

**REPORT TO:** SCRUTINY COMMITTEE – 26 JUNE 2024

**REPORT ON:** INTERNAL AUDIT REPORTS

**REPORT BY:** CHIEF INTERNAL AUDITOR

**REPORT NO:** 171-2024

**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. On 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 since the last Scrutiny meeting are provided at Appendix A. The full reports are available to Elected Members on request. Reporting in Appendix A covers:

Audit	Assurance level
Adaptations and Equipment for People with Disabilities	Limited
Procurement	Substantial
Service Design and Business Improvement	Substantial
Community Justice Liaison with COPFS and the Courts	Substantial
Leisure and Culture Dundee – Financial Sustainability	Limited

- 4.3. A new format and style of report, including updated assurance levels and action priorities, was introduced during 2023. Draft reports issued before 28 June 2023, have remained in the previous style but the assurance levels and action priorities have been updated before finalisation to maintain continuity in reporting during the 2023/24 audit year. This report contains at least one report from each style.

## **5.0 POLICY IMPLICATIONS**

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services, or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

## **6.0 CONSULTATIONS**

The Council Leadership Team have been consulted in the preparation of this report.

## **7.0 BACKGROUND PAPERS**

None.

**CATHIE WYLLIE, CHIEF INTERNAL AUDITOR**

**13 JUNE 2024**

## i) INTERNAL AUDIT REPORT 2022/04

<b>Client</b>	<b>Dundee Health and Social Care Partnership / Neighbourhood Services</b>
<b>Subject</b>	<b>Adaptations and Equipment for People with Disabilities</b>

## Executive Summary

### Introduction

The Scottish Government introduced guidance on the provision of equipment and adaptations by Local Authorities and NHS Boards in December 2009. This was accompanied by a Good Practice Guide for the Provision of Community Equipment Services which was published in November 2009. Subsequent to this a Good Practice Guide for the Provision of Major Adaptations was published in January 2011. The overall aim of the 2009 Guidance was to place the user and carer at the centre of provision and to promote a consistent approach to the assessment for, and provision of, equipment and adaptations as well as to promote good practice and partnership working and to ensure users and carers have access to information.

The Scottish Government led a consultation in Summer 2022 to update the guidance on the provision of equipment and home adaptations. The final document was issued in January 2023. This guidance advises of the need for streamlined procurement processes for adaptations and widened access to equipment for health and social care professionals. The guidance includes an “Equipment & Adaptations Baseline Assessment Tool” to identify the actions required to address issues and improve services. Equipment is provided on loan from the joint Dundee & Angus Stores – which is part of the Community Independent Living Service.

Currently the main assessor and prescriber of equipment and adaptations is the Community Occupational Therapy Team employed within Local Authorities. A person is assessed and offered loan of equipment according to their need. The approach is always minimum intervention for maximum independence. At Dundee Health and Social Care Partnership (DH&SCP) other teams have been given access to core stock for assessment and prescribing. This includes Community Nursing, Occupational Therapy in community rehabilitation, in palliative care, community mental health, and prison. Community Rehabilitation Physiotherapy assesses and prescribes mainly mobility equipment and the team recently trained to assess and prescribe basic daily living equipment.

Equipment is a piece of assistive apparatus which is designed to support an individual to complete an activity of daily living such as showering or toilet transfer.

The purpose of an adaptation is to modify an environment in order to enable or restore independent living, privacy, confidence, and dignity for individuals and their families. This could include adaptations such as replacing a bath with a shower, installing ramps to allow wheelchair access, or lowering work surfaces.

For homeowners and private tenants, there are two levels of mandatory grant, most of those eligible will receive 80% of the costs of work but some people who receive certain benefits will receive 100% of costs. The 80% grant is not means tested. Grants are only awarded for assessed essential work and whilst there is no upper limit to the costs of the work, or the amount of grant which can be given, the Local Authority are required to check that the cost of the work is reasonable. For Council tenants, the Local Authority will make the necessary changes to the property to meet the assessed needs and will organise and pay for these works. For Housing Association Tenants, the Housing Association will make the necessary changes to the property to meet the assessed needs and will organise and pay for these works through funding received from the Scottish Government.

The 2022/23 budget for the provision of equipment for people with disabilities living in Dundee and Angus is £478,804.

There are 3 budgets for the funding of adaptations carried out in the properties of people with disabilities living in Dundee. For 2022/23, these are as follows:

Funding of Adaptations	
Budget / Housing Tenure	Budget Amount
Private Sector Services Unit (Privately Owned / Rented)	£350,000
Housing Asset Management (Council Houses)	£850,000
Community Occupational Therapy	£168,000
<b>Total</b>	<b>£1,368,000</b>

In addition to the funding above, the Scottish Government also allocate Stage 3 Funding directly to Housing Associations which is used for adaptations to their properties. The assessments for the adaptations for clients in these properties is carried out in the same manner as those detailed in the table above, but Housing Associations will make payment from the allocation provided.

## Scope and Objectives

Review of the arrangements in place within Dundee Health and Social Care Partnership and Neighbourhood Services for the assessment and provision of adaptations and equipment for people with disabilities.

## Conclusion

### Limited Assurance

Some satisfactory elements of control are present; however, weaknesses exist in the system of control, and / or their application, which give rise to significant risk.

The main areas commented upon in the report, with recommendations and agreed actions designed to address client safety, reputational and compliance risks, are as follows:

- The Community Independent Living Service (CILS) together with DH&SCP management should examine options to ensure that electronic client records are consistently accessible to all staff, within the integrated teams regardless of the pathway by which a particular client accesses the service. In order to support integration, prevent duplication, ensure client safety, provide consistency and efficient & effective communication, this should include consideration of all CILS staff using Mosaic as their main system for recording client assessment information.
- The Community Occupational Therapy Team should put in place arrangements and secure adequate administrative support to collate management information sufficient to provide assurance that its processes are operating effectively and underpin the management of risk. This should include
  - monitoring timescales for the completion of client visits and assessments, and
  - recording the outcomes of case note audits and whether they are being completed.
- The Community Occupational Therapy Team Manager should explore whether automated reports could be provided by the Strategy and Performance team for statistics such as the actual time taken from receipt of the referral to the client being visited. Depending on the success of the automated

reports, this is something which could be considered for further development within the other teams working within the partnership.

- The funding arrangements for adaptations to the homes of people with disabilities should be reviewed with a view to simplifying the arrangements. The Council should consider whether any or some of the budgets can be pooled and thus made accessible via a single process, reducing duplication and the risk of differential treatment as a consequence of the interaction of the criteria and the budget from which funding is drawn. This should be done with reference to the “Guidance on the Provision of equipment and adaptations,” published in January 2023 by the Scottish Government, but also considering Housing Revenue Account (HRA) funding requirements and rules.
- Consideration should be given to whether it would be appropriate for assistance currently categorised as adaptation to be provided as equipment. Potential implications for budgets, client needs, and health and safety should be considered and addressed as part of considerations.
- The Private Sector Services Unit (PSSU) and the Community Occupational Therapy Team within the CILS should seek guidance from the Corporate Procurement Team on bringing their processes into compliance with procurement legislation and Council policies. This should include investigating making use of the National Framework for Property Maintenance and Refurbishment.
- In advance of the Corporate Procurement Manager developing a Contract Strategy for adaptations, the PSSU and the Community Occupational Therapy Team should carefully consider what is required in terms of adaptations contracts to ensure that an efficient, cost effective, flexible, and timely service can be provided.

## (ii) INTERNAL AUDIT REPORT 2022/21

<b>Client</b>	<b>Corporate Services</b>
<b>Subject</b>	<b>Procurement</b>

## Executive Summary

### Conclusion

#### Substantial Assurance

Procurement practices in use within Dundee City Council are generally consistent with good practice and statutory guidance. However, there are no consistent arrangements to ensure that delivery of contracts and relationships with suppliers are managed once contracts have been awarded.

## Background

The Procurement Reform (Scotland) Act 2014 provides a national legislative framework for sustainable public procurement that supports Scotland's economic growth through improved procurement practice.

The Council's Procurement team is set up to align procurement activity from Council services within a corporate Category Management structure. A procurement service is also provided to Leisure & Culture Dundee, Tay Road Bridge Joint Board, Dundee Science Centre, and Tayside Valuation Joint Board. A Contracts Team manages contracts on behalf of Dundee Health and Social Care Partnership.

As the Council is funded by both national and local taxpayers, when it needs to buy goods or services from suppliers it must do this in a way that is clear, fair, achieves value for money and meets legislative requirements. This means there are certain processes which have to be followed, most of which are about using competition when the Council needs to buy something.

For supplies, services, and works contract opportunities, the Council is required to seek competition by either:

- Seeking competitive tenders or quotations (provided that these are not exempted on the grounds of e.g. special urgency or sole compatible supply); or
- Using collaborative contracts set up by a central purchasing body, which have also been duly advertised and tendered for competitively.

The principal bodies which Dundee City Council may make use of in this way are:

- *Scotland Excel*, the Scottish local authorities' sector centre of procurement expertise;
- *Scottish Procurement*, the Scottish Government's national centre of procurement expertise; and
- *Crown Commercial Service*, the procurement arm of the Office of Government Commerce for UK government institutions generally.

- *Tayside Procurement Consortium*, a shared services partnership amongst Angus, Dundee City and Perth and Kinross Councils in association with Tayside Contracts.

All Dundee City Council contracting opportunities which are outwith these arrangements and of a value of more than £50,000, for supplies, services or construction works are advertised on the 'Public Contracts Scotland' contracts advertising portal. This offers a central point of access to information about tender opportunities and contract awards across the whole Scottish public sector.

Contracting opportunities with a value of more than £1,000 but less than £50,000 for supplies, services or construction works are typically advertised on Public Contracts Scotland (PCS) as an 'Invitation to Quote'.

Details of the current contracts held by Dundee City Council can be found on the Council's Buyer's Profile published on PCS. A waiver to the contract procedure rules is a permission not to comply with certain rules when awarding or extending a contract, however, it is not an authority to enter into a contract without further relevant approval.

## Scope

Compliance with tendering arrangements, including review of the arrangements for waivers.

## Objectives

		Action Priority			
		C	H	M	L
Objective 1: Confirm whether or not adequate management of the tender process and contract management processes is taking place in each of the three main areas (service delivery, relationships, and contract admin) and ensure compliance with Ethical Standards/Code of Conduct.	Limited Assurance	-	1	2	-
Objective 2: When tenders/ITQs are being developed and finalised, confirm that there are procedures in place to ensure the optimum combination of cost and/or quality is achieved (where possible) consistent with best practice.	Comprehensive Assurance	-	-	-	-
Objective 3: Review a sample of tenders and Invitations to Quote from start to finish to ensure the correct process is being followed each time.	Substantial Assurance	-	-	1	-
Objective 4: Analyse waivers approved in 2022/23 and confirm that their use is consistent with Council procurement guidance, Financial Regulations, and procurement legislation.	Comprehensive Assurance	-	-	-	2
<b>TOTAL</b>		-	1	3	2

Definitions of levels of Assurance and Action Priorities are set out at Appendix B.

## Key Findings

We identified a number of areas of good practice:

- Key Governance documents required by statutory guidance are in place. These include a Procurement strategy and periodic reporting on progress against the objectives of the strategy and on procurement activity within the Council.
- Procurement processes, as they are applied in practice, are consistent with published good practice guidance, including procedures for evaluation and scoring of tenders.
- There is a process to capture, approve, and report on instances in which the Council makes use of exceptions to the procurement regulations permitted by the governing legislation.

We have identified the following areas for improvement:

- Development of comprehensive process documentation is underway, however at present procedural requirements are distributed across different documents and sources of guidance. Clearly documenting processes removes ambiguity and promotes consistency, reducing the Council's exposure to compliance risk.
- Once contracts are awarded, there is limited guidance or supporting policy to define responsibility for ongoing contract management and maintenance of supplier relationships. Establishing principles for determining when formal contract management is required, and a consistent approach across Services would help to ensure that the Council continues to receive best value throughout the life of awarded contracts.
- The level of authority required to instigate non-regulated procurements should be clarified. In practice the risk of unauthorised procurement is mitigated by purchasing controls, however including a check within the procurement process would further mitigate the risk.
- Record keeping and the maintenance of audit trails is complicated by the absence of a single repository for documentation which is required to demonstrate compliance with procurement regulations. Implementing a single location which holds all critical documentation in relation to each procurement exercise will reduce the risks presented by the possibility of challenge by unsuccessful tenderers.
- While adequate information is retained where approval is granted to waive procurement processes, the justification for their use could be more clearly recorded. While the process of recording approvals is robust, not all of the relevant information is captured in the register which is compiled to support scrutiny and reporting. Strengthening these record keeping processes reduces the risk of the Council being unable to demonstrate compliance, if called upon to do so.

## Impact on risk register

The Council's corporate risk register, and the Corporate Finance risk register included, at time of audit, the following relevant risks:

- **DCC009 Statutory and Legislative Compliance** (inherent risk 5x4, residual risk 5x2)
- **CSCF008 Compliance** (inherent risk 5x5, residual risk 5x3)
- **DCC013 Fraud and Corruption** (inherent risk 4x5, residual risk 4x3)



- **CSCF011 Fraud & Corruption** (inherent risk 5x5, residual risk 4x3)
- **CSCF007a Procurement - General** (inherent risk 5x5, residual risk 5x3)

The Compliance and General Procurement risks identify failure to: “Establish and Implement appropriate processes and procedures,” or “control Procurement Activity” as potential causes of the risk being realised. We note that both the inherent and residual impacts for these risks are scored 5, indicating that management’s assessment is that the realisation of these risks can only be mitigated by preventing their occurrence, as opposed to managing the impact once the related risk events have already occurred.

We have made recommendations relating to the documentation of procedures, the clarity of approval thresholds, and the integrity of audit trails, all of which would serve to reduce the likelihood of these risks arising and consequently strengthen the arrangements to reduce these risk scores.

In the course of the review, we considered the general risk that the Council fails to secure best value from tenders and procurement activity more generally. While we found that processes to evaluate tenders were reasonably robust, we noted the absence of a clear approach to contract management, which would support the Council’s ability to gain assurance that it continues to achieve best value from its supplier relationships throughout the life of awarded contracts. Development of a more robust approach to contract management forms part of the Procurement Transformation Action Plan, and this is in progress.

## (iii) INTERNAL AUDIT REPORT 2023/01

<b>Client</b>	<b>Chief Executive's Service</b>
<b>Subject</b>	<b>Service Design and Business Improvement</b>

## Executive Summary

### Conclusion

#### Substantial Assurance

The Council's governance arrangements and processes to oversee transformation activity are well designed, however only a limited number of projects have been implemented through these processes since the current arrangements were introduced. There is a lack of clarity over the projects that fall within the scope of the transformation programme.

There is not yet a robust approach to defining and measuring the realisation of project benefits, which means it will be difficult to assess the success of the programme in terms of whether it has achieved its intended outcomes.

### Background

In its report *Local Government in Scotland: Overview 2023*, Audit Scotland reported that the public sector faces the most difficult financial outlook seen for many years, and that in response Councils must "continue to deliver services here and now, identify and make improvements in the short term and plan for longer-term radical change."

*Design a Modern Council* is the sixth phase of the Council's transformation programme, and a key priority of the Council Plan 2022-27. The programme contributes towards the Council's financial plans and long-term sustainability by generating savings through the redesign of services.

The preceding phase of the programme, which aligned with the previous Council Plan, was interrupted by the COVID-19 pandemic and the reallocation of resource to the COVID response. In 2022, the Council established a Transformation Board, chaired by the Chief Executive, to oversee the delivery of *Design a Modern Council*. The Transformation Board oversees the implementation of revised programme and project management arrangements, including the formal adoption of the PRINCE2 methodology, the establishment of a Programme Management Office, and specific governance requirements for individual projects.

Where investment is required, the Transformation Board is empowered to allocate funds from the Council's Organisational Change Fund, which held a balance of £2.388m as at 31 March 2024. The purpose of the fund is to help services make large-scale, long-term, positive changes and deliver benefits at a faster pace.

In order to effectively deploy these resources, deliver the transformation objectives of the Council Plan, and ensure that the scale of change is commensurate with the financial challenge articulated

within the Medium-Term Financial Strategy, it is essential that there are robust arrangements in place to assess, approve, implement, and monitor change initiatives.

## Scope

To review the processes for the development and implementation of the sixth phase of the Council's transformation plan, as a component of the Council Plan 2022-27, including consideration of lessons identified from previous phases of the programme.

## Objectives

		Action Priority			
		C	H	M	L
Review the work performed to identify lessons learned from previous phases of the transformation programme, and confirm that these have been actioned or addressed in its current phase	<b>Substantial Assurance</b>	-	-	1	-
Confirm that the governance structures implemented to oversee transformation and business improvement activity are appropriately supported by reporting arrangements which are adequate to support effective scrutiny	<b>Comprehensive Assurance</b>	-	-	-	-
Review the process by which transformation and business improvement initiatives are proposed and approved, and confirm that this includes the setting of objectives which align with the wider objectives of the Council and City plans	<b>Limited Assurance</b>	-	1	-	-
Confirm that the expected benefits of transformation and improvement activity are defined at the outset, and monitored to ensure they are delivered	<b>Limited Assurance</b>	-	1	-	-
Review external sources of national local government approaches to transformation that the Council can use as a guide to its approach.	<b>Comprehensive Assurance</b>	-	-	-	1
<b>TOTAL</b>		-	2	1	1

## Key Findings

We identified a number of areas of good practice:

- Senior Management carried out a review of the previous phase of the Transformation Programme and incorporated its findings into the development of the current phase.
- A Governance Structure has been implemented in the form of the Transformation Board, and its work is underpinned by a framework of processes designed to provide assurance that projects comply with reasonable standards of project management.
- The selected project management approach includes clear requirements for proposal and approval of projects.
- The process for project proposal and approval includes a requirement for identification and consultation with stakeholders, including other Services where appropriate.
- The Council's approach to Change and Transformation is consistent with that of Peer Local Authorities.

We have identified the following areas for improvement:

- The Transformation Board has not clearly evaluated or addressed the need to upskill staff in transformation, improvement, and project management methodologies. While this is recognised in the initial proposals for the composition of the Transformation Programme, it is unclear whether proposed work to deliver training reached all required individuals.
- The content of the Transformation Programme is not well defined and does not proceed according to a clearly articulated plan. As a consequence, it is difficult to gain assurance that its objectives are being delivered. A delivery plan prepared with due cognisance of available resource would allow management to gain clearer insight into the extent to which the programme is on track.
- Projects do not explain in their initiation documentation how the benefits that form the basis of their business case have been estimated or can be subsequently measured to confirm that the project has achieved its objectives. Robust reporting of the realisation of project benefits can only be accomplished where measurable benefits are clearly articulated at the outset of projects.
- The adopted approach to service redesign is narrow in scope relative to other Councils, as it relies on reviews of specific business processes or functions being proposed and approved individually, as opposed to the implementation of a broader programme of service design reviews.

## Impact on risk register

The (Service) risk register included, at time of audit, the following risks:

- **DCC001** – Financial Sustainability (inherent 5x4, residual 5x4)
- **DCC010** – Major Project Delivery (inherent 5x3, residual 4x3)
- **DCC011** – Transformation (inherent 5x3, residual 5x3)
- **CEHL022** – Transformation (inherent 5x3, residual 3x3, target 2x2)

This review considered a number of internal controls which are specifically identified within Pentana Risk as mitigating the risk to delivery of Transformation. Transformation initiatives in turn link to broader risks to the Council's ability to deliver services and financial sustainability.

In particular, we have made recommendations relating to the clarity of objectives of the Transformation Programme, and the ability of the Council to demonstrate that the progress of programme delivery is sufficient for them to be achieved. A clearer articulation of the projects which make up the programme, and clarification of the ownership and reporting arrangements for projects which are ongoing but not part of the Transformation Programme, would allow the Council to demonstrate progress by measuring the outcomes against the objectives that the programme set out to achieve.

Management's assessment of Internal Controls against risk *CEHL022 - Transformation* notes that some controls to support delivery of Transformation are not fully effective, particularly approaches to Benefits Realisation and Programme Monitoring, and this is consistent with our findings.

## (iv) INTERNAL AUDIT REPORT 2023/12

<b>Client</b>	<b>Children and Families Service</b>
<b>Subject</b>	<b>Community Justice Liaison with COPFS and the Courts</b>

## Executive Summary

### Conclusion

#### Substantial Assurance

Community Justice Services have designed and implemented generally robust processes to ensure that appropriate action is taken, in a timely manner, in relation to individuals referred to the service. We have made recommendations aimed at strengthening processes designed to provide additional assurance over the quality of casework and to enhance reporting.

### Background

Community Justice Services is situated within the Children and Families Service and is a partner within the Dundee Community Justice Partnership, which works to deliver the vision and objectives set out in the Community Justice Outcome Improvement Plan. The Service is co-located with NHS Tayside, Policing, and Voluntary organisations and provides a range of services which support individuals in their journey through the Criminal Justice System.

Most individuals are referred to the Community Justice Service by the Courts, through the commissioning of a Community Justice Social Work report. These reports are prepared for individuals in the community or held in custody, which includes individuals held on remand before trial. The Service also provides reports to the Parole Board for individuals serving a custodial sentence of more than 4 years. Reports propose options for sentencing and a plan for the ongoing management of individuals. The Court may impose a number of alternatives to custody as part of sentencing, or Supervised Release Orders as part of an individual's post-release management plan, which are overseen by social workers. The Parole Board imposes License Conditions.

As well as delivering statutory responsibilities on behalf of the Council, the Service contributes to the safety and wellbeing of communities by reducing reoffending, supporting individuals with issues of addiction and substance abuse, contributing towards child and adult protection including violence against women and ensuring that high risk individuals are kept under appropriate supervision. To deliver this work it is essential that there are appropriate systems in place to ensure that referrals are actioned on a timely basis and given the demand-led nature of the service, allocated adequate resources.

### Scope

Review of the processes by which Community Justice Services liaise with the Crown Office Procurator Fiscal Service and the Courts Service where supervision of individuals is required, including Statutory Orders, Community Payback Orders, and supervision following release from custody.

## Objectives

		Action Priority			
		C	H	M	L
Individuals referred to the Service are appropriately directed and allocated according to the nature of the order imposed by the Court, and their needs as expressed in the management plan	<b>Comprehensive Assurance</b>	-	-	-	2
Volumes of casework are monitored and reported, to identify issues and address these where there is a risk of harm	<b>Substantial Assurance</b>	-	-	1	-
Casework is subject to an effective process of peer review	<b>Substantial Assurance</b>	-	-	2	-
The overall performance of processes of supervision are monitored according to internal metrics and the objectives of the Community Justice Outcome Improvement Plan and reported to relevant governance groups	<b>Substantial Assurance</b>	-	-	1	-
<b>TOTAL</b>		-	-	4	2

## Key Findings

We identified a number of areas of good practice:

- Administration Processes for the receipt and triage of Orders and requests from the Courts are generally robust and provide assurance that the service proactively identifies expected incoming requests.
- The Service derives assurance over the level of qualification and continuing professional development of staff from professional registration requirements, which can be verified with reference to the Scottish Social Services Council.
- There is a clear delineation of responsibility where an individual's case management plan involves a partner organisation, ensuring that there is always a specified individual responsible for overseeing the implementation of a case management plan.
- The Community Justice Outcome Improvement Plan reflects the key requirements established in national guidance and defines a clear governance structure.
- The plan includes performance indicators and actions which are designed to support statutory reporting requirements and performance management of the Service.

We have identified the following areas for improvement:

- Process documentation has been prepared to support training of administrative staff which, if formalised, would help to ensure consistency of working practice and enhance the resilience of the Service.
- Processes for monitoring the outcomes of Court appearances work well, however there is scope for ambiguity in record keeping. Our testing found that in certain circumstances records could be unclear if a Court appearance does not take place as originally diarised.
- Management information related to workloads is used to inform decisions on allocating reports and Orders. This is enhanced by the operation of monitoring and supervisory processes. However, there is potentially scope to free up management time if key information could be reported automatically as opposed to manually compiled.
- Tracing report preparation from requests through to their return to the Court found no significant issues, although we observed some instances in which “Nil reports” were returned to the Court without clear approval in instances where individuals could not be contacted, and reports could not be prepared. The Service plans to review its internal guidance following the Scottish Government’s update of the National Outcomes and Standards. As part of its review, the Service should clarify the circumstances in which approval is required before reports are returned to the Court.
- A structured quarterly process for case review and quality assurance has been established, but capacity issues meant one report could not be completed and tracking issues and trends over time will also provide a more robust basis for continuous improvement.
- Reporting arrangements outlined in the current Community Justice Outcome Improvement Plan had not yet operated in practice at time of review. The Plan was approved in November of 2023, and commits the service to quarterly reporting. Implementing the planned reporting arrangements will enhance scrutiny and accountability.

## Impact on risk register

The Children and Families Service risk register included, at time of audit, the following risks:

- **CFHL007 Suppliers/Partners** (inherent 5x5, residual 5x3)
- **CFHL008 Failure of Critical Services** (inherent 5x4, residual 5x4)
- **CFCJ004 Harm (to or caused by Service User)** (inherent 5x5, residual 5x3)
- **CFCJ006 Demand Led Services / Legislation** (inherent 5x5, residual 4x4)
- **CFCJ007 Partnerships/External Providers** (inherent 5x5, residual 4x3)

The highest rated risks in the Service high level risk register relate to general business continuity risks and the level of service from partner organisations. Our review considered this risk from the perspective of the impact on service users in the event of a failure on the part of a partner organisation in the provision of a case management plan.

The primary mitigation against this risk is that there are no circumstances in which an individual’s case management plan and supervision are overseen outside the service, as such, we conclude that the ultimate risk of harm arising from this set of circumstances is low.

However, the principal risk within the Community Justice risk register relates to demand – the Service has limited ability to influence the volume of individuals referred into the Service, as most of its



functions are statutory. This relates to the risk presented from reliance on partner organisations where work undertaken with service users by those partners reduces workload on the Service as a whole.

We found that controls to manage workloads are not yet fully mature, though there is clear evidence of increased effort to ensure that this is monitored, and any required action taken. We have made recommendations which are aimed at improving the ability of the service to analyse and act upon workload information, and to strengthen performance reporting, both of which would, if implemented, help the service to mitigate workload risks and in turn, reduce risk of harm.

**(v) INTERNAL AUDIT REPORT 2022/09**

<b>Client</b>	<b>Leisure and Culture Dundee</b>
<b>Subject</b>	<b>Financial Sustainability</b>

## Executive Summary

### Conclusion

#### Limited Assurance

At the time of the audit in 2023 significant weaknesses or gaps existed in the system of control, resulting in areas of unmanaged risk. In the period since the initial audit testing ended there has been activity that goes some way to address these, including progress with a review of the specification for the services to be provided by LACD in exchange for the management fee and public consultation on cost saving measures proposed during the setting of the 2024/25 budget.

The Council's budget for 2024/25 assumes that £0.620m of their general fund reserves should be utilised to support LACD income over and above the management fee depending on the outcome of the consultation exercise. It is recognised that unless there is substantial change realising recurring savings, more income or a change to the services provided additional financial support from the Council may continue to be required in future.

The Service Agreement update requires to be completed and reflect the current services the Council wants to be delivered and the financial envelope available. Along with the revised Agreement, a new performance monitoring regime should be implemented by the Council. Both would support LACD with the prioritisation of services and to develop operational plans and make resource allocation decisions in response to ongoing financial pressures faced by the public sector in the wake of Covid-19 and the Cost-of-Living crisis.

### Introduction

Leisure and Culture Dundee (LACD) is an arm's length external organisation (ALEO) of Dundee City Council (the Council), established as Scottish Charitable Incorporated Organisation (SCIO). Its stated purpose is "To deliver, for the citizens of Dundee, and those who visit the City, high quality Leisure, Sporting, Cultural and Learning Experiences which contribute to their quality of life."

LACD is funded primarily through a combination of the management fee paid by the Council and income generated by charging for the provision of services and the operation of leisure and cultural facilities. The organisation produced a Business Plan for the period 2019-24 which aimed to achieve a budgeted income of £15.283m in 2021/22, of which £7.168m (46.9%) consisted of the management fee.

However, in March 2020, LACD was obliged to close all services and furlough the majority of its staff as a consequence of the lockdown introduced across the country in response to the Covid-19 Pandemic. This, along with the fall in attendance as services reopened has adversely impacted LACD's ability to generate income, and accordingly, its budgetary position. The budgeted and actual expenditure and income figures for 2021/22 and 2022/23 are provided in the table below:

Year	Budgeted Expenditure £ million	Actual Expenditure £ million	Budgeted Income £ million	Actual Income £ Million
2021/22	16.523	14.711	16.523	14.953
2022/23	16.428	15.616	16.428	15.658

The figures in the table above include additional financial assistance of £4.236m agreed with Dundee City Council as a result of the impact of the Covid-19 pandemic.

In order to ensure the ongoing financial sustainability of Leisure and Culture Dundee, it is essential that financial plans, budgets, and service delivery plans are revised to take account of this new operating environment.

In the year since the audit fieldwork was completed in early 2023 the financial pressures on both the Council and LACD have continued. Report 71-2024 to the City Governance Committee in February recommended consultation on a range of savings options proposed by LACD to address the shortfall and this process started in May 2024. The outcome from the actions agreed in report 71-2024 are likely to impact on the actions recommended by this audit. As part of the Council's budget setting process, a total of £0.620m was made available from general reserves to provide additional management fee to LACD in 2024/25 depending on the outcome of the above consultation exercise. The recurring impact of this would require to be considered as part of the Council's 2025/26 budget process.

The term Service Level Agreements (SLAs) is used in practice to refer to services being provided by and to LACD. In this report, to distinguish between these, Service Agreement is used to refer to the document that articulates the services that LACD should provide for the Council, and Service Level Agreements (SLAs) is used to refer to services provided to LACD by the Council.

## Scope

Review of the arrangements for the continued financial sustainability of Leisure and Culture Dundee following the COVID-19 pandemic.

Draft reports were first issued for this audit in May 2023. The delay in completion is partially due to the report addressing issues that apply to both the Council and LACD. Additional audit evidence was provided following the issue of the draft report and reduced resource within the Internal Audit service impacted on the timing for that to be reviewed. The issues raised in the report have however been progressing where possible in the period whilst the report was being finalised.

## Objectives

		Action Priority			
		C	H	M	L
Review the effectiveness of the process to negotiate and agree the Service Agreement and the management fee with Dundee City Council	Limited Assurance	2	2	-	-
Determine the extent to which service plans, operational objectives, and KPIs have been reviewed and revised, based on realistic assumptions	No Assurance	1	2	-	-
Confirm that LACD has assessed the financial impact of the Covid 19 pandemic	Substantial Assurance	-	-	-	-
Confirm that financial plans and budgets have been reviewed and updated in the light of this assessment	Substantial Assurance	-	-	1	-
<b>TOTAL</b>		<b>3</b>	<b>4</b>	<b>1</b>	<b>-</b>

## Key Findings

LACD remains in a period of transition following the Covid-19 pandemic. Services and facilities have reopened; however, visitor numbers are still stabilising, and their distribution across services and facilities has changed. This altered profile of demand is still developing, meaning that LACD is required to revise its services and their mode of delivery as these changes emerge.

The current economic landscape that the Council and LACD are operating in impacts what services can be delivered for the available budget. Since the period of the pandemic the Council have provided LACD an additional £4.236m of covid support mainly to address income shortfalls. As part of the budget setting process for 2024/25 a public consultation regarding closure or alternative means of operation was agreed for several venues operated by LACD on the Council's behalf. It is recognised that unless there is substantial change realising recurring savings or more income, additional financial support from the Council may continue to be required in future. This makes the need to finalise good arrangements to agree and monitor the Service Agreement and the management fee critical.

The agreement that specifies the functions that LACD is expected to perform in exchange for the management fee is out of date.

The scope of the performance monitoring arrangements which are in place currently encompass only a small part of the overall activity of LACD, being primarily concerned with attendance at facilities as opposed to the efficiency and effectiveness of the services being provided. Accordingly, they provide only limited assurance as to LACD performance, the value for money obtained in exchange for the management fee, and how LACD activity contributes to achievement of the Council's priorities and objectives.

This report reiterates and elaborates upon elements of an outstanding action agreed to address the recommendations arising from the 2020/21 Internal Audit report *Leisure & Culture Dundee*

*Governance Arrangements.* We propose to close the existing open action as it is superseded by the following findings and recommendations made to Dundee City Council in this report:

- Work has been ongoing during 2024 to update the 2011 Service Agreement to reflect current activity and what is required from the arrangement in future. We have recommended that this review should consider and address how the services and outcomes expected in exchange for the management fee are defined. This could be at a higher, less operational, level, relating to the Council's own priorities and objectives. This would allow LACD freedom to develop operational plans which support its ability to demonstrate fulfilment of the requirements of the specification.
- The revised Service Agreement should include a formal performance monitoring regime which is clearly linked to the services and outcomes that LACD is expected to deliver for the Council. The performance monitoring should be meaningful with both parties clear about the services and standards expected.
- In conjunction with the review of the Service Agreement, the Council has also begun a review to determine whether the support services' SLAs agreed in 2011 reflect current practice and remain appropriate and fit for purpose.
- Over time for practical reasons the way in which the management fee is agreed has evolved to fit in with the Council's budget setting timetable and the Scottish Government's timetable and arrangements for local government funding. This no longer follows the arrangements laid out in the Service Agreement and therefore the Agreement requires to be updated.

In the course of reviewing the arrangements within LACD to ensure its financial sustainability, we have identified the following areas for improvement:

- LACD developed a high-level business plan for the period 2019-24, however the development of detailed operational plans for the delivery of services was interrupted by the Covid 19 pandemic. The absence of a meaningful service specification or detailed plans for service delivery means that it is difficult to determine the intended objective or outcome of specific activities undertaken by LACD, and in particular whether this activity is in fulfilment of the Service Agreement, other arrangements such as the Active Schools agreement, or in pursuit of LACD's own objectives and charitable purpose. LACD has implemented a new strategy and is in the course of developing updated operational plans which set out the services it aims to deliver in terms of their purpose and objectives, and the resources required to deliver them. These should be reviewed once a revised Service Agreement is in place.
- We have recommended that Dundee City Council, as part of the update of the Service Agreement, clarify how LACD can make proposals to be included in the Council's capital plan. While LACD maintains a list of desirable capital projects, it is not able to easily prioritise these or construct business cases in terms of their impact on service delivery. LACD should update its list of proposed capital projects in line with its revised business plan. The review should consider the consistency of the objectives of the proposals with the business plan and select options to be discussed with the Council.
- Internal financial reporting to the LACD Board and Finance & Performance Committee offers only limited detail on financial performance, as financial variances cannot be analysed in terms of their impact on the organisation's ability to deliver its plans and objectives. Financial reporting should be revised to better support decision making.

## Impact on risk register

We have raised Critical findings which relates to LACD's ability to set operational objectives, develop plans to deliver on those objectives, and demonstrate that delivery to Dundee City Council which provides a significant proportion of LACD's funding. Setting clearly articulated objectives is fundamental to effective risk management, as it entails identifying threats to the delivery of those objectives.

## Definitions of Levels of Assurance

Comprehensive Assurance	The system of controls is essentially sound and supports the achievement of objectives and management of risk. Controls are consistently applied. Some improvement in relatively minor areas may be identified.
Substantial Assurance	Systems of control are generally sound, however there are instances in which controls can be strengthened, or where controls have not been effectively applied giving rise to increased risk.
Limited Assurance	Some satisfactory elements of control are present; however, weaknesses exist in the system of control, and / or their application, which give rise to significant risk.
No Assurance	Minimal or no satisfactory elements of control are present. Major weaknesses or gaps exist in the system of control, and / or the implementation of established controls, resulting in areas of unmanaged risk.

## Definitions of Action Priorities

Critical	<b>Very High-risk exposure to potentially major negative impact</b> on resources, security, records, compliance, or reputation from absence of or failure of a fundamental control. Immediate attention is required.
High	<b>High risk exposure to potentially significant negative impact</b> on resources, security, records, compliance, or reputation from absence of or non-compliance with a key control. Prompt attention is required.
Medium	<b>Moderate risk exposure to potentially medium negative impact</b> on resources, security, records, compliance or reputation from absence or non-compliance with an important supporting control, or isolated non-compliance with a key control. Attention is required within a reasonable timescale.
Low	<b>Low risk exposure to potentially minor negative impact</b> on resources, security, records, compliance, or reputation from absence of or non-compliance with a lower-level control, <b>or areas without risk exposure but which are inefficient, or inconsistent with best practice.</b> Attention is required within a reasonable timescale.