

REPORT TO: SCRUTINY COMMITTEE – 24 JUNE 2015

REPORT ON: INTERNAL AUDIT REPORTS

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 244-2015

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, Director of Corporate Services and Head of Democratic and Legal Services have been consulted on the content of this report.

7.0 BACKGROUND PAPERS

None

Sallie Dailly, Chief Internal Auditor

DATE: 10 June 2015

i) INTERNAL AUDIT REPORT 2013/06

Client	Education
Subject	School Transport

Introduction

As part of the planned internal audit work a review of school transport was undertaken.

The Council's ethos surrounding travelling to school is to encourage pupils whenever possible to do so independently. The Council's policy in respect of this is broadly that transport to and from school will be provided at no charge if certain criteria are met. These criteria are currently based on distance, medical conditions, disability and specialist provision. Currently transport for mainstream primary school pupils and also for mainstream secondary school pupils in receipt of free school meals is provided where the school allocated by the Education Department is more than two miles away from the pupil's recorded home address. For mainstream secondary school pupils not in receipt of free school meals, transport is only provided where the school is more than three miles away from the pupil's home address. Transport is not however provided in cases where although the distance threshold has been met the pupil attends a school outwith their catchment area as a result of a placing request having been made. School transport may also be provided for pupils in other certain situations such as if the route to school is deemed unsafe or if pupils are decanted to another location. For pupils with additional support needs transport is made available at no cost providing the specified criteria are met.

For the 2014/15 financial year, the actual expenditure for home to school transport was of the order of £1,468,000. Of this approximately 14% related to mainstream pupils and 86% to pupils with additional support needs.

Scope and Objectives

Review of the efficiency and effectiveness of the policy and processes which underpin delivery of school transport contracts for the Education Department. The key focus of the review was the school transport application and assessment process.

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 provision of school transport continues to be sustainable and cost pressures in this area are more fully assessed, a review of the entitlement criteria currently in place for distance and pupils with additional support needs should be undertaken. As part of this exercise consideration should be given to ensuring that the actual expenditure for providing this service is more closely aligned to the budget.
- To improve clarity for key stakeholders and help ensure that the guidance and operational procedures are aligned, the Policy Statement and Code of Practice for the Home / School Transport of Children and Young People with Additional Support Needs should be reviewed and updated as appropriate. In addition, to assist parents / carers, the entitlement criteria for receipt of school transport for pupils with additional support needs and corresponding application form should be made more readily available.

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.

ii) INTERNAL AUDIT REPORT 2013/28

Client	Education
Subject	Early Years Income

Introduction

A review of the arrangements in place within the Education Department for the management of fee income generated from the provision of additional hours / wraparound care was part of the planned internal audit work.

Until recently the maximum annual entitlement for free pre-school education was 475 hours. This increased to 600 hours with effect from August 2014. In Dundee, pre-school education is provided by the Council via 8 nursery schools and 20 nursery classes. Pre-school education is also delivered through 22 private and voluntary sector providers working in partnership with the Council.

At some of the Council-run establishments, parents / carers are able to purchase additional hours. A formal arrangement is entered into when additional hours are purchased. This involves the parent / carer and head teacher signing a childcare contract detailing the hours required and associated costs. The Education Department's Finance, Catering and School Services Section is responsible for the management of fee income generated from this service.

There are currently of the order of 240 children receiving chargeable additional hours. For 2014/15 the adjusted budgeted income figure was £199,000 and the actual income totalled of the order of £243,000.

Scope and Objectives

Review of the effectiveness of the management of placements by the Education Department for the early year's sector to ensure that provision is in line with service needs. This review focused on the arrangements in place for the management of fee income generated from the provision of additional hours.

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 improve the billing arrangements in place for the provision of additional nursery services the Finance, Catering and School Services Section should provide clear instructions to nurseries surrounding what should be checked during the biannual billing report exercise and staff should be reminded of the importance of completing this task timeously. In addition, steps should be taken to ensure that all signed childcare contracts are forwarded without delay to the Finance, Catering and School Services Section. Lastly, the Section should continue to strive towards reaching a position of invoicing in advance for the provision of additional nursery services.

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 2014/15

Client	City Development
Subject	PVG Scheme

Introduction

A review of the arrangements in place within the City Development Department's Transportation Division to ensure compliance with the provisions of the Protecting Vulnerable Groups (PVG) Scheme was part of the planned internal audit work.

In 2010, in line with the Protection of Vulnerable Groups (Scotland) Act 2007, the Scottish Government introduced the PVG Scheme, to replace and strengthen the disclosure arrangements for people who work with children and adults at risk. The PVG Scheme, which is managed and delivered by Disclosure Scotland, was developed in response to the principal recommendation of the Bichard Report published in 2004 following a public inquiry into child protection. This report stated that new arrangements should be introduced requiring those who wish to work with children or protected adults to be registered. Improved controls put in place through the PVG Scheme include effective barring of individuals assessed as being unsuitable, the production of the adults' list, continuous vetting so that new information indicating an individual may no longer be suitable can be acted upon and a more streamlined disclosure process for individuals with several roles.

Under the PVG Scheme, the Transportation Division is permitted to have sight of Scheme Records / Scheme Record Updates for all suppliers' employees used to deliver the Council's home to school transport contracts. In addition, the Division acts as the Registered Body for self employed taxi drivers who are suppliers and receives Scheme Records / Scheme Record Updates from Disclosure Scotland directly for those individuals. All Scheme Records / Scheme Record Updates are assessed internally by the Transportation Division, with support from Legal Services where required, to ensure continued suitability of drivers and escorts. There are currently of the order of 140 school transport contracts in operation with a total of 250 named drivers and escorts involved in delivering these.

Scope and Objectives

Assessment of the Council's arrangements to ensure compliance with the provisions of the PVG Scheme. This review focussed on the arrangements in place within City Development's Transportation 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 all drivers / escorts used by suppliers to deliver home to school transport contracts have been assessed by the Council for suitability, an initial reconciliation of the information held within the CTX Contracts System and the spreadsheet used to monitor PVG information should be carried out with steps being taken thereafter to obtain and review any outstanding Scheme Records and follow-up any queries. Going forward, reconciliations should be carried out on an ongoing basis and staff should be reminded of the importance of accurately and timeously updating both systems.

Management Response to the Audit Report

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

iv) INTERNAL AUDIT REPORT 2014/20

Client	Corporate
Subject	Follow-up Review of Spreadsheets
Introduction	
<p>As part of the planned internal audit work, a follow-up review of Internal Audit Report 2012/38, Spreadsheets was undertaken.</p> <p>The original internal audit report concluded that there were weaknesses in the system which should be addressed. The main areas commented upon in the original report were as follows:</p> <ul style="list-style-type: none"> To identify those spreadsheets that pose the biggest risk to the Council an inventory should be maintained of all business critical and/or high risk spreadsheets. This should be critically analysed to identify any potential areas for automation or where reliance could be placed on current software systems. In addition, to ensure that business critical and high risk spreadsheets are adequately controlled best practice guidelines for the use of spreadsheets should be developed. 	
Scope and Objectives	
<p>To assess whether or not each of the recommendations agreed by management in Internal Audit Report 2012/38 had been implemented within the given timescales. The follow-up review was restricted to areas included in the original report.</p>	
Conclusion	
<p><i>The principal conclusion drawn from the follow-up work undertaken is that whilst some action has been taken to strengthen the control weaknesses highlighted in the original review there are still some recommendations which require to be implemented by management.</i></p> <p>The main areas where actions agreed by management are still outstanding are as follows:</p> <ul style="list-style-type: none"> Whilst a Register of Critical Spreadsheets is partially compiled, further work is required to ensure that it contains all business critical spreadsheets and/or high risk spreadsheets used by the Council. In addition, a recently published good practice guide in relation to spreadsheets has been identified and will be used to assist in the development of Council guidance. 	
Management Response to the Audit Report	
<p>The audit findings and recommendations were formally reported to the Director of Corporate Services and appropriate action agreed to address the matters raised.</p>	