

REPORT TO: AUDIT AND RISK MANAGEMENT SUB-COMMITTEE - 2 JUNE 2008

REPORT ON: INTERNAL AUDIT REPORTS

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 308-2008

1.0 PURPOSE OF REPORT

To submit to Members of the Audit and Risk Management Sub-Committee a summary of the Internal Audit Reports finalised since the last Sub-Committee.

2.0 RECOMMENDATIONS

Members of the Sub-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 and Head of Finance have been consulted on the content of this report.

7.0 BACKGROUND PAPERS

None

Sallie Dailly, Chief Internal Auditor

DATE: 21 May 2008

i) INTERNAL AUDIT REPORT 2007/27

Department	Planning and Transportation
Subject	Planning Applications

Introduction
<p>A review of the arrangements for processing planning applications within the Planning and Transportation Department was part of the planned work in the 2007/08 Internal Audit Plan.</p> <p>Areas where planning consent is required can include the building of new homes or commercial developments, adding a large extension to a property, or undertaking a change of use to a property or land. Developers or members of the public wishing to carry out activities which constitute development must complete an application form, submit plans and pay the relevant fee. In instances where planning permission should have been obtained but this has not been done or where the conditions attached to a permission may have been breached the Council has the power to serve legal notices requiring that the contraventions be addressed. Planning applications and associated documents are scanned using the IDOX system to comply with the department's policy of reducing paper files and the attendant need for storage facilities. On line facilities are available to the public where they can obtain advice, or view and comment on submitted applications. Planning applications are managed using the <i>Uniform</i> applications management system where staff record details of the progress on an application and generate standard letters, reports and the final decision notices.</p> <p>Comprehensive information is provided to assist members of the public and Planning staff have set up interactive questionnaires on the Council website which provide guidance on the need for planning permission. However, people are advised that they should contact the Planning Department or seek other professional advice in order to ensure that they are complying with the relevant legislation.</p> <p>During financial year 2006/07, approximately 1,200 planning applications were processed and the associated income was of the order of £679,000.</p>
Scope and Objectives
<p>The overall aim of this review was to examine the systems relating to planning applications. Areas examined included adherence to Standing Orders and Schemes of Administration, guidance given to staff and members of the public, staff awareness of the relevant legislation, adequacy of supporting documentation, procedures operated in respect of fees, refunds and rejected applications, appeals procedures and arrangements for banking monies received.</p>
Conclusion
<p><i>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.</i></p> <p>The main areas commented upon in the report are as follows:</p> <ul style="list-style-type: none"> • To ensure the completeness of the Uniform system and reports, all relevant information should be recorded. • To ensure that information which can be viewed by the public is complete, officers should be reminded of the documents which should be available for viewing through PublicAccess. • To ensure that there is a complete audit trail, copies of invoices issued to the public should be filed in numerical order with explanations detailed on the invoices and in <i>Uniform</i> where invoices have been spoiled or where cheques have been dishonoured.
Management Response to the Audit Report
<p>The audit findings and recommendations were formally reported to the Director of Planning and Transportation and appropriate action agreed to address the specific issues raised.</p>

ii) INTERNAL AUDIT REPORT 2007/30

Department	Corporate
Subject	Anti-Money Laundering

Introduction

As part of the planned internal audit work, a review of Dundee City Council's anti-money laundering arrangements was carried out.

The principle legislation and regulations for anti-money laundering are the Proceeds of Crime Act 2002; the Terrorism Act 2000; and the Money Laundering Regulations 2007.

Money Laundering is the process by which criminally obtained money or other assets (criminal property) are exchanged for clean money or assets with no obvious link to their criminal origins. It also covers money, however come by, which is used to fund terrorism.

There is a general assumption that money laundering risk is higher in the private sector, however, the strengthening of internal controls in the private sector has encouraged criminals to explore other routes for recycling their proceeds of crime, including public sector services and resources. Anti-money laundering legislation should be adhered to by organisations conducting 'relevant business'. In general, the Council's activities are not considered to be 'relevant business' areas; however, CIPFA has advised that public service organisations should embrace the underlying principles of anti-money laundering legislation.

Scope and Objectives

The scope of the audit was to undertake a review of the Council's anti-money laundering arrangements. The main objectives of the audit were to ensure that the Council has compiled and implemented a policy and staff guidance on anti-money laundering; operational procedures have been established to assist the Council with reducing the risk of money laundering; a Money Laundering Reporting Officer / Proceeds of Crime Officer has been appointed with overall responsibility for anti-money laundering; adequate arrangements are in place for record keeping / document retention; and the Council has developed a targeted training and awareness programme.

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 assist with increasing the profile of anti-money laundering in general, the Council's Policy should be revisited, revised and presented to the Policy and Resources Committee for approval.
- In order to assist with promoting awareness and understanding amongst staff with regards to reporting procedures, and reduce the risk of damage to reputation should the Council be linked to criminal activity, the original staff guidance and new Proceeds of Crime and Money Laundering Procedures should be combined and amended, where appropriate, to reflect current working practices and refer to the Money Laundering Regulations 2007.
- In order to assist with preventing money laundering in general, the Council should develop a targeted training and awareness programme geared towards staff who are most likely to encounter money laundering risk during their working day. In addition, the induction process should be revised to incorporate general anti-money laundering awareness training.

Management Response to the Audit Report

The audit findings and recommendations were formally reported to the Head of Income and Recovery and appropriate action agreed to address the specific issues raised.

iii) INTERNAL AUDIT REPORT 2007/31

Department	Education
Subject	Glebelands Primary School

Introduction

As part of the planned internal audit work for 2007/08, the procedures operated in respect of various financial systems at Glebelands Primary School were reviewed.

At the time of audit fieldwork there were approximately 400 children in the school, including the pupils in the nursery class. The nursery used to be a separate establishment with its own teaching and administrative support staff but is now part of the primary school. The school operates several funds including the Nursery Snack and Toy Funds, the School Fund, School Meals and the Petty Cash Float. These are managed by teaching and support staff within the school.

The audit review identified areas for improvement in the administration of the funds by school staff and also in the processes for handing over responsibility for the financial systems within schools whenever key staff leave or are on long-term absence. This report details the recommendations relating to improvements in the administration of the funds at the school. Internal Audit Report 2007/32 contains a recommendation for improvement in the handover processes when key staff within a school leave or are absent long-term.

Scope and Objectives

The overall objective of the review was to examine the records of income and expenditure for the Nursery Snack and Toy Funds and the School Fund, to reconcile these to the balance of funds held within the school and at the bank and to assess areas where improvements could be made to the administration of the funds to comply with Departmental policies. The review also considered the procedures for administration of school meals and petty cash to ensure that the systems in place were operating effectively.

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 staff are aware of the contents of the safe and these are dealt with appropriately, items within the safe should be reviewed and cleared out on a regular basis.
- To ensure that best practice is adhered to in the operation of school funds and that there is a clear audit trail for all income and expenditure, staff should adhere to Departmental guidance. All income should be banked intact, there should be adequate supporting documentation for all transactions and regular reconciliations should be undertaken.
- To minimise disruption when staff leave or are absent long-term, there should be greater involvement of teaching and school office staff in the administration of the funds and training should be provided where required.

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 specific issues raised.

iv) INTERNAL AUDIT REPORT 2007/32

Department	Education
Subject	Handover Procedures at Education Establishments

Introduction
<p>As part of the internal audit work for 2007/08, the procedures operated in respect of various financial systems at Glebelands Primary School were reviewed.</p> <p>At the time of audit fieldwork there were approximately 400 children in the school, including the pupils in the nursery class. The nursery used to be a separate establishment with its own teaching and administrative support staff but is now part of the primary school. The school operates several funds including the Nursery Snack and Toy Funds, the School Fund, School Meals and the Petty Cash Float. These are managed by teaching and support staff within the school although guidance is always available from staff in the main Education office.</p> <p>The audit review identified areas for improvement in the administration of the funds by school staff and also in the processes for handing over responsibility for the financial systems within schools whenever key staff leave or are on long-term absence. This report contains a recommendation for improvement in the handover processes to be overseen by Education Finance Team staff. Internal Audit Report 2007/31 details the recommendations relating to improvements in the administration of the funds at the school.</p>
Scope and Objectives
<p>The overall objective of the original review was to examine the procedures operated in respect of income and expenditure for the various funds held within the school.</p>
Conclusion
<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 specific area commented on in the report is as follows:</p> <ul style="list-style-type: none"> To ensure a smooth transition and minimise disruption, procedures to be followed when key staff leave or are absent long-term should be detailed in the Admin Manual on the Education Department's intranet site. Thereafter, where key staff within schools are due to leave, the Finance Manager should write to the school concerned formally requesting staff to confirm that all funds have been reconciled and arrangements are in place for handover of documentation. In cases of long-term absence which may be causing operational difficulties, the Finance Manager should formally contact the school to establish if assistance is required.
Management Response to the Audit Report
<p>The audit findings and recommendations were formally reported to the Director of Education and appropriate action agreed to address the specific issues raised.</p>