

REPORT TO: AUDIT SUB-COMMITTEE 19 JUNE 2001
REPORT ON: EXTERNAL AUDIT - ABRIDGED REPORTS/MANAGEMENT LETTERS
REPORT BY: EXTERNAL AUDIT
REPORT NO: 828-2001

ITEM 5a

**DUNDEE CITY COUNCIL
HOUSING DEPARTMENT**

**Abridged VFM Managing Rent Arrears –
A Joint Study**

External Audit Report No: 00/07

Draft Issued: 4 December 2000

Second Draft Issued: 29 January 2001

Final Issued: 8 May 2001

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MANAGEMENT SUMMARY

Introduction

Managing rent arrears is a joint study, by the Accounts Commission and Scottish Homes, of how social landlords manage tenants' rent arrears.

A significant amount of good practice material exists to assist landlords manage rent arrears effectively and the study looked to ascertain the extent to which good practice is actually being applied. In addition, the study gathered a limited amount of contextual information, to enable each organisation's rent arrears position to be assessed in proper context.

This report sets out our assessment of the extent to which the Council is implementing accepted statements of good practice. The report concentrates on statements where compliance is not being achieved and sets out an agreed programme of improvement actions.

Overall Conclusion

The statements of good practice were split into six sections. We summarise below the overall compliance for the Council in each section, together with that for all councils and registered social landlords (RSLs):

Table 1

	<i>Councils</i>	<i>RSLs</i>	<i>Dundee City</i>
1. Strategy / policy			
Compliance (out of 3 statements)			2
Percentage compliance	78%	83%	67%
2. Arrears prevention			
Compliance (out of 8 statements)			5
Percentage compliance	79%	89%	63%
3. Arrears recovery procedures			
Compliance (out of 14 statements)			12
Percentage compliance	69%	77%	86%
4. Legal action			
Compliance (out of 8 statements)			7
Percentage compliance	74%	69%	88%
5. Former tenants arrears			
Compliance (out of 4 statements)			3
Percentage compliance	81%	87%	75%
6. Performance review and continuous improvement			
Compliance (out of 6 statements)			5
Percentage compliance	69%	81%	83%

Overall Conclusion (Cont'd)

Table 1 shows that, in terms of the implementation of accepted good practice, the Council is particularly strong in arrears recovery, legal action and performance review / continuous improvement. The main area for improvement is arrears prevention.

At the time of our audit, the department had already commenced a review of the existing rent arrears process with a view to identifying service delivery improvements. The majority of areas for improvement identified by us had already been identified from the department's own review and remedial action identified. An Action Plan was presented to the Housing Committee, by the Director of Housing, at its meeting on 20 March 2000. A number of the improvements set out in the Action Plan are, however, on hold pending the outcome of a Best Value review currently being undertaken by the department.

Summary of Main Findings and Recommendations

Strategy / Policy

At the time of our audit fieldwork in December 1999 and January 2000, no formal arrears policy statement was in place setting down the Council's strategic objectives and its approach to arrears prevention and management. This had already been identified from the Council's own review as an area for improvement and a formal policy was approved by the Housing Committee at its meeting on 20 March 2000.

Arrears Prevention

Housing staff are not suitably skilled and aware to be able to offer assistance to tenants (at the beginning of tenancy and any subsequent time) to help claim housing benefit and other welfare benefits. Information on support organisations is, however, provided.

This area had already been identified, by the Council, for improvement and requires to be addressed via either training, or the introduction of housing benefits staff into housing offices. Staff should be able to estimate a tenants entitlement to housing benefit at the beginning of tenancy and request payment of the net rent due.

Effective steps are not being taken by the Council to ensure maximum return of housing benefit forms at every review cycle. Tenants are not reminded of the need to return forms and those not returning forms are not proactively identified and pursued. In addition, housing benefit review dates do not take account of risk. The Council are fully aware of good practice in this area and, the above have been highlighted in the BFI report dated June 1999 and related Action Plan.

Arrears Recovery Procedures

Repayment agreements between tenants and the Council are not confirmed in writing in all cases, although, a standard letter is available from the computer system for this purpose. The absence of written confirmation means that the importance of sustaining the agreement is not made explicit to the tenant and this should be provided within 3-5 days.

Overall, we concluded from our audit testing that repayment arrangements made with tenants were affordable, however, we noted a few that appeared on the high side. The Council's own review suggested that a standard repayment formula should be introduced to ensure that realistic levels of repayment are sought. Priority should be given to its introduction, in conjunction with staff training on undertaking financial appraisals.

Summary of Main Findings (Cont'd)

Legal Action

Arrangements are in place to involve the housing benefits section and social work during the stages of arrears action leading up to and involving legal action, to ensure that the social and welfare circumstances of the tenant are taken into account. A number of other internal services or external agencies set out in the statements of good practice are not contacted by the Council, however, tenants are advised at various stages of relevant contact telephone numbers.

Former Tenants Arrears

A comparison of actual bad debts written-off against budget, for the period 1995/96 to 1998/99, showed significant variances and, therefore, we concluded that a realistic budget provision is not set for bad debts. From discussion with the responsible officer within the Finance Department we did, however, conclude that the current basis of calculation was reasonable.

Performance Review and Continuous Improvement

At the time of our audit, there was no staff training programme in place to ensure that appropriate staff are properly trained. Weekly meetings were, however, held to discuss particular aspects of procedures on a proactive or reactive basis. This area had already been identified, by the Council, for improvement, however, the preparation and delivery of a staff training programme has been put on hold pending the outcome of the Best Value review.

Although we concluded that good quality information is available to management on a monthly basis to allow them to identify performance against standards and targets, make informed decisions and identify trends, it is not a procedure of the Council for this information to be put to Committee Members. Actual arrears performance against target should be reported to Committee Members on at least a quarterly basis to enable them to monitor the effectiveness of their policies.

Acknowledgements

The co-operation and assistance given by the officers contacted during the course of our audit is gratefully acknowledged.

AGREED IMPROVEMENT ACTIONS

Para Ref.	Recommendation	Comments	Agreed	Responsible Officer	Agreed Completion Date
5.3.2 & 5.3.3	<p>Arrears Prevention</p> <p>R1 Via either training, or the introduction of housing benefits staff into housing offices, housing staff should be suitably skilled and aware to be able to offer assistance to tenants to help claim housing benefit and other welfare benefits.</p>	<p>In relation to HB trained staff being located in each area housing office, a decision will be made following an appraisal of the pilot study.</p> <p>Welfare benefit advice is unlikely to be provided by housing staff, rather customers will be directed to the various agencies providing this service.</p>	✓	Directors of Housing & Finance	April 2001
5.3.2 & 5.3.3	<p>R2 At the beginning of tenancy, an estimate should be made of the tenants entitlement to housing benefit and payment of net rent due requested</p>	<p>It is agreed that an estimate should be provided. How this will be achieved is linked in no small way to the outcome of the pilot scheme mentioned above, but in any event the information will be available.</p>	✓	Alan Hosie Central Area Housing Manager	October 2001
5.3.7	<p>R3 Viewing and Signing Checklists should be annotated and retained as evidence of information provided to tenants at the start of tenancy.</p>	<p>Agreed. Internal procedure will be amended to emphasise the requirement to retain checklists and pro forma may be altered to allow for tenant's signature.</p>	✓	Alan Hosie Central Area Housing Manager	April 2001
5.4.2	<p>Arrears Recovery Procedures</p> <p>R4 The Council should consider the use of system flags to identify tenants' circumstances (eg on income support or applied for housing benefits) on arrears reports.</p>	<p>Agreed. This item to be pursued with the Council's IT Section.</p>	✓	Alan Hosie Central Area Housing Manager	October 2001

AGREED IMPROVEMENT ACTIONS

Para Ref.	Recommendation	Comments	Agreed	Responsible Officer	Agreed Completion Date
5.4.3 & 5.4.4	R5 Repayment agreements between tenants and the Council should be confirmed in writing within 3-5 days.	Agreed. This item will be linked to R7 and R8 and will require IT development. A manual system is however likely to be introduced in the meantime.	✓	Alan Hosie Central Area Housing Manager	April 2001 January 2001 (manual)
5.4.5	R6 Priority should be given to the introduction of a standard repayment formula to ensure that realistic repayment arrangements are made, which are affordable for the tenant. The formula should be introduced to staff in conjunction with training on undertaking financial appraisals.	Agreed. A report will be prepared for Director of Housing's consideration March 2001. This item may however become a Corporate rather than merely Housing issue which may delay implementation.	✓	Alan Hosie Central Area Housing Manager	June 2001
5.4.5	R7 Priority should be given to the introduction of a computer screen to record information on tenants' financial circumstances, to be utilised when making repayment arrangements.	Manual system in place. Request currently with IT Section.	✓	Alan Hosie Central Area Housing Manager	April 2001
5.5.5 & 5.5.6	Legal Action R8 Priority should be given to the introduction of a computer screen to record information on tenants personal circumstances, to be utilised for assessment purposes before cases are entered in Court.	Manual system in place. Request currently with IT Section.	✓	Alan Hosie Central Area Housing Manager	April 2001

AGREED IMPROVEMENT ACTIONS

Para Ref.	Recommendation	Comments	Agreed	Responsible Officer	Agreed Completion Date
5.7.4 & 5.7.5	R9 Actual arrears performance against target should be reported to Committee Members on at least a quarterly basis for monitoring purposes.	Agreed.	✓	Duncan McDonald PHO Quality Unit	March 2001

DUNDEE CITY COUNCIL

**Abridged 1999/2000 Management Letter
Re: The Quinquennial Revaluation**

External Audit Report No: 00/08

Proposed Issued: 4 July 2000

Final Issued: 30 November 2000

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MANAGEMENT SUMMARY

Introduction

Under the current system of Capital Accounting, as defined by the Code of Practice on Local Authority Accounting in Great Britain, all of the Council's fixed assets are included in the balance sheet at their current value except for infrastructure and community assets, which are included at historical cost. All assets included at current value are required to be revalued at intervals of not more than 5 years.

The Council's properties were previously valued, before reorganisation, by the demitting authorities at 1 April 1994. A special exercise has been carried out during 1998/99 and 1999/2000 to revalue all of the Council's land and buildings with the effective date of 1 April 1999. All non-operational properties were also revalued. Council dwellings were not included in this exercise, as the Council has an annual programme in place for reviewing and valuing these assets.

The financial statements, fixed asset registers and the underlying records of the Council are required to reflect the revalued assets.

Overall Scope

We reviewed the Council's planning and control of the revaluation exercise together with the procedures adopted in carrying out the revaluation.

We considered the professional qualification of the valuers, use of appropriate valuation methods and the integration of the revalued assets into the fixed asset registers and underlying financial records.

Specific audit testing of a sample of properties covering each department, category, class and basis of valuation was conducted.

We considered the implications for the Council's financial statements for the revaluation of assets and reviewed the application of the revaluation exercise to the financial statements.

Audit Objective

Our overall audit objective was to ensure that the revaluation exercise had been properly carried out in accordance with the capital accounting rules, council procedures and arrangements; and that the fixed asset registers, underlying financial records and the financial statements properly reflect the revaluation of assets.

Overall Conclusion

Despite the delays and difficulties encountered the deadline was achieved. The revalued amounts amended for the significant final audit adjustments were included in the draft 1999/2000 accounts presented for audit.

However, a number of audit issues were identified reflecting concerns over planning and control, valuation methods, maintenance of fixed asset registers and underlying records, and reporting. These issues are highlighted below.

Following amendment to the revaluation schedules and subject to further specified year end testing, we can conclude that the revaluation of the Council's fixed assets has been carried out as required and in accordance with the requirements set out in the Capital Accounting rules.

Main Findings and Recommendations

Main Findings	Key Recommendations
<input type="checkbox"/> Quinquennial rather than a rolling programme of revaluation.	<input type="checkbox"/> Consider adoption of a rolling programme of revaluation
<input type="checkbox"/> Clear and specific instructions not issued	<input type="checkbox"/> The Chief Finance Officer should issue clear and comprehensive instructions ahead of revaluation.
<input type="checkbox"/> Lack of detailed audit trail	<input type="checkbox"/> A clear audit trail should be maintained for every specific revaluation assignment.
<input type="checkbox"/> No formal valuation statement	<input type="checkbox"/> For any major revaluation assignments a valuation statement covering the exercise as well as individual property reports should be prepared.
<input type="checkbox"/> Surplus assets and classification errors	<input type="checkbox"/> Fixed asset registers and underlying records to properly reflect changes in values for surplus assets and reclassifications.
<input type="checkbox"/> Review procedures not fully developed	<input type="checkbox"/> Review procedures should include testing of calculations in spreadsheets and reconciliation.
<input type="checkbox"/> Fixed asset registers not fully up to date.	<input type="checkbox"/> Additions and disposals, revaluations to be reflected in fixed asset registers on a timely basis.
<input type="checkbox"/> Reconciliation of fixed asset registers with underlying financial records not always carried out timeously.	<input type="checkbox"/> Full reconciliation to be carried out as part of year-end accounts preparation.

The key recommendations have been included in an action plan in section 2.

Action Plan

A graded action plan including the above recommendations is included in Section 2 of this report, with the detailed findings shown in Section 3 of the main report.

- A Fundamental issues which require immediate consideration by senior management.
- B Significant matters which can be resolved by line management.
- C Less significant matters which do not require urgent attention, but which should be followed up within a reasonable timescale.

Acknowledgements

We would like to acknowledge the assistance and courtesy shown to us by the Council's staff during our review.

ACTION PLAN

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
1.5	R1 Given the size and time involved in preparing a quinquennial revaluation, the Council should consider whether a rolling programme of revaluation of all the Council's assets may better suit their needs and ease the pressure on their limited resources.	A	The Council agrees to the implementation of a rolling programme of revaluation, however, the relevant staff are currently addressing the requirements of FRS15 ("Tangible Fixed Assets"). Accordingly, any rolling programme of revaluation would not commence until 2001/02.	✓	Director of Economic Development / Director of Finance	N/A
4.1	R2 Where assets are to be revalued, whether as part of a rolling programme or a special five-year exercise, the Council's Chief Finance Officer should issue clear comprehensive instructions to the valuers prior to the valuations being carried out.	A	The requirement for clear, comprehensive instructions is acknowledged, notwithstanding the fact that the revaluation exercise was undertaken in-house and the level of "formality" did not require to be as great as in the situation where an external valuer was used.	✓	Director of Finance	N/A
4.1	R3 A major exercise of this size will be subject to examination by the auditors. A clear audit trail of all aspects of the process should be maintained for examination. Each stage of the process should be planned, monitored, recorded and reviewed. Working papers files should clearly document each stage of the process and everyone should be aware of what is required.	B	The requirement for a clear trail is acknowledged, notwithstanding the fact that it is not Council policy (nor is it cost effective) to minute all informal meetings and discussions between Council officers.	✓	Director of Economic Development / Director of Finance	N/A
4.2	R4 Where valuers are asked to value or revalue a property or properties, both a valuation statement covering the exercise as well as individual property reports should be prepared.	B	A valuation statement covering the exercise has now been prepared. For the purposes of the exercise, the individual asset spreadsheet were to be taken as the property reports. It is considered that it would not be beneficial or cost effective to prepare an individual valuation report for each asset.	✓	Director of Economic Development	N/A

ACTION PLAN

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
4.4	R5 Where assets are deemed surplus to requirements and are passed to the Economic Development department for disposal, the change in category from operational to non-operational should be reflected in both the fixed asset registers and the general ledgers. The current value may also need to be considered as the previous basis of valuation may no longer apply.	B	Council Minutes will be reviewed on a quarterly basis to identify assets that have been deemed surplus to requirements. The change in category and any change in valuation will be reflected in the fixed asset register and general ledger thereafter.	✓	A Findlay, Senior Accountant, Finance Department	To be implemented wef 1 April 2001
4.5	R6 The Council's reviewing procedures for a major exercise should include testing the calculations and spreadsheets used and reconciling the position both prior to and after the exercise in total and by category. High level reviews of the revalued amounts and comparing results with expectations may uncover errors prior to audit involvement.	B	The requirement for a more rigorous system of checking and review is acknowledged.	✓	Director of Economic Development / Director of Finance	N/A
4.7	R7 The fixed asset registers should be continually updated for additions and disposals as and when they occur.	B	Council Minutes and other records will be reviewed on a quarterly basis to identify additions and disposals. The fixed asset register will be updated thereafter.	✓	A Findlay, Senior Accountant, Finance Department	To be implemented wef 1 April 2001
4.7	R8 The reconciliation of the fixed asset registers and the fixed assets in the general ledger should be carried out as quickly as possible within the Council's year end accounting procedures and should be completed prior to the accounts being submitted for audit.	B	The requirement for this reconciliation to be completed, prior to the accounts being submitted for audit, is acknowledged notwithstanding the fact that a later date was agreed with the external auditors in respect of the 1999/2000 accounts.	✓	A Findlay, Senior Accountant, Finance Department	30 June (each year)

DUNDEE CITY COUNCIL

**Abridged 1999/2000 Management Letter
on Non-Domestic Rates**

External Audit Report No: 00/09

First Draft Issued: 9 October 2000

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MANAGEMENT SUMMARY

Introduction

As part of our overall audit work, it is our practice to conduct a cyclical review of all the key accounting cycles within the Authority. As part of our review, we assess the internal controls that form an integral part of each cycle. An effective internal control system is an essential part of the efficient management of any organisation and responsibility for this rests with the members and officers of the Council.

With effect from 1993/94, all Non-Domestic Rate Income collected is paid into a national pool and redistributed in proportion to the resident population of each local authority. The amount of NDRI distributed to each Council is fixed for each financial year with any surplus or deficit being reflected in future year's rates. The Secretary of State sets the Uniform Business Rate.

For 1999/2000, the Uniform Business Rate for properties with a rateable value below £10,000 was set at 48 pence (1998/99 – 46.5pence) and 48.9 pence (1998/99 – 47.4pence) for properties with a rateable value greater than £10,000.

Audit Approach

Our audit work involved the documentation and review of systems and controls in place within the Non-Domestic Rates section. This covered annual billing, collection, banking and recovery and enforcement.

The systems were tested through compliance testing to ensure the controls as documented are being applied by the Non-Domestic Rates section.

From previous work we have carried out in the NDR section, a number of issues were reported in our year-end management letter for 1998/99. These were looked at during the fieldwork to ensure that the recommendations had been taken on board and applied in 1999/2000.

Interviews were carried out with appropriate staff from the Finance department and Information Technology staff.

Summary of Main Findings and Recommendations

From our testing, the Non-Domestic Rates systems are operating satisfactory, however, a number of weaknesses were identified. The recommendations covered in the year-end management letter for 1998/99 were revisited to ensure that these had been taken on board and addressed. A summary of our findings is listed below.

- ❑ Access to the system showed that an ex employee was still able to access the system. Access to the system and its security is currently under review by the section. Access should be terminated immediately for all leavers;
- ❑ Write-off procedures for NDR were not applied in full. Rates write-off sheets should be completed fully;
- ❑ Problems regarding the calculation of interest were noted in 1998/99, which had led to a backlog of refunds. There remains a substantial backlog of refunds of interest;
- ❑ Letters are sent to Councillors asking for information regarding applications for remissions. To date, no reply has been received. All letters issued should have some form of response;
- ❑ A lack of reconciliations to information held by the Assessors department was reported in our previous management letter. These have now been completed in 1999/2000 and are operating effectively.

Action Plan

A graded action plan including the above recommendations is included in Section 2 of this report, with the detailed findings shown in Section 3 of the main report.

- A Fundamental issues which require immediate consideration by senior management.
- B Significant matters that line management can resolve.
- C Less significant matters which do not require urgent attention, but which should be followed up within a reasonable timescale.

Acknowledgements

We would like to take this opportunity to acknowledge the help and assistance given to us by the staff involved from the Finance and Information Technology departments.

ACTION PLAN

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
	<p><i>Access to the System</i></p> <p>R1 We recommend that all leavers and transfers to other council departments have their access to the NDR system removed.</p>	B	Passwords for leavers will be removed but transfers will be kept as assistance is sometimes given by these staff.	Yes/no	Senior Revenues Officer	Immediate
	<p><i>Non Domestic Rates Write-off</i></p> <p>R2 We recommend that all write-offs have both the initials of the employee and a signature of the responsible officer as authorisation.</p>	A	The recommendation is our current procedure except that initials have to be used as the work is carried out via ISE.	Yes	Senior Revenues Officer	Immediate
	<p><i>Refunds</i></p> <p>R3 We recommend that the prompt calculation and repayment of refunds is maintained by the Council.</p>	C	Refunds are up to date.	Yes	Senior Revenues Officer	Immediate
	<p><i>Remission</i></p> <p>R4 We recommend that the letters which are sent out are replied to by the Councillors, whether there is or is not any information known to them for the granting of remission.</p>	B	The purpose of the letter is to give the Councillor the opportunity to comment if he/she so wishes. The report is also discussed at the Finance Committee on which all councillors sit. I do not agree that the administrative procedures should be enhanced.	NO	Revenues Manager	-

DUNDEE CITY COUNCIL

**Abridged 1999/2000 Management Letter
on Council Tax**

External Audit Report No: 00/10

First Draft Issued: 9 October 2000

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MANAGEMENT SUMMARY

Introduction

As part of our overall audit work, it is our practice to conduct a cyclical review of all the key accounting cycles within the Authority. As part of our review, we assess the internal controls that form an integral part of each cycle. An effective internal control system is an essential part of the efficient management of any organisation and responsibility for this rests with the members and officers of the Council.

The Council Tax system is the Council's main revenue raising system. Income generated from council tax for the year ended 31 March 2000 was £47m (1999 - £45m).

The system in use is an in-house bespoke system. This will be replaced during the financial year 2000/2001 by a new system that combines the council tax and housing benefit records, thus eliminating duplication between the two areas. 13 other local authorities in Scotland already use the new system. Revenues propose to close down the current system on 24 October 2000 with the new system live by 15 November 2000.

The collection of council tax is the main revenue raising system and it is essential that all liable persons have been billed and that where non-payment has occurred, recovery procedures are operating efficiently. Our review has therefore focussed on Annual Billing, and the Recovery & Enforcement procedures in operation.

Audit Approach

Our audit work involved the documentation and review of systems and controls in place during the year within the Council Tax section. This covered the processes from annual billing through to collection, banking, recovery and enforcement.

After the initial systems investigation was completed annual billing, recovery and enforcement were reviewed through compliance testing to ensure that the systems as documented were operating as expected.

Interviews were carried out with appropriate staff from the Finance Department and Information Technology.

Summary of Main Findings and Recommendations

Our review found that the Council Tax system appears to be operating satisfactorily, however, a small number of weaknesses have been identified which we wish to bring to your attention.

A summary of our findings is listed below. Included are recommendations that we believe should be incorporated into the system to improve the control environment. The application of these will ensure that annual billing, recovery and enforcement are run efficiently and effectively.

- Documentary evidence of all write offs should be retained on the council taxpayers file. In addition, where council tax payers move property within Dundee information regarding write offs should be transferred to the new file;
- The dummy billing run for council tax should be reviewed to ensure that all instances where the actual results do not match those expected are followed up and resolved;
- Rolling reviews should be performed on a monthly basis;
- Reconciliations to the Tayside Valuation Joint Board were only performed once at the start of the financial year and not twice as required by council tax procedures;
- A list should be kept by a senior member of the council tax staff that details all passwords “killed off”. Passwords should be “killed off” as soon as a member of staff leaves the councils’ employment; and

Good practice

In addition to our findings above, we noted one instance of good practice identified by our review. This concerns an interface between the council tax section and the Tayside Valuation Joint Board. This compares and agrees the number of properties held on both systems. This check should be retained once the new system is operational later this year.

Action Plan

A graded action plan including the above recommendations is included in Section 2 of this report, with the detailed findings shown in Section 3 of the main report.

- A Fundamental issues which require immediate consideration by senior management.
- B Significant matters that line management can resolve.
- C Less significant matters which do not require urgent attention, but which should be followed up within a reasonable timescale.

Acknowledgements

We would like to take this opportunity to acknowledge the help and assistance given to us by the staff involved from the Finance and Information Technology departments.

ACTION PLAN

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
	<p>Council Tax Write Off</p> <p>R1 We recommend that an audit trail is inserted into the tenants files stating when information has been transferred to the new property reference and what that reference is. This can be done through the ISE computer system by way of an electronic sticky label.</p>	B	The forwarding address will be shown on the Council Tax system. Other addresses can be found on ISE by way of name search. Many new addresses will be contained on documentation that also contains the old address which in many instances will be scanned into the old address.	NO	Revenues Manager	-
	<p>Billing – Dummy Run</p> <p>R2 We recommend that all tests on the dummy run be annotated as actioned or otherwise and that all tests schedules are reviewed by a senior employee to ensure that they are completed satisfactorily.</p>	B	Every category is checked and results are reviewed against expectations. It is not possible for a senior member of staff to review all tests however such a person does control the operation.	NO	Revenues Manager	-
	<p>Rolling Review</p> <p>R3 We recommend that rolling reviews are reinstated with immediate effect.</p>	A	Benefit reviews have always been completed. Non - benefit reviews will be reintroduced as soon as practicable – it is hoped that this will be during 2001/2.	YES	Revenues Manager	2001/2

ACTION PLAN

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
	<p>Biannual Reconciliations</p> <p>R4 We recommend that the Biannual reconciliations be re-instated as soon as is practical and be performed in conjunction with the rolling review.</p>	B	The biannual reconciliation will be reinstated during 2001/2	Agreed	Council Tax Manager	31/3/02
	<p>Access to the system</p> <p>R5 Up to date lists of passwords no longer in use should be maintained and passwords must be "killed off" when an employee leaves the council.</p>	B	Passwords are presently altered by the system manager when staff leave so that they cannot be accessed by the original user. Logins are reallocated to new staff who then use their own passwords. To kill off logins and create new ones for new staff is administratively cumbersome and unnecessary.	Agreed	Senior Revenues Officer	In Operation
	<p>Interface with the Tayside Joint Valuation Board</p> <p>R6 Should be retained after the implementation of the new Council Tax system. Error reports should be kept for future reference.</p>	N/A	A manual interface will be used – there will be no computer interface available as First software does not provide for this.	Agreed	Council Tax Manager	DEC 2000

DUNDEE CITY COUNCIL

**Abridged Management Letter
Loans Fund – 2000/01**

External Audit Report No: 01/02

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MANAGEMENT SUMMARY

Introduction

As part of our overall audit work, it is our practice to conduct a cyclical review of all the key accounting cycles within the Authority. As part of our review, we assess the internal controls that form an integral part of each cycle. An effective internal control system is an essential part of the efficient management of any organisation and responsibility for this rests with the members and officers of the Council.

The loans and investment section of Dundee City Council administers and manages the short and long term borrowing and lending functions. Limits are set as to amounts lent by the Council, what type of bodies the Council can lend to, and methods and sources of raising finance.

The principal loans officer post was vacated and refilled during the period under review. During the period of transition, an experienced ex TRC employee was recruited to cover the post and assist the new principal loans officer with the systems and procedures in operation in the department.

Scope of the Audit

Our review focused on the procedures in place for control of the fund. We reviewed the procedures as laid out in the Council's treasury policy statement, treasury management strategy for 2000/2001 and the Code of Practice on Treasury Management in Local Authorities. We assessed these in conjunction with the operation of the loans fund section.

Prebon Financial Consulting carried out a review of the systems in December 1999. Their report highlighted a number of recommendations and we have included follow up of their implementation as part of this review. Issues raised from our previous review in 1996/97 have been carried forward and followed up as part of this audit.

Audit Approach

Our audit work involved the documentation and review of systems and controls in place during the year within the loans fund section. This covered the processes for lending and borrowing monies.

After the initial systems investigation, compliance testing was carried out to ensure that the systems were being operated correctly.

Interviews were carried out with appropriate staff from the loans fund section and banking services.

Overall conclusion

Our review found that the loans fund system is operating satisfactorily, with a number of good practice points identified. There were, however, some weaknesses identified which have resulted in an agreed action plan with management to implement audit recommendations.

Good Practice Points

As part of our review, we look for instances of what we consider to be points of good practice and we noted the following:

- During the year, the principal loans officer left the Council. Despite there being no procedures in place their name was removed from the computer system the day they left.
- All the recommendations from our previous review have been implemented.
- CIPFA's Treasury Management Panel have issued a guidance note incorporating a standard pro-forma loan agreement which the loans fund section is following.

System Recommendations

System	Observation	Recommendation
Lending	<ul style="list-style-type: none"> <input type="checkbox"/> The lending limits had been exceeded on one occasion. <input type="checkbox"/> Own bank unaware of lending limits. <input type="checkbox"/> No senior officer authorisation for lending monies to own bank. <input type="checkbox"/> Two signatories are not always available to authorise lending. 	<p>Review of procedures and take action to prevent reoccurrence.</p> <p>Bank should be informed of lending limits.</p> <p>Senior officer approval should be received prior to lending.</p> <p>Increase list of authorised signatories / change policy on authorisation of lending limits.</p>
Borrowing	<ul style="list-style-type: none"> <input type="checkbox"/> No formal authorisation procedure in place. 	<p>Formal authorisation should be received from senior staff prior to borrowing funds.</p>
General	<ul style="list-style-type: none"> <input type="checkbox"/> Staff passwords are not changed. <input type="checkbox"/> No procedures for removing ex-employees from the computer systems. <input type="checkbox"/> No documentation that reconciliation of balances has been carried out. <input type="checkbox"/> There is no evidence that the manual calculation of interest has been agreed to the Logotech interest calculation. <input type="checkbox"/> Prebon Financial Consulting carried out a review of the systems in December 1999. Recommendations were made, however, no action has been taken on these. 	<p>Passwords should be changed on a regular basis, approximately every 40-60days.</p> <p>Procedures should be implemented to ensure ex-employees are removed promptly from the systems.</p> <p>Reconciliations should be verified by way of the person carrying out the check initialling the relevant document.</p> <p>The manual interest calculation should be initialled as evidence of having been agreed to the Logotech system.</p> <p>Follow up action should be taken to review and where appropriate, implement the recommendations highlighted by Prebon Financial Consulting.</p>

Action plan

The action that we consider necessary for each observation is noted in the main report and an action plan for implementation of these recommendations can be found in section 2.

To aid the use of the action plan, our recommendations have been graded to denote the level of importance that should be given to each one. These gradings are as follows:

- A Fundamental issues which require the consideration of the senior officers
- B Significant matters that can be resolved by the principal loans fund officer
- C Less significant matters that do not require urgent attention but which should be followed up within a reasonable timescale.

Acknowledgements

We would like to take this opportunity to thank the Loans Fund section and Banking Services staff who assisted us during the course of our interim audit work.

ACTION PLAN

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
1.1	<p>Lending</p> <p>R1 The senior officer in charge should review procedures and take necessary action to ensure that lending limits are not exceeded in the future.</p>	B	The procedures have been reviewed and no changes are proposed. This was an unavoidable occurrence due to various sums of money being electronically transmitted to the Bank account late in the afternoon of 29 March. It had been decided in the morning that £5.4m would be kept on deposit with our own Bank. Subsequent to this, the unanticipated electronic transfers came in including Paymaster General (£1.4m), Tayside Contracts (£0.8m) and Ministry of Defence (£0.6m). At the end of the day this was automatically swept up by the bank and taken into the interest-bearing investment account. This meant that more than £7m was lodged with the one institution. However, as this was overnight with our own bank, the risk was negligible. In addition, because of the timing of the late incoming transfers, there were no alternative uses available.	Y	S Flight	22/12/00
1.2	<p>R2 The bankers should be informed as to the maximum lending limit of £7m.</p>	B	It is not accepted that this would be relevant information for the Bank and it is not something they could be expected to act upon. If we had attempted to constrain the “sweep” to the investment account to £7.0m the remainder would have been left in a non interest-bearing account.	N	-	-

ACTION PLAN

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
1.3	R3 Senior officer approval should be received prior to lending.	B	Due to the urgency of these decisions approval, prior to the action, is delegated to the Loans Officer. These decisions are reviewed daily to the Principal Treasury and Investment Officer who signs daily sheet.	N	-	-
1.4	R4 The list of authorised signatories be increased or procedures put in place regarding authorisation of differing levels of lending, clearly stating limits where one signature may be given as authorisation and who would be authorised to sign in such circumstances.	A	This issue was identified internally and has been addressed by increasing the list of signatories (notified to the Bank 26 October 2000).	Y	S Flight	Completed
2.1	Borrowing R5 Formal authorisation should be received from senior staff prior to borrowing funds.	B	Due to the urgency of these decisions approval, prior to the action, is delegated to the Loans Officer. These decisions are reviewed daily by the Principal Treasury and Investment Officer who signs daily sheet.	N	-	-
3.1	General R6 Staff passwords should be changed on a regular basis and good practice suggests this should be done approximately every 40-60 days. The same password should not be able to be used again.	B	Independent private passwords are used by the two members of staff accessing the Logotech system, but the point of lack of change is noted. These will, in future, be changed on a regular basis in line with other Council systems, eg Powersolve.	Y	S Flight	22/12/00

ACTION PLAN

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
3.2	R7 Procedures should be implemented to ensure when staff leave they are promptly removed from all the computer systems.	B	To formalise the procedures, all team leaders will be notified of the requirements to ensure that staff are removed from computer systems, as appropriate.	Y	S Flight	31/1/01
3.3	R8 Reconciliations should be verified by way of the person carrying out the check initialling the relevant document.	C	In future, the manual book and total daily borrowing sheet will be initialled signifying that the control reconciliations referred to have taken place.	Y	S Flight	22/12/00
3.4	R9 The manual interest calculation should be initialled as evidence of having been agreed to the Logotech system.	C	The existing signatures in the “calculation” and “check” boxes on the existing manual interest calculation sheets are already confirming that the manual calculation of interest is correct and also agrees to the Logotech system calculation. It is noted that this has not always been done and this oversight will be addressed.	Y	S Flight	5/1/00
3.5	R10 Follow up action should be taken to review and where appropriate implement recommendations highlighted by Prebon Financial Consulting.	B	The minor recommendations contained in the Prebon Financial Consulting report of December 1999 will be reviewed and implemented, where appropriate. However, it is noted that the report found the procedures and practices to be “sound and effective” and that the Council showed “prudent management”.	Y	S Flight	31/1/01

**DUNDEE CITY COUNCIL
CORPORATE LEVEL**

Performance Management & Planning (PMP)

Abridged Auditor's Report

External Audit Report No: 01/09

Draft Issued: 28 March 2001

Final Issued: 30 March 2001

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EXECUTIVE SUMMARY

Introduction

Best Value requires Councils to develop a Performance Management and Planning (PMP) framework. PMP is fundamentally about establishing clear standards and targets for all activities; identifying where and how improvements can be made; and reporting on performance.

The PMP audit for 2000/01 comprised three elements: an audit of the arrangements in three services selected by the Council; an audit of overall co-ordinating arrangements at a corporate level for key elements of Best Value; and a follow up audit of the progress made in relation to the improvement actions agreed by the three services that had a PMP audit last year. The PMP audit has been carried out in accordance with the guidance issued by Audit Scotland.

PMP audit in Education is covered jointly by HMI and external auditors during the HMI quality inspection. This inspection was carried out in Dundee during November 2000 to February 2001, with reporting from HMI due in April 2001.

The corporate level audit required the Council to complete a self-assessment against 4 criteria using templates provided in the audit guide and identify improvement actions where appropriate (the audited templates appear as Appendix I to the main report). The audit task was to verify the self-assessment, review the proposed improvement actions, and agree any revisions where appropriate.

This report presents:

- the findings of the corporate PMP audit,
- issues arising from the service level PMP audits that have implications for the corporate centre. Services audited were Architectural Services Division, Housing Department and Planning and Transportation Department.
- issues arising from the follow-up of last year's PMP audit. Services were Social Work, Dundee Contract Services and Libraries and Community Information – NRD (Libraries).

Objectives for the audit

The PMP audit aims to achieve the following objectives:

- provide a structured approach to self-assessment to help the council identify where improvements should be made
- to provide independent, external assurance that the Council is making progress on implementing a performance management and planning (PMP) framework
- to help identify good practice and areas of concern
- to ensure that the Council and its services are planning for improvement.

Overall Conclusion - Corporate Audit

On each of the 4 criteria, our general view is as follows:

1. Clear leadership for a Best Value approach is provided by elected members, the Chief Executive and the senior management team.	(A B C D)
2. We have an effective corporate framework for planning and budgeting.	(A B C D)
3. We manage our Best Value reviews effectively.	(A B C D)
4. We have an effective approach to public performance reporting.	(A B C D)

Key:

- A: In general, sound approaches are largely in place in line with Best Value expectations.
- B: In general, many elements of a sound approach in place, but with scope for some improvements.
- C: In general, a significant level of improvement is required and this is adequately recognised in the improvement actions.
- D: In general, a significant level of improvement is required, and this is not adequately recognised in the improvement actions.

Improvement actions

The detailed list of corporate improvement actions agreed with the council appears at section 2. They address issues such as reviewing the overall approach to Best Value, developing three-year budgeting, and improving and assessing public performance reporting.

Our view is that they address the main priorities for improvement identified through the PMP audit and through our other audit work. Clear objectives, deadlines and responsibilities have been set out and the overall task identified appears realistic.

As part of the responsibilities of external auditors, progress in implementing the agreed actions will be monitored and reported on in 2001/02.

Evidence base

A key requirement of the PMP audit is that it is evidence based. We sample checked a range of evidence to verify the self-assessment. In general, our view is that the evidence supplied was good in quality and scope.

Summary of Main Findings – Corporate Level

Criterion 1 Clear leadership for a Best Value approach is provided by elected members, the Service Head and the senior management team.

Clear leadership has been demonstrated since the introduction of Best Value. Improvement actions are included to review the process to ensure that experience to date is taken into consideration in moving forward, and to ensure greater involvement of elected members in the process.

Summary of Main Findings – Corporate Level (Cont'd)

Criterion 2 We have an effective corporate framework for planning and budgeting.

The planning framework is well developed, although it operates better in some services than others. Three-year revenue budgeting is the main issue that the Council plans to address under this criterion.

Criterion 3 We manage our Best Value reviews effectively.

The Best Value review process is well structured but the Council have recognised that there are a number of issues to be reviewed to improve the process. Issues identified at service level should be addressed through the actions planned.

Criterion 4 We have an effective approach to public performance reporting.

The Council has identified a sound approach but it has yet to be fully implemented. Actions planned at corporate level will ensure that information is made more easily accessible and ensure consistency across departments.

Innovative and successful practice

A number of innovative practices were identified as follows. Further information is noted in Appendix I of the main report.

- Best Value Log Book
- Employee Communication Strategy
- Strategic Information Working Group
- Intranet
- Training for Best Value Review Teams
- Database of Best Value review recommendations
- dundee.gov.uk
- Development of Corporate Information and Communications Strategy
- Neighbourhood Forum Feedback

Overall Conclusion – Service Audits

Issues affecting services that are Corporate issues have been highlighted within each section as appropriate. These include:

- greater involvement of members in the Best Value review process.
- Better ability to match resources to plans, including development of three-year revenue budgeting and recognition of the impact of corporate management and some resources (staff and assets).

The actions included at corporate and service levels should address these issues.

Overall Conclusion – Follow-up Audits

Follow-up audits showed good progress in all services for some actions, especially in Libraries. In all cases further actions are still needed to complete the improvement actions identified last year. There was evidence that the action plans had been linked with other plans and used actively to take issues forward. Revised action plans for all three services were agreed to address the slippage from last year's plans, and in some cases to take forward new issues identified from the work done so far.

Social Work had actively revised actions to make them wider where this need had been recognised during implementation. There was clear evidence of all the actions being taken forward within the wider context of the service.

Dundee Contracts had a number of actions that had made good progress but also a number that had made little or no progress. Most of these had slipped because they were inter-related and dependent upon the implementation of Powersolve systems. This has now become an urgent issue that must be addressed as soon as possible.

Corporate issues identified last year have either been progressed or are included now in one of the improvement actions plans at Corporate or Service level.

Overall Conclusion - Corporate, Service and Follow-up Audits

Our overall conclusion is that the evidence presented for audit, including the self assessment templates, was a realistic reflection of the progress made so far by the council in implementing a PMP framework, both at a Corporate and Service level. A number of innovative and good practice points were identified and the improvement action plans addressed all significant weaknesses identified by the self-assessment process at both the Corporate and Service level.

Acknowledgements

The co-operation and assistance given by all officers contacted during the course of this review is gratefully acknowledged. There was a clear commitment given by officers at all levels within the service to the completion of the PMP submission and it was evident from the meetings held during the review and from the standard of documents provided that a significant level of resources had been deployed on the exercise.

List of improvement actions: Corporate PMP Audit

Council: DUNDEE CITY COUNCIL

Contact: Paul Carroll

1. Description of the planned improvement.	2. Why has this improvement been chosen and which PMP criteria does it relate to?	3. What is this improvement intended to achieve? This should be both specific and measurable.	4. What are the key project milestones for this improvement? These should detail both relevant actions and timescales.	5. How will you know whether the improvement has achieved what it was meant to?	6. In which of your plans (e.g. service plan) is this improvement detailed?
1. Conduct a consultation process concluding in December 2001 with elected members and staff on the council's approach to best value with the aim of establishing a new long-term implementation plan and ways of involving members and staff better in the overall process.	The Council requires a new implementation plan to take it through the next five years. The need to involve Elected Members and employees in designing the new implementation plan has been identified in the assessment. Self Assessment criteria 2 & 3	A new five-year implementation plan that delivers the elements of Best Value with clear projects and objectives agreed by the Policy & Resources Cttee by December 2001. Clear framework for Elected Member input in the plan development and in their role in implementation.	Consultation paper & process submitted to Management Team in April 2001. Committee Report by June 2001 Draft proposals to Top Level Seminar Oct. Final Report to Committee on new plan by December 2001	There will be a new implementation plan for upto 2006. Clear high level roles and responsibilities spelled out. A refreshed approach to the role of Members and employees in the development and implementation of the plan. Higher scores in the 2001 employee survey on consultation and involvement.	Corporate Planning Service Plan.
2. Measurement of employee knowledge and understanding of Best Value in the next scheduled corporate employee survey – 2001.	Measurement of employee knowledge and understanding of Best Value to drive improvements in employee communication and involvement in the strategy. Self-Assessment criteria 1 – 5.	Higher scores in the 2001 employee survey on consultation and involvement.	Employee Survey will be Aug – Oct. 2001	Questions and results in employee survey report. Detail of results on this question examined by Best Value Officers Group and action taken where required as a consequence of the analysis.	Personnel & Management Service Plan.

1. Description of the planned improvement.	2. Why has this improvement been chosen and which PMP criteria does it relate to?	3. What is this improvement intended to achieve? This should be both specific and measurable.	4. What are the key project milestones for this improvement? These should detail both relevant actions and timescales.	5. How will you know whether the improvement has achieved what it was meant to?	6. In which of your plans (e.g. service plan) is this improvement detailed?
3. A detailed three-year Revenue Budget will be established by August 2001 and the principle of operating a rolling three-year Revenue Budget programme made effective from that date.	The financial plans of the Council must be closely aligned with the Council Plan. The more detailed the financial plans, the less likelihood there if of the Council's corporate objectives being blown off course. Self Assessment Criterion 14	More detailed long-term planning should improve the efficiency and effectiveness of resource usage. This should be measurable through improvements in Performance Indicators over the period 2002-2005.	First Detailed three-year Revenue Budget available in August 2001. First Detailed three-year Revenue Budget to be agreed by Committee in February 2002, thus establishing the three-year rolling programme.	The three-year Revenue Budget will feed in to the Council Plan for 2002-2005.	Corporate and Finance Department Service Plans.
4. Conduct a consultation exercise on a set of proposals to make multi year planning and budgeting a stronger feature in the decision-making framework and culture of the Council for introduction and use for a three-year plan 2002 - 2005.	three-year budgeting and planning is an emerging and complex change in the culture of the Council. To get the political and managerial process right will require consultation and involvement of all the stakeholders involved. Self Assessment criteria 14	A clear link between the overall council priorities and the allocation of resources so that each manger has a clear indication of changes planned for their service in the three-year period including financial targets.	Consultation to take place in the run up to the first to the August Deadline above. Evaluation of that process to be complete by Oct 2001. Recommendations for the future fed into New Best Value Plan by Dec 2001.	The Council Plan 2002-2005 will be able to include clear budgets for projects that tie in with priorities over the three-year period.	The Corporate & Finance Department Service Plans.

1. Description of the planned improvement.	2. Why has this improvement been chosen and which PMP criteria does it relate to?	3. What is this improvement intended to achieve? This should be both specific and measurable.	4. What are the key project milestones for this improvement? These should detail both relevant actions and timescales.	5. How will you know whether the improvement has achieved what it was meant to?	6. In which of your plans (e.g. service plan) is this improvement detailed?
5. A new process for selecting Best Value reviews that enables wider issues as well as service delivery to be selected for a Best Value Review will be introduced and in a way that clearly involves elected members in the process of selection by June 2001.	The rolling programme of reviews requires new reviews to be added to it and a wider criteria for selecting review topics. Consultation with staff and elected members is required to get the same level of commitment (or even higher) to the new programme of reviews as the first program. Self Assessment Criteria 21,22, 30	A new set of review topics agreed by the Policy & Resources Committee that were selected after a process of consultation with Elected members and that cover cross – cutting, corporate issues and provide scope for involvement and challenge.	Customer Journey Reviews agreed by Jun. 2001. Process for Strategic Reviews agreed by Oct. 2001. Initial Selection by Dec. 2001.	There will be a smaller number of higher level review teams carrying out Best Value reviews with clear Elected Member involvement in the process.	Best Value project plan.
6. A new five-year review programme will be devised by December 2001 for commencement in March 2002.	The Council is coming to the fourth year of a five-year program and the future program requires to be in place by the end of the next year. Assessment criteria 21,22	A program of reviews agreed by the Council in place till 2004/5	To be determined based on action numbers five by Dec. 2001. A long term approach in place by Mar. 2002.	Report to committee with detailed program and new reviews resource to conduct the review.	Best Value Project Plan
7. Introduce a section to the Council Web Site that brings together the Corporate & Service Plans with indicators of performance that allow easy access to information of interest to different stakeholders by June 2001.	This is an extension of the corporate plan to cover the same process for service plans but also better signposting and links the information, its purpose and how to use it. Assessment criteria 35 d,e,f, 36.	An easy to use performance-reporting element to the Council web site clearly signposted with links from other relevant pages. Measurement on hits for the pages.	All Service Plans and Performance Updates on the Intranet by Jun 2001. Performance Charting tools on Intranet by June. Web page design for performance reporting by Sept. Launch reporting pages Oct.2001	Use of the pages result in feedback from a range of different groups.	Corporate Planning service Plan.

1. Description of the planned improvement.	2. Why has this improvement been chosen and which PMP criteria does it relate to?	3. What is this improvement intended to achieve? This should be both specific and measurable.	4. What are the key project milestones for this improvement? These should detail both relevant actions and timescales.	5. How will you know whether the improvement has achieved what it was meant to?	6. In which of your plans (e.g. service plan) is this improvement detailed?
<p>8. Carries out a detailed audit of how Departments are Public Performance Reporting.</p>	<p>The Council needs to provide a systematic way of checking that its Public Performance reporting meets the requirements of the PMP Audit. Self Assessment criteria 34</p>	<p>Evidence that performance reports and plans are proactively communicated to Stakeholders.</p>	<p>Departments update PPR framework document already issued (Mar 2001). Corporate report is compiled after some sample checking for best practice internally Jul. 2001. Include new standards for PPRg in new plan Dec. 2001.</p>	<p>Higher scores in consumer surveys re communication and continually improving trends on results due to increased accountability.</p>	<p>Best Value / EFQM assessment reports.</p>

DUNDEE CITY COUNCIL

**Abridged Management Letter
Superannuation Investments
Interim Audit - 2000/01**

External Audit Report No: 01/11

Draft Issued: 26 April 2001

Final Issued: 8 May 2001

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MANAGEMENT SUMMARY

Introduction

This is the fifth and final year of our appointment as external auditors to Dundee City Council. We planned to conduct a cyclical review of the key accounting systems within the Council during our appointment. As part of our review, we assess the internal controls that form an integral part of each accounting system. An effective internal control system is an essential part of the efficient management of any organisation and responsibility for this rests with the members and officers of the Council.

As part of our 2000/01 audit plan, a review of the Superannuation investments was carried out, which included the Council's Pensions Section, in addition to the performance of the fund managers.

Scope of the audit

The scope of the work covered the admittance of other bodies into the Fund, the investment performance of the fund managers (including the Transport Fund), the role of the Superannuation Sub-Committee and the procedures in place within the Pensions Section. Two separate Best Value reviews were completed during 1999 and the action points for implementation from these reviews were followed up as part of this audit.

The overall objectives of the work were to ensure that:

- any admitted bodies to the fund meet the relevant criteria before being admitted,
- fund managers are regularly monitored and performance benchmarks are being achieved,
- the Sub-Committee meets regularly and receives the necessary reports,
- the procedures in place within the Pensions Section are robust and the internal controls are operating satisfactorily.

Audit approach

Bodies recently admitted to the fund were checked to the existing criteria laid down in Committee report No. 131/96.

The two recent Best Value reports on fund managers and the Pensions Section were reviewed. The action plans from these reports were followed up to ensure that the recommendations had been implemented.

Minutes of the Superannuation Investment Sub-Committee were reviewed and points to be actioned were followed up during this audit.

In addition to the above, we carried out both compliance and substantive testing to ensure that the internal controls in place within the systems in operation are operating satisfactorily.

Overall conclusion

The systems in place for Superannuation investments, admitted bodies, fund managers and the Pensions Section controls are generally operating satisfactorily with some good practice points noted later in this section. However, a few minor weaknesses were found and our main recommendations are summarised on page 2 and all of our recommendations are detailed in the action plan at section 2.

Good practice points

As part of our review, we look for instances of what we consider to be points of good practice and we noted the following:

- Reports received from other Local Authorities on the fund managers’ systems are reviewed.
- Tayside Superannuation Fund policy on “Socially Responsible Investment” produced in conjunction with Hymans Robertson.
- Two Best Value reviews have been carried out recently and action points produced.
- Personal appearance by all of the Fund managers at the Superannuation Investments Sub-Committee meetings.

Summary of main recommendations

System	Observation	Recommendation
Admitted Bodies	<input type="checkbox"/> Monthly contributions received from the admitted bodies are not processed onto the individuals’ records on the Pensions Section computer system until a year-end exercise is carried out.	The individuals’ records on the Pensions Section computer system should be updated each month upon receipt of the monthly contribution sheets.
	<input type="checkbox"/> The Consultative Forum meets once every two years and not every six months as approved by committee.	The Sub-Committee should consider the adequacy of and approve the current timescale for the Forum meetings.
Fund Managers	<input type="checkbox"/> The Statement of Investment Principles has not yet been published as required by the regulations.	The Statement of Investment Principles should be published as soon as possible.
Pensions Section	<input type="checkbox"/> There is a 13-week deadline for advising new starts of joining the scheme that may be missed where this section has not received the paperwork.	Any new start paperwork not yet received by the Pensions Section should be chased with their employer before the 13-week deadline.
	<input type="checkbox"/> No Internal Audit involvement over the past few years or included in the current year’s programme.	Internal Audit should consider including a review of the Pensions Section in their next annual plan.
Superannuation Investment Services Best Value Review	<input type="checkbox"/> The report recommended a review of the fund managers that has still to be carried out.	The review should be carried out as soon as possible.
	<input type="checkbox"/> The training manual for Elected Members is still to be completed and issued.	The training manual should be completed and issued at the earliest opportunity.

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Action plan

The action that we consider necessary on each observation is noted in the main report and an action plan for implementation of these recommendations can be found in section 2.

To aid the use of the action plan, our recommendations have been graded to denote the level of importance that should be given to each one. These gradings are as follows:

- A Fundamental issues that require the consideration of the Superannuation Investment Sub-Committee.
- B Significant matters that the Director of Finance can resolve.
- C Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

Acknowledgements

The co-operation and assistance given by the officers contacted during the course of our audit is gratefully acknowledged.

ACTION PLAN

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer	Agreed Completion Date
	<i>Admitted Bodies</i>					
1.4.1	The records on the computer system should be updated each month upon receipt of the monthly contribution sheets.	B	Staff resources do not permit the monthly recording of this. However, procedures will be put in place to ensure that any new contributors are identified quickly for bodies who return sheets monthly.	N	C Ross	1/5/01
1.4.2	The Sub-Committee should consider the adequacy of and approve the new timescale for Forum meetings.	A	The original timescale of twice a year proved too frequent. A report will be submitted to Sub-Committee seeking a change to annually.	Y	S Flight	23/5/01
	<i>Fund Managers</i>					
2.4.1	The Statements of Investment Principles should be published immediately.	B	This will be published with the next set of Pension Fund Accounts.	Y	S Flight	30/9/01
2.4.4	The SCT is asked to arrange for a review to be carried out and the Council subscribe for the report. Alternatively, the Council could consider carrying out the review itself.	A	The SCT will be asked to co-ordinate such a review. However the assurance currently given by the FRAG21 report is such that it is deemed unnecessary for the Council to carry out its own review.	Y	S Flight	30/6/01
	<i>Pensions Section</i>					
3.4.2	Internal Audit should consider the Pensions Section as an area for inclusion in their next annual plan. Cyclical audits could then be carried out covering all of the different areas in operation over a period of time.	B	To be included in 2002/03 Plan. Pension Fund Management and Pension Fund Administration included in current Internal Audit Strategic Plan.	Y	S Dailly	1/4/02

ACTION PLAN

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer	Agreed Completion Date
3.4.3	The monthly contributions should be processed upon receipt and a check should be carried out to ensure that where contributions are received from new starts the section has the appropriate paperwork. Missing paperwork can then be chased timeously.	B	As noted in 1.4.1 monthly processing is not possible. However, checks will be undertaken regarding new starts.	Y	C Ross	1/5/01
	<i>Best Value Reviews</i>					
4.4.1	This review should be carried out and reported to the committee as soon as possible.	B	The review of the structure of the Fund will be completed and reported to the Sub-Committee.	Y	S Flight	31/3/02
4.4.2	This manual should be completed as soon as possible, with the aim of issuing it to the Elected Members by a new deadline date. The impact of the COSLA training day will obviously affect the production of this.	B	Consultation is continuing with other Scottish administering authorities regarding this issue. However, if this does not progress specific guidance will have to be provided.	Y	S Flight	31/12/01