

**REPORT TO: SCRUTINY COMMITTEE – 20 APRIL 2011**

**REPORT ON: INTERNAL AUDIT REPORTS**

**REPORT BY: CHIEF INTERNAL AUDITOR**

**REPORT NO: 199-2011**

## **1.0 PURPOSE OF REPORT**

To submit to Members of the Scrutiny Committee a summary of the Internal Audit Reports finalised since the last Scrutiny Committee.

## **2.0 RECOMMENDATIONS**

Members of the Committee are asked to note the information contained within this report.

## **3.0 FINANCIAL IMPLICATIONS**

None

## **4.0 MAIN TEXT**

**4.1.** The day-to-day activity of the Internal Audit Service is primarily driven by the reviews included within the Internal Audit Plan. Broadly, on the completion of a specific review, a report which details the audit findings and recommendations is prepared and issued to Management for a formal response and submission of Management's proposed action plan to take the recommendations forward. Any follow-up work subsequently undertaken will examine the implementation of the action plan submitted by Management.

**4.2.** Executive Summaries for the reviews which have been finalised in terms of paragraph 4.1 above are provided at Appendix A. Within each Executive Summary the prime aim is to provide both Members and Management with key information which includes the reason for undertaking the review, summary financial data and statistics, the areas encompassed within the review and specific areas which were excluded, the principal audit objectives, an audit opinion on the adequacy of the systems and control framework of the area reviewed, the key conclusions based on the audit findings and recommendations and a summary of Management's response to the audit report. The full reports are available to Members on request.

## **5.0 POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

## **6.0 CONSULTATIONS**

The Chief Executive, Depute Chief Executive and Director of Finance have been consulted on the content of this report.

## **7.0 BACKGROUND PAPERS**

None

Sallie Dailly, Chief Internal Auditor

DATE: 05 April 2011

## i) INTERNAL AUDIT REPORT 2010/05

<b>Department</b>	<b>Corporate</b>
<b>Subject</b>	<b>Mobile Phones</b>

**Introduction**

A review of procedures operated in respect of telecommunications was part of the planned internal audit work. The specific focus of this review was mobile phones.

Dundee City Council staff may be provided with a mobile phone in situations for example where they require to be easily contactable or where there are health and safety issues due to the nature of their employment. T-Mobile is the primary mobile phone service provider used by the Council.

The contract for the provision of mobile telecommunications services was re-tendered during the 2009/10 financial year. In November 2009 the Policy and Resources Committee approved the tender from T-Mobile at a cost of £143,000 per annum effective from December 2009. Whilst the contract is initially for two years there is an option at the end of this period for it to be extended if it is deemed to be in the best interests of the Council to do so.

The Council's Policy Statement and Operational Guide Relating to the Use of Council Telephone Facilities including Council Mobile Phones (The Policy) was initially issued to staff in December 2006. The document forms part of a range of policies and procedures relating to the use of the Council's communication systems and is intended to clarify what constitutes permissible use and good practice. The various departments of the Council are billed monthly by T-Mobile. The number of handsets currently issued to staff is of the order of 2,800 and in the twelve month period December 2009 to November 2010 the amount billed by T-Mobile for services provided was approximately £198,000 (net of VAT).

**Scope and Objectives**

The overall objective of this review was to examine the procedures operated in respect of mobile phones. Procedures operated in respect of landline telephones were outwith the scope of this review.

**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 ensure compliance with Council policy, departments should be reminded that, prior to the issue of any mobile phone, an assessment form must be completed. In addition, given the resources required to assist staff identify personal calls, consideration should be given to discontinuing the use of mobile phones for personal use except in an emergency.
- To ensure that the Council has a complete and accurate database, Telephone Services staff should formally request a list of all mobile phones and the associated data from departments and update the Corporate database to reflect the data provided. Thereafter, the relevant details such as the user's name must be recorded for all phones issued.
- To improve controls over mobile phones, T-Mobile should be requested to improve the functionality of the online system and the feasibility of utilising and/or customising the online option should be explored. In addition, international use, roamed calls and calls to premium rate lines should only be made available to staff where there is a clear business need.

**Management Response to the Audit Report**

The audit findings and recommendations were formally reported to the Head of Information Technology, Director of Finance and Head of Personnel and appropriate action agreed to address the matters raised.

## ii) INTERNAL AUDIT REPORT 2010/18

<b>Department</b>	<b>Education</b>
<b>Subject</b>	<b>Business Credit Cards</b>

**Introduction**

A review of business credit cards used by school staff within the Education Department was part of the planned internal audit work.

Within schools credit cards are used by Home Economics teachers to purchase supplies for cookery classes online from supermarkets and goods ordered are delivered direct to the school. The scheme has been in operation for a number of years at all but one of the Council's secondary schools and at Kingspark School. At the time of audit fieldwork, 14 credit cards had been allocated to school staff. There are predetermined spending limits on cards and balances are cleared monthly.

The cards used are the Royal Bank of Scotland Onecards. These attract an annual charge of £45 per card and are allocated to individual cardholders. In the current financial year, expenditure to mid February 2011 was of the order of £21,000.

**Scope and Objectives**

The overall objective of this review was to examine the procedures operated in respect of business credit cards issued for purchasing Home Economics provisions within the Education Department.

**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 highlighted in the report are as follows:

- In order to ensure that controls are more robust, more detailed departmental guidance should be provided in the use of credit cards and in the event that these are replaced with procurement cards the guidance should be updated to reflect this. This should include areas such as the process for obtaining cards, segregation of duties and procedures for confirming the accuracy of statements from the card provider.

**Management Response to the Audit Report**

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

## iii) INTERNAL AUDIT REPORT 2010/19

<b>Department</b>	<b>Finance Revenues</b>
<b>Subject</b>	<b>Council Tax Refunds</b>

**Introduction**

A review of procedures operated by Finance Revenues in respect of council tax refunds was part of the planned internal audit work.

Council tax is a local government charge on all domestic properties. The tax is levied by all councils to help fund local services such as schools, libraries and refuse collection. The amount of tax payable is dependent upon the council tax band into which the property has been placed. This is based on the property value as at 1st April 1991. A 25% discount is applied for people who live alone and certain properties are exempt including those occupied solely by students.

Payment of council tax can be made by a number of methods including direct debit, cash, cheque, debit and credit card and online payments. Refunds can become due where customers have overpaid the amount due or when council tax has been paid in advance and the occupant's circumstances change. This could include the property being vacant for a prolonged period of time, housing benefit being applied to the account or the death of one of the liable parties.

As at mid February 2011, there had been approximately 10,000 council tax refunds with a gross value of £1.16m for the financial year 2010/11.

**Scope and Objectives**

The overall objective of this review was to confirm that procedures operated in respect of council tax refunds are robust.

**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 ensure that all refunds are processed consistently, the Revenues Division should agree a formal policy for refunding overpaid council tax payments to customers and thereafter communicate it to all staff. Consideration should also be given to providing information on refunds on the Council's website for the benefit of customers. In addition, the department should explore the feasibility of paying refunds by BACS as a more cost efficient method of processing these transactions.
- In order to reduce the time taken to complete the refund process, the Systems Team should explore the feasibility of providing information on refunds to the other sections/departments of the Council electronically.

**Management Response to the Audit Report**

The audit findings and recommendations were formally reported to the Head of Accounts and Benefits and appropriate action agreed to address the matters raised.

## iv) INTERNAL AUDIT REPORT 2010/25

<b>Department</b>	<b>Education Department</b>
<b>Subject</b>	<b>Establishment Reviews</b>

**Introduction**

A review of administration procedures operated within St Paul's RC Academy and Braeview Academy was part of the planned internal audit work.

St Paul's RC Academy is one of the Council's PPP schools and is maintained by Robertson's Facilities Management. Braeview Academy is one of the secondary schools which is owned and maintained by the Council. Whilst the arrangements for maintenance of the school property are different, both schools provide educational facilities for children of secondary school age and administration procedures operated by school office staff should be broadly in line.

School office staff carry out a variety of tasks which enable the day to operation of the school. Their duties include responsibility for financial matters such as administering income and expenditure for school trips and school funds. To fulfil this role, staff should ensure that all monies are held securely, cash and cheques are banked timeously and records are reconciled. Education support staff in Headquarters have provided a guidance manual for school administration staff and this is available on the Departmental intranet site. Staff at Headquarters also provide ongoing advice on an as required basis.

**Scope and Objectives**

The overall objective of the review was to examine the administration procedures operated at St Paul's RC Academy and Braeview Academy. Procedures operated in respect of income and expenditure relating to devolved school management were excluded from this review.

**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:

- In order to protect staff and ensure consistency in working practices in the event of staff absence, where practicable steps should be taken to improve segregation of duties, with reconciliations of petty cash and school funds being carried out or at least checked by an independent member of staff.

**Management Response to the Audit Report**

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

## v) INTERNAL AUDIT REPORT 2010/28

<b>Department</b>	<b>Dundee Contract Services - Construction</b>
<b>Subject</b>	<b>Management of Portable Assets</b>

**Introduction**

A review of the arrangements for the management of portable assets within Dundee Contract Services (DCS) Construction was part of the planned internal audit work.

DCS is a contracting arm of Dundee City Council and provides quality building services covering all building craft trades from joiners and electricians to blacksmiths and tile-layers. Work undertaken includes new build works, repairs, upgrades and modernisation for buildings of any type and use. The turnover of the Construction Division is of the order of £22m and covers a range of services which includes the housing repairs partnership, property maintenance, capital contracts and minor works.

DCS utilises plant and equipment in order to carry out its day to day activities. Most of the equipment used is purchased by DCS but in some cases specialist equipment required for projects is hired. Smaller tools are owned by the relevant tradesmen. DCS equipment is recorded in the plant and vehicle system (PVS), an in-house system which has been in use for some years. Items not in use are held in the store and employees sign for plant issued to them.

The PVS is also used by DCS Land Services for recording their plant. As both Divisions have slightly different working practices, arrangements for the holding and issue of stock was reviewed in both Divisions. This report highlights areas for improvement identified in procedures operated by the Construction Division whilst Internal Audit report 2010/29 recommends improvements in practices operated by Land Services.

The Construction Division has of the order of 1,400 pieces of small plant of equipment recorded in the PVS system.

**Scope and Objectives**

The overall objective of this review was to assess the arrangements in place for recording, safekeeping and notification of loss or theft of portable assets in the Construction Division.

**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 ensure that the PVS is an accurate record of all DCS plant, all plant including hire equipment and items bought for specific contracts should be recorded in the PVS and the records archived when the equipment is returned or scrapped. In addition, consideration should be given to restricting store issues to supervisors only, where possible, and all staff should be reminded that they are responsible for any equipment issued to them.
- To comply with best practice and provide assurance that PVS records are correct, a full reconciliation of items in the PVS with the items held in store should be carried out annually with interim full or part reconciliations being undertaken at appropriate intervals as deemed necessary

**Management Response to the Audit Report**

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

## vi) INTERNAL AUDIT REPORT 2010/29

<b>Department</b>	<b>Dundee Contract Services - Land Services</b>
<b>Subject</b>	<b>Management of Portable Assets</b>

**Introduction**

A review of the arrangements for the management of portable assets held by Land Services within the Dundee Contract Services (DCS) Department was part of the planned internal audit work.

The Land Services Division maintains the City's open spaces, including its trees and urban woodlands and grounds maintenance of open spaces and parks. Land Services staff utilise a variety of plant and equipment in carrying out its day to day activities. This is signed out to individual employees as and when required and any items not issued are stored at Caird Park. Plant and equipment is recorded in a computerised in-house plant and vehicle system (PVS) which has been utilised for some years and is also used by the Construction Division of DCS for recording their plant and equipment.

As Land Services and Construction staff have slightly different working practices in the control and issue of plant and equipment, arrangements for the holding and issue of stock was reviewed in both Divisions. This report highlights areas for improvement identified in procedures operated by Land Services whilst Internal Audit report 2010/28 makes recommendations for improvement in practices operated by Construction staff.

Land Services has of the order of 300 items of small plant equipment recorded in the PVS system.

**Scope and Objectives**

The overall objective of this review was to assess the arrangements in place for recording, safekeeping and notification of loss or theft of portable assets in the Land Services Division

**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 ensure that the PVS is an accurate record of all Land Services plant and equipment, all items purchased including those delivered directly to Camperdown Park should be recorded in the PVS, marked with the unique PVS number and archived when they are no longer fit for purpose. As equipment is used by teams rather than by one individual, equipment should be signed out by supervisors who should have some means of recording the location/member of staff to whom it is issued.
- To ensure that Land Services staff have a complete list of all equipment and the area in which it is located, a full stock check of all items held should be carried out. In addition, staff should be reminded that equipment will only be issued when the necessary procedures have been completed.

**Management Response to the Audit Report**

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