

REPORT TO: AUDIT AND RISK MANAGEMENT SUB-COMMITTEE – 28 SEPTEMBER 2009

REPORT ON: INTERNAL AUDIT REPORTS

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 481-2009

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: 18 September 2009

i) INTERNAL AUDIT REPORT 2008/01

Department	Corporate
Subject	Records Management

Introduction
<p>A review of the procedures operating in respect of records management within departments of the Council was undertaken as part of the planned internal audit work.</p> <p>Records management is the systematic control of an organisation's records throughout their life cycle and, if effective, should assist the organisation in conducting its day to day business, retrieving information, meeting statutory and fiscal requirements, ensuring the timely destruction of redundant information and the identification and protection of vital and historically important records.</p> <p>The Support Services Department has the lead role in Corporate record management, is responsible for chairing the Records Management Group (RMG), acts as the Council's main contact with the Keeper of the Records of Scotland and co-ordinates records management matters for the Council. The RMG comprises representatives from each Council department and the aim of the group is to ensure a consistent approach to records management across the Council.</p> <p>In order to provide a more efficient method of record and document management, reduce the amount of storage required for paper records and facilitate mobile and flexible working patterns, the Council has established a Corporate project team under the leadership of the Planning and Transportation Department which is responsible for the acquisition and implementation of a Corporate electronic records and document management system (CeRDMS). Whilst this system will have a significant impact on the number of paper documents held, some documents will still require to be held in their original format. It is essential that staff within the Council are able to easily retrieve information, irrespective of the format in which it is held.</p>
Scope and Objectives
<p>The overall objective of the review was to examine the policies and procedures put in place to ensure that the paper based records management systems within Dundee City Council are operating effectively. Audit fieldwork included an examination of the Council's policy, activities of the Records Management Group and procedures operated within departments in respect of document retention schedules, archiving and destruction of data.</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 area commented upon in the report is as follows:</p> <ul style="list-style-type: none"> To assist the Council to maintain an effective records management system and meet its statutory obligations, Heads of Department should be advised that each department should compile and regularly update a comprehensive inventory of records in storage and include dates for destruction of these.
Management Response to the Audit Report
<p>The audit findings and recommendations were formally reported to the Legal Manager and appropriate action agreed to address the matters raised.</p>

ii) INTERNAL AUDIT REPORT 2008/06

Department	Waste Management
Subject	Fleet Management

Introduction
<p>As part of the planned internal audit work, a review of the fleet management arrangements in place within the Waste Management Department was carried out.</p> <p>The Department is responsible for providing a domestic refuse collection service to approximately 72,000 households in Dundee, a refuse collection service to commercial and trade organisations on a contractual basis and a street cleansing service.</p> <p>Successful delivery of these services is dependant upon a number of factors including the availability of a well maintained and serviced fleet of specialist refuse and street cleansing vehicles and equipment. The Department currently operates a fleet of 169 vehicles, including refuse collection vehicles, tippers, road sweepers and skip trucks. The total fleet replacement value is approximately £7 million.</p>
Scope and Objectives
<p>The scope of the audit was to undertake a review of the arrangements in place within the Department for procuring, licensing, repairing, maintaining and disposing of its vehicle fleet and the adequacy of safety inspection arrangements. Vehicle insurance and fuel were excluded from the review.</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 main areas highlighted in the report are as follows:</p> <ul style="list-style-type: none"> • The Department should consider drafting a formalised fleet management strategy which takes cognisance of good practice in this area. • To ensure accuracy of fleet records, compliance with the Council's Operator's Licence and the availability of quality management information, systems for maintaining fleet records should be reviewed and revised where necessary. Fleet management information should be reconciled to the information on the Operator Licence on a regular basis. • Changes should be made to the fault reporting system so that the time at which a fault occurred can be readily established.
Management Response to the Audit Report
<p>The audit findings and recommendations were formally reported to the Head of Waste Management and appropriate action agreed to address the matters raised.</p>

iii) INTERNAL AUDIT REPORT 2008/20

Department	Education
Subject	Attendance Management (Primary Schools)
Introduction	
<p>A review of attendance management in primary schools was undertaken as part of the planned internal audit work.</p> <p>The Council's current School Attendance Initiative Policy and Procedures (the Policy) was issued in October 2000. At the time of audit fieldwork the Policy was in the process of being revised by senior management. Parents/carers have a duty to ensure that children of school age receive a suitable education, either by regular attendance at school or otherwise. In situations where parents have elected to have children educated at school they have an obligation to ensure that they attend on a regular basis and that they are only absent for valid reasons such as illness, work placements or attending school events. Parents/carers have a duty to notify school staff if pupils are to be absent for any reason. Any absence which is not valid is termed unauthorised and this includes truancy and also holidays during term time except where specific permission has been granted. Unauthorised absence from school means that the child is not receiving the appropriate education.</p> <p>It is important that parents/carers are advised promptly of unnotified pupil absences by the school in order that the risk of anything untoward happening to a child is minimised and that appropriate remedial action can be taken as soon as possible. Secondary schools use Groupcall for sending a text message to parents/carers for unnotified pupil absences. However, this is not used in primary schools.</p>	
Scope and Objectives	
<p>The overall objective of the review was to examine the procedures operated in respect of notification of pupil absence in primary schools, assess the effectiveness of the controls and formally report the findings. Audit fieldwork focused on sample of four primary schools across the city.</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 main areas highlighted in the report are as follows:</p> <ul style="list-style-type: none"> • To ensure that parents/carers are timeously alerted of their child's absence from school, the revised policy should include deadlines on the first day of absence by which parents/carers should notify schools of the reason for absence and also by which schools should contact parents/carers when no information has been received from them. In primary schools, consideration should be given to the use of an electronic text messaging system to facilitate this. • To ensure adherence to the Council's General Guidelines for the Use of Computer Facilities, every member of staff at all schools should be set up with a unique login and password for all the computer systems for which they require access. 	
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 matters raised.</p>	

iv) INTERNAL AUDIT REPORT 2008/22

Department	Finance
Subject	Treasury Management
Introduction	
<p>A review of treasury management is part of the planned internal audit work. Treasury management is defined by the Chartered Institute of Public Finance (CIPFA) as "The management of the organisation's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."</p> <p>The Council has a Treasury Policy Statement which sets out the framework within which the treasury management function operates and this document is subject to review every three years. The Council also has a Treasury Management Strategy which is updated annually prior to the commencement of each financial year. The latest Policy and the 2008/09 Strategy were both approved by the Policy and Resources Committee in March 2008.</p> <p>In situations where the Council has funds in its bank accounts for which there is no immediate requirement, staff will lend these to approved institutions in line with the requirements of the Treasury Policy Statement in order to ensure prudent use of monies held and maximise income to the Council. To finance capital expenditure the Council will from time to time borrow such sums as are required and will endeavour to obtain optimum rates for such borrowings.</p> <p>During financial year 2008/09 there have been severe problems in the money markets which has resulted in the collapse of major banks. This has had major ramifications for both personal investors and businesses and it is crucial that all funds held by the Council are managed appropriately and held securely. In light of the current situation, monitoring procedures operated by senior management within the Council have been even more rigorous so that emerging issues are highlighted early and appropriate action can be taken, if required.</p>	
Scope and Objectives	
<p>To examine the procedures operated in respect of treasury management, assess the effectiveness of the controls and formally report the findings. Audit fieldwork focussed on procedures operated by staff within the Finance Department of Dundee City Council who have responsibility for treasury management activities.</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 area commented upon in the report is as follows:</p> <ul style="list-style-type: none"> To further enhance management of the risks associated with the treasury management function, these should be identified and included in the appropriate risks registers when they are next updated. In addition, the service level agreements for provision of treasury management services to external bodies should be amended to include a clause which clearly states where the risk for any sums invested on their behalf lies. 	
Management Response to the Audit Report	
<p>The audit findings and recommendations were formally reported to the Chief Exchequer Officer and appropriate action agreed to address the matters raised.</p>	

v) INTERNAL AUDIT REPORT 2008/23

Department	Dundee Contract Services
Subject	Fleet Management

Introduction
<p>As part of the planned internal audit work, a review of the fleet management arrangements in place within Dundee Contract Services was undertaken.</p> <p>Dundee Contract Services is a contracting arm of Dundee City Council and undertakes cyclical maintenance, grounds maintenance, new build works, repairs, upgrades and modernisation for buildings of any type and use. The Department also manages, plans and undertakes more than £5m of major contract works and around £1.5m of minor contract works each year including large scale heating installation and electrical rewiring projects and window and roof replacement programmes. The Department has established and maintains a Quality Management System which meets BS EN ISO 9002.</p> <p>Successful delivery of these services is dependant upon a number of factors including the availability of a well maintained fleet. The Department uses a combination of vehicles which have been purchased and also hired vehicles. At the time of the audit fieldwork the Department owned of the order of 151 vehicles which had an associated replacement value of £2.2 million. In addition, there were of the order of 65 hired vehicles in use. The Department operates two vehicle maintenance workshops and an in-house MOT testing station.</p>
Scope and Objectives
<p>The scope of the audit was to carry out a review of the arrangements in place within the Department for procuring, licensing, maintaining, repairing, and disposing of its vehicle fleet and also the adequacy of safety inspection arrangements. The review excluded vehicle insurance and fuel.</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 main areas highlighted in the report are as follows:</p> <ul style="list-style-type: none"> • The Department should consider drafting a formalised fleet management strategy which takes cognisance of good practice in this area. • Steps should be taken to ensure that the current database contains all key information pertaining to the Department's fleet and there is a consistent approach to servicing which enables the required standards to be met. • A comprehensive review of the information contained in the current Operator Licence should be undertaken to confirm that the Council's details are correct. Thereafter there should be systems in place to identify and facilitate timeous notification of any changes to the Vehicles and Operators Services Agency.
Management Response to the Audit Report
<p>The audit findings and recommendations were formally reported to the Director of Dundee Contract Services and appropriate action agreed to address the matters raised.</p>

vi) INTERNAL AUDIT REPORT 2008/24

Department	Finance Revenue
Subject	Post Opening
Introduction	
<p>A review of post opening procedures operated within the Finance Revenues Division was undertaken as part of the planned internal audit work.</p> <p>Good practice in the handling of mail dictates that there should be documented guidance procedures for staff, mail should be held securely, access to the mail room should be restricted, mail should be date stamped on receipt, all valuables received should be recorded and confidential documentation should be destroyed securely.</p> <p>All mail received by the Revenues Division within the Finance Department is opened by dedicated staff, prioritised and scanned into the Comino workflow and electronic document management system, where appropriate. This system assists the Revenues Division in the delivery of an efficient and effective service. Staff working in the processing of mail have been provided with comprehensive guidance notes and have been trained in line with the Verification Framework. This is a Department of Works and Pensions initiative designed to detect and prevent fraudulent claims, set a minimum standard of evidence needed for a claim to be assessed and encourage accuracy in calculating claims from the start of a claim.</p> <p>There are currently 14 members of staff working within the Revenues Division mail room and staff deal with approximately 285,000 pieces of mail per annum.</p>	
Scope and Objectives	
<p>The overall object of this review was to examine the systems operated in respect of post opening, processing of mail and security of documentation.</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"> • In order to improve procedures currently operated, staff should ensure that the number of bags sent for destruction agrees to the certificate issued by the company providing this service and that bags are held securely prior to uplift. In addition, the access code to the mail room should be changed on a regular basis and when a member of staff leaves. 	
Management Response to the Audit Report	
<p>The audit findings and recommendations were formally reported to the Head of Accounts and Benefits and appropriate action agreed to address the matters raised.</p>	

vii) INTERNAL AUDIT REPORT 2008/25

Department	Finance General
Subject	Service Level Agreements
Introduction	
<p>A review of procedures operated in respect of service level agreements (SLAs) for the provision of services to outside bodies by the Finance General Division of the Finance Department was part of the planned internal audit work.</p> <p>Dundee City Council's Finance Department provides services to a variety of outside bodies. These include Tayside Joint Police Board, Tayside Fire and Rescue Board, Tayside Valuation Joint Board, Tay Road Bridge Joint Board, and Tayside Contracts Joint Committee. Services provided depend on the requirements of individual clients but may include purchase ledger, sales ledger and general ledger facilities, banking services, treasury management, risk management, insurance and internal audit services.</p> <p>In order to safeguard both the client and the service provider, the arrangements for provision of services should be formalised by means of a service level agreement. These are formal documents compiled after discussion between the client and service provider and the SLA should clearly state the rights and responsibilities of the respective parties in order to prevent any misunderstanding about services expected and the associated costs. The SLA should include at a minimum the level and nature of the service being provided, quality expectations, duration of the contract, pricing details, payment terms, dispute procedures and arrangements for additional requirements. As SLAs often cover more than one financial year they may also include the fee rates or provisions for increases for future years. The document should be signed by both parties and reviewed at appropriate intervals.</p> <p>There are approximately thirty SLAs for the provision of services by Finance General staff to outside bodies. Budgeted income from outside bodies for financial year 2008/09 for Finance General was of the order of £300,000 and actual income for the year is broadly in line with this estimate.</p>	
Scope and Objectives	
<p>The overall objective of the review was to examine the procedures operated in respect of service level agreements for services provided by Dundee City Council's Finance Department (Finance General), assess the effectiveness of the controls and formally report the findings.</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 main areas highlighted in the report are as follows:</p> <ul style="list-style-type: none"> • To facilitate the administration of SLAs for the provision of services by the Finance General Division to outside bodies, a member of staff within Finance General should be assigned overall responsibility for the management of SLAs and ensure that they are renewed timeously. • To ensure that the charges included in SLAs are appropriate, prior to their renewal the relevant managers should be requested to reassess the services being provided and the associated costs in order that fees can be amended where necessary. 	
Management Response to the Audit Report	
<p>The audit findings and recommendations were formally reported to the Chief Accountant and appropriate action agreed to address the matters raised.</p>	

viii) INTERNAL AUDIT REPORT 2009/01

Department	Finance
Subject	Payment of Pensions for Former Employees of ex List D Schools
Introduction	
<p>Pension payments to former employees of ex List D schools can have funded and unfunded elements. Funded pension is the amount to which the employee is entitled by virtue of his/her contributions to the pension fund. This element depends on length of service and final salary and the cost is borne by Tayside Superannuation Fund. Unfunded pension relates to pension increases and any enhancements which have been provided to staff when the employee retires before 65 e.g. in the case of redundancy. These costs are recoverable from the Scottish Government and Pensions Administration staff invoice the Scottish Government on a regular basis. It is a requirement of the payment for unfunded pensions that the claims are audited annually by the Internal Audit Service at the end of each financial year.</p>	
Scope and Objectives	
<p>The overall objective of this review is to examine and confirm the accuracy of the information provided by the Pensions Section in support of the claim for payment of pensions for former List D employees in order that the Chief Internal Auditor has the assurance required to validate the claim. Audit fieldwork to be restricted to validity of pensions paid to former employees of List D schools.</p>	
Conclusion	
<p><i>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.</i></p>	

xi INTERNAL AUDIT REPORT 2009/02

Department	Finance
Subject	Corporate Governance - Assurance Statements
Introduction	
<p>As part of the planned internal audit work a review of the assurance gathering arrangements in place within Dundee City Council for identifying control weaknesses or failures in internal control for the purposes of compiling the Statement of Internal Financial Control was carried out.</p> <p>The Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (2008 SORP), developed in accordance with the Accounting Standards Board's Code of Practice, constitutes proper accounting practice under Section 12 of the Local Government in Scotland Act 2003. A number of substantive changes were introduced into the 2008 SORP including amendments to Chapter Eight. Chapter Eight, formerly entitled The Statement on Internal Control and the Statement on the System of Internal Financial Control has been renamed Statements Reporting Reviews of Internal Controls or Internal Financial Controls and amended to reflect changes in corporate governance good practice guidance, including the CIPFA / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication entitled Delivering Good Governance in Local Government: Framework (the Framework).</p> <p>The 2008 SORP explains that whilst Scottish local authorities are not required by statute to conduct a review at least once a year of the effectiveness of its system of internal control and include a statement reporting the findings of this review within the Statement of Accounts, they should consider doing so voluntarily and prepare an Annual Governance Statement. Local authorities which do not voluntarily choose to do this should include a statement on the System of Internal Financial Control with their Statement of Accounts.</p> <p>A Guidance Note for Scottish Authorities has also been developed by CIPFA / SOLACE to support Scottish local authorities in complying with the new Framework. Section 2 of the Guidance Note, Fundamental Principles of Corporate Governance - Governance Statement, advises Scottish local authorities that the Scottish Good Governance Guidance Note Working Group strongly encourages them to adopt the practice of producing the governance statement as set out in the Framework.</p>	
Scope and Objectives	
<p>The scope of the audit was to obtain an overview of the assurance gathering arrangements currently in place in the Council for identifying and reporting control weaknesses or failures in internal control for the purposes of compiling the Statement of Internal Financial Control. In addition, a benchmarking exercise was carried out to compare the Council's current arrangements with corporate governance good practice guidance and the arrangements in place in a sample of other Scottish local authorities.</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 area commented upon in the report is as follows:</p> <ul style="list-style-type: none"> To assist with the production of an Annual Governance Statement, the Council should introduce the use of the draft Self-Assessment Checklist for Directors / Heads of Service developed by Internal Audit once it has been tailored to suit the needs of the Council. This should provide a more robust framework for the annual review of the effectiveness of its system of internal control. 	
Management Response to the Audit Report	
<p>The audit finding and recommendation were formally reported to the Head of Finance and appropriate action agreed to address the matters raised.</p>	

x) INTERNAL AUDIT REPORT 2009/04

Department	Social Work
Subject	2008/09 Year End Stock Check at Dundee Joint Equipment Store

Introduction
<p>As part of the year end processes, departments who have stock are required to carry out a stock check in order that the appropriate values can be included in the Council's financial statements for the year. Procedures to be followed are issued by the Finance Department prior to the end of the financial year. In addition to detailing dates for stock takes and returns, this document also states that senior officers within departments that are responsible for stocks/stores should ensure that formal written guidelines are available for all officers responsible for stock checks and also for stock counters.</p> <p>There is also a requirement for departments to provide details of the timing and arrangements for stocktaking and a copy of departmental guidelines to the Chief Internal Auditor at a predetermined date prior to the year end in order that the Council's External Auditor (Audit Scotland) can be informed. Such notification allows the Chief Internal Auditor and the External Auditor to arrange for a member of staff to attend the stock check in situations where deemed appropriate. Given that 2008/09 was the first full year of operation of the Dundee Joint Equipment Store (DJES), arrangements were put in place for an Internal Auditor to attend the stock check. The value of the year end stock for the DJES for the 2008/09 financial year was of the order of £145,000.</p>
Scope and Objectives
<p>The overall objective of the review was to attend the year-end stock check to be held at the Claverhouse Store, observe the stocktaking arrangements, assess adherence to prescribed procedures and undertake sample checks.</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 highlighted in the report are as follows:</p> <ul style="list-style-type: none"> • To confirm the completeness of information held in ELMS, a full stock check should be carried out by September 2009. To facilitate this process, the relevant fields in the database should be reviewed and revised, where appropriate.
Management Response to the Audit Report
<p>The audit finding and recommendation were formally reported to the Director of Social Work and appropriate action agreed to address the matters raised.</p>

xi) INTERNAL AUDIT REPORT 2009/05

Department	Finance
Subject	Debtors and Debt Management
Introduction	
<p>A review of debtors and debt management is part of the planned internal audit work.</p> <p>The management of sundry debt within Dundee City Council is centralised and there is a dedicated team within Finance General who undertake the various activities associated with this. Sundry debtors may be external or internal. External debtors include parties who owe the Council payments for services carried out by the various departments, firms who lease properties from the Council and government departments who provide grant monies. Internal debtors arise when one department provides services to another for which a charge is payable.</p> <p>Responsibility for the input of sales invoices lies with departments. Invoices are input either on an individual basis or in batches via system interfaces. Payments in respect of invoices are made to the Council's bank account which interfaces with a designated Sales Ledger bank account. Per the management information reports prepared for the Finance Department Management Team, debt outstanding at the year end cut off date of 17 April 2009 was of the order of £12m. This relates to approximately 7,500 debtor accounts.</p> <p>In order to carry out this review, data was downloaded from Authority Financials, the Council's financial system, with the assistance of the Sales Ledger Manager. Data was then analysed using IDEA, a specialised computer audit software package which facilitates many techniques including summarisation, comparison of data from different sources, production of statistics and random sampling.</p>	
Scope and Objectives	
<p>The overall objective of this review was to examine the guidance available to Sales Ledger staff, review the adequacy of management information, confirm the accuracy of report parameters, examine the extent of interdepartmental transactions, confirm the accuracy of the category of debt and formally report the findings.</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"> • In order to ensure that the parameters of the management information reports are correct, all obsolete codes should be removed from the parameters of the Ledger Department reports. • To improve the clarity and accuracy of management information reports, staff should explore the feasibility of amending the layout of the Ledger Department reports so that categories of debt by department can be readily identified. In addition, consideration should be given to excluding 'payment being processed' items from the report totals. • In order that payments are allocated promptly and that the Authority Financials system is up-to-date and accurate, the current payment allocation difficulties require to be addressed as soon as possible with assistance being sought from the supplier, Civica, if necessary. 	
Management Response to the Audit Report	
<p>The audit findings and recommendations were formally reported to the Chief Accountant and appropriate action agreed to address the matters raised.</p>	

xii) INTERNAL AUDIT REPORT 2009/07

Department	Information Technology
Subject	Payment Card Industry Data Security Standard
Introduction	
<p>A review of Dundee City Council's compliance with the Payment Card Industry Data Security Standard (PCI DSS) was part of the planned internal audit work.</p> <p>The PCI DSS, a set of comprehensive requirements for enhancing payment account data security, was developed by the founding payment brands of the PCI Security Standards Council, including American Express, Discover Financial Services, JCB International, MasterCard Worldwide and Visa Inc. International, to help facilitate the broad adoption of consistent data security measures on a global basis.</p> <p>The core of the PCI DSS is a group of principles and accompanying requirements, around which the specific elements of the DSS are organised. The standard includes requirements for security management, policies, procedures, network architecture, software design and other critical protective measures and is intended to help organisations proactively protect customer account data. The PCI Security Standards Council will enhance the standard as needed to ensure that it includes any new or modified requirements necessary to mitigate emerging payment security risks, while continuing to foster wide-scale adoption.</p> <p>Organisations which accept payments by debit or credit cards should ensure that they meet the requirements of the standard as failure to do so could result in cardholders' data being lost or providers withdrawing the facility. During financial year 2008/09, of the order of 41,000 credit/debit card payments with an associated net value of approximately £4.6m were processed by the Council. This excludes online payments which are facilitated by an external company and consequently responsibility for compliance with the PCI DSS for these transactions does not rest with the Council.</p>	
Scope and Objectives	
<p>The objective of this review was, in conjunction with an external consultant with specialist knowledge of this area, to assess the areas which Dundee City Council needs to address in order to ensure compliance with PCI DSS.</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 main areas highlighted in the report are as follows:</p> <ul style="list-style-type: none"> • In order that Dundee City Council can demonstrate that it is meeting the requirements of the PCI DSS, appropriate arrangements and resources should put in place to assist IT staff to achieve and maintain compliance with ISO 27001. This should ensure compliance with not only the PCI DSS standard but also reduce the work required by IT staff to demonstrate that it meets the system requirements of external bodies such as DWP and the NHS. 	
Management Response to the Audit Report	
<p>The audit findings and recommendations were formally reported to the Head of Information Technology and appropriate action agreed to address the matters raised.</p>	

xiii) INTERNAL AUDIT REPORT 2009/08

Department	Finance
Subject	Merchant Copies of Debit and Credit Card Transactions
Introduction	
<p>As part of the internal audit work, a review of the Council's arrangements for compliance with the Payment Card Industry Data Security Standards (PCI DSS) was carried out. This applies to all bodies who process debit/credit card payments. The standard includes requirements for security management, policies, procedures, network architecture, software design and other critical protective measures and is intended to help organisations proactively protect customer account data.</p> <p>The review identified areas for improvements applicable to the Information Technology Department and these are included in Internal Audit Report 2009/07. The review also highlighted areas for improvement in respect of the handling of the merchant's copy of the transaction and this report details the recommendation made in respect of this matter.</p>	
Scope and Objectives	
<p>The objective of this review was, in conjunction with an external consultant with specialist knowledge of this area, to assess the areas which Dundee City Council needs to address in order to ensure compliance with the Payment Card Industry Data Security Standards.</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 main area highlighted in the report is as follows:</p> <ul style="list-style-type: none"> To minimise the risk of theft or loss of cardholder data, departments should be formally advised of the arrangements to be put in place in terms of retention, storage, transportation and destruction of the merchant's copy of all debit and credit card transactions. 	
Management Response to the Audit Report	
<p>The audit findings and recommendations were formally reported to the Chief Exchequer Officer and appropriate action agreed to address the matters raised.</p>	

iv) INTERNAL AUDIT REPORT 2009/09

Department	Corporate
Subject	Single Status

Introduction
<p>A review of the accuracy of the information in the Council's payroll system, Resourcelink, following the implementation of single status was part of the planned internal audit work.</p> <p>Details of the proposals for the implementation of single status within Dundee City Council were included in Report No 425-2007 which was approved by the Policy and Resources Committee on 27 August 2007. The report included an appendix showing the new pay scales applicable for each grade. The salaries were amended slightly in Report No 578-2007 to reflect changes required due to roundings in the original report.</p> <p>Assimilating staff to the new grades and ensuring that they were put on the correct spinal column point was a major exercise and affected of the order of 7,200 Council employees. As part of the process the Personnel Department provided all departments with a spreadsheet showing the grades at which jobs in their department had been evaluated. They were also provided with a spreadsheet from the Payroll section within the Finance Department showing the current grade and salary for all employees in their department. The spreadsheet from the Finance Department also contained spaces for departmental staff to enter the new grade and salary based on the information provided by the Personnel Department. The data on the returned completed spreadsheets was subsequently uploaded electronically into Resourcelink by Payroll staff within the Finance Department.</p> <p>A random sample of grades and associated salaries relating to 430 staff was examined. This represented approximately 6% of all employees being assimilated to single status grades and covered all departments of the Council. The error rate for the sample was just under 2% and none of the errors found was material. The auditor provided departments with the information necessary for them to make the appropriate amendments in the payroll system.</p>
Scope and Objectives
<p>The objective of this review was to examine payroll input following assimilation of the pay and grading structures arising from single status and confirm that grades and associated salaries have been recorded accurately in the payroll system. The review excluded validation of the scores and grades awarded to posts as this was the subject of an exercise planned by staff within the Personnel Department following completion of the appeals process.</p>
Conclusion
<p><i>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.</i></p>

xv) INTERNAL AUDIT REPORT 2009/10

Department	Environmental Health and Trading Standards
Subject	Arrangements for the Management and Security of Cash
Introduction	
<p>A review of procedures operated in respect of cash and the security thereof of such monies within Environmental Health and Trading Standards (EHTS) was undertaken as part of the planned internal audit work.</p> <p>The principal activities of the Department are concerned with its statutory enforcement duties and animal and pest services. The main day-to-day area where cash is involved within the Department's operations at the Claverhouse site is in relation to purchases made through the petty cash imprest, currently a float of £400. Other areas where cash may on occasion be handled by staff is in relation to cash retrieved from a dead person's home whilst EHTS staff are discharging their duties under the relevant legislation, sales of licenses for example food safety, reimbursement by staff of personal calls made using Council owned mobile phones and periodic sale of animal pest control vehicles.</p> <p>To reduce the risk of loss, it is important when dealing with cash that there are robust systems in place to ensure the security of such monies whilst they are the responsibility of the Department.</p>	
Scope and Objectives	
<p>The overall objective of the review is to examine the procedures operated in respect of cash for which the Department is responsible and also to assess the adequacy of the arrangements for security of cash whilst it falls within the responsibility of the Department.</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"> • In order to improve current working practices, procedures operated in respect of petty cash imprests should be revised and updated where appropriate. Guidance notes which cover all relevant aspects of petty cash should be compiled and distributed to staff and procedures operated in respect of telephone monies should also be reviewed and revised where necessary. 	
Management Response to the Audit Report	
<p>The audit findings and recommendations were formally reported to the Head of Environmental Health and Trading Standards and appropriate action agreed to address the matters raised.</p>	

xvi) INTERNAL AUDIT REPORT 2009/11

Department	Support Services - Administration and Legal
Subject	Petty Cash Imprests
Introduction	
<p>A review of procedures operated in respect of petty cash imprests and security thereof operated by the Council Chambers was undertaken as part of the planned internal audit work.</p> <p>The Council Chambers has two petty cash floats; one of £300 which is used for sundry expenditure relating to Council functions and one of £100 which is used for other miscellaneous sundry expenditure.</p> <p>In line with best practice, staff should be provided with guidance detailing procedures to be followed, there should be robust processes in place for recording and reconciling transactions processed through petty cash and the petty cash imprests should be held securely at all times.</p>	
Scope and Objectives	
<p>The overall objective of the review was to review the procedures operated in respect of petty cash and to assess the adequacy of the arrangements for the security of these imprests.</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 is as follows:</p> <ul style="list-style-type: none"> • To minimise the risk of error and simplify procedures operated in respect of petty cash imprests, the Department should issue guidance to staff and consider merging the two petty cash floats whilst still retaining the ability to identify expenditure on functions, if required. 	
Management Response to the Audit Report	
<p>The audit findings and recommendations were formally reported to the Depute Chief Executive (Support Services) and appropriate action agreed to address the matters raised.</p>	

xvii) INTERNAL AUDIT REPORT 2009/12

Department	City Development
Subject	2008/09 Grant Claim : Cycling, Walking and Safer Streets
Introduction	
<p>Under Section 70 of the Transport (Scotland) Act 2001 Scottish Ministers have powers to award grant assistance for specific projects. For the 2008/09 financial year grant assistance totalling £249,000 was awarded to Dundee City Council for the development of projects associated with local cycling, walking and safer streets. The grant awarded for 2008/09 was expended in full.</p> <p>Under the conditions of the grant it is a requirement that the "Council shall by the 30 June in the financial year following receipt of any grant submit to Scottish Ministers a statement of compliance with the grant conditions signed by the Head of Internal Audit".</p>	
Scope and Objectives	
<p>The overall objective of this review is to enable the Chief Internal Auditor to provide an opinion as to whether or not the grant funding received in respect of the cycling, walking and safer streets grant has been expended in accordance with the grant's terms and conditions.</p>	
Conclusion	
<p><i>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.</i></p>	