

## **INTERNAL AUDIT ABRIDGED REPORTS**

### **(a) Housing**

#### **Systems Review of the Decoration Allowance Scheme for Relets (01/09)**

##### **Introduction**

This review was part of the planned audit work. For the 2001/02 financial year, the budgeted and actual expenditure for the provision of decoration vouchers to tenants, as part of the decoration allowance scheme for relets, was of the order of £0.25M.

##### **Scope and Objectives**

The scope of the audit included visits to various Area Housing Offices who are responsible for the administration of decoration allowances for relets. Specific areas examined included the criteria for establishing claimant entitlement, documentation used, payment procedures, monitoring and control, management information and security.

The key objectives of this assignment were to review the systems operated and to evaluate the adequacy of the controls.

##### **Key Findings**

*In general, the systems underpinning the decoration allowance scheme for relets were found to be operating satisfactorily.*

The principal areas commented upon in the report were as follows:

- The lack of evidence to confirm that Housing Officers had undertaken new tenant follow-up visits, to check that the voucher had been used appropriately.
- The stores at which vouchers can be redeemed, do not always ensure that the tenant signs the decoration voucher, thus verifying the identity of the tenant.

##### **Management Responses to Recommendations**

The audit findings and recommendations were formally reported to the Director of Housing and appropriate action was agreed would be taken to address the specific issues raised.

### **(b) Housing**

#### **Systems Review of Home Loss Payments (01/10)**

##### **Introduction**

This review was part of the planned audit work. For the 2001/02 financial year the budgeted expenditure for home loss payments was £300,000 and the actual expenditure £177,000.

##### **Scope and Objectives**

The scope of the audit included visits to various Area Housing Offices who have responsibility for initiating entitlement to a home loss payment and also the Finance Department Housing Team who have responsibility for processing the request for payment. Specific areas examined

included the criteria for establishing claimant entitlement, documentation used, procedures for payment, monitoring and control and management information.

The key objectives of this assignment were to review the systems operated and to evaluate the adequacy of the controls.

### Key Findings

*The system currently operated for home loss payments has been in place for a number of years. Although ownership of the system ultimately rests with the Housing Department, there are key elements which are undertaken by the Finance Department. It was concluded from the audit fieldwork that the system currently operated is cumbersome and could be streamlined. In addition, a number of control issues were identified particularly in relation to authorisation, tenant identification and segregation of duties. It was therefore recommended that consideration should be given by the Housing Department, in conjunction with the Finance Department, to evaluating the current methodology and developing a more efficient system with appropriate controls.*

### Management Responses to Recommendations

The findings and recommendations arising from this review were reported to the Director of Housing and the Director of Finance. The Director of Housing has agreed to review the current procedures for processing home loss payments. It is acknowledged, however, that the report is recommending fundamental changes which will require to be consulted upon. Once this exercise is complete internal audit will be notified of the outcome and a follow-up review will be undertaken as part of the planned work in the next financial year.

## (c) **Public Relations**

### **Review of the Systems Operated by the Design and Print Units (01/11)**

#### Introduction

As part of the planned internal audit activity, a review of the systems operated by the Design and Print Services was carried out. The net expenditure, budget and actual, for the 2001/02 financial year, was £28,000 and £17,620 for the Design Unit and £2,000 and £22,640 for the Print Unit.

#### Scope and Objectives

The review focussed on the key systems operated by the two Units and covered the procurement procedures for design and print jobs, procedures for estimating the cost of work, requests for quotations from outside companies, billing/recharge for work undertaken, payment of invoices and management information.

The prime objective was to provide an audit opinion on the adequacy of the controls in the systems operated.

#### Key Findings

*From the audit fieldwork for the Design Unit it was concluded that the systems are in general well controlled.*

The principal areas commented upon in the report were as follows:

- Lack of compliance with retention periods for documentation relating to quotations.
- Confirmation orders not being obtained for jobs to be undertaken.

*From the audit fieldwork for the Print Unit the principal conclusion was that changes in technology and the resulting reduced demand for services is impacting upon the ability of the Unit to achieve the budgeted net expenditure.*

The principal areas commented upon in the report were as follows:

- The need to evaluate the Print Unit's future strategy.
- The need to rationalise the documentation used to record jobs.
- Absence of stock records for inks and chemicals.
- The cost-effectiveness of the directive that other Council Department's should place orders for plain paper and envelopes through the Unit.

#### Management Responses to Recommendations

The detailed findings and recommendations were formally reported to the Director of Public Relations and action is to be taken to address the issues raised.

### (d) **Finance**

#### **Systems Review of Travel and Subsistence Expenses (01/12)**

##### Introduction

A systems review of claims for travel and subsistence expenses submitted by Finance Department staff was undertaken as part of the planned internal audit activity. For the 2001/02 financial year, the Department's budget and actual expenditure for car allowances and other transport costs were £28,000 and £38,040 respectively. Within the Finance Department, the Finance General Division and the Finance Revenues Division, separately monitor and control the travel and subsistence expenditure relating to the employees within that particular division.

##### Scope and Objectives

The scope of the audit assignment included reviewing the completion, verification, authorisation and processing of claims for travel and subsistence expenses and also the use of journey planning.

The key aim of the audit was to assess and provide an opinion on the adequacy of the system for the reimbursement of travel and subsistence.

##### Key Findings

*From the audit fieldwork it was concluded that the systems operated by both divisions are well controlled and in the main Council policies on travel and subsistence are adhered to and claims for reimbursement are submitted within reasonable timescales.*

For both Divisions the principal areas commented upon in the report were as follows:

- Journey details should be recorded on return to the office, to reduce the risk of errors in the claims submitted.
- The need to reiterate the roles and responsibility of the staff responsible for the authorisation and verification of claims.

#### Management Responses to Recommendations

The audit findings and recommendations were formally reported to the Director of Finance and appropriate action has been taken to address the issues raised.

(e) **Housing****Systems Review of Tenant's Allowances Paid by the Improvements and Maintenance Unit (01/13)****Introduction**

This review of the above was undertaken as part of the planned internal audit activity.

**Scope and Objectives**

The principal areas examined during this exercise included the criteria for establishing claimant entitlement, system documentation, payment procedures, monitoring and control checks and management information.

The main objectives of the audit were to review the systems being operated and to assess the adequacy of the controls.

**Key Findings**

*It was concluded from the audit fieldwork and tests that in general the systems and controls underpinning the tenant's allowances processed by the Improvements and Maintenance Unit operate satisfactorily.*

The principal areas commented upon in the report were as follows:

- The store where the voucher is redeemed, does not always undertake the appropriate checks in terms of confirmation of the tenant's signature and ensuring the items being purchased are within the criteria laid down for the scheme.
- There is no inventory listing of the furniture available for use within the decant flats.

**Management Responses to Recommendations**

The audit findings and recommendations were formally reported to the Director of Housing and appropriate action agreed to address the specific issues raised.

(f) **Housing****Systems Review of Tenant's Allowances Processed by the Area Housing Offices (01/14)****Introduction**

This review was part of the planned audit work. For the 2001/02 financial year the budgeted expenditure for tenant allowances processed by the Area Housing Offices was £65,000 and the actual expenditure £146,186.

**Scope and Objectives**

As part of the audit various Area Housing Offices were visited. The scope of the audit work included examination of the criteria for establishing claimant entitlement, documentation, payment procedures, monitoring and control and management information.

The key objectives of this assignment were to review the systems operated and to evaluate the adequacy of the controls.

### Key Findings

*In general the tenants' allowances processed by the Area Housing Offices operates satisfactorily and is well controlled.*

The principal area commented upon in the report was as follows:

- The level of errors in the coding of expenditure in the general ledger indicated guidance should be sought from the Finance Department.

### Management Responses to Recommendations

The findings and recommendations arising from this review were reported to the Director of Housing who agreed that specific action would be taken to action the recommendations in the audit report.

## (g) **Economic Development**

### **Follow-up Review of the Aviation Fuel at Dundee Airport (02/02)**

#### Introduction

This audit followed-up work from an exercise previously undertaken.

#### Scope and Objectives

The review focussed on the year end returns for the fuel dips for Avgas and Jet A1 held at Dundee Airport and the reconciliation of these returns to the book stock.

The prime objective was to provide an audit opinion on the adequacy of these procedures.

#### Key Findings

*Whilst overall, the comparison of the book stocks to the dip values, for year ended 31 March 2002, did not highlight any material variance, there was no evidence to confirm that management undertakes regular reconciliation checks. Such checks would enable discrepancies to be investigated on a timeous basis.*

#### Management Responses to Recommendations

The detailed findings and recommendations were formally reported to the Director of Economic Development and appropriate action has now been taken.

## (h) **Housing**

### **Review of Council Housing Asset Register and Council House Sales (02/04)**

#### Introduction

A review of the Council Housing Asset Register and Council House sales was undertaken as part of the planned audit activity. In the Consolidated Balance Sheet (unaudited) for the 2001/02 financial year the net book value for Council Housing is £215.19m.

#### Scope and Objectives

The areas examined during this review included procedures for updating the master roll, which records details of all Council Housing stock, including sales and demolitions and the value at

which assets are held in the consolidated balance sheet. In addition, the reliability of the Housing Rents and Sales system, processing of applications to purchase, valuations of properties sold, the receipt of monies due and procedures for the completion of sales were appraised.

The prime objective of the review was to assess that the systems underpinning the Council Housing Asset Register and Council House Sales are satisfactory and well controlled.

### Key Findings

*The systems pertaining to the Council Housing Asset Register and Council House Sales involve staff from a number of departments including Housing, Finance, Legal Services, Information Technology and Economic Development. Overall it was concluded from this review that both the systems are well controlled.*

The principal areas reported upon were as follows:

- At the year end capital receipts for Council House Sales are not being accrued.
- Consideration be given to the need for an informal offer stage in the system for the sale of Council Houses.
- Consideration be given to changing the methodology of valuing Council Housing from the gross annual value to the open market value.

### Management Responses to Recommendations

Reports were issued to the Directors of Housing, Finance, Support Services, Information Technology and Economic Development which included the findings and recommendations relevant to that specific department. Overall, positive responses were received and the relevant departments are to consult to take appropriate steps to implement or further consider the proposals made.

## **(i) Education**

### **Education Maintenance Allowances Pilot Scheme (02/07)**

#### Introduction

Dundee City Council was included as part of the pilot scheme for Education Maintenance Allowances (EMA) for the 2001/02 academic year. As part of this pilot the Scottish Executive requested that the Council's Internal Audit Service undertake a sample check of EMA recipients.

#### Scope and Objectives

Dundee City Council is the lead authority for EMAs processed by both the Council's Education Department and Dundee College. Therefore, the work undertaken included applications processed by both organisations. In the 2001/02 academic year approximately 1000 applications were processed by the Education Department and 600 applications by Dundee College.

The key aim of this review was to determine that all payments are being made to genuine students.

### Key Findings

*It was concluded from the audit work that adequate control checks are carried out to ensure all applications processed by the Council's Education Department and Dundee College are bona fide and payments are being made to genuine pupils or students who are either resident in Dundee or are attending a Dundee School or Dundee College.*

(j) **Environmental and Consumer Protection**

**Year End Stocks 2001/02 (02/08)**

**Introduction**

Internal audit staff attended the 2001/02 year end stock counts at the Marchbanks Depot. The total stock value as at 31 March 2002 was of the order of £49,000.

**Scope and Objectives**

The scope of the review included attendance at the year end stock checks, audit tests to confirm that the procedures were satisfactory and assessment of the adequacy of the subsequent reconciliation procedures.

**Key Findings**

*Overall it was concluded that the value of stocks detailed in the Statement of Stocks and Work in Progress was fair and reasonable.*

**Management Responses to Recommendations**

The Director of Environmental and Consumer Protection was formally notified of the audit outcomes. There were no specific issues which require to be actioned.

(k) **Finance**

**Outstanding Lodgements in the Bank Account (02/09)**

**Introduction**

Whilst undertaking audit tests in a planned review of income systems in the Education Department it was highlighted that, in the particular area under review, there were substantial delays between income being credited to the Council's Bank Account and being posted to the General Ledger.

**Scope and Objectives**

As a result of the initial query, the review focussed upon the procedures operated by the Finance Department's Banking Services Section to deal with the schedules of outstanding lodgements in the bank account.

**Key Findings**

*From the audit work it was concluded that a formal timetable for the issue and monitoring of outstanding lodgement lists required to be drafted and this would ensure that outstanding lodgements are dealt with timeously.*

**Management Responses to Recommendations**

The audit findings and recommendations were formally reported to the Director of Finance and it was confirmed that appropriate steps would be taken.

(I) **Education****Systems Review of Travel and Subsistence Expenses (02/10)****Introduction**

As part of the planned internal audit activity, a review of the systems pertaining to travel and subsistence expenses in the Education Department was undertaken. In the 2001/02 financial year the budget and actual expenditure for car allowances and other travel and subsistence was £208,5000 and £195,000 respectively.

**Scope and Objectives**

The review focussed on the completion and processing of travel and subsistence claims submitted by Education Department for both teaching and non-teaching staff. Eligibility for travel and subsistence allowances is governed by separate conditions of service.

The key aim of the audit was to assess and provide an opinion on the adequacy of the systems and control environment.

**Key Findings**

*In general the systems are well controlled and staff are willing to initiate improvements to procedures.*

The key areas commented upon in the report were as follows:

- Claims are not always being submitted for payment within a reasonable timescale.
- The need for guidance notes to be drafted for non-teaching staff, which would assist in the completion of claim forms.
- The cascading of information to staff, on travel and subsistence, could be improved upon.

**Management Responses to Recommendations**

The audit findings and recommendations were formally reported to the Director of Education and a strategy agreed to action the issues raised.