

REPORT TO: SCRUTINY COMMITTEE – 11 FEBRUARY 2015

REPORT ON: INTERNAL AUDIT REPORTS

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 53-2015

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, 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: 26 January 2015

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i) INTERNAL AUDIT REPORT 2013/04

Client	Corporate
Subject	Payment for Rewards Programme

Introduction

A high level review of the arrangements in place to manage the payment of financial incentives for the smoking cessation programmes was part of the planned internal audit work.

Smoking cessation services in Dundee are provided via the Dundee Healthy Living Initiative, a partnership supported by the Council and NHS Tayside that works in designated, disadvantaged communities across the city. The locally developed programmes, Give it up for Baby and Quit4U are delivered on a partnership basis utilising pharmacy support for carbon monoxide testing and ASDA for financial incentives in the form of gift cards loaded with £12.50 per week for 12 weeks.

At the start of the audit fieldwork the Council assisted the partnership by purchasing the ASDA gift cards and then invoicing NHS Tayside for a full reimbursement. The system was predominantly manual with payment to ASDA being made by cheque. However, during the course of this review, steps were initiated to utilise the Council's CIVICA Purchasing system to automate the requisition, authorisation and issue of orders for ASDA gift cards as well as the receipt and payment of corresponding invoices. In addition, the simultaneous implementation of the ASDA Gift Card Management System meant that it was possible for NHS Tayside to load gift cards locally using specialist on site equipment. A number of areas requiring improvement were identified and discussed with key members of staff whilst the newly developed system was in the process of being tested. It should be noted that a decision has subsequently made to transfer the ASDA gift card purchasing responsibility to NHS Tayside.

Scope and Objectives

Review of the systems and processes to manage the payment of rewards arising from behaviour change programmes.

Conclusion

The principal conclusion drawn from this review is that there is a sound system of control designed to achieve the system objectives and that the controls are being consistently applied.

ii) INTERNAL AUDIT REPORT 2013/19

Client	Corporate
Subject	Income Collection - Licensing

Introduction

A review of the arrangements in place in the Council surrounding the collection of licensing income was part of the planned internal audit work.

In Scotland, licences are required under different pieces of legislation for various activities including those relating to the sale of alcohol, gambling and casinos, taxis and private hire car and houses in multiple occupation (HMO). The Council's Licensing Section, which is part of the Corporate Services Department's Democratic and Legal Services Division, is responsible for processing applications and dealing with complaints for the majority of these licences. The Council operates Northgate Licensing as the Council's primary licensing software system.

Licensing income received during 2013/14 was of the order of £1,140,000, of which approximately 61% related to HMO income. This figure excludes any income derived from licences issued by the Environment Department.

Scope and Objectives

To review the arrangements in place for collecting, counting, recording, storing, banking and reconciling licensing income. The arrangements in place within the Environment Department surrounding the collection of licensing income are specifically excluded from this review.

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 assist with the identification, monitoring and reconciliation of licensing income going forward, steps should be taken to ensure that revenue is apportioned within the cash receipting system over the different licensing activities and individual classification codes should be established, in line with this, within CIVICA Financials.

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.

iii) INTERNAL AUDIT REPORT 2014/13

Client	City Development
Subject	Building Quality Support

Introduction

As part of the planned internal audit work, a follow-up review of Internal Audit Report 2012/27, Building Quality Support was undertaken.

The original internal audit report concluded that there were weaknesses in the system which required to be addressed. The main areas commented upon in the original report were as follows:

- To ensure that key demands on the service are met, an exercise should be carried out whereby all tasks performed by the Building Quality Support Team are formally identified, analysed and prioritised. Consideration should be given as part of this process to the current and known future external demands on Planning and Building Standards e.g. via the national e-government agenda. In addition, going forward, in order to ensure that the IDOX systems are administered effectively and the functionality is fully utilised, training should be provided on an ongoing basis for key members of staff.
- Steps should be taken to further enhance the processes operated in respect of neighbour notification and in the capture of information to be made available via the public access area. In addition, in instances where it is projected that an application decision will not be made within the prescribed period, a written agreement should be put in place with the applicant. Similarly, staff should be reminded to ensure that applicants are notified within 14 days whether or not their completion certificate submission has been accepted.

Scope and Objectives

To assess whether or not each of the recommendations agreed by management in Internal Audit Report 2012/27 had been implemented within the given timescales. The follow-up review was restricted to areas included in the original report.

Conclusion

The principal conclusion drawn from the follow-up work undertaken is that the actions taken by management have addressed the control weaknesses highlighted in the original review.

iv) INTERNAL AUDIT REPORT 2014/21

Client	Corporate
Subject	Follow-up Review of Procurement Cards

Introduction

As part of the internal audit work, a follow-up review of Internal Audit Report 2012/31, procurement cards was undertaken.

The original internal audit report concluded that there were weaknesses in the system which should be addressed. The main areas commented on in the report were as follows:

- With a view to ensuring that duties are suitably segregated and the most appropriate members of staff make purchases and input, match and authorise associated transactions, the Corporate Procurement Team should conduct a comprehensive review of existing access rights within CIVICA Purchasing. In addition, steps should be taken to ensure that the system controls within CIVICA Purchasing and RBS' Smart Data OnLine (SDOL) to restrict usage are more fully utilised.
- To ensure compliance with the GPC Policy and Guidelines and reduce the potential risk of GPC misuse, checking and monitoring arrangements in place centrally and locally should be further developed.

Scope and Objectives

To assess whether or not each of the recommendations agreed by management in Internal Audit Report 2012/31 have been implemented within the given timescales. The follow-up review will be restricted to areas included in the original report.

Conclusion

The principal conclusion drawn from the follow-up work undertaken is that whilst some action has been taken to strengthen the control weaknesses highlighted in the original review there are still some recommendations which require to be implemented by management.

The main areas where actions agreed by management are still outstanding are as follows:

- Plans are in place to further develop the checking and monitoring arrangements in place. This is being taken forward in addition to a number of other related improvements through the implementation of a formal action list, which was compiled by the Corporate Procurement Manager following the original review to ensure that all weaknesses in the system are addressed.

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 2014/23

Client	Corporate
Subject	Performance Information

Introduction

A high level review of the arrangements in place for the Local Government Benchmarking Framework (LGBF) performance indicators was part of the planned internal audit work.

To drive improvement in local government benchmarking, support councils in targeting transformational change and improve their services by working and learning together, the Society of Local Authority Chief Executives worked in conjunction with the Improvement Service to develop a suite of performance indicators, collectively known as the LGBF. It became a statutory requirement in 2013/14 for all councils to report performance in accordance with the LGBF.

The LGBF is based on the principle of utilising existing data sources, where available, to inform the performance indicators and minimise duplication of effort. The Local Financial Returns for example, which are already submitted annually by councils to the Scottish Government, are one of the main sources of data required for the LGBF performance indicators. However, not all of the required data is routinely reported by councils to other agencies and consequently had to be submitted directly to the Improvement Service. The Improvement Service has overall responsibility for collating the required information as well as analysing and reporting it nationally. Draft 2013/14 LGBF data was shared with councils in November 2014 with a view to the figures being checked in advance of the proposed December 2014 publication date.

Scope and Objectives

Assessment of the arrangements in place to compile and validate performance indicators reported as part of the LGBF.

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 enhance the framework in place for the LGBF performance indicators, steps should be taken to develop the processes and procedures in place centrally for disseminating key information. In addition, the processes and procedures in place locally for capturing, collating, verifying and reporting the data required for the LGBF performance indicators should be documented by departments.

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.