

**REPORT TO: SCRUTINY COMMITTEE – 26 OCTOBER 2011**

**REPORT ON: INTERNAL AUDIT REPORTS**

**REPORT BY: CHIEF INTERNAL AUDITOR**

**REPORT NO: 479-2011**

## **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, Depute Chief Executive and Director of Finance have been consulted on the content of this report.

## **7.0 BACKGROUND PAPERS**

None

Sallie Dailly, Chief Internal Auditor

DATE: 10 October 2011

## i) INTERNAL AUDIT REPORT 2010/13

<b>Department</b>	<b>City Development</b>
<b>Subject</b>	<b>Greenmarket Car Park</b>

**Introduction**

A review of Greenmarket car park (Greenmarket) was part of the planned internal audit work.

Dundee City Council provides twenty city centre car parks for residents and visitors whilst a further five are provided by other operators. Council car parks are classified as long stay, short stay or variable stay, determining the lengths of stay on offer and charges in force. Disabled person badge holders can park free of charge and without time limit in any Council car park. Monthly car park permits can be purchased for some of the Council car parks, including Greenmarket, offering regular users a cheaper and more convenient way to pay. These permits can be purchased online and at Gellatly Street and Greenmarket car parks. The standard charge for a monthly car park permit is £77 per month.

Greenmarket is a comparatively new variable stay, multi-storey, Pay on Foot (POF) car park (i.e. users obtain a ticket on entry to the car park and pay for their parking at a machine prior to departure park) with 550 spaces. The car park utilises an integrated parking solution supplied by Affiliated Computer Services Inc. (ACS). The ACS system comprises equipment, such as POF machines, and a computerised car park management system. It was reported to the City Development Committee on 28 March 2011 that the same POF system will be introduced at the new East Marketgait multi-storey car park due to open in Autumn 2012.

During the 2010/11 financial year, income generated by Greenmarket was in the order of £450,000.

**Scope and Objectives**

The overall objective of this review was to carry out a high level review of the parking system in place at Greenmarket car park, including examination of working practices and procedures operated in respect of income collection.

**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:

- In order to establish whether or not the ACS system has met its objectives, is delivering the level of benefits anticipated and been set up in the most appropriate way for Greenmarket, a full post implementation review should be carried out. As part of this, to ensure that the ACS system is being fully utilised and duplication of effort in maintaining subsidiary manual systems is minimised, a comprehensive review of working practices should be undertaken. In addition, detailed operational procedures for the ACS system and other office duties should be compiled in line with best practice and issued to key members of staff.

**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.

## ii) INTERNAL AUDIT REPORT 2010/33

<b>Department</b>	<b>Social Work</b>
<b>Subject</b>	<b>Contracting and Payments</b>

**Introduction**

A review of contracting and payments within the Social Work Department was part of the planned internal audit work.

In order to meet the needs of citizens within Dundee, the Social Work Department purchases services from a number of external bodies. These organisations provide services to many sectors of the community including children, the elderly and clients with disabilities. Historically some organisations were given grants whilst others were engaged on a contractual basis. The Social Work Department took the decision about two years ago that it would be more appropriate to have all providers engaged on a contractual basis. As a result a significant exercise has been undertaken to achieve this.

The Department uses a model contract document which covers all the key areas such as time period, fees, the level of service being contracted, financial matters including insurance levels and monitoring arrangements. One of the benefits of the model contract is that it can be adapted to reflect the requirements of each particular arrangement. The Department's Contract staff are responsible for monitoring the various contracts in place and for ensuring that the Council is receiving value for money and the service specification is being met.

For the 2010/11 financial year approximately 80 external organisations delivered of the order of 170 social work related projects. Budgeted expenditure and actual expenditure for this period was of the order of £23.1m with actual expenditure of £23.4m respectively.

**Scope and Objectives**

The overall objective of this review was to examine the procedures and the effectiveness of the controls operated in respect of contracting and payments within the Social Work Department.

**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 highlighted in the report are as follows:

- To improve assurance, the approval process for external organisations providing services on behalf of the Social Work Department should be completed as soon as possible.
- To ensure that all arrangements are legally binding, Social Work staff should ensure that a formal contract with all external providers is completed and signed by the date on which the contract becomes effective.

**Management Response to the Audit Report**

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

## iii) INTERNAL AUDIT REPORT 2011/06

<b>Department</b>	<b>City Development</b>
<b>Subject</b>	<b>Residential Parking Permits</b>

**Introduction**

A review of the systems in place for residents parking permits was part of the planned internal audit work.

The Road Traffic Regulations Act 1984 gave local authorities the power to put in place Traffic Regulation Orders (TROs) for controlled parking zones within their areas. The Council currently operates residents parking permit schemes for the Central (City Centre), Menzieshill and Broughty Ferry areas. The City Centre and Menzieshill schemes are administered via discrete Controlled Parking Zone TROs whilst the Broughty Ferry scheme is provided for at Article 17 of the Off-Street Car Parks Order with specific reference to the terms of the City Centre TRO.

City Development's Parking Division is responsible for administering the application process and issuing residents parking permits under each of the schemes. To qualify for a residents parking permit, applicants must reside at an eligible address and own a passenger or small goods vehicle. With the exception of Broughty Ferry, which utilises off-street parking, these permits allow on-street parking, and parking in the nearest Council car park, without time restriction or further payment.

Residents parking permits are valid for a year from date of issue and currently cost £70 for the City Centre, £50 for Broughty Ferry and £5 for Menzieshill. In 2010/11, the total number of resident's parking permits issued was approximately 780 of which 56% related to the City Centre, 2% to Broughty Ferry and 42% to Menzieshill. The income generated from these permits was in the order of £33,000.

**Scope and Objectives**

To assess the adequacy of the processes and controls in place surrounding the Council's three residents parking permit schemes. A review of individual applications for residents parking permits was also carried out as part of this exercise.

**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:

- In order to reduce the risk of error, potential fraud and misappropriation, a comprehensive review of the Council's residents parking permit schemes including TROs and working practices should be carried out. Following the review, the TROs should be revised and detailed operational procedures compiled and issued to key members of staff. In addition, parking permits should be held securely at all times with stock control being introduced for unused permit stationery. A full reconciliation should be carried out regularly between the number of parking permits sold / cancelled / destroyed and the income received.
- In order to maximise the Council's income, City Development should ensure that the permits identified during the audit fieldwork as requiring to be revoked, are cancelled immediately in line with Section 24 (2) of the TROs.

**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 2011/11

<b>Department</b>	<b>Corporate</b>
<b>Subject</b>	<b>Procurement</b>

**Introduction**

A review of the Council's arrangements to achieve sustainable procurement was undertaken as part of the planned internal audit work.

In 2006 McClelland reported upon his Review of Public Procurement in Scotland. This report highlighted that "the balancing of the most fundamental criteria of quality, price, timeliness and other interests such as corporate and social responsibilities within a supplier contract is a vital but challenging goal for management to execute". In October 2009 the Scottish Government launched the Scottish Sustainable Procurement Action Plan (SSPAP) which had been compiled to assist the public sector build sustainable procurement into their corporate culture, take proper account of sustainability in procurement activity and enable organisations to be able to demonstrate how this is achieved.

Sustainable procurement is defined in the SSPAP as "a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis and generates benefits not only to the organisation, but also to society, the economy and the environment." In practice the potential benefits arising from such an approach include a reduction in costs and carbon emissions and also delivery of other environmental benefits such as cutting waste to landfill and contributing to climate change targets. Scotland Excel, the Centre of Procurement Expertise for Scotland's local government sector, is also responsible for actively promoting and encouraging improvement in sustainable procurement through a number of measures, including completion of the Procurement Capability Assessment (PCA).

The SSPAP is being taken forward for Dundee City Council on a collaborative basis via the Tayside Procurement Consortium (TPC) which is a shared service initiative for procurement between Angus, Dundee City and Perth and Kinross Councils, in association with Tayside Contacts. The consortium has been assigned the strategic lead role on procurement for the partner councils, including delivery of the SSPAP.

**Scope and Objectives**

The focus of this audit was to review the Council's procurement arrangements against the actions included in the SSPAP and assess whether or not the Council was on target to achieve the requirements detailed in the plan. A self assessment checklist was specifically developed for the purposes of this exercise.

**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 area commented upon in the report is as follows:

- Dundee City Council has demonstrated, through its collaboration with the other TPC member Councils, that positive steps have been taken in its approach to sustainable procurement. In addition, a reasonable degree of assurance can be taken from its actions to date that it is committed to implementing the SSPAP. Going forward, the Council should keep a watching brief to ensure the planned implementation of the SSPAP continues in line with the revised TPC SSPAP Delivery Plan and full implementation is achieved by 31 March 2012. It is acknowledged that the extent and pace of implementation will depend upon the availability of resources, including the formation of local Sustainable Procurement Policy Advisory Groups (SPPAGs).

**Management Response to the Audit Report**

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

## v) INTERNAL AUDIT REPORT 2011/24

<b>Department</b>	<b>Corporate</b>
<b>Subject</b>	<b>Winter Maintenance - Communication</b>

**Introduction**

A review of the arrangements in place for communicating the Council's winter maintenance policy was part of the planned internal audit work.

Tayside Contracts is responsible, through a Road Maintenance Partnership, for co-ordinating the maintenance (including winter maintenance) of 550 kilometres of adopted roads and 900 kilometres of adopted footways in Dundee. The winter maintenance service in Dundee is determined by the City Development Department's Winter Gritting and Snowclearing Services Policy (the Policy), which is revised annually following an internal winter maintenance review and approved by the Council's City Development Committee. The 2010/11 winter service review identified a number of areas requiring improvement, including communication. The Scottish Salt Group, formed in January 2010 by Scottish Government, also identified that better communication is required nationally with the Scottish public to ensure that consistent advice is issued about conditions of roads and footways.

The current Policy, including level of service, was approved at the City Development Committee on 26 September 2011. The 2010/11 winter service review was also reported to the same committee and Elected Members were asked to note the proposed improvements to the winter service provision.

Transport Scotland is responsible for appointing operating companies to maintain Scotland's motorways and trunk road network. Bear Scotland Limited is the trunk road operator for the North East.

The Council's winter maintenance budget for 2011/12 is in the order of £1,500,000.

**Scope and Objectives**

The overall objective of this review was to carry out a high level review of the arrangements in place for communicating the Council's winter maintenance policy, including the issue of advice to the public on the condition of roads and footways.

**Conclusion**

*The principal conclusion drawn from this review is that there are weaknesses in the system which should be addressed.*

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

- In order to reduce the risk of elected members, staff, businesses and members of the public not being adequately informed about winter maintenance and assist in general with ensuring that the community becomes more resilient, steps should be taken to address the specific areas identified as requiring improvement under the following key themes: Agreeing Priorities, Service Provision, Customer Services, Internal Communication and External Communication.
- In order to benefit from the national "winter preparedness" drive, the Council should consider planning a number of local community initiatives to run in parallel with the Scottish Government's "Ready for Winter" week, commencing 24 October 2011.

**Management Response to the Audit Report**

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