

**REPORT TO: SCRUTINY COMMITTEE – 29 JUNE 2016**

**REPORT ON: INTERNAL AUDIT REPORTS**

**REPORT BY: SENIOR MANAGER – INTERNAL AUDIT**

**REPORT NO: 231-2016**

**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: 8 June 2016

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## i) INTERNAL AUDIT REPORT 2015/12

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Regulation of Investigatory Powers</b>
<b>Introduction</b>	
<p>A review of the Council's policies and operational procedures in respect of surveillance activities to ensure these are in line with legislative and associated codes of practice requirements was part of the planned internal audit work.</p> <p>The Regulation of Investigatory Powers (Scotland) Act 2000 (RIP(S)A) was introduced to control the use of surveillance and covert human intelligence sources. One surveillance technique covered by RIP(S)A is known as Directed Surveillance. Directed Surveillance, which is the main surveillance technique used by the Council, is defined as covert but not intrusive and undertaken for the purposes of a specific investigation or operation, in such a manner as is likely to result in obtaining private information about a person. Directed Surveillance can be authorised if it is for the purpose of preventing or detecting crime or preventing disorder, in the interests of public safety or for the purpose of protecting public health. In addition to RIP(S)A, two codes of practice were issued by the Scottish Government (updated November 2014) to provide specific guidance on Covert Surveillance and Property Interference and Covert Human Intelligence Sources.</p> <p>The Office of Surveillance Commissioners, which was established to oversee the authorisation and use of covert tactics by statutorily empowered public authorities, including the Council, carries out formal inspections of the arrangements in place within these organisations to manage RIP(S)A. The next Council inspection is scheduled to take place on 29 June 2016.</p> <p>During 2015/16 the Council approved 29 applications under RIP(S)A, the majority of which were requested by the Council's Anti-Social Behaviour Team.</p>	
<b>Scope and Objectives</b>	
To review the Council's policies and operational procedures in this area against the legislative framework and codes of practice governing such investigations.	
<b>Conclusion</b>	
<p><i>The principal conclusion drawn from this review is that there are weaknesses in the system which should be addressed.</i></p> <p>The main areas highlighted in the report are as follows:</p> <ul style="list-style-type: none"> <li>• Steps should be taken to finalise the Council's RIP(S)A policy statement and submit it for approval to the Policy and Resources Committee. The role of senior responsible officer should be formalised in the policy and the remit should include the requirement to ensure that adequate contingency arrangements are in place for absence of key staff. Thereafter, in line with general best practices, arrangements should be put in place to enable Elected Members to review the policy and scrutinise the Council's use of RIP(S)A.</li> <li>• A training strategy should be developed for staff with responsibilities in respect of the authorisation or use of covert surveillance and a formal method of cascading information on the key areas of RIP(S)A legislation and the revised Council Guidance Note should be introduced so that staff throughout the Council have an awareness of the activities which are governed by the legislation.</li> </ul>	
<b>Management Response to the Audit Report</b>	
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 2015/28

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Health and Social Care Integration – Financial Assurance / Due Diligence</b>

**Introduction**

The Public Bodies (Joint Working) (Scotland) Act 2014, which received Royal assent in April 2014, establishes the framework for the integration of health and social care in Scotland. Detailed supplementary statutory guidance entitled Integration Financial Assurance – Advice to Health Boards, Local Authorities and Integration Joint Boards (Financial Assurance Guidance), which provides information on a process of financial assurance / due diligence to help ensure the success of integrating health and social care was published by the Scottish Government in June 2015.

The integration of health and social care represents the radical reform required to improve care, particularly for adults with multiple complex support needs, many of whom are frail older people, and to make better use of the substantial resources that are committed to adult health and social care.

The Integration Joint Board (IJB) has access to a combined budget for services it has direct operational responsibility for or is hosting on behalf of the partners. It also has Large Hospital Set Aside budgets for services delegated for strategic planning purposes, so that it can work in collaboration with the Acute Sector to redesign the care / pathways of care or implement new models that will shift service and resources. The alignment of the budgets has been subject to a financial assurance / due diligence process agreed between the partners and the partnerships.

One of the most important items of business for a newly established IJB is to obtain assurance that its resources are adequate to allow it to carry out its functions and to identify, quantify and assess the risks associated with this. In order to facilitate this, the Financial Assurance Guidance states that *'the Audit Committees are provided with a report, produced jointly by the Health Board and Local Authority Chief Internal Auditors (and copied to the shadow IJB), on the assurance work that has been carried out by the Health Board and Local Authority.'*

**Scope and Objectives**

To ensure that the financial assurance / due diligence process is in line with the Financial Assurance Guidance and that the risks and assumptions made were comprehensive, accurate and clear.

**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 financial assurance / due diligence process undertaken on the initial sums for the integrated budget comprehensively covered the requirements of the Financial Assurance Guidance and the information provided to the Dundee (Shadow) IJB at meetings and development events throughout 2015/16 provided a full and detailed picture of the financial position of the budgets in scope, a number of areas for improvement were identified, including finalising the resources to be transferred from NHS Tayside to the IJB, refining the methodology for deciding on the amount to be set aside for Large Hospital Services in scope, developing a savings plan for mitigating the risks identified in respect of the resources to be transferred from NHS Tayside, developing the risk register and putting in place arrangements for reviewing performance against assumptions made and, where applicable, adjustments made for future years.

**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.