DUNDEE CITY COUNCIL

Abridged Management Letter
Computer Services Review

2000/2001

External Audit Report No: 01/14

Draft Issued: 6 November 2001

Final Issued: 7 January 2002

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MANAGEMENT SUMMARY

Introduction and Objectives of the Audit

This is the fifth and final year of our appointment as external auditors to Dundee City Council (the Council). As part of our cyclical approach to the audit of the Council, we conducted a review of computer services. Our review was undertaken in three phases; Phase one was a high level review of arrangements in place within the IT Services Division, Phase two aimed to ensure that adequate controls are in place over the licensing of computer software in use within the Council; and Phase three involved a review of arrangements for the proper registration of the Council's information systems for data protection purposes.

In each area of the review, our work involved an assessment of the operation of internal controls. This report sets out findings from our review of the systems and controls in operation. The weaknesses outlined are only those that have come to our attention during the course of our normal audit work and are not necessarily therefore all the weaknesses that may exist.

Although this report includes a number of specific recommendations to strengthen internal control, it is the responsibility of management to decide the extent of the internal control system appropriate to the Council. 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.

Audit Approach

A computer services questionnaire was issued to the Council's IT Division for completion. Our work involved a review of the completed checklist and the documentation received to support the responses included on the questionnaire. Further investigation was then undertaken by means of a series of interviews and discussions with the IT Engineering Manager, IT Procurement Officer and the Data Protection Officer.

Findings from previous Internal Audit reports and the results of the Council's IT Services Division's Best Value Reviews were also examined and considered as part of this review.

Action Plan

The action, which we consider necessary on each issue is highlighted within the full report for clarity. However, an action plan for implementation of these recommendations is at Section2.

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

A   Fundamental issues which require the urgent consideration of senior management.

B   Significant matters which require the attention of senior management.

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 officers during the course of this review is gratefully acknowledged. In particular, we would like to thank the Engineering Manager within the IT Services Division who provided a significant level of assistance throughout the review.

Summary of Main Findings and Conclusions

Computer Services Overview

Whilst concluding satisfactorily in overall terms on the work undertaken, we noted a number of points that require the attention of senior management. We appreciate that major management reorganisation within IT services is currently underway and that once complete a number of important initiatives, including the implementation of BS7799 on information security and management, will be progressed. The management reorganisation should be completed as soon as possible.

Our review highlighted a number of areas of good practice including the production of a corporate ICT strategy and production of written procedures based on the ISO9000 standards.

Licensing

The review of computer licensing controls in place within the Council identified a number of areas where improvements to current working practices would benefit the Council; the absence of a formal inspection process to ensure unauthorised software is not in use, the difficulty of being able to identify a specific item of hardware that independently purchased software has been installed on, and the devolved management of software procurement for primary schools to Education, are some of the areas identified. Our review also highlighted a number of areas of good practice including the implementation of Thin Client Technology, which secured a number of benefits including the reduction in costs associated with anti-virus, theft and maintenance, and the reduction of risk in relation to the use of unauthorised software.

Data Protection

Our review of the arrangements in place to ensure suitable registration of the Council's information systems for data protection purposes established that a current Data Protection policy had not been produced and written procedures were not in place to assist management and staff secure compliance. We identified the need for staff training and awareness of data protection issues to be more effectively highlighted to Council employees. We were unable to confirm the existence of procedures designed to ensure that the new requirements of the 1988 Data Protection Act are implemented within acceptable timescales.

In addition, the Council continues to use the Data Protection 1984 Act stationery to correspond with the Registrar.

ACTION PLAN

Para Ref & Page	Recommendation	Grade	Comments	Agreed	Responsible Officer For Action	Agreed Completion Date
1.4.6 Page 12	***Computer Services Overview*** **IT Strategy Development and Strategic Planning** **R1** The IT Division should compile a detailed 'SMART' action plan to ensure implementation of the Information and Communication strategy.	**B**	An action plan exists on a corporate basis for the implementation of the ICT Strategy. This was compiled by Corporate Planning for the ICT Working Group. It was last updated in May 2001 so will require a further audit and update by January 2002. This will include more recent decisions regarding training and smart card developments. Following the above internal review a fuller list of project tasks and resources will be produced.	Y	Paul Carroll	11/02/2002
1.5.3 Page 12	**Organisation** **R2** The reorganisation of the IT Services Division should be completed as soon as practicable.	**A**	Completed.	Y	D White (Head of Information Technology)	Complete

ACTION PLAN

Para Ref & Page	Recommendation	Grade	Comments	Agreed	Responsible Officer For Action	Agreed Completion Date
1.5.3 Page 12	**R3** The service plan should be updated as soon as possible to reflect the new divisional structure and distribution of workload.	B		Y	D White (Head of Information Technology)	31/3/2002
1.7.5 Page 13	**IT Security** **R4** In order to ensure adequate security measures are in place, the IT Services Division should endeavour to implement a formal mechanism for managing security, including BS7799.	A	Work has been ongoing on this for some time and will continue as quickly as possible, given our current resources.	Y	Richard Atkinson (IT, Corporate Strategy)	Ongoing
1.7.9 Page 14	**R5** The solutions identified by management following the Internal Audit review of inventory records should be implemented as soon as possible and compilation of a detailed 'SMART' action plan will assist in this process.	B	This is a major problem and a major task, which we know we must carry out. To achieve the required level of control, we believe we need additional software, which is very expensive and as yet has not been acquired.	Y	D White (Head of Information Technology) T Simpson (Information Technology)	31/3/2003

ACTION PLAN

Para Ref & Page	Recommendation	Grade	Comments	Agreed	Responsible Officer For Action	Agreed Completion Date
1.8.1 Page 14	**Contingency Planning** **R6** A comprehensive review of the criticality of IT systems and the development of contingency plans should be undertaken as a matter of priority to ensure the continual provision of systems and the availability of information to support the Council's operations and provision of services in the event of any disruption to IT services.	A	The criticality of IT systems is continually under review and contingency plans are regularly considered, and risk assessments on disaster recovery needs are often discussed and while no formal disaster recovery plan for systems is in place, we believe our current policy is best value.	Y	D White (Head of Information Technology) T Simpson (Information Technology)	Ongoing
1.8.1 Page 14	**R7** Formal written procedures should be compiled to assess the risk and contingency needs of the Council; contingency plans for each system should also be developed and tested.	A	While in concept this recommendation is logical, at present this would not be practical. However, a formal written procedure of risk and contingencies for major systems is feasible.	Y	T Simpson J Crawford (Information Technology)	31/3/2003
1.9.2 Page 15	**Best Value Reviews** **R8** An implementation plan should be compiled to ensure that the outstanding action points from the Best Value reviews are taken forward within a reasonable timescale.	B	Best value reviews are regularly updated and every effort is made to ensure continual improvement. The outstanding actions are not considered major, and will be considered when our E.F.Q.M. action plans can accommodate.	Y	D White (Head of Information Technology)	Ongoing

ACTION PLAN

Para Ref & Page	Recommendation	Grade	Comments	Agreed	Responsible Officer For Action	Agreed Completion Date
2.2.3 Page 16	***Review of Computer Licensing*** **Findings** **R9** The IT Services Division should investigate enhancements to the current Business Support System so that any independent software purchases can be identified and linked to the item of hardware on which they will be installed.	B	Business Support Systems is currently under review, and the changes will be linked to actions under R5.	Y	D White (Head of Information Technology)	31/3/2003
2.2.4 Page 16	**R10** The IT Services Division should regularly request the spreadsheet of licenses from Phoenix Software and following the possible enhancement of the Business Support System, reconcile it to their records.	B	As R9 above.	Y	D White (Head of Information Technology)	31/3/2003
2.2.6 Page 17	**R11** The IT Services Division should carry out an inspection of a sample of PC's on an ad-hoc basis to satisfy itself that staff are adhering to the guidelines.	C	A certain degree of monitoring is carried out, but until a detailed inventory system is in place, this would be difficult to achieve.	Y	T Simpson (Information Technology)	Sept 2003

ACTION PLAN

Para Ref & Page	Recommendation	Grade	Comments	Agreed	Responsible Officer For Action	Agreed Completion Date
2.2.11 Page 17	**R12** In order to ensure IT Service Division is carrying out its corporate responsibilities, the Education Department should inform division of any purchases of software for primary schools. The division should also investigate the current procurement procedures within the Education Department to ensure that they are adequate.	A	***Council comment –*** Primary schools across the authority work from a common software suite. IT are involved in the purchase and installation of this core software. The core software accounts for the majority of software purchases in Primary. Any additional software purchases are made from DSM budgets with input from the Education Department ICT Support Team as appropriate. IT Division are consulted in terms of systems compatibility and for network installation. Almost all hardware purchases are made through IT. IT issue a regular catalogue for procurement and the IT Division purchasing Officer works closely with the Education Department ICT Team to determine needs and advice for schools. All network software is installed through IT however it is impossible for Education or IT to manage any software that is installed on stand alone machines or cdr packages that require only local installation. Catalogues here would not reduce the risk of illegal software use. ***Auditor comment –*** management comment accepted for software funded by DSM budgets, however, the IT Services Division is responsible for procurement of software from the corporate IT budget and should make arrangements to ensure that the procedures operating in Education are adequate and an inventory of all primary school software is maintained.	N	Paul Clancy (Education)	

ACTION PLAN

Para Ref & Page	Recommendation	Grade	Comments	Agreed	Responsible Officer For Action	Agreed Completion Date
2.2.13 Page 18	**R13** Written procedures should be compiled to ensure a consistent approach is adopted for the management of remote users.	**B**		Y	T Simpson (Information Technology)	31/3/2003
3.2.4 Page 20	***Data Protection*** **Findings** **R14** The Council should produce a formal policy and procedures document in relation to Data Protection. It is recommended that the IT Division is consulted before plans are finalised to ensure compliance.	**A**	A document entitled, "The Data Protection Act 1998 -Implementation Guidance" has been produced for staff in consultation with the IT Division.	Y	Roger Mennie (Legal Manager)	Completed
3.2.4 Page 20	**R15** Employees of the Council should be educated on Data Protection to ensure all data protection requirements are identified and properly dealt with. This can be achieved through increased use of the Council's Intranet and appropriate documentation, to disseminate data protection information and guidance.	**B**	A Question and Answer site on Data Protection has been set up for staff on the Intranet. In addition to the documentation referred to above, the implementation of the Data Protection Act guidance is produced.	Y	Roger Mennie (Legal Manager)	Completed

ACTION PLAN

Para Ref & Page	Recommendation	Grade	Comments	Agreed	Responsible Officer For Action	Agreed Completion Date
3.2.6 Page 21	**R16** The Data Protection Officer should use the standard 1998 Data Protection Act stationery for all correspondence with the registrar.	**B**	The Data Protection Officer has commenced use of the standard 1998 Data Protection Act Stationery for correspondence with the Registrar.	Y	Roger Mennie (Legal Manager)	Completed
3.2.3 Page 20	**R17** The Support Services department establishes a working group to ensure that the requirements of the new 1998 Data Protection Act are implemented and staff awareness is increased.	**A**	The Support Services Department are assisting all other Council Departments in implementing the requirements of the Act and have raised awareness of the Act among staff.	Y	Roger Mennie (Legal Manager)	Ongoing

REPORT TO: AUDIT AND RISK MANAGEMENT SUB-COMMITTEE 18 FEBRUARY 2002   ITEM 2(b)
REPORT ON: EXTERNAL AUDIT – ABRIDGED REPORTS/MANAGEMENT LETTERS
REPORT BY: EXTERNAL AUDITOR
REPORT NO: 144-2002

DUNDEE CITY COUNCIL

Abridged Management Letter
Dundee Contract Services : Major Contracts - 2000/01

External Audit Report No: 01/15

Draft Issued: 13 November 2001

Final Issued: 18 December 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 2000/01audit plan, a review of the Major Contracts element of the work carried out by Dundee Contract Services was carried out. This review examined the systems operating within Dundee Contract Services and incorporates purchasing, estimating, cost control, payroll, data input, bonus, stores and financial management information.

The total value of new construction work carried out by Dundee Contract Services, on contracts exceeding £50,000, was £5.8million.

Scope of the audit

Following an initial meeting with Ian Cumming, Chief Surveyor/Estimator and Bob Jack, Contracts Manager it was agreed that the scope of the exercise would encompass all stages of Major Contracts > £50,000 as follows :-

1. Estimating
2. Purchasing
3. Payroll
4. Bonus
5. Stores
6. Valuations

In addition, the administrative and information technology framework that supports the process was also examined.

Audit approach

It was agreed with the Chief Surveyor/Estimator that walk-through testing on two major projects would provide the bulk of the audit evidence. Compliance and substantive testing on specific areas as deemed necessary, following the completion of CIPFA Internal Control Questionnaires (ICQs), would complement this. A conscious decision was taken to select one negotiated contract i.e. awarded without external competition (a replacement windows contract – Foggley 1st) and a contract won in open competition via the formal tendering process (Children's Respite Unit, Gillburn Road, Dundee).

Interviews were conducted with staff in all areas examined, to document the way in which major contracts are progressed through the various sections.

Overall conclusion

No major problems were identified within the systems and procedures operating generally within the major contracts process. However, recommendations have been made in certain areas where improvements to procedures could be made to the benefit of Dundee Contract Services. These are highlighted in the action plan in section 2 and explained in further detail within the main report.

Several recurring issues were apparent during the review and whilst there are no specific recommendations contained within the report to rectify these issues, it is felt that these over-riding matters should be brought to the attention of management.

Firstly, there is a general reliance on manual processes and limited use of the available information technology resources. The delivery of the I.T. Training Plan has not been progressed as quickly as expected. Given the opportunities that exist for the application of information technology in the major contracts process it was deemed appropriate to stress this point.

Secondly, the way in which the Purchasing Section is currently set-up means that there is minimal segregation of duties. This situation has been exacerbated by the historical difficulties faced in providing adequate clerical support for the Purchasing Officer and we would accept that this has contributed to many of the difficulties highlighted for further action in the main report in relation to purchasing.

Good practice points

Dundee Contract Services has developed a "Fast Track" system, which allows a quick turnaround in the estimating process for urgent jobs requested by client departments.

Action plan

The action that we consider necessary for all of our observations is addressed in more detail within the full report. However, 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 Director of Dundee Contract Services.

B   Significant matters that can be resolved by senior managers.

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 thank the Support Services Manager, the Chief Surveyor/Estimator, the Quality Manager and all other Dundee Contract Services staff who assisted us in the completion of our interim audit work.

ACTION PLAN

Para & page Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
1.1	**Estimating** A typed sheet should be produced by the estimator when he issues the instructions to the Purchasing Officer regarding which goods and services are required and which companies are specified as potential suppliers (where appropriate). This typed sheet should allow the status of each enquiry to be tracked for each supplier.	**B**	The current methodology employed by estimators will be examined and the development of an appropriate typed document will be progressed.	Yes	I.Cumming, Chief Surveyor/ Estimator	31 March 2002
1.2	The calculation process should be conducted in spreadsheet format to minimise the chance of mathematical error.	**C**	This will be addressed by developments arising from the Council's forthcoming e-procurement process. It is not considered appropriate to adopt a spreadsheet methodology in the intervening period as manual calculations are checked and this provides acceptable levels of control.	No	N/A	N/A

ACTION PLAN

Para & page Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
2.1	**Purchasing** The select list of suppliers should be subjected to a fundamental review to remove obsolete supplier details and to update the details for legitimate companies listed. A separate file of companies removed from the list should be kept for reference purposes. This exercise should be repeated on a quarterly basis.	**B**	Implementation of this recommendation is subject to the delivery of the recommendation in section 2.2. The fundamental review recommended will only be a practical proposition once an effective appraisal framework is in place.	Yes	B.Patrick, Quality Manager	30 June 2002
2.2	The amendment of the stock control system to include an extra screen for collecting data on suppliers and the quality of each delivery will allow positive as well as negative assurance on the performance of suppliers. This should be augmented by formal independent confirmation from the Quality Manager before the status of a supplier is amended.	**A**	An I.T. Development request form was submitted to the I.T. Department on 17 September 2001 regarding this issue. It is hoped that the necessary resources will be made available to progress this systems development in the near future.	Yes	B.Patrick, Quality Manager	31 March 2002

ACTION PLAN

Para & page Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
3.1	**Payroll** The standard Dundee City Council new start form should be completed for all new additions to the payroll.	**B**	**Discussions are ongoing with the Finance Department and the Leisure and Arts Department regarding the imminent amalgamation of Parks with Dundee Contracts. These discussions will address the adoption of a standard document for new starts.**	Yes	J.Martin, Support Services Manager	31 March 2002
3.2	The Personnel Department should be issued with a copy letter of appointment when any new employee is set up on the Dundee Contract Services payroll.	**B**	Since local government re-organisation in 1996 the Personnel Department do not want copy letters of appointment.	No	N/A	N/A
3.3	A list of authorised signatories should be produced which clearly states the level of authorisation for each staff member listed.	**A**	The authorisation levels attached to posts and individuals will be examined with a view to developing a sustainable register of authorised signatories.	Yes	W.Hutchinson, Employee Services Officer	31 March 2002
3.4	**Timesheet form DCS-RM-09 should be amended to remove the operator's signature box.**	**B**	The form will be amended to remove this box. Introduction of the new form will be held back until the new financial year. This will allow the existing stock of forms to be run down.	Yes	B.Patrick, Quality Manager	31 March 2002

ACTION PLAN

Para & page Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
3.5	The current practice of signing only the top copy where there are multiple sheets of contract timesheets should be discontinued and all individual Forms DCS-CON-07 should be signed by the relevant operative.	**B**	Individual supervisors will be made aware of their responsibility to ensure that the operatives they are supervising sign all contracts timesheets.	Yes	A.Murray, Assistant Contracts Manager	31 March 2002
4.1	**Bonus** **The bonus claim form should be amended to clarify what the site supervisor is signing for as laid down in the work instruction for Operatives Weekly Bonus Claim Sheet, DCS-CCM-07.**	**B**	The bonus form will be amended to clarify this point.	Yes	B.Patrick, Quality Manager	31 March 2002
4.2	A spreadsheet should be devised which will allow automatic checking of bonus claim form details with timesheet details.	**C**	The development of such a spreadsheet will be progressed.	Yes	I.Cumming Chief Surveyor/ Estimator	31March 2002
4.3	The Bonus Section should be advised of all amendments to timesheet details to allow a corresponding amendment to the bonus calculation where appropriate.	**B**	A check is already made of productive against unproductive hours. This is not considered to be a material issue as any amendments to timesheets could result in both under and overpayment.	No	N/A	N/A

ACTION PLAN

Para & page Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
5.1	**Stores** Before receiving materials procured specifically for contracts, all authorised individuals should be required to complete a Contracts Material Requisition Form DCS-CON-08.	**B**	This will be progressed through briefings of site agents. In addition, stores personnel will be reminded that the appropriate form must be completed before materials are issued to site agents.	Yes	J.Martin, Support Services Manager	31 March 2002
6.1	**Valuations** The information currently manually prepared should be calculated using a spreadsheet package.	**C**	Two Cost Control Officers are currently using Excel. There is a training issue for the other Cost Control Officers and the Training Officer will be advised of this training need. This will be considered for approval by the Director of Dundee Contract Services.	Yes	I.Cumming, Chief Surveyor/ Estimator	31 March 2002
6.2	The creation of a diary reminder system will allow final valuation certificates to be actively pursued.	**B**	The creation of a diary reminder system will be progressed using Microsoft Outlook. The supporting information flow will be finalised following discussions between the Support Services Manager and the Chief Surveyor/Estimator.	Yes	J.Martin, Support Services Manager	31 March 2002

ACTION PLAN

Para & page Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
7.1	**Administrative Support and I.T.** The folder containing the password details should be held in a secure location and the computer disk containing the password details should be password protected.	**B**	This issue will be progressed to ensure adequate security.	Yes	J.Martin, Support Services Manager	31 January 2002
7.2	**The enquiries book should be replaced by a spreadsheet form, which can be sorted and analysed to track the progress of each project, and to identify wider trends such as the proportion of quotations returned.**	**C**	This will be addressed as part of the implementation of the recommendation outlined in section 1.1	Yes	I.Cumming, Chief Surveyor/ Estimator	31 March 2002

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REPORT ON: EXTERNAL AUDIT – ABRIDGED REPORTS/MANAGEMENT LETTERS
REPORT BY: EXTERNAL AUDITOR
REPORT NO: 144-2002

DUNDEE CITY COUNCIL

Abridged Management Letter
Review of Internal Audit Arrangements
2000/2001

External Audit Report No: 01/18

Draft Issued: 31 October 2001

Final Issued: 21 November 2001

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MANAGEMENT SUMMARY

Introduction

The national Value for Money report on the provision of internal audit services in Scottish local government - "A Job Worth Doing" was published in August 2001. This local report builds on the national report in placing the performance of Dundee City Council in a national context and also provides an action plan for tackling the specific weaknesses identified at a local level. This approach provides a means of improving the standard of internal audit service delivery in a targeted and realistic manner which recognises that local factors influence the timeframe for change.

All councils are required to have in place arrangements for ensuring propriety, regularity and value for money in their stewardship of public funds. It is the responsibility of management to ensure that adequate internal controls are in place in order to:

❏ ensure sound corporate governance
❏ ensure that their council's resources are applied in the manner and on the activities intended
❏ deter fraud and impropriety
❏ ensure most effective use of resources.

Internal audit supports management in maintaining sound corporate governance and internal controls. It does this by independently examining and evaluating council systems, and reporting any inadequacies in internal control for action by management.

There have been a number of developments in recent years to strengthen corporate governance and internal control in local government, including the Leadership Advisory Panel (LAP), and the joint report by CIPFA and SOLACE. Other developments that present significant challenges for internal audit include the modernising government agenda and electronic service delivery.

All of these factors will have an impact on councils' arrangements for internal audit and the skills that internal auditors will need to provide an effective audit service.

Background

The Controller of Audit's overview report on the 1998/99 local authority audits refers to the high incidence of weaknesses in internal audit arrangements reported by external auditors. The most common concerns included:

❏ inadequate resourcing of the internal audit function
❏ involvement in non-audit work
❏ inadequate planning
❏ shortcomings in reporting
❏ inadequate access to specialists, eg IT auditors.

These shortcomings suggest that some internal audit services may not be functioning effectively. This could result in weaknesses in the design of systems or failure to alert management to controls not operating effectively. Where internal audit is not operating to a satisfactory standard, there is a risk that the council's management of internal control mechanisms may lapse or be less effective.

Also, there have been a number of developments in recent years to strengthen corporate governance and internal control in both public and private sectors. These developments have had a significant impact on directing the way an internal audit function should operate.

Background (Cont'd)

In the private sector, there have been a number of reports[1] promoting the principles of sound corporate governance. These have included the Cadbury report and more recently the Turnbull Committee report.

In the public sector, developments over the last few years to strengthen corporate governance have included, the introduction of internal control assurance statements and audit committees in the NHS, and the adoption of audit committee principles by a few councils in Scotland.

Local government in Scotland needs to respond more fully to these developments to ensure that standards of internal control and internal audit at least match those in other sectors. There are a number of current developments specific to local government that are also likely to have an impact on councils' internal audit services:

❏ In 1999, the Macintosh Committee recommended that 'every council should carry out a review of its management of business and working practices, under the guiding principles of accountability and accessibility' … 'so that the council may scrutinise the actions of the leadership and hold it to account for its performance.'

❏ In October 2000, CIPFA published an updated code of practice for internal audit in local government. CIPFA will be issuing an internal audit manual for local government in November 2001.

❏ Later this year, the McNish committee is expected to report on council structures, which may have implications for audit committees and therefore internal audit.

❏ CIPFA, together with SOLACE, issued the report "Corporate Governance in Local Government – A Keystone for Community Governance" in the summer of 2001.

Study objectives

This study is designed to help councils to achieve Best Value from their internal audit arrangements. The main study objectives are:

❏ to assess the extent to which the council's internal audit services meet the standards of good practice set out in the CIPFA Code of Practice for internal audit in local government[2]

❏ to promote best practice in internal audit

❏ to make recommendations that will help the council to develop a Best Value internal audit service.

Audit Approach

The approach and methodology was developed by Audit Scotland in consultation with a study advisory group, the chief internal auditors group, and a panel of external auditors. Six critical success factors were identified, with these being supported by 15 statements of good practice and 97 individual tests on council processes and outcomes (Exhibit 1).

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[1] 1992 *The report on the Committee of Financial Aspects of Corporate Governance* (the Cadbury report) defines corporate governance as 'the system by which organisations are directed and controlled'. Cadbury suggested three important principles: openness, integrity, and accountability.

1994 The Rutterman working group published its guidance *'Internal Control and Financial Reporting: Guidance for Directors of Listed Companies Registered in the UK.'*

1995 The Greenbury Committee provided recommendations on good-practice in determining directors' pay.

1995 The Hampel Committee produced a '*Combined Code'* for stock exchange listed companies embracing the Cadbury Committee guidance, the Greenbury Committee, and its own work.

1999 The Turnbull Committee report '*Internal Control: Guidance for Directors on the Combined Code'* has provided guidance on how the combined code should be implemented.

[2] Code of Practice for internal audit in local government in the United Kingdom, CIPFA, September 2000.

Audit Approach (Cont'd)

Exhibit 1: The critical success factors and their linked statements of good practice

Councils' internal audit functions were assessed against these statements of good practice through 97 individual tests drawn from the Code of 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. Robust 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

This performance model was used to conduct an independent assessment of Dundee City Council's internal audit service. The detailed examination of each of the 6 critical success factors is addressed separately within the Main Report.

The assessment was based on interviews and evidence gathered from the Chief Executive, Director of Finance and Chief Internal Auditor. The heads of Education, Housing and Social Work services were surveyed for their views on internal audit performance. In addition, benchmarking information on each councils internal audit service was collected, including an analysis of staffing numbers, expenditure and workload. This data was collated and analysed by Audit Scotland and returned to all local auditors.

Summary of Main Findings

The Internal Audit section of Dundee City Council lies within Performance Band 2 which indicates that it "generally complies with the CIPFA Code of Practice". However, to place this in a national context, the national benchmarking exercise found that no Councils fully complied with the Code and therefore improvement is required across Scotland.

The detailed analysis of Dundee City Council's internal audit service against the 6 critical success factors and the 15 linked statements of good practice is contained in the Main Report.

The particular strengths and weaknesses of Dundee City Council can be summarised as follows:

1. *Strengths*

   a) Maintaining Internal Audit Independence

   In common with most Councils, this was an area where overall compliance with the Code was broadly achieved. Only two areas were identified where compliance with the Code could not be fully demonstrated :

   ❏ The Chief Internal Auditor does not report directly to the Director of Finance as recommended by the Code. However, this is not viewed as an issue in terms of audit independence or operational effectiveness.
   ❏ The Chief Internal Auditor does not issue reports in her own name. However, we are satisfied that the Chief Internal Auditor can report without fear or favour and therefore we concur with the view that this is purely an administrative issue rather than an operational independence issue.

   b) Resourcing the Internal Audit work programme

   The previous staff resourcing issues faced by the internal audit section appear to have been resolved. The appointment of a Senior Internal Auditor should provide the Chief Internal Auditor with the operational support which she requires and will allow her to take on a more strategic role in the development of the service.

   The recruitment and retention issues faced by other Councils have not been a problem for Dundee City Council. There has not been a high staff turnover and any vacant posts advertised have been filled without undue difficulty.

   The number of qualified staff within the section is an issue for both the Chief Executive and the Director of Finance. However, the Chief Internal Auditor is confident that the skills and experience required to deliver an effective internal audit service are available to her either internally or externally (via out-sourcing for computer audit). The Chief Executive made the point that IT is a high priority area for the authority. However, it was noted that no computer audit days were sourced in 1999/00. The Director of Finance also highlighted the growth of e-commerce and therefore it is critical that an effective programme of computer audit is developed for the future.

   The Council-wide employee development and training initiative seeks to match individual training needs with training resources. This includes the Finance Department training budget and the devolved internal audit section specific allocation for training.

Summary of Main Findings (Cont'd)

2. Weaknesses

a) Reporting and Follow-up Arrangements

The benchmarking exercise highlighted this area as one of significant non-compliance across Scotland. The specific issues identified for Dundee City Council are as follows:

❏ An annual report on the soundness of the Council's internal control system is not currently produced. This is seen by the Chief Internal Auditor as something to consider for the future. However, the Chief Executive did express the opinion that whilst a control statement may be effective in the health service arena it does not necessarily follow that such an approach would be effective in a local government scenario;

❏ Documented procedures are not issued to staff for the production and clearing of internal audit reports although staff are aware that no reports should be issued without the approval of the Chief Internal Auditor;

❏ Reporting arrangements, including timescales for drafting, finalisation and management action are not agreed with management. It is accepted by the Chief Internal Auditor that the time taken to draft reports has historically been unacceptable.

❏ The action plans issued by internal audit do not fully comply with SMART criteria as responsibility and timescales for implementation of recommendations are not agreed.

❏ Internal audit does not report instances where management fail to implement agreed action plans. The Chief Internal Auditor indicated that the Audit Sub-committee is the appropriate forum to address such instances. This relies on the effective delivery of a planned programme of follow-up studies. However, the Director of Finance has stated that recommendations are not always followed up timeously and accepts that follow-up work is often the first thing to fall when slippage in the delivery of the audit plan occurs.

b) Holding Internal Audit to account for its performance

Only two Councils in Scotland achieved the highest performance band of 85 to 90% compliance with the Code in this critical success factor and therefore the level of non-compliance identified within Dundee City Council is not unparalleled. However, given the existence of an Audit Sub-committee within the Council this is an area in which Dundee City Council has an advantage and should therefore be expected to outperform most other Councils. The specific issues identified for Dundee City Council are as follows:

❏ The timesheets completed by each member of the internal audit section produce departmental summary information for trading accounts purposes rather than for performance monitoring purposes. As a result, the Chief Internal Auditor must currently extract the required detailed information on individual audits to obtain an overview of the time spent on each audit. The time spent is not compared against target completion days in order to monitor individual performance.

❏ Internal audit is not accredited under a national or international quality standard such as IIP or EFQM and has not assessed its performance using such techniques. However, there is a corporate commitment to EFQM and this is being cascaded down through the organisation at present.

Summary of Main Findings (Cont'd)

    2. Weaknesses (Cont'd)

        ❏   The dissemination of technical information to client departments is an area where the Director of Finance sees a more pro-active role for internal audit in the future. For example, relevant information from the Audit Scotland technical bulletins should be made available.

Good Practice Points

The specific training budget made available to the section is augmented by training sessions organised internally and delivered by staff from outwith the internal audit section. This allows internal audit staff to receive relevant targeted training at no direct cost.

Overall Conclusion

The general concensus amongst the Chief Executive, the Director of Finance and the three Heads of Service consulted during this review is a positive one. In a national context the internal audit section of Dundee City Council is ranked in the second highest quartile with the neighbouring authorities of Angus, Fife and Perth and Kinross. However, considerable progress is required to raise the standards to those reflected within the Code of Practice.

The staffing difficulties caused by the long term secondment of key staff to non-audit work has undoubtedly hindered the development of an audit manual, an audit charter and an effective performance monitoring regime. However, the appointment of a Senior Internal Auditor should free up more time for the Chief Internal Auditor to progress these strategic issues to conclusion. In addition, the forthcoming Best Value review of internal audit provides an excellent opportunity to critically examine the current service and develop a realistic and achievable action plan for continuous improvement. It is hoped that the action plan arising from this review will provide a useful starting point in tackling the priority areas.

Action Plan

The action, which we consider necessary on each issue, is noted within the main report. However, an action plan for implementation of these recommendations can be found in section two.

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 Director of Finance.

B   Significant matters which can be resolved by the Chief Internal Auditor.

    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 thank the Chief Executive, Director of Finance, Corporate Finance Manager, Chief Internal Auditor, Director of Education, Director of Housing, Director of Social Work and all officers and elected members of Dundee City Council who provided assistance during the course of our audit.

ACTION PLAN

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
1.1.1	*Setting Clear and Properly Focused Objectives* **Internal Audit Objectives and Terms of Reference** **A specific Audit Charter should be developed for internal audit in line with extant guidance issued by CIPFA and other relevant accountancy bodies. This Audit Charter should be developed by the Chief Internal Auditor in consultation with Chief Officers and should be formally agreed by the Audit Sub-Committee. In addition, the Council's Financial Regulations should be expanded to reflect all of the expected elements of formal terms of reference as laid down in the CIPFA Code of Practice.**	B	An Audit Charter is in the process of being drafted and subject to approval by the Chief Executive and the Director of Finance will be submitted to the next Audit Sub-Committee, which is scheduled in January 2002. The Council's Financial Regulations pertaining to Internal Audit will subsequently be reviewed and any amendments deemed necessary will be submitted to the Director of Support Services to be included in the next update of the Council's Standing Orders and Schemes of Administration.	Yes	Chief Internal Auditor	March 2002

ACTION PLAN

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
1.1.2	**The development of formal terms of reference for internal audit should reflect the Council's current and future corporate requirements. A clear distinction should be made between the core audit work of internal audit and any non-audit activity which may arise from the future development of the Audit Sub-committee.**	A	The assessment of the formal terms of reference will be embodied in the action to be taken to address the recommendations detailed in 1.1.1 above. As part of this exercise consideration will be given to the Council's Corporate Strategy.	Yes	Director of Finance / Corporate Finance Manager / Chief Internal Auditor	March 2002
1.1.3	**The formal terms of reference of internal audit should be published on the Council's intranet and all Chief Officers should be advised of this fact so that staff can be made aware that the document exists and is accessible to all staff. In addition, consideration should be given to the inclusion of the formal terms of reference of internal audit within any induction packs issued to new Council employees.**	C	It is recognised that the intranet is an appropriate forum to communicate such documents. Once approved, they will be published on the public area of the Finance Department's Intranet Site, which can be viewed by members of staff in all Council Departments. **It is not considered practical, at this point, to incorporate such documents into the induction process.**	Yes No	Chief Internal Auditor N/A	March 2002

ACTION PLAN

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
1.2.1	**Internal Control** **The Chief Internal Auditor should produce an Annual Internal Audit Report. This report should contain an overall assessment of the robustness of internal controls within the main systems that have been subject to review during the year.**	B	In the consultation exposure draft, the Code of Practice on Local Authority Accounting in the U.K. 2002, it is recommending that from 2002/2003 onwards Local Authorities will be required to include within their Accounts a statement on the system of internal financial control. It is likely that this will become a requirement and the implementation of the Annual Internal Audit Report will be part of this framework.	Yes	Director of Finance / Corporate Finance Manager / Chief Internal Auditor	June 2003
2.1.3	*Maintaining Internal Audit Independence* **Organisational Status** The allocation of audit assignments should always take cognisance of previous experience within the authority. No audit staff should be permitted to audit an area in which they have worked during the previous year.	B	A professional judgement is always made when allocating audit assignments and objectivity and independence are key factors, which are considered as part of this process. It is viewed that it is not beneficial to put an arbitrary time frame on this but to consider all relevant factors.	Yes No	Chief Internal Auditor	N/A

ACTION PLAN

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
3.2.3	**_Planning and Controlling Internal Audit Work_** **Planning Framework** The format of the audit assignment note should be revised to include a target completion date for each audit.	B	Already actioned.	Yes	Chief Internal Auditor	N/A
3.2.4	Amendments made to the annual audit plan should be identified when reporting progress to the Audit Sub-committee.	B	Agreed in principle but specific format of report is not yet finalised.	Yes	Chief Internal Auditor	March 2002
4.1.1	**_Resourcing the Internal Audit Work Programme_** **Managing, controlling and recording work** The draft audit manual, currently under review by the Chief Internal Auditor, should be finalised and issued to all audit staff.	B	. CIPFA has recently published (November 2001) a Local Government Audit Manual which is based on the one compiled by the Scottish Local Authorities Chief Internal Auditors Group. Each Scottish Local Authority is to receive a complimentary copy and the final manual for Dundee City Council will be based on the CIPFA Manual and the current local draft. The manual will be published on the intranet and will be able to be accessed by all Internal Audit Staff.	Yes	Chief Internal Auditor	March 2002

ACTION PLAN

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
4.2.6	**Staffing Resources** The future requirements for computer audit services should be re-examined to allow the development of an effective procurement strategy which matches anticipated risk with the resources required to procure the necessary services.	A	This will be undertaken as part of the 2002/2003 Internal Audit Planning Process.	Yes	Director of Finance / Corporate Finance Manager / Chief Internal Auditor	March 2002
5.1.1	***Reporting and Follow-up Arrangements*** **Reporting arrangements** Documented procedures for producing and clearing audit reports should be incorporated within the audit manual currently being finalised by the Chief Internal Auditor (Refer to 4.1.1).	B	Refer to comments in 4.1.1 above.	Yes	Chief Internal Auditor	March 2002
5.1.2	As part of the planning process for each audit assignment the lead auditor should agree the reporting arrangements, and a review timetable for key milestones, with management.	B	It is agreed that such arrangements, which are currently included within the planning process on an informal basis, should be formalised.	Yes	Chief Internal Auditor	March 2002

ACTION PLAN

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
5.2.2	**Follow-up** The layout of internal audit action plans should be revised to comply with 'SMART' criteria.	B	The format and content of the present layout is currently being assessed.	Yes	Chief Internal Auditor	March 2002
5.2.3	The memorandum issued by internal audit to accompany management letters should be amended to include a standard paragraph which explicitly states that should management fail to implement agreed recommendations then they must accept the risk resulting from their failure to act.	A	Agreed in principle that management should be aware of the risks faced by not implementing audit recommendations. Specific wording of such health warnings would require to be approved by the Director of Finance in conjunction with the Chief Executive.	Yes	Chief Internal Auditor	March 2002
6.2.1	***Holding Internal Audit to Account for its performance*** **Professional Standards** The inclusion of a specific register of interests, for all internal audit staff, within the proposed audit manual (Refer to 4.1.1) will provide the Chief Internal Auditor with a means of actively monitoring the interests of internal audit staff during the work allocation process.	A	Already actioned. The Dundee City Council Register of Officers' Interests form has been completed by all staff within Internal Audit and has been incorporated into the checklist for the induction of new staff	Yes	Chief Internal Auditor	N/A

DUNDEE CITY COUNCIL

Abridged Management Letter
School Property Risk Management Follow-up
2000/2001

External Audit Report No: 01/19

Draft Issued: 8 November 2001

Final Issued: 10 December 2001

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MANAGEMENT SUMMARY

Introduction

In January 1997, the Accounts Commission published *'A safer place: property risk management in schools'*, reporting the findings of a national value for money study of property risks in schools. That report:

❏ identified that crime is a dominant feature of school property risks, and, at that time, councils were losing some £12 million a year from property crime in schools; and
❏ encouraged councils to adopt a corporate commitment to risk management; and
❏ set out a framework of action, making specific recommendations on how councils should reduce avoidable losses by taking steps to protect schools most vulnerable to property crime.

A follow-up report *'A safer place: revisited'* was published by Audit Scotland in June 2001. The follow-up study provides an up-to-date picture of school property crime, and reviews councils' progress in implementing the recommendations from *'A safer place'*.

This local report builds on the national follow-up report in placing the performance of Dundee City Council in a national context and also provides an action plan for tackling the specific weaknesses identified at a local level. This approach provides a means of improving the standard of school property risk management in a targeted and realistic manner, which recognises that local factors influence the timeframe for change.

Background

Following Lord Cullen's Inquiry into the tragic events at Dunblane Primary School in March 1996, the Secretary of State for Scotland introduced a specific grant totalling £25m over three years (financial years 1997/1998 to 1999/2000) to assist councils to invest £33.3m to improve security in schools. Some of the measures taken by councils to provide a safer learning environment for pupils will also have improved physical protection for school buildings.

In July 1999, the Accounts Commission Management Studies Unit published a management guide on understanding and managing risk entitled *'Shorten the odds'*

Scope of the Audit

This local audit reviews the extent to which Dundee City Council has implemented the recommendations contained in *'A Safer Place'*. The audit also explores the impact that specific measures, adopted as a result of the Cullen report, have had in reducing property-related crime in schools.

Objectives of the Audit

The objectives of the local audit were as follows:

1. To identify the extent to which Dundee City Council has:

   ❏   Conducted a programme of risk assessment in all schools;
   ❏   Developed effective information systems to manage school property-related risks;
   ❏   Taken steps to counter vandalism in schools.

2. Compare the information gathered for the national study to assess the relative extent of Council losses from school property-related risks.

3. To identify any further action, which the Council should take, bearing in mind examples of good practice identified in other authorities.

Audit Approach

The approach taken to progress the study was one of self-assessment with a study group consisting of the Education Services Manager, Principal Insurance/Risk Management Officer and Property Co-ordinator completing two distinct self-assessment modules. Module 1 was designed around the recommendations contained in 'A Safer place' and was designed to provide an assessment of progress made towards implementation. Module 2 captured financial data on the direct cost of school property related crime. Our role as the external auditors was to support the study group, to provide the necessary independent challenge to the self-assessment process and to obtain supporting evidence to verify the progress stated. In addition, head teachers of schools who participated in the original study, published in January 1997, were surveyed to identify specific property-related risk management issues at school level. In the case of Dundee City Council this involved 10 primary schools, all of which completed and returned the survey form to the Performance Audit unit in Audit Scotland.

A summary of the main findings is outlined below. However, the detailed analysis of progress made against the 10 recommendations of 'A Safer Place' is contained in the Main Report.

Summary of Main Findings

The cost of vandalism in Dundee schools was £308,000 in 1999/00. This equates to £15 for every pupil and places Dundee City Council third behind Glasgow City and Aberdeen City in the ranking of councils with the highest vandalism costs per pupil. The Risk Management Section and the Education Department have worked closely to develop and implement risk management initiatives for tackling school property related risk. To place the progress made by Dundee City Council in a national context, the Council was one of only four authorities with medium or high vandalism costs to be singled out for praise within the national report for making good progress in implementing the recommendations from 'A Safer Place'. Whilst significant progress has been made, our review did highlight specific areas of strength and weakness in the approach taken by the Council. Two of these strengths were highlighted in the national report and are dealt with separately under the heading of Good Practice Points within this report. The remaining issues can be summarised as follows, in relation to the recommendations contained within 'A Safer Place':

2.   *Strengths*

a)   An organisational commitment to risk management

The approach taken by Dundee City Council is establishment specific and involves the evaluation of property risks and the security risks identified post-Cullen. The Education Risk Management Group provides the necessary forum to address ongoing

risk management issues facing educational establishments. This process involves the consideration of pilot schemes to tackle problem areas identified.

Summary of Main Findings (Cont'd)

Strengths (Cont'd)

b) Improving risk-management education, training and awareness

   The Risk Management Section has pursued a number of joint initiatives to raise awareness of risk management issues. These initiatives have raised awareness within schools and also in the wider general public. The involvement of teaching staff and janitorial staff in the risk assessment process for each school has also provided valuable training.

c) Identification of specific risk areas

   Schools are risk assessed by a working group involving property management, fire, police, health and safety and school management. The information from these assessments is combined with centrally held data to identify schools most at risk and to prioritise activities. The Education Risk Management Group, recognising that the pattern of losses may change over time, reviews the risks on a regular basis. Resources are targeted to those areas at greatest risk.

d) Development of effective information systems

   The Council's risk management system records all incidents of malicious damage and therefore provides a comprehensive database of losses incurred. The enquiry and report writing facilities allow for sophisticated interrogation of the database using a variety of fields. This allows analysis down to individual incident level but also allows grouping of incidents to identify wider trends. This provides a valuable tool in targeting risk management resources.

e) Providing corporate support for local solutions

   The Risk Management Section provides corporate support for local solutions in the form of financial assistance for joint initiatives and also in the provision of property related crime information. Head Teachers and School Boards are encouraged to identify problem areas and to address them through the appropriate channels. This may take the form of corporate support from the Education Department Property Section or via the Risk Management Section. The Education Risk Management Group allows discussion of issues raised at a local level and the discussion of associated funding options.

f) Steps to counter vandalism in schools

   The implementation of anti-vandalism measures is prioritised using historical property loss data. This means that action taken is reactive rather than based on an assessment of future risk. This reflects the transient loss patterns that make assessment of future risk extremely difficult achieve. The close working relationship between the Education Department and the Risk Management Section allows a sharing of information and knowledge that assists the prioritisation process and allows additional measures to be formally assessed before the funding is released. This close relationship also allows feedback on the effectiveness of the measures implemented.

Summary of Main Findings (Cont'd)

Strengths (Cont'd)

g) Minimise the incidence of false/faulty alarm calls

The revised cluster group meetings between the relevant Facilities Co-ordinator, Facilities Assistants, Education Department Property Officer and Police Crime Prevention Officer will provide a monthly forum for the exchange of information. The Education Department Property Section maintains records of alarm activations. These records show a reduction in false/faulty alarm calls since the revised janitorial arrangements were implemented.

Weaknesses

a) An organisational commitment to risk management

❏ The Council does have a corporate policy on risk management contained within a report to the Management Team. However, this document (whilst still in force) is now obsolete in that it refers to the creation of a Corporate Risk Management Group as a means of co-ordinating risk management activity. A new draft corporate policy has been developed but has not yet been approved by councillors.

❏ The costs of all property related risks are reported corporately via the Cost of Crime audit within the Community Safety Strategy. The Cost of Crime report is submitted every six months to the Neighbourhood Resources Committee. However, the progress made by the Council in reducing property-related risks, including those in schools, is not currently reported to councillors.

b) Provide Corporate Support for Local Solutions

Secondary and cluster primary schools share property related crime information. However, the development of a shared understanding with the wider community of the need to protect schools from property crime has not yet been fully developed through Neighbourhood Services Teams.

c) Designing crime out of new and refurbished schools

The Council's building design and planning guidelines do not specifically include a requirement to consult with police and fire services at an early stage of the planning process when designing new schools or refurbishing existing buildings.

Good Practice Points

The following areas were highlighted as examples of good practice within the national report *'A Safer Place: revisited'* published in June 2001:

❏ Schools are risk assessed by a working group involving property management, fire, police, health and safety and school management. The information from these assessments is combined with centrally held data to identify schools most at risk and to prioritise activities. The Education Risk Management Group, recognising that the pattern of losses may change over time, reviews the risks on a regular basis. Resources are targeted to those areas at greatest risk.

Good Practice Points (Cont'd)

❏ The Council has carried out cost benefit analysis on a number of measures to tackle school vandalism. This allows a more robust business case to be developed for the initial spending required to implement the new measures and provides for the true cost of vandalism (i.e. not just the cost of reinstatement) to be taken into account in any spend to save analysis. For example, a primary school situated on the periphery of Dundee has suffered severe vandalism over the years. The Council reviewed the cost of polycarbonate versus traditional glass. The additional cost of installing polycarbonate, as opposed to glass, in the school has been £10,000 (over a 3 year period). As a result of this investment, the cost of repairs last year was £1,302 (for 11 incidents). The average cost of repairs at four similar schools in Dundee last year was £6,750 (number of incidents per school ranging from 47 to 25). Therefore, the cost of the investment will be recovered within two years.

Overall Conclusion

The cost of vandalism is clearly a problem for the Council and this is reflected in the work done by the Education Risk Management Group to date. Significant progress has been made in implementing the recommendations within 'A Safer Place'. In a national context the Council has forged ahead in developing innovative approaches to risk management. The challenge for the future is to maintain this pro-active rather than reactive stance as the risks facing the Council change.

At a corporate level there is a need for a more cohesive corporate approach to risk management to enable the good progress made with the Education Department to be replicated across the Council. It is hoped that the revised corporate policy on risk management will provide the necessary framework to progress effective risk management initiatives.

Action Plan

The action, which we consider necessary on each issue, is noted within the main report and an action plan for implementation of these recommendations can be found in section two.

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 Director of Finance.

B   Significant matters that can be resolved by the Principal Insurance/Risk Management 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 Education Services Manager, Principal Insurance/Risk Management Officer, Property Services Co-ordinator, Head teachers of participating schools and all officers of Dundee City Council who provided assistance during the course of our audit.

ACTION PLAN

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
1.1.2	The revised draft corporate policy on risk management should be finalised as a matter of urgency.	A	Report prepared for Finance Committee in December 2001 which addresses this issue.	Yes	G.Mackenzie	12 December 2001
1.1.3	**A report should be produced for Councillors, at least annually, outlining the progress made by the Council in reducing property-related risks.**	B	To be incorporated through the Audit and Risk Management sub-committee which will soon be established.	Yes	G.Mackenzie	31 March 2002
1.3.3	**All schools should be reminded of the need to complete the standard incident reports and return them to the Risk Management Section in the Finance Department.**	B	Standard reporting already exists in the form of direct billing mechanism.	No	N/A	N/A
1.4.3	**The Council should pursue the possibility of developing a joint initiative with Tayside Police which would allow open two-way sharing of information of incidents of property related crime.**	A	Infrastructure (and action) to achieve this already exists via Police Community Safety Liaison Officer.	No	N/A	N/A

ACTION PLAN

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
1.8.1	The Council's building design and planning guidelines should be amended to specifically include a requirement to consult with the police and fire services at an early stage of the planning process for the building or refurbishment of schools.	A	Architectural Services have confirmed that the Police Liaison Officer and Tayside Fire Brigade are always consulted at an early stage of the design process and their recommendations and advice are normally incorporated within the design.	No	N/A	N/A