – Internal Audit

DATE: 07 April 2021

i) INTERNAL AUDIT REPORT 2020/10

Client	Construction Services
Subject	Materials Purchasing

Introduction

Construction Services is responsible for a wide spectrum of work, including property repairs and maintenance, Scottish Housing Quality Standards improvements, new builds and refurbishment, contract surveying, disabled adaptations, electrical testing, emergency repairs, gas testing, housing repairs and maintenance and lift maintenance and testing.

Construction Services purchase materials for a number of contracts and programmes, into stores for stock items and for repairs and maintenance work.

The Council has implemented a Corporate Procurement Strategy, aligned to Scottish, UK and European Procurement legislation, which details how the Council procures works, goods and services. There is a Corporate Procurement Team within the Council that liaises with services, including Construction Services, when required. Staff within Construction Services are, however, currently responsible for the placement of orders, receipt of materials and receipt and checking of invoices in relation to procurement activity within their service. Requisitions are recorded in an in-house, stand-alone requisitioning system and ordering details are input to an in-house Service database (McDonn / DCS), from which, a daily feeder file is sent to the corporate CIVICA Financials system for payments to be processed.

The requirements to tender are governed by a number of legislative and operational obligations including the European Procurement Public Contracts Directive, which includes detailed procedures for the advertising and award of contracts above certain thresholds, that are also set in the Directive. The Official Journal of the European Union (OJEU) advertises tender opportunities which fall under this directive and where the threshold is met.

Guidance on ordering and procuring goods and services, including tendering, is detailed in the Council's Tender Procedures and also referenced in the Financial Regulations, both of which form part of the Standing Orders of the Council and Schemes of Administration. Construction Services is required to comply with the Council's Financial Regulations and Tender Procedures, as well as in-house guidance and operational procedures.

The total spend on construction for 2019/20 was of the order of £52M, representing over 21% of the total spend by the Council. In addition, construction materials requisitioning for the Council for the same period was £8.5M, representing 3.5% of total procurement spend within the Council.

Scope and Objectives

End to end review of the materials requisitioning, purchase ordering, invoicing and payment process in place for Construction Services.

Conclusion

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

The areas of concern highlighted in the report are as follows:

- The arrangements within Construction Services for procuring materials do not comply with the Council's Tender Procedures, Financial Regulations and the Council's Corporate Procurement Processes. Staff knowledge of existing frameworks out with Scotland Excel contracts is limited. To assist the Service to achieve a compliant procurement route to market going forward, the procurement workshop training already provided to relevant Construction Services staff should be supplemented by more specific training to key staff to enable them to carry out their procurement roles successfully. Continuing to work closely with the Council's Corporate Procurement Team should assist Construction Services, as will the planned recruitment of a new Procurement Category Officer – Construction Supply Line to the Corporate Procurement Team who will be dedicated to Construction Services procurement. This was advertised on the 5 March 2021.

i) INTERNAL AUDIT REPORT 2020/10 (Cont'd)

Client	Construction Services
Subject	Materials Purchasing

Conclusion (Cont'd)

- Expected procurement processes for the purchase of materials for the Construction Services store, using Scotland Excel frameworks, are not being followed, including the use of mini-competitions. A comprehensive exercise should be undertaken to establish what materials are held in the store along with the frequency and value of orders, the quantity of materials required and the costs associated with their replenishment. Thereafter, to ensure a compliant route to market is taken for the ongoing purchase of store materials, advice and guidance should be actively sought from the Corporate Procurement Team.
- There are weaknesses in the processes for requisition, ordering and receipt of materials, including authorisation arrangements, segregation of duties and the number of officers with the authority to raise a requisition and order. Whilst it is acknowledged that there are system limitations, existing password and access controls are not considered appropriate for the ordering system. A comprehensive review of these areas should be completed and arrangements put in place to establish a stronger control framework, focussing on the areas highlighted above. The lead in time for the new system being fully implemented should help determine whether it may be more practical to make these enhancements within or out with the system.
- Where materials are required immediately / in an emergency, designated staff can “book” an order number for a “Pick up”. The volume of order numbers requested this way is excessive, indicating that it is more common practice. The list of staff who have authorisation to book an order number should be reviewed with a view to reducing this to identified key individuals and those in specific roles. The process should also be reviewed to significantly reduce the number of occasions where it is being used and restricted as intended to emergency situations only.

Management Response to the Audit Report

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

ii) INTERNAL AUDIT REPORT 2020/13

Client	Corporate Services
Subject	Alphatec

Introduction

Alphatec's web-hosted application insurance management system, ClaimControl, is used by the Council's Insurance and Loss Control Service. The system, which was procured in 2019 and went live in January 2020 has been primarily used to date for claims handling purposes. More specifically, the system is used to record and analyse incidents, assess claims made against the Council, assist in making timeous payment of claims, identify claim trends and report on information for Freedom of Information requests.

The Insurance and Loss Control Service is responsible for ensuring that the Council's assets are adequately and effectively insured through a combination of commercial insurance and a self-insurance programme, dealing with all insurance claims made against the Council and pursuing recovery of costs against third parties. e.g. those who have caused damage to Council property.

The main areas of insurance managed by the Insurance and Loss Control Service are Employers Liability, Public Liability, Motor Claims and Property Claims. The Council handles Employers Liability claims up to a delegated authority of £100,000 per claim, Public Liability third party property damage claims up to £2,500 per claim, Motor Claims up to £50,000 per claim and Property Claims up to £10,000 per claim, with a loss adjustor being brought in for property claims above this limit. The delegated authority has been in place since December 2010.

Insurance is defined in the Council's Financial Regulations as a responsibility of the Executive Director of Corporate Services. The Council has implemented an Insurance Fund, which is used to manage insurance costs over the medium-term and has 3 purposes, including "*where the authority could have insured against a risk but have not done so; defraying any loss or damage suffered, or expenses incurred, by the authority as a consequence of that risk; and paying premiums on a policy of insurance against a risk.*"

Between 1 April 2020 and 17 March 2021, the Council received 820 insurance claims, 257 of which were still open at the March 2021 date. There was a total of 15,827 insurance claims on ClaimControl at mid-March 2021, including historic claims, 374 of which were open. In 2019/20, expenditure on self-insured claims was £901,438, which was broadly in line with the previous year's expenditure of £1,111,123.

Scope and Objectives

Review to assess the operational effectiveness and logical security of the new Alphatec insurance management solution procured by the Council.

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:

- To further assist staff within services to monitor their claims and understand the impact of any recent risk mitigation measures on the volume of corresponding claims, the Senior Insurance and Loss Control Officer should liaise with relevant service managers with regard to the content of regular reports which could be generated from ClaimControl. Further utilisation of the system's reporting capabilities should also be explored by the Insurance and Loss Control Service. In particular, it should be used to extract the information required to comply with the requirement for an Annual Self-Insured Loss History Report to be submitted to the June Scrutiny Committee. Consideration should also be given to expanding the report to include information on the work undertaken by the team in that financial year and to incorporate information on any recent risk mitigation measures.

ii) INTERNAL AUDIT REPORT 2020/13 (Cont'd)

Client	Corporate Services
Subject	Alphatec

Conclusion (Cont'd)
<ul style="list-style-type: none"> As proposed, at the 2020/21 year-end and thereafter on an annual basis, relevant reports on claims expenditure and incoming monies relating to that financial year should be run from ClaimControl and reconciled to the corresponding information in the CIVICA General Ledger. Any significant and material differences arising should be reviewed and corrected as required. The reconciliation should also be added to the reconciliation framework maintained by Corporate Finance.
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 2020/18

Client	Neighbourhood Services
Subject	Homelessness

Introduction

Homelessness is not just a housing matter, it is often linked with complex and challenging life experiences such as mental health problems, drug and alcohol dependencies and institutionalisation (prison/care). Homelessness can affect anyone at any point in their lives due to unforeseen circumstances.

The Council has a statutory duty to provide a service to people who are homeless or threatened with homelessness under the Homelessness (Scotland) Act 2003. This includes a duty to find settled accommodation for any applicant who is assessed as unintentionally homeless. The Council also has a statutory duty under the Housing (Scotland) Act 2001 to carry out an assessment of homelessness in its area and prepare and submit to Ministers its strategy on the prevention and alleviation of homelessness as part of its Local Housing Strategy. The Homelessness etc. (Scotland) Act 2003 amended the Housing (Scotland) Act 1987 and the Housing (Scotland) Act 2001 and primarily affects how local authorities carry out their homelessness functions, strengthening people's rights to support when they are facing homelessness.

The Scottish Government produced the statutory Code of Guidance on Homelessness in 2005 (the Code). It provides guidance on legislation, policies and practices to prevent and resolve homelessness. The purpose of the Code is to help local authorities in their duties to assist people who are threatened with or who are experiencing homelessness. An interim update to the Code was published by the Scottish Government in 2019.

The Council has implemented a housing-led approach, called Rapid Rehousing, for rehousing people who have experienced homelessness, ensuring that they reach a settled housing option as quickly as possible rather than staying too long in temporary accommodation. A Rapid Rehousing Transition Plan (RRTP) has been developed to support the approach. The RRTP sets out the local homelessness context, provides a baseline position of temporary accommodation supply, sets out a 5-year vision, identifies support needs and how the Council will, in conjunction with its partners, including Dundee Health and Social Care Partnership and third sector organisations, achieve its vision for reducing the number of people in temporary accommodation and increasing the number of settled housing options for homeless households.

There were 1414 new homeless applications made to Dundee City Council during 2019/20. Single males continue to be the most common household group making a homeless application, equating to approximately half of all applications.

Scope and Objectives

Review of the adequacy of the systems in place within Neighbourhood Services to ensure that it meets its statutory obligations in respect of homelessness and recording of associated outcomes. The scope of the audit has been tailored to look at the assessment phase of Homelessness.

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:

- Whilst the majority of homelessness assessments carried out by the Council are completed within the targeted 28 days, the Council has a higher percentage than the Scottish average for those cases which are either, resolved, withdrawn or where contact was lost before the assessments have been completed. In addition, the percentage of applications assessed within 28 days is lower in Dundee than the Scottish average.

iii) INTERNAL AUDIT REPORT 2020/18 (Cont'd)

Client	Neighbourhood Services
Subject	Homelessness
Conclusion (Cont'd)	
<ul style="list-style-type: none"> It was established as part of the audit fieldwork that the Council is meeting its statutory duties in respect of homelessness assessments and the below average performance in this area is not attributed to errors in the completion of assessments. In order to assist in improving the Council's performance in completing assessments of Homelessness, consideration should be given to carrying out an analysis of the time spent by Housing Options Officers in relation to the various tasks they undertake. This could be done using the Service Design methodology. Once this has been established, management should trial different ways of working in order to try and improve efficiency and performance including setting local targets. Any changes in process which improves the performance should be considered for implementation on a permanent basis. Greater priority could be given to completing the assessment process. 	
Management Response to the Audit Report	
The audit findings and recommendations were formally reported to the Executive Director of Neighbourhood Services and appropriate action agreed to address the matters raised.	

iv) INTERNAL AUDIT REPORT 2020/19

Client	Corporate
Subject	Follow-up Review of General Data Protection Regulations (GDPR)

Introduction

As part of the planned internal audit work, a follow-up review of Internal Audit Report 2018/06, General Data Protection Regulation (GDPR), 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:

- The Council's GDPR Action Plan is based on guidance published by the Information Commissioner's Office. To enhance the Action Plan, a formal gap analysis should be carried out, comparing it against GDPR requirements to identify specific tasks / actions that require to be taken forward to help ensure compliance. A risk-based approach to the implementation of tasks should be defined, along with a detailed list of actions to be completed for each task, specific timelines for completion and estimated resourcing requirements. A formal process should be put in place to track progress made towards implementing the Action Plan.
- The personal data inventory should be completed and validated using a single template. A process also should be established to ensure the ongoing accuracy of the inventory.
- Three levels of Privacy Governance Groups have been formed to oversee GDPR actions. To strengthen the governance arrangements, Terms of Reference for each group should be clearly defined, documented and communicated. Privacy roles and responsibilities also should be defined and communicated across Strategic Services. The Council should review whether those appointed to an Information Compliance Representative role are the most appropriate individuals for the role.
- External privacy notices and an internal-facing privacy policy have been formed. There are, however, areas for enhancement surrounding both to ensure they capture the relevant information (e.g. the lawful bases for data processing and general requirements for personal data handling applicable to Council staff). External-facing GDPR privacy statements that have been drafted but yet to be published, should be submitted to the Data Protection Officer ("DPO") for review and, thereafter, published. In addition, the Council's GDPR Action Plan should be updated to incorporate the requirement to perform a review of personal data capture points within Strategic Services in order to identify and address gaps in privacy policies, notices and consent mechanisms. A formal process for maintaining an effective audit trail of consents should be created.
- At the time of the audit fieldwork, areas for improvement on the Data Protection Impact Assessment ("DPIA") process were identified around defining roles and responsibilities for each stage of the process and establishing a process to monitor actions arising from the DPIA. In addition, there were two draft DPIA guidance documents, which required to be reviewed and consolidated. The question set (initial assessment) to help staff determine whether a DPIA is required should be revised to provide guidance on how to answer each question and to explain the steps to be taken where it is identified that a DPIA is required.
- A draft Data Breach Management Policy and Procedure have been developed. These documents should be finalised and communicated to staff as soon as possible. The requirements for breach detection should be defined and a process established to monitor the completion of post-breach remediation actions.
- A Subject Access Request ("SAR") checklist has been developed, which sets out how to complete a SAR. The checklist should be used as a starting point to develop a formal SAR response process which should include internal deadlines for completing a SAR and criteria for valid ID and fee charging. Currently some services manage their own SARs and it is recommended that this approach is reviewed with a view to developing a solution that will ensure consistency of approach and deliver an appropriate level of central oversight.

iv) INTERNAL AUDIT REPORT 2020/19 (Cont'd)

Client	Corporate
Subject	Follow-up Review of General Data Protection Regulations (GDPR)
Introduction (Cont'd)	
<ul style="list-style-type: none"> A mandatory general data protection e-learning training course has been developed and Privacy 'toolbox talks' (face-to-face presentations) and access to hardcopies of Council's GDPR handbook have been provided to staff without computer access, however, there is no specific completion deadline for the e-learning training. To reduce the potential risk of staff not having completed the training and being unaware of their responsibilities in relation to personal data handling, a completion deadline should be set for mid-2019 with completion rates tracked centrally by the DPO. The development and roll out of role-specific privacy training also should be prioritised. 	
Scope and Objectives	
To assess whether or not each of the recommendations agreed by management in Internal Audit Report 2018/06 have been implemented within the given timescales. The follow-up review was restricted to areas included in the original report.	
Conclusion	
<p><i>The principal conclusion drawn from the follow-up work undertaken is that the recommendations agreed with management require to be implemented to overcome the control weakness highlighted in the original review.</i></p> <p>COVID-19 has had a significant impact on the delivery of the actions agreed in the original report. Several recommendations were due at the end of May 2020 and implementation has been delayed, notably on the work required to fully address the two critical findings by undertaking a robust gap analysis and mapping of personal data across the Council. Progress has been made on partially implementing the significant recommendations but further work is required to fully mitigate the risks identified.</p> <p><i>The main areas where actions agreed by management are still outstanding are as follows:</i></p> <ul style="list-style-type: none"> A formal gap analysis has not been completed and therefore a risk-based approach to compiling a list of tasks and actions has also not been completed. A personal data inventory has not been completed. The Council's GDPR Action Plan has not been updated to incorporate the requirement to perform a review of personal data capture points within Strategic Services in order to identify and address gaps in privacy policies, notices and consent mechanisms. There is also no formal process for maintaining an effective audit trail of consents. The Council has not yet formalised a process to monitor any actions following a DPIA. A formal SAR process has not been established and the overall approach across the Council has not been centralised yet. 	
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.	