⩑UDIT SCOTLAND

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REPORT TO: **AUDIT AND RISK MANAGEMENT SUB-COMMITTEE 13/09/04**

REPORT ON: **EXTERNAL AUDIT REPORTS**

REPORT BY: **PETER TAIT, CHIEF AUDITOR**

REPORT NO: **646-2004**

1 PURPOSE OF REPORT

To submit to Members of the Audit and Risk Management Sub-Committee External Audit Reports finalised since the last Sub-Committee.

2 RECOMMENDATIONS

Members of the Sub-Committee are asked to consider each of the individual reports.

3 BACKGROUND

3.1 The following reports relating to the 2003/04 audit have been finalised.

- Borrowing, Loans and Deposits
- Internal Audit Arrangements
- ISIS Payroll System – Review of the Agreed Action Plan
- Council Tax Billing and Collection
- Data Protection, Freedom of Information & Information Management Review

3.2 The Executive Summary in each report sets out the principal focus of the review and summarises the main audit findings. The Action Plans contain detailed recommendations on the areas where further improvement could be achieved. The agreed Action Plans will be followed up as part of my future audits.

PETER TAIT
CHIEF AUDITOR

3 September 2004

Dundee City Council
2003/04 Audit

Borrowing, Loans and Deposits

10 June 2004

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Contents

Executive Summary

Introduction

1.1   The Council's approach to its treasury management operations is governed by the Chartered Institute of Public Finance and Accountancy Treasury Management in the Public Services Code of Practice 2001 (CIPFA code).

1.2   The treasury management operations within the Finance Department are significant and accounted for some £285 million of borrowings and £13 million investments as at 31 March 2003. During 2002/03, £38 million of new loans were raised and £43 million of loans were repaid; £497 million of short-term advances were made and £484 million were repaid; and interest paid during the year amounted to £18 million, with interest received of £0.5 million.

1.3   As part of our 2003/4 audit we have, therefore, conducted a review of the procedures in place for managing borrowing, loans and deposits transactions. Our review focused on the controls in place to ensure that:

- borrowing and lending transactions are in accordance with statutory powers and approved policy and strategy;

- annual borrowing requirements and daily balances are properly estimated;

- borrowing and lending transactions are properly controlled;

- loan repayments and interest are paid on the due dates and in respect of valid loans;

- deposits and interest are recalled/repaid on the due dates; and

- borrowing and lending transactions are correctly recorded in bank accounts, the financial ledger, and other subsidiary records.

Audit findings

1.4   We are pleased to report that the Council comply with the CIPFA code in the operation of their treasury management function and that they have adopted the Prudential Code's main treasury management indicators. The internal control framework associated with the Council's treasury management system and the procedures in place to follow CIPFA's guidance notes are generally satisfactory, however, some internal control weaknesses were identified during our audit:

- no written instructions detailing daily operating procedures are in use. We have been told that the preparation of these is in progress;

- the frequency of a Logotech password change has only been agreed verbally as six monthly;

- due to the small size of the section, there is no segregation of duties between the officers responsible for dealing, recording and receiving confirmation of transactions;

- the 'Confirmation of a deal' does not detail the dealer, interest payment dates, commission, transmission arrangements nor the basis on which the deal was considered the right one and it is not signed/initialled nor dated by the dealer; and

- reconciliations are not signed/initialled nor dated by the preparer and they are not reviewed by a senior officer.

Management action

1.5   Detailed recommendations on those areas where further improvement could be achieved are included in our audit findings and are summarised in the action plan that follows.

1.6   This report to management sets out our findings from the review carried out. The weaknesses outlined are only those which have come to our attention during the course of our normal audit work and are not necessarily, therefore, all of the weaknesses which may exist.

1.7   Although we include a number of specific recommendations in this report to strengthen internal control, it is the responsibility of management to determine the extent of the internal control system appropriate to the Council. We would stress, however, that an effective internal control system is an essential part of the efficient management of any organisation.

1.8   Communication of issues and weaknesses arising from this audit does not absolve management from its responsibility for addressing the issues raised and for maintenance of an adequate system of control.

1.9   The contents of this management letter have been discussed and factual accuracy agreed with:

- Sandy Flight, Principal Treasury and Investment Officer; and

- Helen Hepburn, Loans Officer.

1.10   The assistance and co-operation we received during the course of our audit is gratefully acknowledged.

Action Plan

No.	Finding/Recommendation	Importance	Responsible Officer	Agreed	Management Response	Action Date
1	No written instructions detailing daily operating procedures are in use. We have been told that the preparation of these is in progress. *Recommendation: The written procedural instructions should be completed and issued to staff involved in the operation of the system. As part of the audit, a copy of the controls Audit Scotland expects to be operating was passed to the Principal Treasury and Investment Officer. These controls, where operating, should be covered by the written procedural instructions.*	Medium	Principal Treasury and Investment Officer	Yes	Draft procedures have been prepared. These will not be finalised until changes caused by new release of Logotech are incorporated.	31/8//04
2	The frequency of a Logotech password change has only been agreed verbally as six monthly. *Recommendation: The frequency of the password change should be increased and included in the written procedural instructions.*	Medium	Principal Treasury and Investment Officer	Yes	This will be included in procedures above.	31/8/04
3	Due to the small size of the section, there is no segregation of duties between the officers responsible for dealing, recording and receiving confirmation of transactions. *Recommendation: As an additional control, consideration should be given to instigating segregation of duties where possible.*	Medium	Principal Treasury and Investment Officer	No	Given the size of the section as much segregation of duties as possible is already done. Independent checking is also done as much as possible.	

No.	Finding/Recommendation	Importance	Responsible Officer	Agreed	Management Response	Action Date
4	The 'Confirmation of a deal' does not detail the dealer, interest payment dates, commission, transmission arrangements nor the basis on which the deal was considered the right one and it is not signed/initialled nor dated by the dealer. *Recommendation: The 'Confirmation of a deal' document should be expanded to include the omitted data.*	Medium	Principal Treasury and Investment Officer	No	This is basically an input sheet and most of the information requested is held in Logotech. However form will now be initialled.	
5	Reconciliations are not signed/initialled nor dated by the preparer and they are not reviewed by a senior officer. *Recommendation: Reconciliations should be signed/initialled and dated by the preparer and reviewed by a senior officer who should evidence his/her review.*	Medium	Principal Treasury and Investment Officer	Yes	This will be done.	1/7/04

Dundee City Council
2003/04 Audit

Borrowing, Loans and Deposits

10 June 2004

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Executive Summary

Introduction

1.11   The Council's approach to its treasury management operations is governed by the Chartered Institute of Public Finance and Accountancy Treasury Management in the Public Services Code of Practice 2001 (CIPFA code).

1.12   The treasury management operations within the Finance Department are significant and accounted for some £285 million of borrowings and £13 million investments as at 31 March 2003. During 2002/03, £38 million of new loans were raised and £43 million of loans were repaid; £497 million of short-term advances were made and £484 million were repaid; and interest paid during the year amounted to £18 million, with interest received of £0.5 million.

1.13   As part of our 2003/4 audit we have, therefore, conducted a review of the procedures in place for managing borrowing, loans and deposits transactions. Our review focused on the controls in place to ensure that:

- borrowing and lending transactions are in accordance with statutory powers and approved policy and strategy;

- annual borrowing requirements and daily balances are properly estimated;

- borrowing and lending transactions are properly controlled;

- loan repayments and interest are paid on the due dates and in respect of valid loans;

- deposits and interest are recalled/repaid on the due dates; and

- borrowing and lending transactions are correctly recorded in bank accounts, the financial ledger, and other subsidiary records.

Audit findings

1.14   We are pleased to report that the Council comply with the CIPFA code in the operation of their treasury management function and that they have adopted the Prudential Code's main treasury management indicators. The internal control framework associated with the Council's treasury management system and the procedures in place to follow CIPFA's guidance notes are generally satisfactory, however, some internal control weaknesses were identified during our audit:

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- the frequency of a Logotech password change has only been agreed verbally as six monthly;

- due to the small size of the section, there is no segregation of duties between the officers responsible for dealing, recording and receiving confirmation of transactions;

- the 'Confirmation of a deal' does not detail the dealer, interest payment dates, commission, transmission arrangements nor the basis on which the deal was considered the right one and it is not signed/initialled nor dated by the dealer; and

- reconciliations are not signed/initialled nor dated by the preparer and they are not reviewed by a senior officer.

Management action

1.15 Detailed recommendations on those areas where further improvement could be achieved are included in our audit findings and are summarised in the action plan that follows.

1.16 This report to management sets out our findings from the review carried out. The weaknesses outlined are only those which have come to our attention during the course of our normal audit work and are not necessarily, therefore, all of the weaknesses which may exist.

1.17 Although we include a number of specific recommendations in this report to strengthen internal control, it is the responsibility of management to determine the extent of the internal control system appropriate to the Council. We would stress, however, that an effective internal control system is an essential part of the efficient management of any organisation.

1.18 Communication of issues and weaknesses arising from this audit does not absolve management from its responsibility for addressing the issues raised and for maintenance of an adequate system of control.

1.19 The contents of this management letter have been discussed and factual accuracy agreed with:

- Sandy Flight, Principal Treasury and Investment Officer; and

- Helen Hepburn, Loans Officer.

1.20 The assistance and co-operation we received during the course of our audit is gratefully acknowledged.

Action Plan

No.	Finding/Recommendation	Importance	Responsible Officer	Agreed	Management Response	Action Date
6.	No written instructions detailing daily operating procedures are in use. We have been told that the preparation of these is in progress. *Recommendation: The written procedural instructions should be completed and issued to staff involved in the operation of the system. As part of the audit, a copy of the controls Audit Scotland expects to be operating was passed to the Principal Treasury and Investment Officer. These controls, where operating, should be covered by the written procedural instructions.*	Medium	Principal Treasury and Investment Officer	Yes	Draft procedures have been prepared. These will not be finalised until changes caused by new release of Logotech are incorporated.	31/8//04
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8.	Due to the small size of the section, there is no segregation of duties between the officers responsible for dealing, recording and receiving confirmation of transactions. *Recommendation: As an additional control, consideration should be given to instigating segregation of duties where possible.*	Medium	Principal Treasury and Investment Officer	No	Given the size of the section as much segregation of duties as possible is already done. Independent checking is also done as much as possible.	

No.	Finding/Recommendation	Importance	Responsible Officer	Agreed	Management Response	Action Date
9.	The 'Confirmation of a deal' does not detail the dealer, interest payment dates, commission, transmission arrangements nor the basis on which the deal was considered the right one and it is not signed/initialled nor dated by the dealer. *Recommendation: The 'Confirmation of a deal' document should be expanded to include the omitted data.*	Medium	Principal Treasury and Investment Officer	No	This is basically an input sheet and most of the information requested is held in Logotech. However form will now be initialled.	
10.	Reconciliations are not signed/initialled nor dated by the preparer and they are not reviewed by a senior officer. *Recommendation: Reconciliations should be signed/initialled and dated by the preparer and reviewed by a senior officer who should evidence his/her review.*	Medium	Principal Treasury and Investment Officer	Yes	This will be done.	1/7/04

Dundee City Council 2003/04 Audit

Internal Audit Arrangements

20 August 2004

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Executive Summary

Introduction

1. Councils are required to have in place arrangements for ensuring propriety, regularity and Best Value in their stewardship of public funds. It is the responsibility of management to ensure that adequate internal controls are in place to:

    •   ensure that their council's resources are applied in the manner, and on the activities intended

    •   deter fraud and impropriety

    •   ensure the most effective use of resources

2. Internal audit aids management by objectively examining, evaluating and reporting to management on the adequacy of internal control arrangements.

3. In August 2001, the Accounts Commission report *"A job worth doing – raising the standard of internal audit in Scottish councils"* examined the internal audit arrangements in Scottish councils. Council performance was assessed against the CIPFA Code of Practice for Internal Audit in Local Government (the Code). Councils were placed in one of four performance bands depending upon the extent to which they complied with the Code.

    Band

    1   Almost fully comply

    2   Generally comply

    3   Partially comply

    4   Generally did not comply

4. Since 2001 a number of developments have affected councils' arrangements for internal audit and the skills that internal auditors need to provide an effective service including:

    •   from 2002/03, the Accounting Code of Practice required local authorities to include within their accounts a statement on their system of internal financial control. Internal audit has a key role to play in producing evidence to support this statement

    •   risk management has assumed a higher profile since the initial study and councils are increasingly expected to have effective audit committee arrangements

    •   a new CIPFA Code of Practice for Internal Audit in Local Government was published in September 2003

5. During 2003/04 external auditors conducted a follow-up study assessing the extent to which all 32 councils were complying with the new CIPFA Code. The following six critical success criteria were used to assess the extent to which each council's internal audit service met standards of good practice:

    •   setting clear and properly focused objectives

    •   maintaining internal audit independence

    •   planning and controlling the work of internal audit

    •   resourcing the internal audit work programme

    •   reporting and follow-up arrangements

- holding internal audit to account for its performance

6. The critical success factors and their linked statements of good practice are shown in more detail at Appendix B.

7. The national follow-up report, which was published on 22 July 2004, highlighted that councils have improved in all aspects of internal audit, but there is room for further improvement. This local report sets out the findings and recommendations arising from our review of the City Council's internal audit arrangements.

Audit Findings

8. I am pleased to report that the City Council's internal audit arrangements in 2003/04 have been assessed as being within performance band 1. The arrangements almost fully comply with standards of good practice.

9. This is an improvement on the 2001 review when the arrangements then were assessed as being within performance band 2. The comparison of the City Council's relative performance against other authorities, and against its score in the original study, are shown at Appendix C.

10. A number of issues were identified which give scope for improvement in the City Council's internal audit arrangements including:

- the strategic plan does not set out the resources required to meet the audit needs of the City Council, nor does it identify any mismatch between resource needs and resource availability

- there is no formal review of the annual internal audit plan during the year

- there is limited follow-up of agreed recommendations to ensure that they have been implemented by management

Management Action

11. Detailed recommendations on those areas where further improvement could be achieved are summarised in the Action Plan at Appendix A.

12. The assistance provided by officers contacted during the course of our review is gratefully acknowledged.

John Philp

Senior Audit Manager

Action Plan

| No	Finding/*Recommendation*	Importance	Responsible Officer	Management Response	Action date
1	The strategic plan does not set out the resources required to meet the audit needs of the City Council, nor does it identify any mismatch between resource needs and resource availability. *Recommendation:* *The strategic plan should be revised to demonstrate the level of resources required to meet the audit needs of the City Council. It should clearly identify any mismatch between resource needs and resource availability.*	**Medium**	Chief Internal Auditor	Agreed. Future plans will incorporate this.	31/12/04
2	There is no formal review of the annual internal audit plan during the year. In 2003/04 a number of planned assignments were not progressed. *Recommendation:* *Plans should be formally reviewed and progress against plans reported to the Audit and Risk Management Sub-Committee. Senior management and the Sub-Committee should approve any significant changes.*	**Medium**	Chief Internal Auditor	Agreed. Internal Audit activity is reported to and monitored by Management and remedial action agreed where appropriate. This process will be formalised in line with the recommendation.	31/12/04

No	Finding/*Recommendation*	Importance	Responsible Officer	Management Response	Action date
3	In August 2003 the Personnel and Management Services Committee agreed changes to the organisational structure of internal audit which included the establishment of two posts of internal auditor. Recruitment campaigns have not been successful. *Recommendation:* *The City Council should review options for the provision of adequate resources that will enable the internal audit service to effectively meet its work objectives and deliver its audit plans.*	**High**	Chief Internal Auditor	Agreed. The alternatives available will be appraised in consultation with Senior Management.	31/12/04
4	There is limited follow-up of agreed recommendations to ensure that they have been implemented by management. *Recommendations:* *Internal audit should follow-up agreed recommendations.* *Where applicable, the result of follow-up work should be used to update the corporate risk assessment and internal audit plans.*	**High**	Chief Internal Auditor	Agreed. A specific provision will be incorporated into the Strategic Internal Audit Plan for follow-up work.	30/9/04

The critical success factors and their linked statements of good practice

Councils' internal audit services were assessed against these statements of good practice.

Critical success factors	Statements of good practice
1. Setting clear and properly focused objectives for internal audit	1. Internal audit has agreed terms of reference. 2. The respective roles of management and internal audit in maintaining internal control are clearly defined and communicated. 3. Internal audit has a clear role in relation to fraud.
2. Maintaining internal audit independence	4. Internal audit has sufficient organisational status to be able to undertake its work effectively. 5. Internal audit is free of operational responsibilities that could compromise its independence.
3. Planning and controlling the work of internal audit	6. Internal audit bases its work on a comprehensive risk assessment. 7. Internal audit operates within a structured planning framework. 8. Internal audit has effective relationships with council members, council managers, external audit, inspectorates and other agencies. 9. Internal audit properly manages, controls and records its work.
4. Resourcing the internal audit work programme	10. Internal audit is adequately staffed and resourced. 11. Internal audit staff are suitably trained and developed.
5. Having effective reporting and follow-up arrangements	12. Internal audit has clear reporting arrangements that provide management with an opinion on the adequacy of internal controls. 13. Internal audit follow-up their recommendations to ensure action is taken.
6. Holding internal audit to account for its performance	14. Internal audit has a performance management framework that ensures continuous review of its performance. 15. The chief internal auditor promotes and maintains professional standards in internal audit.

Source: Audit Scotland
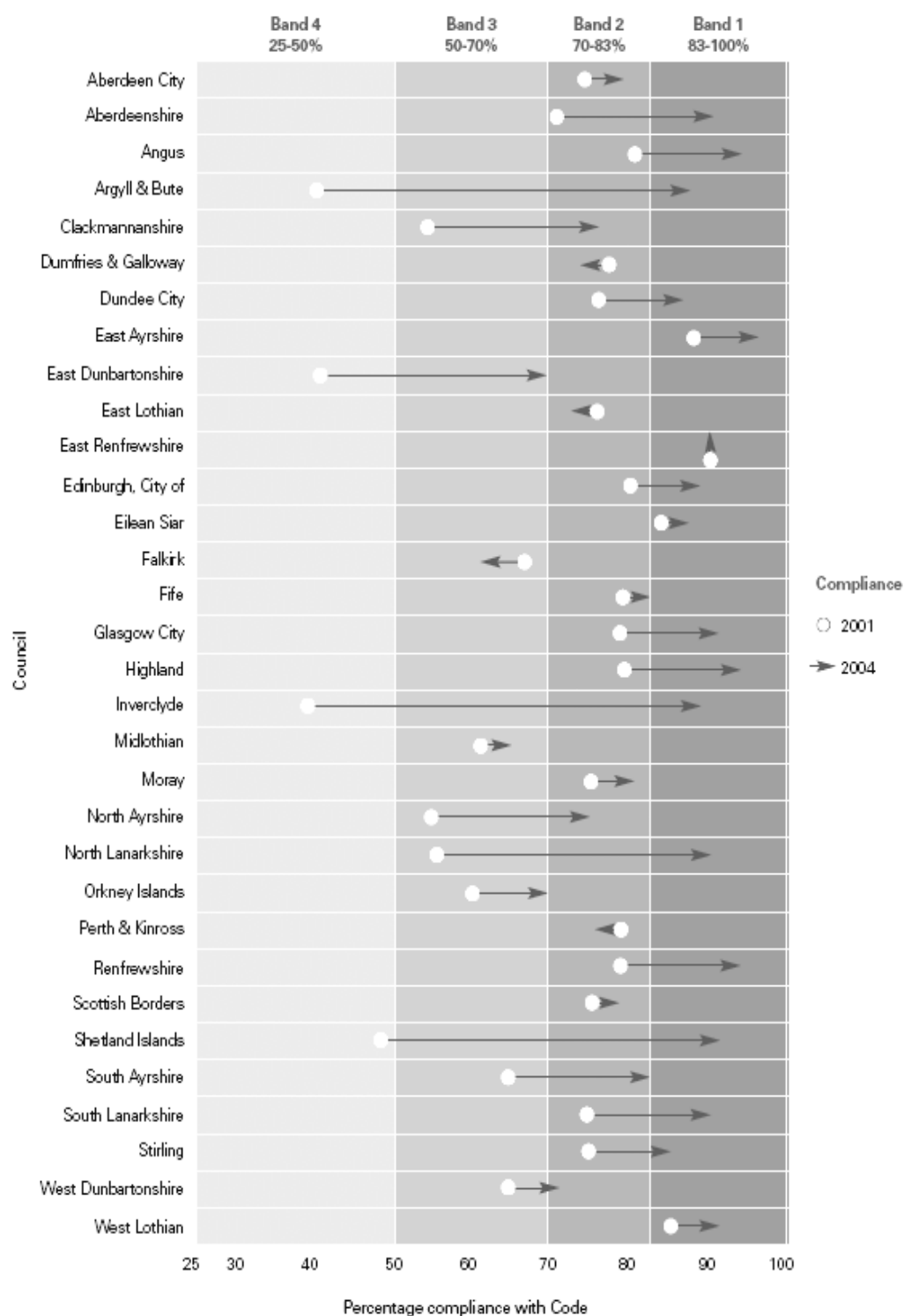
Source: External auditors' returns 2001 and 2004

Dundee City Council
2003/04 Audit

ISIS Payroll System – Review of the agreed Action Plan

24 August 2004

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Introduction

1.   As part of our 2001/02 audit a review of the ISIS Payroll System was carried out. Our review found that of the twenty-nine expected controls, all but four appeared to be operating properly. The 2001/02 report identified scope for improvement in a number of areas and appropriate recommendations were made. Council officers agreed to take action on these recommendations within a set timescale.

2.   As part of our 2003/04 audit we have reviewed the actions taken by the Council to implement the recommendations made.

Audit findings

3.   The 2001/02 report contained eleven recommendations. Five of these were found to have been fully implemented.

4.   Two of the remaining recommendations were dependent upon the implementation of a "link" between the ISIS Payroll System and the ISIS Personnel System and one other was to be incorporated in the specification for the new payroll/ personnel product planned for implementation in 2007.

5.   The Policy and Resources Committee on 10 March 2003 authorised the purchase of the integrated payroll and personnel 'Resourcelink' package which is planned to be operational next year.

6.   One recommendation has not been implemented. In addition, audit testing of the areas covered by the remaining two recommendations revealed instances where the system controls did not operate properly.

Management action

7.   Detailed recommendations on those areas where further improvement could be achieved are summarised in the Action Plan that follows.

8.   This report to management sets out our findings from the review carried out. The weaknesses outlined are only those which have come to our attention during the course of our normal audit work and are not necessarily, therefore, all of the weaknesses which may exist.

9.   Although we include a number of specific recommendations in this report to strengthen internal control, it is the responsibility of management to determine the extent of the internal control system appropriate to the Council. We would stress, however, that an effective internal control system is an essential part of the efficient management of any organisation.

10.   Communication of issues and weaknesses arising from this audit does not absolve management from its responsibility for addressing the issues raised and for maintenance of an adequate system of control.

11.   The contents of this report have been discussed with relevant officers to confirm factual accuracy. The assistance and co-operation we received during the course of our audit is gratefully acknowledged.

John Philp CPFA
Senior Audit Manager

Action Plan

No.	Finding/*Recommendation*	Importance	Responsible Officer	Agreed	Management Response	Action Date
11	The Central Payroll Team does not have an authorised signatory list to check that input documents submitted directly to the Team are appropriately authorised. ***Recommendation:*** *An authorised signatory list should be compiled and used by the Central Payroll Team.*	Medium	Alan Mooney	Yes	An authorised signatory list is currently being compiled by the Leisure and Arts Department and will be available to the Finance Department Central Payroll Team no later than 30 September 2004. Any updates/amendments to this list will be provided by the Leisure and Arts Department when appropriate. They are the only department that submit payroll input forms directly to Finance. All other departments for which the Finance Department provide a payroll service, in accordance with their Service Level Agreement, are responsible for preparing and maintaining an authorised signatory list. They are also responsible to ensure that "each input form/notification of change is properly verified and authorised by the relevant departmental line manager". A Payroll user Notice (2002/08) was issued advising all departments of the need to both prepare an authorised signatory list and ensure that all signatures contained within payroll input documents are checked against it.	30/09/04

No.	Finding/*Recommendation*	Importance	Responsible Officer	Agreed	Management Response	Action Date
12	Audit testing revealed an 'offer of appointment' letter not signed/ dated by the employee and a 'leaver notification form' not signed/ dated by the team leader/ section head. *Recommendation:* *Staff should be reminded of the need to comply with approved procedures.*	Medium	Alan Mooney	Yes	All payroll staff were reminded in September 2002 that before processing any payroll input forms, they must ensure that they are properly verified and authorised and where appropriate also signed by the employee. All new payroll staff, as part of their training are also made aware of this requirement. A Payroll User Notice will be issued to remind all payroll staff of this requirement.	30/09/04

Dundee City Council 2003/04 Audit

Council Tax Billing and Collection

2 September 2004

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1.21   The system for the billing and collection of council tax represents one of the key financial systems operated by Dundee City Council. In the financial year 2003/04 the amount to be met from Government grants and Local Taxpayers was £260m, with income from council tax for the year representing £49m (19%) of this.

1.22   As part of our 2003/04 audit we have conducted a review of the procedures in place for managing Council Tax billing and collection. Our review focused on the controls in place to ensure that:

- all relevant data from the valuation list is promptly and correctly transferred to the billing system

- bills are correctly calculated (including discounts, reliefs etc) for all relevant properties

- only valid amendments can be made to the billing system

- payments received are promptly processed and correctly posted to taxpayers' accounts

- write-offs, cancellations and refunds are properly controlled

- arrears follow-up procedures are properly controlled

Audit findings

1.23   In broad terms, the system operated properly in that bills were raised and council tax was collected. However, a number of issues have been identified which give cause for concern. Of particular importance are that:

- there is no automated interface between the valuation list held by Tayside Valuation Joint Board and the council tax billing and collection system. All additions, deletions and updates of council tax accounts are therefore manually input, based on information passed via weekly interface reports received from Tayside Valuation Joint Board

- weekly interface reports, advising the Council of amendments to the valuation list, had been processed without any formal accompanying letter from Tayside Valuation Joint Board

- there is no independent, secondary check of the amendments made to the council tax billing and collection system, based on information contained in the weekly interface reports, to verify that all data has been accurately input

- there is no rolling programme of reviews of exemptions and discounts to ensure that only valid awards are continuing to be made

Management action

1.24   Detailed recommendations on those areas where further improvement could be achieved are summarised in the action plan that follows.

1.25   This report to management sets out our findings from the review carried out. The weaknesses outlined are only those which have come to our attention during the course of our normal audit work and are not necessarily, therefore, all of the weaknesses which may exist.

1.26   Although we include a number of specific recommendations in this report to strengthen internal control, it is the responsibility of management to determine the extent of the internal control

system appropriate to the Council. We would stress, however, that an effective internal control system is an essential part of the efficient management of any organisation.

1.27   Communication of issues and weaknesses arising from this audit does not absolve management from its responsibility for addressing the issues raised and for maintenance of an adequate system of control.

1.28   The contents of this management letter have been discussed with relevant officers to confirm factual accuracy. The assistance and co-operation we received during the course of our audit is gratefully acknowledged.

John Philp CPFA
Senior Audit Manager

Action Plan

No.	Finding/Recommendation	Importance	Responsible Officer	Agreed	Management Response	Action Date
13	There is no automated interface between the valuation list held by Tayside Valuation Joint Board and the council tax billing and collection system. All additions, deletions and updates of council tax accounts are therefore manually input, based on information passed via weekly interface reports received from Tayside Valuation Joint Board. Tayside Valuation Joint Board are looking to replace their existing computer system used for maintaining the valuation list. Dundee City, Angus and Perth and Kinross Councils all use the same council tax billing and collection software. *Recommendation:* *The Council should review options, together with Tayside Valuation Joint Board and the other two Councils, for developing an automated interface between the two systems.*	Medium	P Alexander (Training & IT Manager)	Yes	Discussions have been ongoing for some time and these will continue. The Depute Chief Executive (Finance) will convene a meeting with Assessor to further this issue.	Ongoing

No.	Finding/Recommendation	Importance	Responsible Officer	Agreed	Management Response	Action Date
14	The weekly interface reports, advising the Council of amendments to the valuation list, had been processed without any formal accompanying letter from Tayside Valuation Joint Board. It is our understanding that a covering letter is now issued along with these reports. *Recommendation:* *Weekly interface reports should only be processed where there is an accompanying letter from Tayside Valuation Joint Board.*	Medium	C. Heslip (Revenues Officer)	Yes		July 04
15	There is no independent, secondary check of the amendments made to the council tax billing and collection system, based on information contained in the weekly interface report, to verify that all data has been accurately input. *Recommendation:* *There should be an independent, secondary check on amendments made to the council tax billing and collection system. This check should be evidenced as having been done.*	Medium	P. Alexander Training & IT Manager (Revenues)	Yes	Weekly interface amendments will be checked on a sample basis. It is not practical to carry out a 100% check of these amendments.	Oct 04

No.	Finding/Recommendation	Importance	Responsible Officer	Agreed	Management Response	Action Date
16	There is no rolling programme of reviews of exemptions and discounts made, to ensure that only valid awards are continuing to be awarded. The Council issued the last review forms in 1998. **Recommendation:** *A structured programme of reviews should be established to ensure that only valid awards are continuing to be made.*	Medium	T. Bailey (Head of Revenues)	Yes	Staff resources, are not currently available to carry out these reviews. When resources do become available such reviews will be reintroduced.	As soon as resources permit.
17	There is no prescribed timetable or rota to which 'work checks' are carried out by members of the Revenues Training Team. **Recommendation:** *The Training Team should undertake the peer review 'work checks' to a prescribed timetable.*	Medium	P. Alexander Training & IT Manager (Revenues)	No	The level of 'work checks' completed is dictated by staff resources available – such checks are planned on a rolling basis along with other work required to be undertaken.	N/A

No.	Finding/Recommendation	Importance	Responsible Officer	Agreed	Management Response	Action Date
18	Our substantive testing of awards of discounts and exemptions revealed a number of processing errors. In particular: a. exemptions had been awarded but were wrongly classified b. exemptions/discounts had been awarded which were not supported by sufficient evidence to support award c. discounts had been awarded from the wrong date ***Recommendations:*** *Processing officers should be given refresher training in the award of exemptions and discounts.* *The 'work checks' carried out by Revenues Training team should be increased in this area.*	Medium	T. Bailey (Head of Revenues)	No No	Percentage of errors in this area of work does not suggest that complete refresher training is required – the discrepancies found were down to human error. Staff resources not available.	N/A N/A
19	The Debt Recovery Strategy of the Council has not been updated since 1996. ***Recommendation:*** *The Debt Recovery Strategy should be updated to include areas covered by the New Recovery Initiative.*	Medium	Depute Chief Executive (Finance) / T. Bailey (Head of Revenues)	Yes	The strategy document has been reviewed since 1996 but it was decided not to recommend any amendments at that time. The document will be reviewed in the light of experience gained when the new recovery initiative has been introduced.	Sept 05

No.	Finding/Recommendation	Importance	Responsible Officer	Agreed	Management Response	Action Date
20	The control of comparing the summary interface print to the detailed breakdown prints received from Tayside Valuation Joint Board is not always evidenced as having taken place. *Recommendation:* *Summary prints should be agreed to more detailed breakdown prints to check that the number of properties for each heading agrees.*	Medium	C. Heslip (Revenues Officer)	Yes	This procedure has been in place for at least 18 months.	N/A
21	There is an inconsistent approach to noting the action taken against cases when Recoveries staff update records from the Event Date prints and Special Arrangements prints. *Recommendation:* *Recoveries staff should use a consistent approach to what information is noted on the action taken on these prints.*	Medium	A. Fraser (Revenues Manager)	Yes	Procedures will be reviewed and revised instructions given to staff.	Oct 04
22	The Sx3 system does not automatically log-off users after a prolonged period of inactivity. *Recommendation:* *Staff should be reminded to log-off when leaving their terminal, or alternatively, the system should have a time out capability where staff are automatically logged-out after a timed amount of keyboard inactivity.*	Medium	T. Bailey (Head of Revenues)	Yes	Staff are reminded each year that they should log off when away from their desk for an extended period. Periodic reminders are also issued from the IT and Training Section on this and other security issues.	Yearly

No.	Finding/Recommendation	Importance	Responsible Officer	Agreed	Management Response	Action Date
23	The numbers of users with write access to the system needs to be reviewed to ensure that only designated processing officers can make amendments. *Recommendation:* *Write access should be restricted to appropriate processing officers.*	Medium	P. Alexander Training & IT Manager (Revenues)	Yes	Access to be reviewed and amended if necessary.	Mar 05

Dundee City Council
2003/04 Audit

Data Protection, Freedom of Information & Information Management Review

23 June 2004

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Executive Summary

Introduction

2   The Data Protection Act 1998 and the Freedom of Information (Scotland) Act 2002 set out requirements for dealing with information of both personal and public nature with which Local Authorities are required to comply. Also, as a result of both Acts, but specifically in light of Section 61 (Records Management) of the Freedom of Information (Scotland) Act 2002, demands are made upon Local Authorities' information management processes.

3   As part of our 2003/04 audit of Dundee City Council therefore, we asked that a short questionnaire be completed to establish the level of compliance with the requirements of the Acts and also to establish whether provisions for controlling information within the Council have been made.

4   Initially, we aim to establish a baseline position by examining three main areas which are critical in handling any project:

- strategy;

- operation;

- monitoring.

5   The Council has appointed a Data Protection Officer for the day-to-day handling of Data Protection issues. The Depute Chief Executive (Support Services) is the named officer responsible for Freedom of Information while the City Archivist is the contact officer for any enquiries under the Act.

6   Our findings are based on a review of documentation provided, and interviews with staff based in the Council's offices in Dundee in April 2004.

7   The assistance and co-operation of all staff interviewed during the course of this review is gratefully acknowledged.

Main findings

Strategy

8   The Council has developed policies for Data Protection and Records Management and a Freedom of Information Policy is currently under development. The Council set up an Information Security Project Team, which, although initially set up to address issues in light of BS7799 - Code of practice for information security management, also helped identify the Council's information assets in light of the Freedom of Information (Scotland) Act 2002. A Records Management Group has been set up, under the direction of the Depute Chief Executive (Support Services) that seeks to apply best practice in records management.

9   We feel, however, that some improvements can be made. Specifically:

- The Records Management Policy appears to date from before 1999 and should be reviewed in light of the changing environment and legal requirements;

- A procedure should be considered for periodic review of the Information Asset Inventory.

Refer Action Plan 1 & 2

Operation

10   The Council has provided extensive guidance for Data Protection issues for staff. These cover a number of issues, such as CCTV cameras, Data Matching and Disclosure of Personal Data to Elected Members. There are also data sharing protocols available that cover the sharing of data with NHS Tayside, Tayside Police and with regard to Youth Justice.

Monitoring

11   The Council feels confident that it will be able to meet the requirements of the Freedom of Information (Scotland) Act as of 1 January 2005. The Council has currently a citizens' Helpline, where all types of enquiries are dealt with. All enquiries are logged on the Helpline application system and followed up by Helpline staff through to completion. It is expected that this application will also be able to monitor requests for information under the Freedom of Information (Scotland) Act 2002 and supply management information accordingly.

12   We feel that some improvements can be made with regard to the Council's compliance with Data Protection requirements. A formal review of processes and procedures has not taken place, and during this review we found a number of documents (for example, the newly developed Benefits application form) that did not comply with Data Protection standards (notification of fair processing). We would like to recommend that a review of Data Protection procedure should take place, for example by Internal Audit or an external consultant, which could then form the basis of a review of the documented policy and guidance material.

Refer Action Plan 3

Management action

13   Detailed recommendations on those areas where further improvement could be achieved are summarised in the action plan that follows.

Gerry O'Neill
Senior Audit Manager (ICT)

Action Plan

No	Recommendation	Importance	Responsible Officer	Agreed	Audited Body's Comments	Action Date
1.	The Council's Records Management Policy refers to the Corporate Plan 1996 – 1999. It would not appear that this policy has been reviewed since, although the legal environment as well as the IT and manual filing systems will have. The Records Management Group is in the process of developing a Guide to Best Practice in Records Management. This document has not been completed as yet, but sections are reserved for integration of Data Protection and Freedom of Information requirements for records management. *In light of the current change in legislative requirements and the changes that have occurred in the area of records management (manual and electronic filing systems), the Records Management Policy should be reviewed and the Guide to Best Practice on Records Management completed to integrate with Data Protection and Freedom of Information policies and guidelines.*	Medium	Iain Flett (City Archivist)	Yes	None	October 2004

No	Recommendation	Importance	Responsible Officer	Agreed	Audited Body's Comments	Action Date
2.	In light of the requirements of BS7799 (Code of practice for information security management) and in preparation for the Publication Scheme, required under Freedom of Information, an Information Asset Inventory was prepared. There are no plans as yet to review this Inventory on a regular basis, although Heads of Departments are requested to update the Inventory when required. There is a risk, however, that in a few years' time the exercise will required to be completed again to account for the changes in application and filing systems. *The Council should make provisions for regular review of the Information Asset Inventory, to keep it up-to-date with Freedom of Information as well as for information security.*	Medium	Neil Cathro (IT Security Officer)	Yes	It was always intended that this would be reviewed on an annual basis	March 2005

No	Recommendation	Importance	Responsible Officer	Agreed	Audited Body's Comments	Action Date
3.	A detailed review of the Council's Data Protection arrangements has not taken place as yet, although part reviews, for example for renewal of the Data Protection Notification, have taken place. During our review, we found a number of documents (for example, the newly developed Benefits application form) that did not comply with Data Protection standards (notification of fair processing). This may be indicative of awareness of Data Protection issues throughout the Council. *We recommend that the Council makes arrangements for a detailed review of Data Protection compliance arrangements, for example, through Internal Audit or an external consultant.*	Medium	Stuart Galloway (Data Protection Officer)	Yes	The review will be taken out in conjunction with internal audit.	March 2005