

REPORT TO: SCRUTINY COMMITTEE – 19 APRIL 2017

REPORT ON: INTERNAL AUDIT REPORTS

REPORT BY: SENIOR MANAGER – INTERNAL AUDIT

REPORT NO: 132-2017

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, 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 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, 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: 29 March 2017

i) INTERNAL AUDIT REPORT 2015/24

Client	Corporate
Subject	Personal Protective Equipment (PPE)

Introduction

A review of the arrangements in place to manage Personal Protective Equipment within Dundee City Council was part of the planned internal audit work.

Personal Protective Equipment (PPE) is equipment that protects the user against health or safety risks at work, including those risks associated specifically with the head and neck, eyes, ears, hands and arms, feet and legs, respiratory and the whole body. It includes equipment such as safety helmets / hard hats, eye protection, ear defenders, gloves, footwear, respiratory protective equipment such as disposable / reusable masks, safety harnesses and high visibility clothing.

The Council has a responsibility under The Personal Protective Equipment at Work Regulations 1992, revised in 2005 (PPE Regulations) to provide PPE free of charge to its employees where risks to health and safety cannot be adequately mitigated in other ways. The PPE Regulations also require that PPE is properly assessed before use to make sure it is fit for purpose, maintained and stored properly, provided with instructions on how to use it safely and used correctly by employees. The Council also has specific responsibilities under a number of other regulations, including The Control of Noise at Work Regulations 2005, Control of Substances Hazardous to Health Regulations 2002 (COSHH), The Control of Asbestos Regulations 2012, and The Construction (Head Protection) Regulations 1989, to provide personal protective equipment through assessment and risk control.

Non-compliance with regulations could have severe consequences for the Council including serious or fatal injury to its employees, reputational damage and / or legal claims. The Council could also face action from the Health and Safety Executive (HSE) as the regulator with statutory power for making arrangements for the enforcement of health and safety law in the workplace.

Scope and Objectives

Review to assess that the Council's policies, procedures and management of personal protective equipment comply with health and safety legislative and regulatory requirements.

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:

- Risk assessments are prepared for each job role. It was noted that in some instances the risk assessments were out of date as review deadlines had not been met and there was no evidence that the employer had reviewed the risk assessment. The Council should ensure that risk assessments are reviewed regularly and when a significant change in the work process is made. Employees should view and sign the risk assessment to confirm their understanding of the PPE requirements for their role.
- There is currently no Council-wide process to record PPE issued to employees and, consequently, it is not possible to determine whether the frequency of equipment issued is appropriate and in accordance with its useful life. In addition, the specification of PPE issued is not checked to the standards in the risk assessments before being issued and steps should be taken to address this.

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.

ii) INTERNAL AUDIT REPORT 2015/27

Client	Corporate
Subject	Serious Organised Crime

Introduction

The Scottish Government reported in June 2015 that 232 Serious Organised Crime Groups were recorded as operating in Scotland, made up of about 3,700 individuals.

The Serious Organised Crime Task Force, which is chaired by the Cabinet Secretary for Justice, was set up by the Scottish Government to provide direction and co-ordination for all organisations involved in tackling serious organised crime in Scotland. Key partners include Police Scotland, HMRC and the Society of Local Authority Chief Executives (SOLACE).

SOLACE agreed that all 32 Scottish Local Authorities should undertake a high level self-assessment of their readiness in relation to the risks posed by Serious Organised Crime (SOC) and Corruption. The purpose of this is to allow Chief Executives to make a high level, balanced, assessment of their authority's exposure to the risk posed by SOC and Corruption, develop a time-bound improvement plan for recording, managing, and addressing any areas of potential risk exposure; and highlight and capture areas of good practice. To facilitate the assessment process, a Local Authority Readiness Checklist covering the three key areas of Governance and Strategy, Operational Control and Insider Threat was developed by the Serious Organised Crime Task Force.

To address the increasing threat facing organisations, it is important that the Council has a robust framework in place to minimise the potential risks arising from SOC activity. The Council has completed a self-assessment of its readiness using the Local Authority Readiness Checklist (the Checklist) and identified specific areas requiring improvement.

Scope and Objectives

To assess the robustness of the framework within the Council to identify the potential risks arising from criminal activity and the measures in place to address these.

Conclusion

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

The main area highlighted in the report is as follows:

- As a result of the timing of certain events, the existing action plans in place that should support the Checklist have, to date, not been cross-referenced to the areas assessed as 'needs improved' in the Checklist. It was also noted that some action points do not have corresponding narrative and / or target dates for implementation. To assist with the allocation of actions, monitor their implementation and reduce the risk of SOC by ensuring actions are not omitted, Management should consider whether or not a corporate action plan for SOC should be utilised going forward. In the meantime, however, the existing action plans should be cross-referenced to the Checklist and updated as appropriate to incorporate areas assessed as 'needs improved' that are not already included as well as identifying clear actions and target dates for implementation.

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 2015/29

Client	Children and Families / Dundee Health and Social Care Partnership
Subject	Self-directed Support

Introduction

A review of Self-directed Support (SDS) was part of the planned internal audit work.

The Social Care (Self-directed Support) (Scotland) Act 2013 (the Act), which came into effect on 1 April 2014, was introduced to support the national strategy for self-directed support in Scotland (the Strategy) which was published in 2010 by the Scottish Government and COSLA. The 10-year Strategy aims to set out and drive a cultural shift surrounding the delivery of support for clients with social care needs, recognising that those individuals are citizens with rights and responsibilities. The overall aim of the Act and Strategy is to enable individuals to live as independently as possible, exercising as much choice and control as they wish over the way in which their care and support needs are met, in order to achieve the outcomes that are important to them. An outcomes focussed assessment is undertaken to assist in facilitating the service user to set out their outcomes.

Service users who are eligible for social care support have four options under SDS surrounding how their care and support should be arranged and managed to meet their outcomes. The options are: Option 1 - Direct Payment is an agreed amount of money that the local authority gives to the service user so that they can purchase the services they have been assessed as needing. The payment can be used to obtain services from personal assistants or an agency. Option 2 – Directing the available support. The service user is responsible for directing their care and support arrangements and the local authority manages the finances. Option 3 - The local authority arranges the services on the service user's behalf; and Option 4 – is a mix of the first three options.

An assessment of capacity and capability is combined to determine the best outcomes for the client, and a discussion is undertaken to agree which option is the most appropriate for their individual situation. Additional specific conditions may also need to be met, for example, if a client intends to employ staff then they must be able to demonstrate that they can meet the legal requirements of an employer.

At the time of the audit fieldwork there were 5,726 clients receiving care under SDS. The cost of care and support provided during 2015/16 was of the order of £798,000 for Direct Payments and £90,000 under SDS option 2. The current number of service users with a Direct Payment is 54, which is a 17% increase on the same period in 2015/16.

Scope and Objectives

Review of the Council's approach to fulfil the legislative requirement that authorities should offer those with eligible needs greater choice and control over the support required to meet their needs.

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:

- Clients receiving Direct Payments are required to return their financial monitoring forms within 14 days of the monitoring period as set out in the Service Users Agreement. However, there are noticeable delays in these being returned and the Council does not operate to this 14 day limit. Reminder letters are supposed to be sent after the end of the 4 week monitoring period but these are currently being sent after 7 weeks. The time period for reminder letters should be formally determined and service users monitoring procedures in relation to the financial monitoring forms, including accelerating the issue of reminder letters, should be followed.

iii) INTERNAL AUDIT REPORT 2015/29 (Cont'd)

Client	Children and Families / Dundee Health and Social Care Partnership
Subject	Self-directed Support

Management Response to the Audit Report

The audit findings and recommendations were formally reported to the Executive Director of Children and Families Service and the Chief Officer of Dundee Health & Social Care Partnership and appropriate action agreed to address the matters raised.

iv) INTERNAL AUDIT REPORT 2016/10

Client	Corporate
Subject	ICT Risk Management

Introduction

A review to facilitate the development of formal risk management arrangements within the Council's Information Technology Service was part of the planned Internal Audit work.

Like all organisations that utilise Information and Communications Technology (ICT) and digital services, Dundee City Council is exposed to a number of risks that could potentially impact on the confidentiality, integrity and availability of the supporting infrastructure, and the services which rely on that infrastructure.

Formal risk management arrangements will assist the IT Service to explicitly identify, quantify and manage the risks facing the Council's ICT infrastructure, and by so doing, assist the Council to mitigate the ICT risks it faces.

Scope and Objectives

Review to assist with the development of a formal risk management framework within the Council's Information Technology Service.

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:

- To assist the IT Service with the implementation of formal risk management arrangements, an ICT risk register was drafted in consultation with management following a number of workshops. To facilitate ongoing management of ICT risks, the IT Service should adopt and finalise the draft risk register and introduce formal procedures to ensure that it is continuously reviewed and, where appropriate, updated. During each review process, the risk evaluations should be re-assessed. The ICT risk landscape as well as the internal controls in place to mitigate each risk on the register should also be considered as part of that exercise. Going forward, to ensure that the risk register remains aligned to key internal and external ICT threats, steps should be taken to make sure that any new / evolving risks are identified and, where appropriate, incorporated timeously into the risk register.

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.

v) INTERNAL AUDIT REPORT 2016/13

Client	Corporate
Subject	Information Governance

Introduction

A review of the Council's Information Governance framework was part of the planned internal audit work.

Information is a key asset of the Council. It is central to the Council's business processes, decision making and service delivery.

Information Governance is a term used to describe the policies, structures and practices used within an organisation to ensure the confidentiality and security of all types of information. A suitably developed Information Governance framework will ensure that information is obtained fairly and lawfully, recorded accurately and reliably, held securely and confidentially, used effectively and ethically and shared appropriately and legally.

The Council has a duty of care in relation to the information it uses and shares and is required to comply with a number of pieces of legislation relating to Information Governance, including the Data Protection Act 1998, Freedom of Information (Scotland) Act 2002 and Public Records Scotland Act 2011. In addition, the Council has due regard to the international standard on information security, ISO 27001, as well as any professional guidance on Information Governance that may be issued by the Council's independent scrutiny and improvement bodies.

Under the Public Records (Scotland) Act 2011, Scottish public authorities must prepare a records management plan setting out proper arrangements for the management of their records.

Scope and Objectives

High level review of the Council's Information Governance framework, including policies, procedures and working practices, to assess that these are in line with relevant legislation and good practice.

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:

- To improve co-ordination, achieve a consistent approach to Information Governance throughout the Council and assist with ensuring compliance with legislative and regulatory requirements, a formal Information Governance framework should be developed. As part of the framework, roles and responsibilities should be clearly assigned, an overarching Information Governance Policy developed, with links to up-to-date associated policy documents, and a Steering Group introduced to co-ordinate the work required within the Council. In addition, a review of existing groups with Information Governance responsibilities should be undertaken.
- Executive Directors, in conjunction with Legal Services, should review whether or not the arrangements in place within their service, including the allocation of roles and responsibilities, ensure compliance with Information Governance legislative and regulatory requirements.
- To ensure that the Records Management Plan is submitted by the June 2017 deadline, senior management should ensure that the actions contained within the action plan, developed to assist with timeous submission, are progressed as intended in line with target implementation dates.

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.

vi) INTERNAL AUDIT REPORT 2016/16

Client	Corporate
Subject	Pension Fund - Treasury Management

Introduction

A review of the Treasury Management Practices for Dundee City Council (the Council), which set out the policies and procedures in place to implement the Council's Treasury Management Strategy and the Treasury Management Policy Statement and also support the execution of the Treasury Management Strategy for the Tayside Pension Fund, was part of the planned internal audit work.

The Council is the administering authority of the Tayside Pension Fund. The Tayside Pension Fund is one of 11 Local Government Pension Schemes in Scotland and has circa £2.9 billion of assets. The Council is responsible for managing investments to meet the pension liabilities and acting in the interests of the Fund. In addition, the Council is responsible for the execution of the Treasury Management activities on behalf of Tayside Pension Fund. Quarterly reports are provided to the Pensions Sub-Committee of the Policy and Resources Committee, and the Pension Board. The CIPFA Code of Practice on Treasury Management requires local authorities to establish clear treasury management policies and objectives and to develop and maintain sound treasury management practices to support them.

The Treasury Management Strategy and Annual Investment Strategy 2016/17 for the Tayside Pension Fund was reviewed and approved by the Pensions Sub-Committee and Pension Board in March 2016. The Strategy is based on the management of cash flows to ensure that there are sufficient funds to make necessary payments as they fall due. When making investment decisions, the security of cash to ensure capital balances are maintained and the accessibility of funds are the two primary concerns, considered above any return made on investments. The Strategy also notes that due to uncertainties in the financial markets, all available sources of information will be used to assess the financial strength of counterparties to achieve the maximum security of capital.

Scope and Objectives

Review of the treasury management policy and procedures as detailed in the Treasury Management Strategy.

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:

- The existing treasury management documentation in place for Dundee City Council is largely compliant with the CIPFA requirements and supports the execution of the strategic objectives for the treasury activities. However, the documentation does not currently support the implementation of the strategic objectives for the Tayside Pension Fund, and there are a number of areas requiring improvement in the documentation which, if addressed, would significantly improve their quality and clarity. Additionally, the documentation has not been reviewed, updated and approved recently. Whilst the Treasury Management Practices include all recommended elements for the Council, the information is out of date and as a result incomplete and inaccurate for some areas of the treasury activities.

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.