

REPORT TO: AUDIT AND RISK MANAGEMENT SUB-COMMITTEE 10 JUNE 2002
REPORT ON: EXTERNAL AUDIT – ABRIDGED REPORTS
REPORT BY: EXTERNAL AUDIT
REPORT NO: 521-2002

DUNDEE CITY COUNCIL - 2001/02 AUDIT

INFORMATION COMMUNICATIONS AND TECHNOLOGY REVIEW (“ICT”) REVIEW

EXECUTIVE SUMMARY

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We are pleased to find that the overall arrangements for the provision of Information, Communications and Technology within Dundee City Council are geared to customer service and addressing the government’s e-government agenda. In particular, steps have been taken in respect of developing an Information Strategy and ensuring that new projects adhere to the Strategy. Other areas of good practice include:

- ◆ Access arrangements to the unit at Gardyne Road;
- ◆ The arrangements for delivering and supporting the service;
- ◆ The use of performance measures;
- ◆ Software is introduced in a controlled environment;
- ◆ Back up arrangements are suitably documented;
- ◆ The network has been built in a structured manner.

In addition to recognising the good practice already in operation however, we have highlighted a number of areas where improvements can be introduced, in particular:

- ◆ The Council should ensure that the computer operations unit is housed in a secure location and with appropriate environmental controls in place;
- ◆ Consideration should be given to rationalising processing to make the best use of facilities available and staff resources;
- ◆ The Council should develop their ICT Security Policy and develop a framework within which computer security can be monitored;
- ◆ The Council should re-assess the importance of ICT to its business and update Business Continuity Plans and develop Disaster Recovery Plans that can be activated in the event of ICT failure;
- ◆ The Council should document the Network Strategy.

ACTION PLAN

No.	Page/ Para Ref.	Recommendation	Importance	Responsibility	Agreed	Audited Body's Comments	Action Date
		Strategy					
1	12/6	Formal procedures for reviewing and updating the Information and Communications Strategy should be adopted.	Medium	Corporate Planning Manager	Yes	A process will be proposed which will establish a six-month review of progress and re-assessment of priorities.	August 2002
2	13/8	An annual implementation plan should be produced that details all major initiatives.	Medium	IT Implementation Manager	Yes	When the annual bids have been ratified, an implementation plan will be drawn up and presented to the management team for approval.	April 2003

No.	Page/ Para Ref.	Recommendation	Importance	Responsibility	Agreed	Audited Body's Comments	Action Date
		Structure					
3	14/3	Consideration should be given to rationalising the position of the network specialists.	Medium	Head of IT	In principle	During the initial deliberations on the structure, this was one of the main concerns discussed. We are carefully monitoring the current situation and, while we agree in principle that the network specialists are a small group, we do not think that any of the other possible structures we have contemplated, would be any better for the overall running of the Division. The fact that they are physically split, under different managers, does not mean that they cannot communicate closely and work well together. In fact they are actively encouraged to do this by both managers. We are intending to formalise this by setting up a Networking Group to look at the development of a Networking Strategy, and hopefully to monitor the efficient workings of the corporate network.	June 2003

No.	Page/ Para Ref.	Recommendation	Importance	Responsibility	Agreed	Audited Body's Comments	Action Date
4	14/4	The security responsibilities of staff should be included in job descriptions.	Medium	Head of IT	Yes	The whole issue of security, including the development of a security policy, will be examined and this will be one of the resulting actions.	Dec. 2002
5	14/5	A review of computer operations in tayside house should be carried out.	Medium	Director of Personnel and Management Services Director of Finance Head of IT	In principle	This situation was reviewed about two years ago, involving Personnel & Management Services, Finance, I.T. and the Unions. The outcome was the current manning levels with a rolling programme of staff interchange and shadowing for purposes of providing cover for each other. The current situation will be further reviewed.	June 2003
		Installation Management					
6	16/3	Urgent steps should be taken to ensure the security of the main computer operational unit in Tayside House.	High	IT Manager Customer Services	Yes	A complete review of the computer room environment is already in progress.	August 2002

No.	Page/ Para Ref.	Recommendation	Importance	Responsibility	Agreed	Audited Body's Comments	Action Date
7	16/4	Steps should be taken to ensure that the environment in which the main computer equipment in Tayside House is located is adequate.	High	IT Manager Customer Services	Yes	As above	August 2002
8	16/6	Documented procedures should be developed for the introduction and deletion of users to the Council's applications.	Medium	Head of IT	Yes	Currently the issue of passwords for all centrally controlled systems is in writing (or e-mail) from an authorised person in each Department. Systems run from within Departments should be following the same procedure, but as there appears to be doubt about whether this is happening, instructions will be issued. We will also look at a process of using a report from Payroll of all leavers to initiate the deletion of access rights.	Dec. 2002
9	17/7	Steps should be taken to ensure that passwords are not issued on verbal instruction and procedures should be put in place to require passwords to be changed at regular intervals.	High	IT Manager Software	Yes	Good practice on the issuing of passwords will be issued. While we agree that passwords, where practical, should be regularly changed, in some cases this will be very difficult to achieve.	Dec. 2002

No.	Page/ Para Ref.	Recommendation	Importance	Responsibility	Agreed	Audited Body's Comments	Action Date
10	17/8	The Council should monitor illegal attempts to access systems and take appropriate action.	High	IT Manager Support	Yes	The whole area of illegal access will be reviewed and a common procedure put in place.	Dec. 2002
11	19/2	The Council should formalise a Security Policy as soon as possible.	High	Head of IT	Yes	A team will be put together to develop a Security Policy.	Nov. 2002
12	19/5	The Council should identify a Security Officer.	Medium	Head of IT	Yes	As stated in my comments on no. 4 above, security will be subject of a complete review, and a consequence of the review may well be a Security Officer appointment.	Dec. 2002
13	19/7	Steps should be taken to formalise procedures for the re-issue of second hand equipment.	Medium	IT Implementation Manager	Yes	This process will be reviewed and a procedure developed.	April 2003

No.	Page/ Para Ref.	Recommendation	Importance	Responsibility	Agreed	Audited Body's Comments	Action Date
14	19/9	Consideration should be given to developing a policy on the replacement of equipment/software on a periodic basis.	Medium	Chief Executive Director of Finance Head of IT	Yes	Budget considerations are meaning that no firm planning has been possible. We are currently using most of the budget allocated to us, through leasing, to try and alleviate the increasing problem. We are continuing to look for any solutions within our very tight budget restrictions.	Dec. 2002
15	20/12	Back up files should be stored in a secure and appropriate location.	High	IT Manager Customer Services	Yes	Formal procedures will be drawn up and monitoring put in place.	Dec. 2002
		Contingency Planning and Business Continuity					
16	21/3	Steps should be taken to reduce the risk to ICT services.	Medium	IT Manager Customer Services	Yes	This is currently under review.	Dec. 2002
17	21/5	Business Continuity Plans should be updated and tested on a periodic basis.	High	Departmental ICT Liaison Officers	Yes	We will issue guidance, and offer assistance to Departments who will require to draw up the Business Continuity Plans.	January 2003

No.	Page/ Para Ref.	Recommendation	Importance	Responsibility	Agreed	Audited Body's Comments	Action Date
18	21/6	Disaster recovery plans should be developed and tested and procedures put in place for regular review.	High	Head of IT	In concept	While we accept the concept of disaster recovery planning, our thoughts on approach vary considerably from system to system. We are currently involved with the Risk Manager from Finance on a review of the most critical systems to the Council.	January 2003
		Networking					
19	22/4	The Network strategy should be documented and reviewed at appropriate intervals.	Medium	IT Implementation Manager	Yes	A formal Network Strategy will be developed and documented.	Sept. 2002
20	22/6	Steps should be taken to ensure the resilience of the network to minimise the loss of a major node.	Medium	IT Implementation Manager	Yes	A Network Strategy Group will be set up to monitor the performance of the network and to bring forward suggestions for improvement.	Sept. 2002

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*DUNDEE CITY COUNCIL – 2001/2002 AUDIT
REVIEW OF THE AGREED ACTION PLANS*

EXECUTIVE SUMMARY

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Introduction

1. As part of the 2001/02 audit, a review of the actions taken by the Council to implement the recommendations made in the following management letters issued by Henderson Loggie was carried out:
 - Loans Fund – 2000/01, dated 5 January 2001
 - Members' Services, dated 6 April 2001
 - Superannuation Investments, dated 8 May 2001
 - Housing: Income collection – 2000/01, dated 4 July 2001
2. As this is the first year of our appointment, the opportunity was taken, where appropriate, to conduct an overview of the systems in operation to gain an understanding of how they operated. Consequently, certain recommendations have been made.

Audit Findings

Loans Fund

3. The agreed recommendations contained within the management letter have been addressed by the Council

Members' Services

4. The agreed recommendations contained within the management letter have been addressed by the Council

Superannuation Investments

5. It was noted that four of the seven agreed recommendations have not yet been fully implemented.

Housing Income Collection

6. Five of the sixteen previously agreed recommendations have not yet been implemented. Included in these were recommendations that an electronic journal be retained and that password controls be strengthened. These have now been superseded by the introduction of the new cash receipting system on 1 April 2002.

Recommendations

7. The recommendations that have not yet been fully implemented are contained in the action plan following this summary. The recommendations have an updated management response and new action date.
8. Recommendations arising from the follow-up review are contained in a separate action plan.

Partially implemented recommendations that require further action

Superannuation Investments						
NO	Original Recommendation	Original Response	Original Date	Responsible Officer	Updated management Response	New Date
2.4.4	The Society of County Treasurer's (SCT) is asked to arrange for a review (of Fidelity) to be carried out, and the Council subscribe for the report. Alternatively, the Council could consider carrying out the review itself.	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.	30/06/01	Principal Treasury and Investment Officer	Fidelity has not yet been reviewed by SCT, due to their limited involvement in Scottish local government fund management. A formal approach is to be made to SCT. Reliance has been placed on the external audit report on Fidelity, produced by Pricewaterhouse -Coopers, Chartered Accountants in February 2001 (2002 Report awaited).	31 July 2002

NO	Original Recommendation	Original Response	Original Date	Responsible Officer	Updated management Response	New Date
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 the different areas in operation over a period of time.	To be included in 2002/03 Plan. Pension Fund Management and Administration included in the current Internal Audit Strategic Plan.	01/04/02	Principal Internal Auditor	Now included in draft 2002/03 Plan – still to be finalised.	1 Apr 2002
4.4.1	This (<i>Best Value</i>) review should be carried out and reported to the committee as soon as possible.	The review of the structure of the Fund will be completed and reported to the Sub-Committee.	31/3/02	Principal Treasury and Investment Officer	The external consultants appointed to undertake this review, have still to commence the task. It is anticipated that the Review will not be finalised until December 2002.	Dec 2002

NO	Original Recommendation	Original Response	Original Date	Responsible Officer	Updated management Response	New Date
4.4.2	This (<i>Best Value</i>) 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.	Consultation is continuing with other Scottish administering authorities regarding this issue. However, if this does not progress, specific guidance will have to be provided.	31/12/01	Principal Treasury and Investment Officer	CIPFA Elected Member training will re-commence after the council elections in 2003. In-house training is currently underway, utilising both Council staff, and external fund managers. A Reference Guide for Members will be submitted to the Sub-Committee cycle in May/August 2002.	May – Aug 2002

The previous recommendation 2.4.4 was classified by Henderson Loggie as “A”, the other three being classified “B”

Recommendations arising from the follow-up review

Members Expenses				
No.	Recommendation	Responsible Officer	Management Response	Action Date
<i>Review finding: Procedural instructions are in the process of being compiled by the Senior Admin Assistant</i>				
1	Once compiled, the procedural instructions should be formally approved by a senior officer – <i>Medium Priority</i> .	Director of Finance	The finalised procedures will be approved by the Director of Finance.	31 May 2002
<i>Review finding: Members' expenses claims are not formally authorised prior to payment, although provision is made on the claim for such authorisation</i>				
2	Expenses claims should be formally authorised for payment – <i>Medium Priority</i> .	Principal Treasury and Investment Officer	The expenses claims will be formally authorised by the Principal Treasury and Investment Officer or the Banking Services Accountant.	30 Apr 2002

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Mr D K Dorward
Director of Finance
Dundee City Council
28 Crichton Street
DUNDEE
DD1 3RJ

3 April 2002

Dear Mr Dorward

Dundee City Council – 2001/02: Comparison of Rateable Values

As part of a joint exercise for the 2001/02 audits of the Council and Tayside Joint Valuation Board, a review was undertaken of the controls in place to ensure that the Assessment Roll maintained by the Finance Department for billing purposes was in accord with the Valuation Roll maintained by the Assessor. Data was obtained from the Valuation Roll and compared to the data held on the Assessment Roll.

Our review established that regular reconciliations take place between the Rolls and appear to be operating satisfactorily. Ten individual potential errors were highlighted in the data comparison, all of which were satisfactorily resolved by explanations received from the Finance Department staff involved. Two minor changes were made to property records within the Rates system, neither of which affected the amounts billed.

In view of the satisfactory conclusion to our review no recommendations are necessary. This management letter will therefore take the place of a management report and, presumably, will be remitted to the appropriate committee meetings.

I would like to thank all staff involved for their co-operation

Yours sincerely

Iain Black
Senior Audit Manage

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DUNDEE CITY COUNCIL - 2001/02 AUDIT

FRAUD AND CORRUPTION - REVIEW OF OVERALL ARRANGEMENTS

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Introduction

Public money raised through taxation should only be used for approved purposes. There is, therefore, a need for high standards of probity in the public sector and proper stewardship of public funds. The importance of this area has recently been emphasised with the introduction of the Ethical Standards in Public Life (Scotland) Act 2000 which, among other measures, will lead to the introduction of a Standards Commission for Scotland and the requirement for the setting up of a register of interests for councillors.

As part of our 2001/02 audit, we carried out an overview of the arrangements within the Council for the prevention and detection of fraud and corruption. This focused on the existence of overall controls, such as the provisions within Standing Financial Instructions and fraud policies, and the arrangements for receiving and investigating complaints of suspected fraud and corruption. Separate management reports will continue to be issued on specific controls within the Council's main financial statements.

Our main findings are summarised below, with a recommendation contained in the Action Plan following this Summary.

Main Findings

In broad terms, the Council has a satisfactory series of guidelines aimed at the prevention and detection of fraud and corruption:

- Standing Orders and Financial Regulations set out a broad framework and address the main risk areas. A local Code of Conduct for Members and Officers has also been in place within Dundee Council since March 2000. This is based on national guidance and deals with issues such as conflicts of interest and gifts and hospitality
- an 'Anti Fraud and Corruption Policy and Strategy on Local Taxation and Benefits' has also been established since October 1999. This sets out a series of measures aimed at preventing fraud in a high risk area such as housing and council tax benefits, including the use of data matching and the establishment of a Fraud Hot-Line
- the Council has also introduced a 'Helpline for Employees – Disclosure of Information' policy which is aimed at encouraging staff to act as 'whistleblowers' and alert management to the possibility of fraud or corruption

While the 'Anti Fraud and Corruption Policy and Strategy on Local Taxation and Benefits' sets out the Council's commitment to the prevention and detection of fraud in an important Council activity, the Council has not approved and formally adopted a policy covering arrangements for fraud and financial irregularities in the other major financial systems.

ACTION PLAN

Recommendation	Responsible Officer	Management Response	Action Date
The Anti Fraud and Corruption and Strategy Policy in place for Local Taxation and Benefits should be extended to cover arrangements for fraud and financial irregularities in the other major financial systems <i>Category: High risk</i>	Director of Finance	Agreed in principle	September 2002
