

**ITEM No ...5.....**

**REPORT TO: SCRUTINY COMMITTEE - 23 APRIL 2025**  
**REPORT ON: INTERNAL AUDIT REPORTS**  
**REPORT BY: CHIEF INTERNAL AUDITOR**  
**REPORT NO: 126-2025**

**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. On 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 since the last Scrutiny meeting are provided at Appendix A. The full reports are available to Elected Members on request. Reporting in Appendix A covers:

<b>Audit</b>	<b>Assurance level</b>
Pentana	Substantial Assurance
Permanence	Substantial Assurance
Health and Safety Risk Assessments and Incident Management in Schools	Substantial Assurance
Tay Cities Region Deal	Substantial Assurance
Financial Forecasting	Substantial Assurance
Purchase to Pay	Substantial Assurance

- 4.3. Internal audit recommendations are categorised as either relating to the design of the control system (Design) or compliance with the operation of the controls (Operational).

## **5.0 POLICY IMPLICATIONS**

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services, or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

## **6.0 CONSULTATIONS**

The Council Leadership Team have been consulted in the preparation of this report.

## **7.0 BACKGROUND PAPERS**

None.

**CATHIE WYLLIE, CHIEF INTERNAL AUDITOR**

**31 MARCH 2025**

## (i) INTERNAL AUDIT REPORT 2023/03

<b>Client</b>	<b>Chief Executives Service and Corporate Services</b>
<b>Subject</b>	<b>Pentana</b>

**Executive Summary****Conclusion****Substantial Assurance**

Processes and procedures for the use of the Pentana system are well established and generally work effectively. However, determining the most significant Council plans and formalising how these should be recorded and reported through Pentana would provide greater assurance that key actions and objectives are being managed effectively, while still providing Services, Divisions, and teams with flexibility in their approach to use of its tools.

**Background**

Pentana Risk is an Enterprise Performance and Risk Management solution by Ideagen. It has been adopted as the sole Corporate Performance Management System, and more recently Enterprise Risk Management system, used within Dundee City Council.

The system enables the recording, update, assignment, tracking, and reporting of organisational Risks and Performance Indicators (PIs). An action tracking mechanism provides oversight of the completion of Actions agreed in the course of the review of Risks and PIs, and actions agreed through the operation of scrutiny process such as internal audit reviews.

Pentana currently tracks the Council's Corporate risk register and 5 Service level risk registers, in addition to Service Area operational risk registers and risk registers for partner organisations. Each risk is recorded in a standard format, with a named risk owner responsible for its maintenance and review. Where action is required arising from risk review, Pentana supports the recording of that action and the tracking of its completion.

Over 800 Performance Indicators have been captured on Pentana, from the Council's City Plan, Council Plan, and other operational plans. These underpin internal dashboards and public reporting of performance.

**Scope**

Review of the Council's Performance and Risk Management system in terms of management reporting and efficiencies.

This review considered both Corporate Reporting, meaning the arrangements implemented through Pentana to support reporting to Council Committees, and the use of Pentana within Services.

Objectives		Action Priority			
		C	H	M	L
Objective 1: Confirm that Risks recorded on Pentana are complete, up to date and recorded in line with the Risk Management Framework	<b>Comprehensive Assurance</b>	-	-	-	-
Objective 2: Confirm that Performance indicators are represented on Pentana in line with the Performance Management Framework and appropriately maintained	<b>Substantial Assurance</b>	-	-	1	-
Objective 3: Determine if groups and individuals responsible for the management of risks, performance measures and actions make effective and efficient use of reporting tools and that this is consistent across services	<b>Comprehensive Assurance</b>	-	-	-	-
Objective 4: Confirm that where Risks, Performance Indicators and Actions are not updated, the matter is escalated, and appropriate action taken	<b>Substantial Assurance</b>	-	-	1	-
<b>TOTAL</b>		-	-	2	-

### Nature of Recommendations

All of the recommendations identified relate to the design of the control framework, as opposed to issues with the operation of existing controls.

### Key Findings

We identified a number of areas of good practice:

- Policy and Procedure documentation sets out how Pentana should be used to support the Council's approach to Risk Management.
- The Performance Management Framework sets out a general approach to the use of Pentana in relation to actions and performance indicators identified in key Council Plans.
- Pentana system administrators are provided with access to self-service training material.
- Scrutiny and oversight processes vary throughout the Council, however they generally work well to ensure that Performance Indicators and Actions are kept up to date.
- In practice, the approaches adopted by Management to escalate instances in which Pentana has not been updated work well.

The Performance Management Framework is in the course of being updated, and we understand that some matters identified in this report are already being considered for inclusion in the revised version.

We have identified the following areas for improvement, which are primarily low risk actions relating to the design of controls, and represent opportunities to strengthen existing arrangements:

- Although the Performance Management Framework establishes that performance indicators should be recorded within Pentana, it does not set out a detailed approach to managing and keeping those performance indicators up to date. Identifying the most significant indicators and putting in place arrangements to ensure that these are documented and managed consistently would enhance oversight.
- The approach to identifying actions and performance indicators which have fallen out of the scope of monitoring processes, or where performance indicators are not assigned to an owner, is not comprehensive. Introducing exception reporting for this purpose would provide management with greater assurance that actions and indicators are receiving appropriate attention.
- Automated reminders for overdue actions are configured such that they no longer send once an action is more than 30 days overdue. If possible, updating the configuration of the system such that reminders are sent until the action is updated would help to ensure that actions are progressed.

### **Impact on risk register**

The Council's Corporate Risk Register, and the Chief Executive's high level Risk Register included, at time of audit, the following relevant risks:

- DCC005 – Governance (Inherent Risk 5x4, Residual Risk 5x2)
- DCC011 – Transformation (Inherent Risk 5x3, Residual Risk 5x3)
- CEHL022 –Transformation (Inherent Risk 5x3, Residual Risk 3x3)

The Pentana system itself, and the scrutiny and reporting processes that it facilitates, are identified within risk registers as controls which contribute to ensuring that Council Governance remains effective, and that performance and transformation objectives are achieved.

Our review found that, in general, the processes which are in place work well, however there are instances in which the processes themselves are not formally defined. Primarily, processes represent implementations of systems of control by various levels of management for their own particular purposes, and at different levels of scale. Accordingly, the risk represented by failure of those controls is highly variable – being more significant where they relate to the Council's high level plans, such as the Council Plan and City Plan.

A key benefit of the Pentana system, and the present arrangement whereby Services are able to design and implement their own processes via a dedicated Service administrator, is flexibility. Controls can be tailored to provide a proportionate level of scrutiny appropriate to the plan, project, or other initiative being managed through Pentana.

Though we have recommended formalisation of certain aspects of the processes which underpin the operation of the Pentana system, the scope of these requirements should remain

appropriate to the activity that it is being used to manage. Formalising the approach to the use of the system would provide additional assurance where it is most relevant, while not imposing undue administrative burden on Services and Teams using Pentana to manage local initiatives and lower risk processes.

## (ii) INTERNAL AUDIT REPORT 2023/10

<b>Client</b>	<b>Children and Families Service</b>
<b>Subject</b>	<b>Permanence</b>

**Executive Summary****Conclusion****Substantial Assurance**

The Children and Families Service has established a framework for permanence planning with effective processes to ensure timely and appropriate actions for looked after children. We have identified areas for improvement relating to data management and milestone tracking. These recommendations will, if implemented, enhance the ability of the Service to monitor progress and demonstrate compliance, and support delivery of better outcomes for looked after children.

**Background**

Permanence means making a long-term plan for children and young people within the formal care system, which lasts throughout their childhood. There are a range of potential outcomes, inside and outside of the care system:

- keeping children at home with family support;
- returning a child to the family home with continual professional support;
- kinship care, where a child is cared for by another family member;
- long-term fostering;
- residential care or adoption.

Permanence outcomes may be implemented by a court order, such as a Compulsory Supervision Order (CSO), a Residence Order in the case of kinship care, or a Permanence Order. A Permanence Order is a “court order which will regulate the exercise of parental responsibilities and parental rights in respect of children who cannot reside with their parents, but where contact or shared exercise of parental responsibilities and parental rights is, or may be, appropriate.”

The Chief Social Work Officer reported that there were 106 children and young people on Permanence Orders as of the 31st of March 2023, with 28 new Permanence Orders made during 2022-23. Permanence Orders were in place for 25% of children experiencing care at home or away from home in Dundee.

In 2019 the PACE (Permanence and Care Excellence) programme was developed to address delay and drift in children’s planning, with the aim of improving the timescales for decisions experienced by children and young people in the care system. Initially tests of change were implemented for young children and delivered significant improvements, resulting in expansion of the programme in 2021/22 to include over 12s.

Processes for Permanence are fundamental to the delivery of Scottish Government policy initiatives; the Council's objectives to improve outcomes for Care Experienced children and young people; and to the Council's child protection responsibilities.

### Scope

High level review of the arrangements in place to support the decision-making process surrounding children being placed in permanent care and ensure compliance with relevant legislation.

### Objectives

		Action Priority			
		C	H	M	L
Objective 1: Guidance and Procedures have been developed and implemented which are designed to ensure that the Council complies with its statutory obligations	<b>Substantial Assurance</b>	-	-	2	-
Objective 2: All looked after children have a plan for permanence, which is kept up to date	<b>Substantial Assurance</b>	-	-	1	-
Objective 3: Plans for looked after children are subject to appropriate oversight and approval	<b>Comprehensive Assurance</b>	-	-	-	-
Objective 4: Management information adequate to identify issues and developing risks is regularly compiled and reported	<b>Substantial Assurance</b>	-	-	1	-
<b>TOTAL</b>		-	-	4	-

### Nature of Recommendations

Three (medium) of the recommendations relate to the design of controls, and one (medium) to the operation of existing controls. This suggests that the control framework itself requires revision to adequately address the risks identified.

### Key Findings

We identified a number of areas of good practice:

- The Children and Families Service has implemented a framework for permanence planning, which effectively supports compliance with statutory obligations.
- Training and development programmes cover statutory requirements and internal protocols relating to child protection and permanence planning.
- There is clear commitment to initiating and progressing permanence plans for looked after children, with particularly strong performance in early-stage processes and timelines.



- There are systems in place to ensure that any issues with the implementation of a child's permanence plan are identified promptly.
- Oversight and review mechanisms are embedded throughout the permanence planning process, supporting timely progression and informed decision making for looked after children.
- A data collection, analysis and reporting framework underpin permanence planning, featuring multi stakeholder involvement and regular reviews.
- Using data to make improvements is leading to better results in key areas of permanence planning and shows the service can adapt and respond to needs.
- The service is making improvements at managing information about permanence planning and outcomes for children in care, providing more detailed insights.

We have identified the following areas for improvement:

- We identified issues with document storage and access, making it difficult for staff to follow policies and keep track of decisions, which could affect how well the service follows legal requirements and provides consistent care.
- Milestones relating to interaction with the courts are not consistently recorded.
- System limitations necessitate resource-intensive manual data compilation processes in some areas, impacting efficiency and data integrity.

### **Impact on risk register**

The Dundee City Council Corporate and Service risk registers included, at time of audit, the following risks:

- DCC004a Failure to Adequately Address Poverty / Inequalities (inherent risk 5x4, residual risk 5x3)
- DCC009 Statutory and Legislative Compliance (inherent risk 5x4, residual risk 5x2)
- CFCJ006 Demand-Led Services / Legislation (inherent risk 5x5, residual risk 4x4)
- CFCJ004 Harm (to / caused by service user) (inherent risk 5x5, residual risk 5x3)

The most significant risks identified in the risk register relate to statutory compliance and potential harm to service users. Our review considered these risks from the perspective of timely performance planning and the ability to demonstrate appropriate decision making throughout the process.

A key mitigation against these risks is the permanence planning framework in place. We revealed that the effectiveness of this mitigation is compromised by challenges in accurately tracking court lodging dates and difficulties in accessing key policy documents. These issues could potentially impact the services ability to demonstrate compliance with statutory obligations if required.

The principal risk emerging from our review relates to data management limitations. The service faces significant challenges in extracting meaningful information from the MOSAIC system and maintaining consistent records of key milestones. This impacts the ability to monitor and evidence the permanence journey effectively, which is crucial for both statutory compliance and ensuring timely outcomes for looked after children.

We found that while management is aware of cases that drift beyond expected timelines and makes decisions based on individual needs, the current systems and processes for tracking and reporting on these decisions are not fully mature.

The areas for improvement referenced at paragraph 8 above, if implemented, would help the service better demonstrate its decision-making processes, manage compliance risks and ultimately support better outcomes for looked after children.

## (iii) INTERNAL AUDIT REPORT 2023/24

<b>Client</b>	<b>Children and Families Service</b>
<b>Subject</b>	<b>Health and Safety Risk Assessments and Incident Management in Schools</b>

**Executive Summary****Conclusion****Substantial Assurance**

The Health and Safety team, in collaboration with the Children and Families Service, has established a framework for health and safety management which includes risk assessment and incident management in schools and nurseries. This framework is underpinned by clear policies & procedures, and well-defined allocation of responsibilities requiring schools/nurseries to develop their own Health and Safety Operational Arrangements. The framework was being rolled out in schools/nurseries during our fieldwork in 2024 and management has confirmed that the roll out has been completed at January 2025.

We found evidence of good practice in incident reporting, risk assessment processes, and communication of health and safety information, largely driven by the Health and Safety team and supported by the central Education Senior Leadership team. While significant progress has been made, we have identified areas for improvement relating to the implementation of training programmes, full adoption of risk assessment practices and consistent implementation of these arrangements across all schools/nurseries.

Our recommendations, once implemented, will support the Children and Families Service in further enhancing the consistency of health and safety practices, improving risk management, and strengthening the culture of safety in educational establishments. These improvements will contribute to the ongoing protection of staff, students, and visitors in Dundee City Council schools and nurseries, building on the solid foundation already established through the collaborative efforts of the Health and Safety team, Headteachers and the central Education Senior Leadership team.

**Background**

The Council has a statutory responsibility to protect the Health and Safety of employees, individuals using Council services, and the public more generally. The arrangements for meeting this responsibility are set out within the Council's Health and Safety Policy and Management Framework, and the associated Health and Safety Policy Statement.

Services are responsible for the management and control of their own Health and Safety risks, including completion of risk assessments. Heads of Service or Service Managers have delegated responsibility for ensuring that risk assessments are completed, approved, and implemented within their service area and that these assessments are developed into safe systems of work and controls, which are then communicated to relevant individuals within the Service.

Within schools/nurseries, the Head of Establishment (e.g. Headteacher) has specific responsibility for ensuring that appropriate Health and Safety systems are implemented within the facilities for which they are responsible. This includes systems and processes for inspection and risk assessment, implementation of appropriate procedures, and implementation of incident reporting systems.

### Scope

Review of the arrangements in place within schools/nurseries to ensure completion of health and safety risk assessments for activities including determination of roles and responsibilities.

### Objectives

		Action Priority			
		C	H	M	L
Objective 1: Responsibility for implementing the requirements of the Council's Health and Safety Policy and Management Framework within schools has been appropriately allocated and communicated	Substantial Assurance	-	-	1	-
Objective 2: Schools/Nurseries have complied with the risk assessment and inspection requirements of the Health and Safety Policy and Management Framework.	Substantial Assurance	-	-	1	-
Objective 3: Appropriate procedures have been implemented within schools/nurseries for reporting and recording of incidents, including notification to the Corporate Health and Safety team.	Comprehensive Assurance	-	-	-	-
Objective 4: There are adequate arrangements for the implementation of action identified from risk assessments, inspections, and/or incidents.	Substantial Assurance	-	-	1	-
<b>TOTAL</b>		-	-	3	-

### Nature of Recommendations

One (medium priority) of the recommendations relate to the operation of existing controls, while two (medium priority) relate to the design of a new control. This suggests that while the control framework is largely in place, it requires full implementation of existing controls and the addition and operation of new controls to adequately address the risks identified.

### Key Findings

The Children and Families Service, with support from the Corporate Health and Safety team, is currently transitioning to enhanced health and safety management arrangements, with new

operational documentation and processes being implemented across schools and nurseries. This includes consolidating risk assessments, standardising procedures and developing training programmes. While existing health and safety measures remain in place, these changes aim to strengthen and streamline the overall approach to health and safety management in educational settings.

At the time of our review, the new Health and Safety Operational Management Arrangements were being rolled out across schools and nurseries in line with the planned implementation schedule. While some documentation was still pending final approval during our fieldwork, management has since confirmed that the rollout has been completed as planned. As implementation has progressed as intended, no recommendation has been made in this area.

We identified a number of areas of good practice:

- There is a framework in place for allocating and communicating health and safety responsibilities in schools/nurseries, however the effectiveness of these relies on consistent implementation.
- Clear processes and documentation are in place to disseminate health and safety information throughout the school/nursery system.
- Requirements for conducting and reviewing risk assessments are outlined and followed.
- Actions arising from school inspection processes, including internal health and safety audits, external inspections by bodies such as Health and Safety Executive (HSE) and Scottish Fire and Rescue Service (SFRS), and regular checks by locality support officers are consolidated, tracked, and consistently acted upon.
- Procedures for reporting and recording incidents in schools/nurseries, including how to notify the Corporate Health and Safety team are laid out in several documents, supporting understanding at all staff levels.
- Incident reporting practices across schools/nurseries show a high level of compliance with identified requirements.
- Action plans detailing health and safety management arrangements are in place, featuring provisions for review and update to support continuous improvement.
- Regular discussion of health and safety matters in various school meetings shows an embedded culture of safety awareness and ongoing attention to these issues.

We have identified the following areas for improvement, which are already being addressed by the planned changes.

- While there are plans to improve and standardise health and safety training, the planned training programme is not yet fully implemented.
- Risk assessment practices in schools/nurseries are developing, but current compliance rates indicate room for improvement.
- Implementation of Health and Safety Operational Arrangements (HSOA) in schools/nurseries is progressing systematically with plans in place to complete rollout across all establishments.

The actions to implement the recommendations involve every Educational property and the training of the relevant staff within them. The timescales identified for completion of the actions reflect the resources required to deliver and implement the arrangements.

**Impact on risk register**

The Dundee City Council Corporate risk register, and the Children and Families risk register included, at time of audit, the following risks:

- DCC006 Corporate Health & Safety (inherent risk 5x3, residual risk 4x3)
- CFED005 Health & Safety (inherent risk 5x5, residual risk 5x3)
- CFED011 Statutory / Regulatory Compliance (inherent risk 5x5, residual risk 5x3)

The most significant risks identified in the risk register relate to health and safety compliance and statutory/regulatory compliance. Our review considered these risks from the perspective of implementing health and safety policies, conducting risk assessments, and managing incidents in schools/nurseries.

Key mitigations against these risks include the Health and Safety Policy and Management Framework, individual service health and safety procedures, and risk assessments. Our review revealed that while these mitigations are in place, their effectiveness is somewhat compromised by inconsistent implementation across schools/nurseries and incomplete documentation in some areas.

Our review of the relevant risks (DCC006, CFED005, CFED011) found that the current risk ratings and control effectiveness assessments accurately reflect the environment. Relevant internal controls are appropriately assessed as fully effective, with only those relating to policy, training and risk assessment implementation marked as partially effective. No additional risks were identified that are not already captured in the risk registers.

**(iv) INTERNAL AUDIT REPORT 2024/03**

<b>Client</b>	<b>Corporate and City Development</b>
<b>Subject</b>	<b>Tay Cities Region Deal</b>

**Executive Summary****Conclusion****Substantial Assurance**

The Partnership has implemented robust processes to assess delivery of objectives and outcomes relating to benefits realisation committed to by its constituent Programmes, Fund and Projects. Its ability to measure and clearly communicate those outcomes has been limited in places, where projects have not fully complied with requirements to provide monitoring information.

**Background**

The Tay Cities Region Deal (the Deal) is a programme of investment to deliver economic growth across the region. The Tay Cities partnership comprises Dundee City, Angus, Perth & Kinross, and Fife councils; the Higher and Further Education sectors; the business sector; Tactran; VisitScotland; the region's third sector interface bodies; Scottish Enterprise and Skills Development Scotland.

The Scottish and UK governments have each agreed to invest up to £150 million in the Deal. This investment has the potential to secure over 6,000 jobs and leverage £400 million of investment over 15 years. It will enable the region to “empower and promote inclusion”, “innovate and internationalise” and “connect”. The Deal was signed on 17 December 2020.

The Tay Cities Region Deal Grant Offer terms are issued by the Scottish Government annually and signed by the Chief Executive of Dundee City Council, as the Accountable Body, on behalf of the Tay Cities Region Deal. The terms require that the Deal “should be subject to an audit, forming part of the Accountable Body’s Risk Based Internal Audit Plan every second year as a minimum.”

The Dundee City Council Internal Audit Service has carried out two reviews of the Deal. These took place in 2020/21 (Year 1), covering the developing governance structures and processes for approval of business cases and monitoring of project implementation; and 2022/23 (Year 3), comprising a high level review of progress with Tay Cities Region Deal projects and compliance with grant offer guidance.

In 2024/25 (Year 5) a number of projects within the Deal programme have progressed to implementation. Accordingly, the workload of the Tay Cities Region Deal Joint Committee and Management Group is increasingly shifting, from scrutiny and approval of proposals and business cases, to monitoring delivery of outcomes and benefits arising from projects already approved. To this end the Joint Committee has approved a Benefits Realisation Plan and underpinning reporting process.

## Scope

Review of processes for monitoring and reporting benefits realisation, including assessment of their contributions towards Deal outcomes.

Although these processes are supported by the Programme Management Office (PMO), the review will consider the extent to which the Partnership is achieving these objectives.

Objectives		Action Priority			
		C	H	M	L
Objective 1: The Benefits Realisation Plan is consistent with the objectives of the Deal as a whole and the previously approved business cases of individual projects	<b>Comprehensive Assurance</b>	-	-	-	-
Objective 2: Monitoring processes for overseeing individual projects require that adequate information is provided to support scrutiny of benefits realisation, including an assessment of the extent to which projects are complying with this requirement	<b>Substantial Assurance</b>	-	-	-	-
Objective 3: There is a defined approach to the compilation of benefits realisation information which ensures that information is comparable across projects, and can be linked to Deal outcomes	<b>Comprehensive Assurance</b>	-	-	-	-
Objective 4: Benefits realisation information is consistently reported to the management and/or governance group and appropriate action taken where required	<b>Substantial Assurance</b>	-	-	1	-
<b>TOTAL</b>		-	-	1	-

## Nature of Recommendations

A single recommendation is raised in this report, which relates to the design of reporting controls as opposed to their operation in practice.

In this report, we have raised recommendations where the associated action is within the remit of the Partnership and its officers to implement. We have identified some areas in which action is required on the part of the projects and their lead partner organisations to fully mitigate risks and noted the work that the PMO is carrying out to ensure that these are addressed.



## Key Findings

We identified a number of areas of good practice:

- The Partnership has articulated an approach to monitoring the realisation of project benefits, and evaluation of project outcomes. This takes the form of a Benefits Realisation Plan and an underpinning set of processes which set clear reporting requirements for projects, such that they support reporting for the programme as a whole.
- The PMO is a member of the Benefits Realisation Sub-group of the National PMO Networking Group, which shares best practice between Regional Deals across the UK.
- Benefits Realisation monitoring processes consider project and programme outcomes in the same terms as those for business case development and approval, meaning that there is a clear link between the contribution of individual projects and the objectives of the Deal as a whole.
- The monitoring and evaluation approach includes benefits which are common to all projects, and broader outcomes, each of which are subject to appropriate arrangements. The approach is consistently articulated across all relevant deal documentation.
- Definitions for measurement of benefits and outcomes are clearly established.
- There is a robust approach to tracking and reporting project commitments, including approved variations.
- The reporting cycle proceeds according to an established timetable of engagement with projects and programmes, which has been updated for 2023/24.

We made the following observations in relation to arrangements within projects. The remit of internal audit under which this report has been prepared does not extend to the management arrangements within the projects themselves, and therefore we have not raised formal recommendations. In general, these reflect matters which we understand have already been communicated to the Partnership, and that steps are being taken to address them with individual projects.

- Monitoring and reporting processes require that projects explain their approach to measurement of benefits. This is not always clearly expressed in monitoring returns, though we found that in the course of surveying a sample of projects, we were generally able to obtain this information.
- Not all projects have clearly established baselines against which to measure delivery of their commitments. Where relevant, this has been communicated to the projects and Partners concerned and the PMO intends that this will be addressed in future reporting cycles.
- Not all projects we surveyed could clearly explain how benefits realisation reporting and monitoring of outcomes would continue after the end of the active phase of the project. Projects have committed to a period of monitoring which may extend beyond the life of project delivery, and where this is the case, it is necessary for projects to put in place adequate arrangements to collate and report information to support performance reporting for the Deal as a whole.

We have identified the following area for improvement:

- The format of benefits reporting used for the 2022/23 reporting cycle does not clearly explain whether benefits delivery is on track. This is in part a consequence of gaps in the information received from projects and Partners. Lead Partners for each Programme, Fund and Project should provide the appropriate information required for benefits reporting. The PMO should report against the delivery profile information that has been made available so that it is clear whether or not individual projects are delivering benefits and outcomes in line with expectation. Where the appropriate information has not been provided, this should also be made clear.

**Impact on risk register**

The Tay Cities Region Deal risk register included, at time of audit, the following risks:

- Inflation and Increased Project Costs (score 25)
- Failure to deliver individual Fund/Programmes and Projects within the TCRD programme (score 16)

The highest rated risks within the programme risk register continue to be those which pertain to the viability of projects and the likelihood of their delivering the outcomes which formed the basis of the business case for which funding was awarded.

While this report raises only one recommendation, it includes a number of observations in regard to the ability of projects and their lead partner to demonstrate that they are fulfilling the objectives and outcomes that they committed to deliver. If the Partnership is not able to demonstrate that these objectives can be delivered, this presents a risk to the ability of the partners and the region to attract funding in the future.

We have raised a recommendation that relates to the way in which progress in the achievement of outcomes and delivery of benefits is reported. Better quality information from projects will enable the PMO to report to the Partnership in a way that supports scrutiny of the degree to which projects and their lead partner are fulfilling their commitments.

**(v) INTERNAL AUDIT REPORT 2023/22**

<b>Client</b>	<b>Corporate and Corporate Services</b>
<b>Subject</b>	<b>Financial Forecasting</b>

**Executive Summary****Conclusion****Substantial Assurance**

The Council's processes for the preparation and reporting of forecast outturns were found to be generally well-designed.

The Revenue Budget Control Manual is in the process of being reviewed at the time of the audit. We noted a number of instances of non-compliance with these processes at the Service area level for example, the Revenue Monitoring templates had not always been submitted in a timely manner, actual spend information from the general ledger used for forecasting in the monitoring reports submitted by the Services is often taken before the month-end close has been done, and the Service areas' explanations for key assumptions and any changes to projections were found to be inadequate in some instances. There is therefore an increased risk that some reported figures are not as accurate and up to date as they could be which may hinder the monitoring and reporting process.

At the corporate level, we found that the information regularly reported by the Corporate Finance team to the Council Leadership Team and the City Governance Committee included detail of the assumptions underpinning budgets and forecast outturns, as well as generally sufficient information on other aspects of the Council's financial performance. We have made recommendations predominantly at the Service area level, in relation to the improvements required in financial forecasting. If implemented, these will enhance the controls over this area.

**Introduction**

Financial forecasting is a core component of financial management and is one of the key processes specified in the Financial Management Code, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It does this by setting out the principles by which authorities should be guided in managing their finances, and the specific standards that they should - as a minimum - seek to achieve.

**Background**

In its accounts for the financial year 2022/23, the Council reported a deficit on provision of services, leading to a net decrease in usable reserves of £5.2m. In the intervening time, funding pressures on Local Authorities have only become more intense. In light of those pressures and the funding settlement for 2023/24, the Policy and Resources Committee (now

the City Governance Committee) approved budgetary savings totalling nearly £5.4m to achieve a balanced budget.

The development of budgets necessitates the selection of assumptions about the financial environment in which the budget will be delivered, including factors outside the Council's direct control - such as interest rates, market prices, and national government policy. New information coming to light may mean that those assumptions must be updated, and the effects of those changes analysed and understood to inform effective financial decision making.

To achieve the planned budget outturn and support the delivery of the Council's Financial, Strategic, and Operational objectives, it is essential that there are robust processes for the preparation of accurate and reliable forecasts of financial outturn.

### Scope

This audit comprised a high level review of the control framework in place to support the development of financial forecasting corporately and within service areas.

### Objectives

		Action Priority			
		C	H	M	L
Objective 1: Collation of information from Services for the purpose of compiling and comparing financial outturn forecasts is effective.	<b>Substantial Assurance</b>	-	-	-	1
Objective 2: Financial monitoring procedures include the preparation of a forecast outturn at Service level, and this is performed, and the outcomes reported on a consistent basis across Services.	<b>Substantial Assurance</b>	-	-	3	-
Objective 3: Key financial assumptions underpinning budgets at the Corporate and Service level are documented and reviewed throughout the year to ensure they remain valid.	<b>Limited Assurance</b>	-	1	-	-
Objective 4: There are adequate arrangements for reporting and escalating significant movements in assumptions or outturn forecasts.	<b>Substantial Assurance</b>	-	-	-	-
<b>TOTAL</b>		-	1	3	1

## Nature of Recommendations

Three of the five recommendations made relate to issues identified with the design of existing controls and represent instances in which the control framework requires revision to adequately address risks. The remaining two recommendations relate to the operation of the controls.

## Key Findings

We identified the following areas of good practice:

- The process for ensuring that relevant, accurate, and complete information feeds into the monthly forecast outturns prepared and submitted by the Service areas to Corporate Finance was found to be well-designed.
- The Corporate Finance team issues a timetable and Revenue Monitoring template to all Service Areas to assist in ensuring consistency and adequate financial forecasting.
- Corporate Virements were supported by relevant forms and evidence of authorisation by email.
- Key assumptions underpinning forecast outturns at the corporate level are sufficiently documented in the reports sent to Corporate Leadership Team (CLT) / Committee for their scrutiny.

We have identified the following areas for improvement:

- The Revenue Budget Control Manual is out of date and in need of review, updating and formal approval.
- Month end closure timetables need to be reviewed to reduce the impact of timing on significant differences between the actual spend figures reported in the Revenue Monitoring outturns to CLT / Committee and actual expenditure recorded in the general ledger.
- Monthly returns had not been submitted in a timely manner for all months examined and narrative and explanations provided by Service Areas could be improved.
- Key assumptions had not been sufficiently documented within Service Area submissions along with the rationale for any changes to projections.

## Impact on risk register

The Council's Corporate and Service risk registers include the following risks relevant to this review:

- DCC001 Financial Sustainability (inherent risk 20, residual risk 20)
- CSCF009 Finance – Planning (inherent risk 25, residual risk 20)
- CSCF010 Finance – Management (inherent risk 25, residual risk 20)

Failing to conduct thorough reviews to ensure reported data aligns with the ledger, inadequately documenting assumptions, and narratives, missing submission deadlines, and not updating the procedural manual can significantly undermine the effectiveness of controls intended to mitigate risks related to financial sustainability, planning, and management.

**(vi) INTERNAL AUDIT REPORT 2024/09**

<b>Client</b>	<b>Corporate Services - Corporate Finance</b>
<b>Subject</b>	<b>Purchase to Pay</b>

**Executive Summary****Conclusion****Substantial Assurance**

Purchase to pay processes are generally sound, with the majority of expected controls integrated into the operation of purchasing systems. We found that controls could be strengthened by better defining the scope of permitted exceptions to core purchasing processes, and by reinforcing understanding of the purpose of key controls among operational staff with responsibility for purchasing.

**Background**

Purchase to Pay (P2P) is an integrated system that automates the entire process of purchasing goods and services for a business, covering everything from the initial requisition of goods to the final payment to the vendor.

The Council implemented the Purchase to Pay system to enhance the efficiency and control of procurement and payment activities. This process enforces a “No Purchase Order, No Pay” policy, ensuring that all invoices are matched to authorised purchase orders before payment is made.

The system relies on the support of the Purchasing and Creditors modules within Civica, involving the creation and approval of purchase orders, followed by the logging, and matching of invoices, in order to streamline workflows, reduce errors and improve financial control. While automated controls are embedded throughout the process, some aspects still require manual oversight including the generation of management information.

The system handles significant transaction volumes with the Council handling over 8,000 invoices a month during the first four months of 2024/25. The Council aims to pay suppliers within specified terms of 30 days, or 14 days for suppliers within Dundee.

**Scope**

Review of expenditure processes following the implementation of purchase to pay.

The review will consider the availability of data within the systems to inform development of continuous auditing of purchasing data in future.

## Objectives

		Action Priority			
		C	H	M	L
The “No Purchase Order, No Pay” policy is consistently enforced in accordance with Council Guidance.	<b>Substantial Assurance</b>	-	-	1	-
Payments are accurately matched to authorised purchase orders and goods or services are appropriately receipted.	<b>Substantial Assurance</b>	-	-	2	1
Key controls such as segregation of duties and approval workflows are functioning effectively to prevent fraud and ensure compliance with procurement policies.	<b>Comprehensive Assurance</b>	-	-	-	-
Relevant data is accurately compiled, monitored and reported to support effective financial management and decision-making.	<b>Comprehensive Assurance</b>	-	-	-	-
<b>TOTAL</b>		-	-	<b>3</b>	<b>1</b>

## Nature of Recommendations

Two (both medium) of the four recommendations made relate to issues identified with the design of existing controls and represent instances in which the control framework requires revision to adequately address risks. The remaining two recommendations relate to the operation of the existing controls.

## Key Findings

We identified a number of areas of good practice:

- There are adequate controls within the purchasing system to ensure no payment is made without a valid Purchase Order.
- Key policies and procedures are documented and available to staff, which define responsibilities for raising and authorising orders, receiving goods and services, invoice checking, processing and making payments.
- There are adequate controls to ensure payments are matched with an authorised Purchase Order.
- Conventional purchasing controls, including segregation of duties, are integrated into the operation of the Civica Purchasing system and enforced according to unique user credentials.
- Periodic review of user access is carried out; however, a more formal process is in the course of being implemented.

- Reporting requirements are defined in process documentation.

We have identified the following areas for improvement:

- The list of exceptions to 'No Purchase Order No Pay' should be clarified and made available to payment processing staff, and the use of exceptions should be periodically reviewed. We found that a significant proportion of payments excepted from the policy were made under an open-ended exception, meaning the rationale for its use is unclear.
- Guidance should be introduced to establish a consistent approach to receipting invoiced items for payment. Existing Guidance requires only that receipt is recorded through the Civica system; however, we found inconsistent approaches to verifying receipt, and inconsistent understanding of the purpose of confirming receipt.
- Long Outstanding Orders that have not been invoiced remain in the system without being cleared. We understand that a process is being implemented to review and clear outstanding orders as part of the year end process.

### **Impact on risk register**

The (Service) risk register included, at time of audit, the following risks:

- DCC013 Fraud & Corruption (inherent risk 4x5, residual risk 4x3)
- CSCF007a Procurement – General (inherent risk 5x5, residual risk 5x3)
- CSCF008 Compliance (inherent risk 5x5, residual risk 5x3)
- CSCF011 Fraud & Corruption (inherent risk 5x5, residual risk 4x3)

The process of Purchase to Pay is intended to mitigate the risk that the Council is exposed to elements of Fraud & Corruption, Procurement, and Compliance risk. By implementing robust monitoring, oversight, and system controls, the Purchase to Pay process plays a crucial role in mitigating these risks.

The internal controls identified against these risks in the Corporate and Service risk registers consist of:

- "No Purchase Order, No Pay" policy
- Centralised procurement function.
- Segregation of duties
- General monitoring and reporting controls
- Procurement / Supplier controls

We have identified areas for improvement in relation to the exceptions to the 'No Purchase Order No Pay' Policy. We acknowledge that work is underway to finalise process documentation on user access controls within the procurement system and complete a comprehensive user access review.

Risk owners should consider whether risks remain accurately scored in the light of the findings of this review.



### Definitions of Levels of Assurance

Comprehensive Assurance	The system of controls is essentially sound and supports the achievement of objectives and management of risk. Controls are consistently applied. Some improvement in relatively minor areas may be identified.
Substantial Assurance	Systems of control are generally sound, however there are instances in which controls can be strengthened, or where controls have not been effectively applied giving rise to increased risk.
Limited Assurance	Some satisfactory elements of control are present; however, weaknesses exist in the system of control, and / or their application, which give rise to significant risk.
No Assurance	Minimal or no satisfactory elements of control are present. Major weaknesses or gaps exist in the system of control, and / or the implementation of established controls, resulting in areas of unmanaged risk.

### Definitions of Action Priorities

Critical	<b>Very High-risk exposure to potentially major negative impact</b> on resources, security, records, compliance, or reputation from absence of or failure of a fundamental control. Immediate attention is required.
High	<b>High risk exposure to potentially significant negative impact</b> on resources, security, records, compliance, or reputation from absence of or non-compliance with a key control. Prompt attention is required.
Medium	<b>Moderate risk exposure to potentially medium negative impact</b> on resources, security, records, compliance or reputation from absence or non-compliance with an important supporting control, or isolated non-compliance with a key control. Attention is required within a reasonable timescale.
Low	<b>Low risk exposure to potentially minor negative impact</b> on resources, security, records, compliance, or reputation from absence of or non-compliance with a lower-level control, <b>or areas without risk exposure but which are inefficient, or inconsistent with best practice.</b> Attention is required within a reasonable timescale.

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