

REPORT TO: SCRUTINY COMMITTEE – 25 JUNE 2014

REPORT ON: INTERNAL AUDIT REPORTS

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 269-2014

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: 9 June 2014

i) INTERNAL AUDIT REPORT 2012/23

Client	Corporate
Subject	Payroll – Overtime Working

Introduction

A review of the arrangements in place for overtime working was part of the planned internal audit work.

The Council introduced Corporate Overtime Guidelines to supplement the national agreement on pay and conditions of service for all local government employees, commonly known as the Red Book or Single Status Agreement. In broad terms these Guidelines discourage work in excess of normal working hours and require management to approve in principle any overtime to be worked. Standard claim forms have been compiled to record overtime worked and these require to be approved and authorised by designated officers prior to payment.

A corporate review of terms and conditions is ongoing within the Council with a view to achieving further harmonisation.

The actual expenditure in respect of non-contractual overtime payments for the 2013/14 financial year was of the order of £1.6 million.

Scope and Objectives

To review the adequacy of the systems and controls for payments made in respect of overtime working.

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 arrangements in place for approving, claiming and authorising payment for overtime reflect current working practices and reporting lines, the Guidelines should be reviewed and revised. Once finalised, staff should be made aware of the revised Guidelines and reminded that work in excess of normal hours should generally not be undertaken unless there is a justifiable reason and it is unavoidable.

Management Response to the Audit Report

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

ii) INTERNAL AUDIT REPORT 2013/05

Client	Environment
Subject	Test Purchases and Seized Goods

Introduction

A high level review of the administrative arrangements in place within the Council to support its statutory duties in relation to under age sales and counterfeiting was part of the planned internal audit work.

Trading Standards is part of the Environment Department's, Environmental Protection Division and is responsible for ensuring a fair and safe trading environment within Dundee whilst at the same time protecting the interests of local consumers and businesses.

In order to protect the health and wellbeing of young people, legislation exists relating to the sale of age-restricted products such as tobacco, alcohol, solvents, and fireworks. As part of its overall enforcement programme dealing with age, Trading Standards carries out test purchasing operations, involving children and young people, to help identify and prevent illegal underage sales.

It is the duty of the Council to enforce legislation relating to counterfeit goods. The production, distribution and supply of counterfeit goods can have a serious adverse effect on the companies whose names are illegally applied to goods, businesses selling genuine goods and the health and safety of consumers. Acting upon information made available from a number of sources including members of the public and organisations representing legitimate trade interests, Trading Standards will carry out investigations and, where appropriate, seize counterfeit goods. Examples of the most common counterfeit items are DVDs, CDs, computer games, clothing, cigarettes and perfume. The goods acquired by Trading Standards through its test purchasing and anti-counterfeit operations are stored locally until disposal.

Scope and Objectives

Assessment of the adequacy of the systems operated in relation to test purchases and seized goods activities within the Environment Department.

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:

- A formal strategy designed to assess and maintain compliance with legislation dealing with age restricted products should be compiled along with a test purchasing programme. In addition, a formal targeted inspection programme for counterfeit goods should be developed to include planned inspections of retailers, markets and events that take place throughout the year.

Management Response to the Audit Report

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

iii) INTERNAL AUDIT REPORT 2013/07

Client	Environment
Subject	Special Collections

Introduction

A high level review of the arrangements in place within the Council to support the special collections service was part of the planned internal audit work.

The special collections service for householders, Council departments and external business customers is part of the Environment Department's, Environmental Protection Division. A Special Collections Database is used by the Department to process all special collection requests. This has been developed in-house by the IT Division.

In terms of householders, the Department is responsible for uplifting larger items such as white goods, furniture and carpets on request. Special collection requests can be made over the phone or in person at the Environment Department and in person at Dundee House, the East and West District Housing Offices and Leisure and Culture Dundee's community libraries. Payments are received by cash, cheque or debit / credit card. In addition, requests and payment from householders can be made online via MyDundee. In general, a total of six items can be collected for a standard charge of £13.00 providing the items are left outside the property at ground floor level. However, some jobs such as the collection of garden sheds, fences, tree cuttings and bathroom suites require to be individually assessed by an Inspector so that they can be priced accordingly before the collection takes place. In general, special collection requests from Council departments and external business customers are received directly by the Department.

During 2013/14, there were 8,769 special collections recorded in the Special Collections Database, generating income of approximately £325,000.

Scope and Objectives

Systems review of the end to end process operated by the Environment Department to provide a service to have larger items uplifted for disposal.

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 facilitate the management and monitoring of the service, both from a financial and performance perspective, administrative staff should establish what management information is required from the Special Collections Database and thereafter liaise with the IT Division to determine the most appropriate way to extract this information. In addition, as a minimum, income reconciliations between the Special Collections Database and CIVICA Financials should be undertaken annually at the year end.

Management Response to the Audit Report

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

iv) INTERNAL AUDIT REPORT 2013/13

Client	Corporate
Subject	Scottish Welfare Fund

Introduction

A high level review of the arrangements in place to manage the Scottish Welfare Fund was part of the planned internal audit work.

As a result of the Welfare Reform Act, the discretionary Social Fund administered by the Department for Work and Pensions was abolished in April 2013 with funding for two of its elements, more specifically Community Care Grants and Crisis Loans for Living Expenses, being transferred to the Scottish Government. The Scottish Government and COSLA agreed that, on an interim basis, local authorities in Scotland would administer the successor arrangements with effect from 1 April 2013 under a new ring-fenced scheme called the Scottish Welfare Fund. In the longer term, permanent arrangements will be set out in primary legislation.

The Scottish Welfare Fund provides two types of grants, Community Care Grants and Crisis Grants. Community Care Grants help clients to leave care and live on their own or continue to live on their own and Crisis Grants provide clients with a safety net in the event of a disaster or emergency. To ensure consistency across Scotland in the provision of this assistance, help support a national training programme and facilitate national monitoring arrangements, the Council administers the Scottish Welfare Fund in line with a national framework that includes Scottish Welfare Fund Guidance, standard documentation including application form and a national training programme.

Dundee City Council's total Scottish Welfare Fund allocation for 2013/14 was of the order of £1.34 million, of which approximately 74% is for Community Care Grants and 26% for Crisis Grants. The same level of funding has been agreed for 2014/15.

Scope and Objectives

To review an area of potential risk arising from the introduction of UK Government's Welfare Reform agenda and the mitigating action taken by the Council. More specifically, this high level review focussed on the arrangements in place within the Council to manage the Scottish Welfare Fund. The review did not however include a detailed appraisal of operational processing, including assessment, of applications from clients.

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 Council's framework for the Scottish Welfare Fund is operating more effectively, the remits of the groups involved in the management and co-ordination of the fund as well as the roles and responsibilities of key members of staff should be documented and communicated accordingly. In addition, steps should be taken to further develop operational practices with a view to achieving a more cohesive approach to delivering the service.

Management Response to the Audit Report

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

v) INTERNAL AUDIT REPORT 2013/31

Client	Corporate
Subject	Data Backup

Introduction

A review of the arrangements of data backup within the Council's IT environment was part of the planned internal audit work.

The Council has approximately 5,000 users of its IT systems. There is a large amount of data, some of which is highly confidential, on applications across a diverse range of infrastructure including IBM System z mainframes, UNIX and Linux systems, and Intel-based servers, supported by databases such as Oracle and Ingres. There is also unstructured confidential data held on the network, such as emails.

The Council has contracted Tectrade to provide a fully managed backup service for the majority of its systems. This includes specific service level agreements and monitoring to show compliance with government targets and data protection obligations. The majority, but not all, of the Council data backups are managed by Techtrade through this arrangement, the main exception being the Northgate Revenues and Benefits System which is managed through a contract with Northgate.

Scope and Objectives

Review of the arrangements for data backup of the Council's IT environment to provide assurance that it is undertaken in a complete, secure and timely manner.

Conclusion

The principal conclusion drawn from this review is that whilst there is basically a sound system of control there are some areas where it is viewed improvements can be made.

The main areas commented upon in the report are as follows:

- The backup arrangements for the Northgate Revenues and Benefits System should be reviewed and the risks and potential impact further assessed. Consideration should be given to bringing it within the remit of the Council's IT Division to enable the necessary steps to be taken for the system and data to be backed up through the IBM Tivoli Storage Manager and thereby bring the system within the scope of the managed backup service provided by Tectrade. If however a decision is taken to continue the existing arrangements, as a minimum going forward, copies of the Northgate backup tapes should be stored off-site at another location such as Shore Terrace.

Management Response to the Audit Report

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

vi) INTERNAL AUDIT REPORT 2013/32

Client	Corporate
Subject	Community Planning Partnership

Introduction

A high level review of the Community Planning Partnership (CPP) arrangements in place at a local level was part of the planned internal audit work.

Community planning is the process by which councils and other public bodies work together with local communities, businesses and voluntary sector organisations to plan and deliver better services and improve the lives of people who live in Scotland. Community planning was given a statutory basis by the Local Government in Scotland Act 2003. At a national level, Audit Scotland has undertaken a number of reviews in this area and their publication Improving Community Planning in Scotland, issued in March 2013, had the stated aim of being designed to make a constructive contribution to the debate about how community planning in Scotland could be improved. In particular the report concluded that community planning was at a crossroads and a fresh drive was required to deliver a step change in performance to realise its full potential. More specifically Audit Scotland concluded that there was a need to focus on where CPPs could make the greatest difference in meeting the complex challenges facing their communities, ensuring that all partners align their service and financial planning arrangements with community planning priorities, and improving CPP's governance and accountability, and planning and performance management arrangements.

A local CPP has been established for each of the eight multi-member wards in Dundee to develop and deliver the Single Outcome Agreement which outlines the Council's strategic priorities, expressed as local outcomes. Each local CPP has representatives from Council departments as well as representatives from Tayside Police, Tayside Fire and Rescue, Community Healthy Partnership, the voluntary sector, Scottish Enterprise, businesses and local community groups.

Scope and Objectives

Review of the current delivery model to ensure that appropriate and robust governance arrangements have been established and are operating effectively. This review will be limited to governance arrangements for the CPPs as they apply to Tayside Police, Tayside Fire and Rescue, NHS Tayside's Dundee Community Health Partnership and Scottish Enterprise.

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 the principles contained in the recent Scottish Government and COSLA joint statement of agreement on community planning and resourcing are being complied with, the Dundee CPP should implement a process for the partners to share and align their financial planning information with the priorities of the Single Outcome Agreement.
- To enable the Council, as lead partner, to have the necessary assurances that all outcomes are being completed as planned, a more formalised scrutiny regime should be put in place. This should include agreeing on a consistent approach regarding the detail being updated on the Council's Plan and Performance Monitoring databases.

Management Response to the Audit Report

The audit findings and recommendations were formally reported to the Chief Executive and appropriate action agreed to address the matters raised.