ITEM No …8…………

REPORT TO: SCRUTINY COMMITTEE – 20 APRIL 2016

REPORT ON: INTERNAL AUDIT REPORTS

REPORT BY: SENIOR MANAGER – INTERNAL AUDIT

REPORT NO: 140-2016

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, a summary of 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 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: 30 March 2016

i) INTERNAL AUDIT REPORT 2014/25

Client	Corporate
Subject	Payroll – Leavers

Introduction

A review of the corporate leavers' procedure was part of the planned internal audit work.

Employees resigning or retiring from an organisation are responsible for notifying management in writing and working the notice period specified in their terms and conditions. Management is responsible for passing this information on timeously, in line with the corporate leavers' procedure, so that appropriate actions can be taken, including stopping the employees salary, removing IT access and ensuring organisational assets, including ID Badges, uniforms and equipment are returned. Should these actions not take place timeously, organisations can become exposed to a number of associated risks including unauthorised access to data and premises, individuals posing as employees and overpayments of salary.

Structural changes within the Council resulted in the formation of a Corporate Business Support Service (CBSS), which has responsibility for a number of areas surrounding the leavers' process including updating employee files on CeRDMS and passing key information on to Payroll for processing in the Council's integrated payroll and personnel system, ResourceLink. Management also have a key role in the leavers' process.

In recent times, as a result of restructuring and the Voluntary Early Retirement / Voluntary Redundancy scheme, the number employees deciding to the leave the Council has increased.

Scope and Objectives

Review of processes operating in respect of staff leaving the employment of the Council to ensure that they are in line with the Council's Corporate Procedures.

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:

- Steps should be taken, as a matter of priority, to review, revise and finalise the Corporate Procedure for Dealing with Staff Leaving Employment. As part of this exercise, key service areas including the IT Service and Human Resources should be consulted with before it is submitted to the Council Management Team for agreement. Once finalised, the procedure should be communicated to management and staff via an appropriate mechanism.

Management Response to the Audit Report

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

ii) INTERNAL AUDIT REPORT 2015/04

Client	Social Work
Subject	Follow-up Review of Lone Working

Introduction
As part of the planned internal audit work, a follow-up review of Internal Audit Report 2013/18, Lone Working, was undertaken. The original internal audit report concluded that whilst there was basically a sound system of control there were some areas where it was viewed improvements could be made. The main areas commented upon in the report were as follows: • To ensure control measures are relevant and up-to-date, a check should be put in place to confirm that all aggression and violence alerts which require to be included on the Corporate Potentially Violent Persons Database (PVPD) and the Social Work Department's K2 Event Recording System are undertaken on a timely basis. In addition, the newly formed Departmental working group should identify and implement an appropriate process to review alerts to ensure they are still appropriate and additional resources are not being deployed unnecessarily. • Staff should be reminded of the importance of following the Department's lone working procedures particularly in relation to the operation of the buddy system and the requirement to undertake periodic audit and monitoring checks of working practices.
Scope and Objectives
To assess whether or not each of the recommendations agreed by management in Internal Audit Report 2013/18 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 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: • Whilst the updated Social Work Lone Working Procedure states that the Aggression/Violence Incident Report Form should be completed within ten days of an incident occurring and there is now a process in place to verify that the Social Work K2 Events Recording System is being updated, there remains no system in place to ensure that the PVPD is updated where appropriate. In addition, due to a pending software replacement, a process to review alerts to ensure that they are still appropriate has not taken place.
Management Response to the Audit Report
The audit findings and recommendations were formally reported to the Head of Service – Strategy, Integration, Performance and Support Services and appropriate action agreed to address the matters raised.

iii) INTERNAL AUDIT REPORT 2015/10

Client	Corporate
Subject	Follow-up Review of ICT Resilience

Introduction

As part of the planned internal audit work, a follow-up review of Internal Audit Report 2012/37, ICT Resilience, was undertaken.

The original internal audit report concluded that there were weaknesses in the system which should be addressed.

The main areas highlighted in the report were as follows:

- To minimise the operational impact of a system outage, the Council's strategy for ICT resilience and disaster recovery should be formally documented and approved. This should include a project plan for how the Council is going to achieve its strategy as well as procedures to ensure that all business critical systems have appropriate levels of resilience.
- In order to support the service areas' business continuity plans, the IT team should perform an appropriate annual testing exercise to ensure that disaster recovery is in place for all systems supporting critical functions. The results of this exercise should be reported annually to the Strategic Management Team and any remedial actions should be identified in an action plan.

Scope and Objectives

To assess whether or not each of the recommendations agreed by management in Internal Audit Report 2012/37 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 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:

- The Council's IT Service is aware of its responsibilities, including recovery actions to be taken, following system outages. Its ability to successfully recover systems, and consequently demonstrate resilience, is tested operationally on a regular basis. It is, however, acknowledged that formally documenting a corporate ICT resilience strategy and high-level IT Disaster Recovery Plan with a corresponding testing regime for business critical systems is required. In addition, as a result of ongoing structural changes, there is a requirement to refresh existing business continuity arrangements and this will be an opportune time to discuss and agree business critical systems and recovery priorities corporately and with Services. Steps have been taken by the Risk and Resilience Manager, in conjunction with the Council's IT Service, to commission an external consultant to support management to take these areas forward.

Management Response to the Audit Report

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

iv) INTERNAL AUDIT REPORT 2015/14

Client	Corporate
Subject	Corporate Policies

Introduction

A review of the arrangements in place for managing the development of key policy statements was part of the planned internal audit work.

Policies establish the high level rules of conduct within an organisation and detail the standards that should be followed by both employees and employers. Policies are normally supported by operational procedures that outline the detailed processes to be followed. The Council has a diverse range of policies in place to govern its activities, guide decisions and support its strategic direction. These include, for example, Council-wide policies such as the Equal Opportunities Policy, Health and Safety Policy and the Data Protection Policy as well as service specific policies such as the Home to School Transport Policy Statement and Overprovision Policy and Licensing Conditions for Houses in Multiple Occupation Applicants.

The Council is currently going through a restructure to streamline its management operations, including the amalgamation of some services. There is a risk that existing policies may become obsolete, policies for key areas may be missing or there may be duplicate or inconsistent policy guidance as a result of the revised arrangements. Health and Social Care Integration may also impact on certain policies as partnership working evolves. It is important that a suite of key policies is available for employees and employers to support the revised arrangements. It should also be ensured that the management of these key policies is in line with good practice.

Scope and Objectives

Review of the methodology and approach to the development of key policy statements for the Council against recognised good practice principles.

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 the management and monitoring of policies, a central inventory of all Council policies should be created. The inventory should identify the policy owner, frequency of review and date of the next required review.
- The approval route for policies should be discussed, agreed and documented to ensure, going forward, there is an appropriate level of review and that this is in line with the Council's new Committee Structure and associated delegation of functions.

Management Response to the Audit Report

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

v) INTERNAL AUDIT REPORT 2015/23

Client	**Corporate**
Subject	**Pension Fund**

Introduction

A high level review of the governance arrangements in place to manage the Tayside Pension Fund was part of the planned internal audit work.

The Scottish Public Pensions Agency is responsible for developing and maintaining the regulations covering the Local Government Pension Scheme (LGPS) in Scotland, which is a funded, defined benefit, statutory pension scheme. On 1 April 2015 the LGPS in Scotland changed to a career average scheme, although pensions to 31 March 2015 are protected. Changes to pensionable pay and flexibility in contributions were also introduced from that date.

Dundee City Council is the administering authority for both the Tayside Pension Fund and the Tayside Transport Pension Fund (Transport Fund) and is responsible for ensuring that they are managed in accordance with relevant regulations and legislation. The Tayside Pension Fund is managed on a fully discretionary basis by six external Fund Managers and is maintained for the benefit of its membership, which includes the majority of Local Government employees (excluding teachers) within Dundee City, Perth and Kinross and Angus Councils as well as 44 other scheduled and admitted bodies.

LGPS reform was introduced by the Public Service Pensions Act 2013 (the 2013 Act), the primary legislation that sets out requirements for scheme governance, regulation and administration to ensure transparency and accountability. The Act introduced a new governance framework and a number of mandatory roles including Responsible Authority, Scheme Manager, Pension Board and Scheme Advisory Board. The Scottish Local Government Advisory Group discussed and agreed the governance framework required by the 2013 Act and documented these requirements in the 2015 Scheme Regulations, which include The Local Government Pension Scheme (Scotland) Regulations 2014 and The Local Government Pension Scheme (Governance) (Scotland) Regulations 2015.

The Council's Pension Sub-Committee is responsible for the supervision and control of the Tayside Pension Fund and the Transport Fund. The Executive Director of Corporate Services has delegated authority for administering the LGPS and ensuring that all income and expenditure is properly accounted for. The 2014/15 Annual Report and Accounts of the Tayside Superannuation Funds reported that as at 31 March 2011 there were 42,176 members of the Main Fund, of which 17,622 were active contributing members, 13,643 were pensioners (or relatives of ex-contributors in receipt of a pension) and 10,911 were either deferred pensioners, undecided or frozen. At 31 March 2015, the value of Main Fund was £2,843m.

Scope and Objectives

High-level review of the procedures and practices in place to ensure compliance with the Fund's regulatory requirements and governance arrangements.

Conclusion

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

The main area highlighted in the report is as follows:

* To ensure compliance with the LGPS regulations, the Council, as administering authority, should revisit, revise and publish on its website the Governance Compliance Statement ensuring it contains specific information about, for example, delegated functions to sub-committees and the terms, structure and operational procedures of the established Pension Board.

Management Response to the Audit Report

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