

**REPORT TO: SCRUTINY COMMITTEE – 23 SEPTEMBER 2015**

**REPORT ON: INTERNAL AUDIT REPORTS**

**REPORT BY: CHIEF INTERNAL AUDITOR**

**REPORT NO: 342-2015**

**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, Executive Director - 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: 08 September 2015

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## i) INTERNAL AUDIT REPORT 2013/21

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>CeRDMS – Employee Files</b>

**Introduction**

A review of the effectiveness of the deployment of CeRDMS in the management of employee files was part of the planned internal audit work.

CeRDMS is the Council's Corporate Electronic Records and Document Management System. It utilises a centralised single repository for electronic filing and records declaration. The software, which is central to information management, permits a holistic view of information to be presented and potentially improves the way in which the Council files, retrieves and shares information, streamlines internal processes and supports more innovative and flexible ways of working. The successful use of CeRDMS is dependant on the information created and held within the system being filed consistently.

The implementation and roll out of CeRDMS is ongoing. The CeRDMS Co-ordinators Group is responsible for overseeing implementation of the CeRDMS project in general as well as identifying and sharing best practice. Departments are responsible for managing and monitoring their own implementation plans. There have, however, been a number of challenges during the implementation phase including the re-allocation of project manager responsibilities, resource constraints and the formation of the new Corporate Business Support Service (CBSS).

One area for which CeRDMS is being deployed relates to the creation and maintenance of employee files. Employee files folders allow the Council to add and update employee files and departments can now scan and save personnel records on to CeRDMS. Specific workflows are at varying stages of development.

**Scope and Objectives**

Review of the effectiveness of the deployment of CeRDMS, the electronic records and document management system, in the management of employee files. Consideration of the Council's strategic implementation and roll out of CeRDMS was outwith the scope of this review.

**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 that the potential benefits anticipated from the utilisation of CeRDMS are realised, steps should be taken to ensure that it is being deployed consistently for the management of employee files. In addition, to ensure that access permissions for employee files within CeRDMS are appropriate operationally, departments should be consulted and a framework, including standardised procedures for creating, filing, storing and deleting electronic records, developed and communicated to designated members of staff.

**Management Response to the Audit Report**

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

## ii) INTERNAL AUDIT REPORT 2014/02

<b>Client</b>	<b>Environment</b>
<b>Subject</b>	<b>Stocks and Stores</b>

**Introduction**

A review of the arrangements in place within the Environment Department for the management and monitoring of stocks and stores was part of the planned internal audit work.

The Environment Department consists of five divisions, including Construction, Environmental Management and Fleet. With the exception of the store at Caird Park, which continues to be managed by Environmental Management, the Head of Construction is responsible for the management and monitoring of stores within the Environment Department as well as driving forward the stores rationalisation programme.

The Department's two main stores locations are Clepington Road and Marchbanks Depot. The main construction store is located at Clepington Road along with a glaziers store and small joiners' store, and the fleet workshop store is at Marchbanks. There is also a small horticultural store at Caird Park and the main joiners' store at Dunsinane Avenue.

As at 31 March 2015 the value of stock held within the departmental stores, excluding fuel and Environmental Management stock at Camperdown, recorded within the Council's Statement of Accounts was of the order of £175,000.

**Scope and Objectives**

Review of the systems and processes operated in relation to stock and stores management within the Environment Department. The remit of this review included an assessment of stores models in operation within the Department and their suitability going forward in the management and monitoring of a central store containing diverse stock types with different health and safety requirements. Other than general consideration surrounding its potential inclusion in a central store, the Small Plant and Equipment Store was specifically excluded from this review.

**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:

- Assessment of the Department's existing stores framework highlighted that without system enhancements, none of the current stores models would be suitable going forward in a central store containing diverse stock types with different health and safety requirements. The areas for improvement identified within this report, including those surrounding responsibilities, segregation of duties, standardisation of working practices and the formal monitoring of stock levels should be addressed within a reasonable timeframe. In addition, comprehensive documented operational procedures for stocks and stores should be compiled and communicated to key members of staff.

**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 2014/07

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Discretionary Housing Payments</b>

**Introduction**

A review of the arrangements in place within the Council for the administration and payment of Discretionary Housing Payments (DHPs) was part of the planned internal audit work.

A DHP is defined as financial assistance that may be awarded, in addition to housing benefit entitlement, to an individual to help them make payments towards housing costs where there is a shortfall between the housing benefit received and the rent charged. Given that there is no statutory right for an individual to be awarded a DHP and the amount of money available to the Council to provide such assistance is limited, each application is considered on its own merit. DHPs can potentially be made to assist individuals impacted upon by changes being made under the welfare reform agenda such as the introduction of the size criteria in the social rented sector, the introduction of the benefit cap, the extension of the local housing allowance shared room rate or where help is required on medical grounds.

The Council receives an allowance for DHPs from the Department of Work and Pensions (DWP). In 2014/15, this allowance was £484,174. The Scottish Government has also made available funding of the order of £1.54 million to supplement the DWP allowance and meet the costs of mitigating the Social Sector Size Criteria reductions. Actual expenditure for the same period was of the order of £2.1 million, funding 3,884 DHP awards.

**Scope and Objectives**

Review of an area of potential risk arising from the introduction of the UK Government's welfare reform agenda and the mitigating action taken by the Council. The review focussed on the processes and procedures in place within the Council for the administration and payment of DHPs.

**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 further demonstrate that the Council is observing its duty to act fairly, reasonably and consistently when administering DHPs, consideration should be given to compiling aide memoire for staff covering such areas as what types and levels of expenditure should be accepted as being reasonable and what are considered to be fair and reasonable levels of surplus / disposable income. In addition, the DHP Policy, guidance notes, training documentation and decision letters should be reviewed and revised where appropriate to reflect national developments impacting on DHPs and working practices relating to the recovery of DHP overpayments.

**Management Response to the Audit Report**

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

## iv) INTERNAL AUDIT REPORT 2014/10

<b>Client</b>	<b>Environment</b>
<b>Subject</b>	<b>Income</b>

**Introduction**

A review of the arrangements in place surrounding the income streams derived from outdoor facilities managed by the Environment Department was part of the planned internal audit work.

The Environment Department consists of five divisions, including Environmental Management. This Division, which is structured to provide localised services to each of the eight Community Planning Partnership areas, is responsible for the management and development of all aspects of the physical environment in Dundee. One of the key strategic aims of the Division is to promote and increase participation in outdoor sport and physical activity through the management and development of outdoor amenities, including football / sports pitches, changing facilities, bowling greens and crazy golf. In addition, the Division is also responsible for managing and developing the provision of allotments within Dundee.

Clubs and members of the public are charged for the use of these facilities. Income from the use of outdoor facilities, including allotments, during 2014/15 was of the order of £110,000.

**Scope and Objectives**

Systems review within the Environment Department of the various income streams derived from the outdoor facilities managed by the Environmental Management Division. The arrangements in place to manage income from events, forestry and glasshouses are specifically excluded from this review.

**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:

- The feasibility of introducing the requirement to pay for all outdoor facilities in advance should be actively explored with a view to identifying and implementing a suite of sustainable solutions to support this. In addition, comprehensive operational procedures including the arrangements in place for booking and paying for outdoor leisure facilities should be compiled and communicated to key members of staff.
- The income reconciliation process in place should be reviewed with a view to making the procedure more robust. Going forward, a mechanism should be put in place for all outdoor leisure facility bookings to be reconciled on a regular basis to CIVICA Financials and the bank account.

**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.

## v) INTERNAL AUDIT REPORT 2014/19

<b>Client</b>	<b>Environment</b>
<b>Subject</b>	<b>Stocks and Inventories</b>

**Introduction**

A review of the 2014/15 year end stocktaking arrangements within the Environment Department was part of the planned internal audit work.

The term stocks and inventories includes consumables such as materials and components which are kept at designated stores and which are required by the Department in the provision of their services.

The Council's Financial Regulations with respect to stores and inventories state that the safe custody of stores and equipment shall be the responsibility of the Chief Officer concerned. Such responsibilities include ensuring that there are adequate arrangements in place with regard to the control and reconciliation of stock and that a physical count of stock is carried out at least annually by personnel who are independent of day to day operation of the store. As a minimum, all stores should undertake a year end stock check as close as possible to the end of the Council's financial year which is 31 March. On completion of the stock check, the physical stock count records are reconciled to the book stock. Any material adjustments arising from the stock count and subsequent reconciliation process require to be authorised by the Executive Director - Corporate Services.

Per the Certified Statement of Stocks completed for the Construction Division as part of the 2014/15 year end process, the stock balance as at 31 March 2015 was of the order of £144,000. This figure includes stock located at the Main Store and joiners' workshops.

**Scope and Objectives**

Review of stocktaking arrangements in place to ensure that procedures and processes are to the required standard and records are complete and accurate. The focus of the review was confined to the Construction Store, referred to as the Main Store located at Clepington Road, which includes glaziers stock and stock held on Council vans and the joiners' workshops.

**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 enhance the stocktaking arrangements currently in place within the Department, steps should be taken to identify all tasks that require to be performed prior to, during and subsequent to any stock check and formally allocate responsibility for those tasks to key members of staff. In addition, comprehensive stocktaking instructions, including guidelines for dealing with obsolete stock, should be compiled and communicated to staff.

**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.

## vi) INTERNAL AUDIT REPORT 2014/28

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Business Continuity</b>

**Introduction**

A high level review of the business continuity arrangements in place within the Council was part of the planned internal audit work.

Business continuity is broadly considered to be an organisation's strategic and tactical capability to plan for and respond to incidents and business disruptions in order to continue business operations at an acceptable predefined level. In this context business continuity management is defined as a holistic management process that identifies potential threats to an organisation and the impacts to business operations that those threats, if realised, might cause, and which provides a framework for building organisational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand, and value-creating activities.

Given the diverse nature of Council functions and activities and the potential risks associated with interruption to these, it is vital that there are arrangements in place to ensure critical functions and activities can continue to be provided in the event of an incident.

**Scope and Objectives**

Review to assess the adequacy of the arrangements in place to ensure that critical functions can continue to be provided in the event of a major incident that may impact on the business. The review focussed on the Council's approach to business continuity, assessed how the Council compares to industry best practice and identified potential areas for improvement in the Council's resilience.

**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 approach to Business Continuity Management (BCM) is in line with good practice, the areas for improvement identified during this exercise should form the basis of an improvement plan for implementation within a reasonable timeframe. Improvements include consideration, at a strategic level, of the existing approach to BCM and how this and the supporting framework can be strengthened going forward to ensure that the Council's resilience is sustainable. A short policy statement should then be developed defining the agreed roles and responsibilities of key groups, individuals, departments and specific support services. Thereafter, steps should be taken to ensure that all business critical activities are identified and business continuity plans to support these are developed, maintained and tested.

**Management Response to the Audit Report**

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



## vii) INTERNAL AUDIT REPORT 2014/30

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Business + IT Development Process</b>

**Introduction**

A review of the Business + IT Development Process was undertaken as part of the planned internal audit activity.

As part of the systems and solutions used to deliver Council services and activities there is an increasing focus on the use of information technology. This in turn potentially increases requests to the IT Division for input in terms of resources. To ensure that these resources are being used to best effect it is important that there is a controlled process in place to assess and review departmental requests. The methodology that has been developed by the IT Division to administer such requests is the Business + IT Development Process which is more commonly referred to as the BID process.

In summary the BID process encapsulates the methodology by which the IT Division and Council Departments work together to request, progress and manage the development of business solutions requiring resource input from IT. As part of the BID process, IT liaise with the Client Department and guidance has been prepared to support and inform the process including outlining the respective roles and responsibilities of those involved.

During the 2014/15 financial year of the order of 5,000 BID requests were submitted via the BID system. The nature of these requests ranged from relative routine tasks to those which require more input in terms of resource and include such areas as system access requests, IT equipment orders, website maintenance requests, system configuration requirements and requests for telephone services.

**Scope and Objectives**

Review of the end to end BID request process, to provide assurance that requests are underpinned by a robust business case and anticipated benefits are realised.

**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:

- There were a significant number of requests being processed through the BID system during the financial year ranging in value, complexity and the level of demand for resource. To endeavour to profile these requests more easily and thereby provide an increased focus on areas of potential risk, consideration should be given to introducing a mechanism to flag projects which are deemed to be more significant. Steps should also be taken to ensure that, particularly for more significant pieces of work, the requirements detailed in the BID process guidance are adhered to.

**Management Response to the Audit Report**

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

## viii) INTERNAL AUDIT REPORT 2015/01

<b>Client</b>	<b>Environment</b>
<b>Subject</b>	<b>2014/15 Grant Claim : Air Quality Action Plan</b>

**Introduction**

The Council was awarded grant funding of £150,000 by Scottish Ministers for the 2014/15 financial year to assist the Council in progressing its Air Quality Action Plan. In respect of this grant £138,092 was expended during 2014/15 and approval was given to carry over and utilise the balance of £11,908 to fund the Air Dispersion Modelling System project that is being taken forward by Bureau Veritas on our behalf.

The funding conditions of this grant state that at the end of each financial year, the Council is required to prepare an account showing the expenses reasonably and properly incurred by it in executing the Project during that financial year and the amount of funding support received by it from the Scottish Ministers. This account requires to be certified as true and accurate and in addition where the amount exceeds £10,000 requires to be audited, by a member of a recognised accountancy body

**Scope and Objectives**

The overall aim of this review was to enable the Chief Internal Auditor to provide an opinion as to whether or not the grant funding received in respect of the above subject has been spent in accordance with the related Terms and Conditions.

**Conclusion**

*On the basis of examining the accounts and records of this grant claim, obtaining such explanations and carrying out such tests as deemed necessary, it is considered that the entries in the claim form are fairly stated, and that the sums claimed are properly due and have been used in accordance with the terms and conditions of the Offer of Grant.*