ITEM No …6……..

REPORT TO: SCRUTINY COMMITTEE - 28 SEPTEMBER 2016

REPORT ON: INTERNAL AUDIT REPORTS - SUMMARY OF PROGRESS ON THE IMPLEMENTATION OF RECOMMENDATIONS

REPORT BY: SENIOR MANAGER – INTERNAL AUDIT

REPORT NO: 296-2016

1.0 PURPOSE OF REPORT

To submit to Members of the Scrutiny Committee an update on the progress in implementing internal audit recommendations previously reported to and agreed by Management.

2.0 RECOMMENDATIONS

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

3.0 FINANCIAL IMPLICATIONS

None

4.0 MAIN TEXT

4.1 Standard 2500 of the Public Sector Internal Audit Standards entitled Monitoring Progress states "the chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management". In practice this requirement is discharged by the Senior Manager – Internal Audit ensuring that there are effective processes in place to capture assurances that audit recommendations have been implemented or if this is not the case that senior management are aware of the consequences and have accepted the risk of not taking action.

4.2 The Internal Audit Plan submitted to the Scrutiny Committee on an annual basis contains an allocation for follow-up reviews to be undertaken by internal audit staff. This allocation is used to assess the extent to which recommendations previously agreed with management have been implemented. The outcomes of such reviews are formally reported to management. In addition, the Executive Summaries from these reviews are submitted to the Scrutiny Committee as part of the standing item on Internal Audit Reports.

4.3 It is not feasible within existing resources for the Internal Audit Service to carry out formal follow-up reviews of all of the areas previously audited. Therefore to ensure compliance with the Standards, assurances are also formally sought from management by means of Progress Reviews. These require management to provide an update of the action taken in respect of recommendations previously made. On the basis of these updates and taking cognisance of the potential risk if the actions previously agreed have not been implemented, a formal follow-up review may subsequently be undertaken by Internal Audit and reported to Committee in line with paragraph 4.2 above.

4.4 A total of 34 internal audit reports, 16 of which were also part of the 2015 Progress Review Exercise, were subject to a progress review as part of the 2016/17 Plan and attached at Appendix A is a schedule summarising the work undertaken. This schedule also provides commentary as to the current status of the implementation of the recommendations, where these are outstanding. Of the 80 outstanding recommendations contained in the original internal audit reports, of the order of 40% have been fully implemented, 54% have been partly implemented and the remaining 6% have yet to be implemented. None of the recommendations recorded as 'not implemented' are critical. For the recommendations that are partly implemented or not yet implemented, assurances were provided to Internal Audit by Management that the outstanding areas will be addressed and where feasible revised timelines were provided. In terms of management responses to the progress reviews that have been undertaken as part of the 2016/17 Plan, it is evident that there has been slippage in the anticipated original timeframes provided by management for the implementation of the recommendations in full. Whilst the specific reasons for this are varied, there are recurring themes, in particular structural changes that have taken place since the original audit reports

were issued, in some instances resulting in the transfer of operational responsibility within or between services, and the ongoing replacement of core IT systems.

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 CONSULTATION

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: 07 September 2016

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Report No.	**Client**	**Subject**	**Recommendations**				**Management Update for Outstanding Recommendations**
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				Fully	**Partly**	**Not**	
2011/33	Corporate	Encryption of Laptops	**1**		**1**		The IT policies and guidance review is complete and will be considered by the Corporate Management Team in September 2016. It is anticipated that the recommendation will be fully implemented by December 2016. With the rollout of new mobile devices and the on-going implementation of a new thin client technology, known as iGel, the number of laptops will significantly reduce and the ones that are left will operate along the lines of a network computer. It will also not be possible to store data locally on the device.
2012/23	Corporate	Payroll – Overtime Working	**2**			**2**	The working practices operated locally for approving, claiming and authorising overtime are reviewed on an ongoing basis with any inconsistencies highlighted being discussed with the relevant service. Overtime should only be worked where it is considered essential and this is monitored closely by management teams with a steady decline being reported over recent months. Executive Directors and trade unions also consider additional hours worked / overtime on a regular basis. The Corporate Overtime Guidelines are to be reviewed in line with the current agreed budget action to reduce overtime expenditure, with the review to be undertaken between October and December 2016. Analysis on the additional hours worked across service areas to ensure we are accurately recording the reasons will also form part of this review.
2012/26	City Development	Follow-up Review of Residential Parking	**1**		**1**		A report was submitted to the City Development Committee in November 2015 (308-2015) that contained recommendations based on the Internal Audit Report. The corresponding required amendments to the Traffic Regulation Orders and Off Street Car Parks Order have been drafted and are with Legal Services for ratification and publication. The audit recommendation should be fully implemented by the end of the calendar year.

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2012/28	Education	Pre-School Provision	**1**		**1**		The outstanding recommendation is in respect of the management reporting capabilities of the computerised nursery system. Using the Nursery Application Management System (NAMS) 3 has provided staff with more accurate information relating to demand but work is ongoing to identify how accurate management reports can be produced from the system. The recommendation should be fully implemented by the end of March 2017.
2012/32	Social Work	Commissioning of Care	**2**		**2**		Regarding the outstanding recommendation on financial management and monitoring, corporate standardisation is the ultimate aim and a draft report on arrangements for contracting and monitoring third sector projects has been prepared for the Council Management Team to seek approval for the final roll out of the recommendations. The restructuring of the Social Work Department in April 2016 resulted in significant work for the Contracts Section, with amendments to terminology, legislation and the contracting body required and delays in contracts being sent to providers for signing. It is anticipated that all recommendations will be fully implemented by March 2017.
2012/36	Corporate	Data Protection	**2**		**2**		The outstanding recommendations relate to policies, procedures and records management. An updated Data Protection Policy was presented to the Policy and Resources Committee in December 2015 (444-2015) and work is ongoing in relation to developing supporting policies. Additional resources have been provided to tackle the backlog in managing data identified within Social Work but, to date, an assessment of the risk in other areas of the Council has not been undertaken. Consideration is actively being given to staffing in respect of information governance, data protection and records management and it is anticipated that following on from this and any subsequent changes to staffing, it would be an opportune time to review working practices and guidance. The revised implementation date for all recommendations is June 2017.

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2013/07	Environment	Special Collections	**3**	**1**	**2**		The outstanding recommendations relate to management information and guidance on operational procedures for library staff. Enhancements to the computer system have been made by IT Services with regard to information such as outstanding requests and a breakdown of routine uplifts into different categories. A further request has been submitted to IT to provide additional information. With regard to guidance for library staff, the contact person previously identified to progress this has now left and the Administration Development Officer will pursue this with library management. The revised target date for implementation of the recommendations is March 2017.
2013/11	Corporate	Follow-up Review of Corporate Complaints	**1**		**1**		The outstanding recommendation is in respect of Staff Guidance and Training. Implementation of the planned training session on Complaints Investigation Skills will now take place as part of a wider programme of training for all staff who deal with complaints. This follows a self assessment of the Council's processes using a framework which is being piloted by the Complaints Standards Authority within the office of the Scottish Public Services Ombudsman. The revised implementation date, linked to the broader programme of training, is 31 December 2016.
2013/12	Housing	Performance Indicators	**2**	**1**	**1**		The outstanding recommendation is in respect of enhancements to the IT systems to facilitate reporting of performance indicators. An integrated Housing IT System has been procured and is now being developed with a proposed implementation date of November 2017. The Repairs element of the Housing System will need to interface with the Construction Repairs and Scheduling IT System and, therefore, the procurement and implementation of that system may impact on timescales.
2013/13	Corporate	Scottish Welfare Fund	**4**	**3**	**1**		The outstanding recommendation relates to production and content of decision letters. Amendments to letters are limited by the capabilities of the Northgate System. The intention is to link in with the Northgate National Working Group with the aim of developing this and other aspects of the system further and this

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							will drive the timescales for completion of this recommendation, currently projected to be 2017. As a way of improving communication with applicants a local text service has been successfully implemented which allows decision makers to contact applicants faster and more regularly and it is hoped this can be integrated with the Northgate system.
2013/17	Corporate	Occupational Health	**1**		**1**		The outstanding recommendation relates to referrals to the Occupational Health Service. The Council has a requirement for managers to refer absent employees to the Occupational Health Provider (OHP) within 1 month of the sickness absence, where intervention would be beneficial. Evidence during the first year indicates that improvements are required in terms of referrals being made in the first 4 weeks of the absence. Managers have been advised to make timely interventions to reduce the length of time employees are absent but it is difficult to monitor compliance. Enhancements are to be made to the Absence Management System to prompt the manager if a referral to the OHP has been made and this will also facilitate monitoring. The revised implementation date is December 2016.
2013/19	Corporate	Income Collection – Licensing	**2**	**1**	**1**		The outstanding recommendation relates to recording and reconciling licensing income. Payments by BACS and card are reconciled as and when they come in for BACS and monthly for card. Full instructions, including the relevant identification code applicable to the type of licence being paid for, are given to customers paying by BACS. The reconciliation of cash payments will commence in the next financial year and the recommendation will be fully implemented by the end of June 2017.
2013/20	Education	Additional Support Needs	**4**	**2**	**2**		The outstanding recommendations are in respect of budgets and forecasts and key performance indicators. A school cluster based formula for the allocation of Additional Support Needs Assistants (ASNAs) is in place and a central panel has the overview of allocations across all clusters. Teacher numbers for Additional Support Needs are agreed within the overall staffing budget for

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							schools. However, data from health is not readily available at present. A new management information system is due to be implemented which will allow for improved data-sharing between the Children & Families Service and NHS. Full devolvement of the ASNAs budget to schools is planned for April 2017. With regard to key performance indicators, national performance indicators have not been delivered and, therefore, comparison with other authorities has not been possible. At a local level 'within service' performance outcome indicators have been developed which have informed strategic planning for integrated children's services for complex and additional support needs. It is anticipated that the outstanding recommendations will be fully implemented by August 2017.
2013/21	Corporate	CeRDMS – Employee Files	**2**		**2**		Implementation of the audit recommendations has been delayed due to the Council restructure and subsequent key personnel changes but it is anticipated that full implementation will be achieved by the end of the calendar year.
2013/23	Social Work	Managing Client Finances	**4**		**3**	**1**	Responsibilities in respect of managing client finances have transferred recently to Corporate Services' Council Advice Service. A short-life working group, with members of staff from the Health and Social Care Partnership and Corporate Services (Customer Services & IT – Council Advice Service and Corporate Finance), has been established with responsibility for taking forward the outstanding areas in the internal audit report. The working group has already met twice and a comprehensive review of procedures and guidance is already underway. This, in turn, will lead to the production of new revised operational guidance for staff involved in all aspects of service delivery. The recommendation recorded as not implemented relates to banking arrangements for DWP Appointeeships and this will be taken forward in due course with input from the working group as required. The revised date for implementation of all recommendations is June 2017.

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2013/26	Corporate	Invoice Processing	**1**		**1**		Whilst all the suggested improvements detailed in the appendix to the audit report have been taken forward, full implementation is dependent on the launch of the new Procurement Portal, which is part of the new corporate Intranet.
2013/28	Education	Early Years Income	**3**	**1**	**2**		The outstanding recommendations relate to childcare contracts for additional nursery services and documenting operational procedures. Additional service contracts are not processed via the new NAMS. However, procedures have been put in place to assist in the calculation of charges and communicate requirements and deadlines to nursery staff. Work is ongoing in respect of follow-up procedures to ensure nurseries are responding to reports that are issued. Operational procedures have been drafted and these will be finalised over the coming weeks. It is anticipated that the recommendations will be fully implemented by November 2016.
2013/30	Corporate	Tax Governance	**4**	**1**	**3**		The outstanding recommendations relate to the compilation of procedures for determining employment / tax status, settlement agreements and review of the revenue partial exemption calculation. Procedures relating to employment / tax status have been drafted and will be finalised and circulated to services. In addition, the existing settlement agreements will be reviewed in conjunction with services. These actions will be progressed by the end of October 2016. The review of the revenue partial exemption position will commence during October 2016. It is anticipated that all outstanding recommendations will be fully implemented by September 2017.
2013/31	Corporate	Data Backup	**1**		**1**		The outstanding recommendation relates to the data backup policy. The Council has engaged external consultants to assist in the review and documentation of its ICT Resilience Strategy. Included within the scope of this work is a review of the Council's backup policy. This project will be completed by the end of December 2016.
2013/32	Corporate	Community Planning	**2**	**1**	**1**		The outstanding recommendation relates to integration of

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		Partnership					financial plans with the Single Outcome Agreement. Arrangements for Health and Social Care integration have been formally established and work is ongoing to complete the joint strategic commission approaches for partnership working relating to children and families and employability. These are likely to be in place for the launch of the new Single Outcome Agreement for Dundee in June 2017.
2014/01	Housing	Follow-up Review of Licensing of Houses in Multiple Occupation	**2**		**2**		In respect of processes, procedures and working practices, there is now one generic application form for all types of HMO application and this is continually reviewed. However, it has not been possible to keep the procedures and process maps up-to-date given the level of ongoing change, which also includes a revised approach to HMO inspections by the Scottish Fire and Rescue Service. The SLA between Housing and Social Work has not been signed, to date, but discussions are scheduled for the near future and all outstanding recommendations should be implemented by December 2017.
2014/02	Environment	Stocks and Stores	**1**		**1**		The outstanding recommendations relate to the store at Caird Park and the Fleet Workshop. With regard to the Caird Park store, the confusion surrounding staff responsibilities has been resolved and the intention is for one member of staff, who will manage the store, to be permanently based at Caird Park. A Health and Safety Audit is ongoing and all areas for improvement identified during the audit should be fully implemented by the end of the calendar year. Responsibility for the Fleet Workshop Store has now been transferred to City Development. Changes are to be made following minor alterations to the layout of the store and the specific areas for improvement identified for this store should be fully implemented by the end of October 2016.
2014/03	Corporate	Capital Monitoring	**5**	**5**			
2014/07	Corporate	Discretionary Housing Payments	**3**	**3**			

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2014/10	Environment	Income	**2**		**2**		The outstanding recommendations relate to working practices and procedures and reconciliation of income. The system design in respect of the project relating to transferring pitch bookings etc. from Neighbourhood Services to Customer Services, with all bookings being processed through the MRM system, is substantially complete. There is a STEP process planned in the next few months both to facilitate the transfer and take into account further service improvements. It is anticipated that the booking function will be fully transferred by the end of the financial year. With regard to reconciliation of income, a staff briefing has taken place in respect of follow-up documentation. In addition and as part of the final STEP review, processes will be reviewed in line with the amended timescale for the MRM transfer of the 31 March 2017. Staff resources are being identified to take this aspect forward.
2014/12	Corporate	Anti-Virus Software	**2**	**2**			
2014/19	Environment	Stocks and Inventories	**2**	**1**	**1**		The outstanding recommendation is in respect of year-end stock checks. Standard operating procedures have been implemented and interim stocktake arrangements have been identified and undertaken. A new IT system, which will include a stores module, is currently being explored by Construction Services and it is anticipated that this will address the outstanding matter relating to stocktaking reporting formats.
2014/20	Corporate	Follow-up Review of Spreadsheets	**2**	**1**		**1**	The outstanding recommendation relates to the development of best practice guidelines and training. The appropriate resource to provide this has, to date, not been identified. However, this will be revisited and the recommendation implemented by December 2016.
2014/21	Corporate	Follow-up Review of Procurement Cards	**2**	**1**	**1**		The outstanding recommendation is in respect of policy, guidelines and training material. The majority of guidance documentation is in online format and has been forwarded to the IT Service to be uploaded once the new Procurement Portal is launched. Conversion to online format should be completed by

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							the end of September 2016.
2014/22	Corporate	Follow-up Review of Tayside Pension Fund	**5**	**2**	**3**		The outstanding recommendations relate to disaster recovery and business continuity, employer contributions and the introduction of a service level agreement (SLA) to communicate pension administration responsibilities. Finalisation of the SLA has been delayed due to changes in management but should be complete by the end of the calendar year. With regard to disaster recovery and business continuity, it has been confirmed that weekly full system back ups and incremental daily back ups are being undertaken by the IT Service. A disaster recovery exercise has been costed and will be undertaken as soon as the IT Service has a resource available to support it, projected to be by the end of the financial year. Finally, in respect of employer contributions, the need to account correctly for contributions is an employer rather than a Fund responsibility and a requirement for employers to check and certify this will be included in the SLA. The self-service employer module will make it easier to gather pensionable pay information and the Tayside Pension Fund will check that the correct contribution has been received at the end of the financial year.
2014/23	Corporate	Performance Information	**1**		**1**		The outstanding recommendation pertains to information sharing and operational procedures. The dissemination lists for circulating the information are available and have been updated. All Services are not yet represented on the Local Government Benchmarking Framework (LGBF) Knowledge Hub and this is being followed up. All LGBF indicator definitions are available and non-LGBF indicator definitions have been received from the services and are now being input to Covalent, the Council's performance management system. Assurance Statements have been received for 15/16 and are being reviewed re signing-off by relevant officers. A report on the LGBF process was produced for discussion at the Corporate Management Team (CMT) on 31 August. In addition, a report on the process will be made at least annually along with the annual report to the Policy and Resources

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							Committee and the Scrutiny Committee. It is anticipated the recommendation will be fully implemented by September 2016.
2014/30	Corporate	Business + IT Development Process	**2**		**1**	**1**	The outstanding recommendations are in respect of assessment of the BID process and business case and departmental approval process. The Council's helpdesk package Assyst has been fully upgraded and will be the means through which all IT work will be channelled in future with high priority projects being clearly visible. This will bring about a number of efficiencies in allowing a standard package to be used to monitor all IT work. It is expected the phase of Assyst deployment, which will meet the recommendations of this audit report, will be implemented by the end of the calendar year. The Council is also in the process of rolling out third party software packages to support Services which will greatly reduce and simplify the number of software change projects.
2015/07	Corporate	Data Integrity	**4**	**2**	**2**		The outstanding recommendations are in respect of operational procedures and the production of sickness absence statistics. Some further development is required in terms of production of CMT information. Development of Employee Resources is ongoing with a view to absence figures being produced via this system by December 2016.
2015/11	Environment	Follow-up Review of Plant and Equipment	**4**	**4**			
Totals			**80**	**32**	**43**	**5**	

	Recommendations Outstanding from the 2015 Progress Review Exercise