

REPORT TO: SCRUTINY COMMITTEE - 24 SEPTEMBER 2025

REPORT ON: INTERNAL AUDIT REPORTS

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 249-2025

1.0 PURPOSE OF REPORT

To submit to Members of the Scrutiny Committee a summary of the Internal Audit Reports finalised since the last Scrutiny Committee.

2.0 RECOMMENDATIONS

Members of the Committee are asked to note the information contained within this report.

3.0 FINANCIAL IMPLICATIONS

None.

4.0 MAIN TEXT

- 4.1. The day-to-day activity of the Internal Audit Service is primarily driven by the reviews included within the Internal Audit Plan. On completion of a specific review, a report which details the audit findings and recommendations is prepared and issued to management for a formal response and submission of management's proposed action plan to take the recommendations forward. Any follow-up work subsequently undertaken will examine the implementation of the action plan submitted by management.
- 4.2. In arriving at the overall assurance level for each audit, the assurance levels within the individual objectives do not always carry equal weighting. Findings from the audit are considered in total against the scope and risk levels to arrive at the overall assurance opinion.
- 4.3. Executive Summaries for the reviews which have been finalised in terms of paragraph 4.1 above since the last Scrutiny meeting are provided at Appendix A. The full reports are available to Elected Members on request. Reporting in Appendix A covers:

| Audit | Assurance level |
|------------------------------------------------------------|-------------------------|
| Climate Strategy and Delivery Plans | Substantial Assurance |
| Partnership Working - Dundee Alcohol and Drugs Partnership | Comprehensive Assurance |
| Young People in Residential Care - Missing Persons Process | Substantial Assurance |
| Capital Planning and Monitoring | Limited Assurance |

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

5.0 POLICY IMPLICATIONS

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

6.0 CONSULTATIONS

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

7.0 BACKGROUND PAPERS

None.

CATHIE WYLLIE, CHIEF INTERNAL AUDITOR

29 AUGUST 2025

(i) INTERNAL AUDIT REPORT 2024/15

| | |
|----------------|--------------------------------------------|
| Client | City Development |
| Subject | Climate Strategy and Delivery Plans |

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

The Council's Climate Strategies are comprehensively documented; however, the underpinning delivery plans are at an early stage of development. Fully establishing those plans will support successful delivery by supporting accountability and urgency in their implementation.

As this is the first year of implementation for both the Net Zero Transition Plan and the Local Heat and Energy Efficiency Strategy, we found that although processes appear generally sound, a limited amount of monitoring data is available to assess adherence to monitoring requirements. We have recommended ways in which these processes could be strengthened by incorporating analysis of sources of data and evidence.

Background

In October 2018, the International Panel on Climate Change (IPCC) released a pivotal report indicating that there were less than 12 years to take decisive action to mitigate the most severe impacts of climate change. In response to this urgent call, the Scottish Government committed to a legally binding target of achieving net-zero greenhouse gas emissions by 2045, with the goal of making Scotland carbon neutral by 2040. Building on this national commitment and in alignment with growing public concern over climate change, Dundee City Council declared a climate emergency in 2019. This declaration further reinforced the city's existing dedication to climate action, highlighted by the signing of the Covenant of Mayors for Climate and Energy by the Lord Provost and Council Leader in March 2018.

In 2019, Dundee City Council developed its Climate Action Plan through comprehensive collaboration with public, private, and community organisations. The plan focused on four key themes: energy, transport, waste, and resilience. Building upon this foundation, the Council released its Net Zero Transition Plan in November 2023. This plan outlines the Council's approach to achieving net-zero emissions by 2038 for its own operations, in alignment with the Scottish Government's targets for public sector buildings.

The Capital Plan for 2023-28 includes a £96 million investment aimed at addressing climate change and meeting net-zero emission targets. This investment supports initiatives such as active travel projects, energy system modernization, and the development of the Council's electric fleet. The Sustainability and Climate Change Team has led several key initiatives, including the creation of the £750,000 Dundee Climate Fund to support community projects. Additionally, the team has developed the statutory Local Heat and Energy Efficiency Strategy and the Local Area Energy Plan. Governance of the Council's Net Zero Transition Plan is provided by the Council Leadership Team, while the Dundee Climate Leadership Group, established in 2021, oversees the governance of the Dundee Climate Action Plan and the Local Area Energy Plan. This group brings together expertise from across the city to coordinate and drive collective action on climate change.

Scope

Conduct a review of the Council's management of climate change activity and compliance with Scottish Government legislation and regulation.

The review will be based upon the audit programme developed by the Scottish Local Authority Chief Internal Auditors Group (SLACIAG) for use across local authorities in Scotland.

Objectives

| | | Action Priority | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-----------------|---|---|---|
| | | C | H | M | L |
| A Climate Change Strategy is in place, which addresses national and regional direction, and organisational culture | Substantial Assurance | - | - | 2 | - |
| The Climate Change Strategy is regularly reviewed, and updated in line with legislative requirements | Comprehensive Assurance | - | - | - | - |
| The Council has identified the actions required to meet the targets and objectives set out within the Climate Change Strategy | Substantial Assurance | - | - | 1 | - |
| Adequate arrangements, supported by appropriate data, are in place for monitoring progress against the strategy and its underlying plan | Comprehensive Assurance | - | - | - | 1 |
| TOTAL | | - | - | 3 | 1 |

Nature of Recommendations

Three recommendations (medium, low) relate to the design of controls, and one (medium) to the operation of existing controls. This suggests that the control framework is generally sound but requires revision to fully address relevant risks.

Key Findings

The Council has not put in place arrangements to formally benchmark its strategy against other public sector bodies or comparable authorities. Variations in approach between different organisations complicate comparison in terms of the structure of plans, governance arrangements, underpinning processes, or performance against selected indicators.

The council is currently leading a benchmarking initiative to use a common tool to track, measure and report climate data under the Scottish Climate Intelligence Services (SCIS) reporting. This review will contribute towards an exercise to compare arrangements across Scottish Local Authorities

We identified areas of good practice:

- The Council's climate strategy and delivery plans outline objectives, actions, and timelines to support implementation, transparency, and effective progress tracking.

- Training and awareness communications on climate change and carbon literacy are provided to Council staff and elected members to support the integration of climate change into organisational culture.
- The Council has a process to regularly review the climate strategy and the progress of the associated action plan.
- Milestones and Interim targets are set for the long-term strategies and are regularly measured and monitored.
- The Council has a separate strategy in place to address statutory biodiversity obligations.
- A process has been implemented to collate and review emissions data, which aligns with published guidance.
- Appropriate measures are in place to regularly monitor the projected targets, report them and to scrutinise the reports at the committee level.

We have identified the following areas for improvement:

- The Council considers climate and sustainability impacts when making decisions, however the available guidance has not been updated to refer to the published strategy. Updating the guidance to refer explicitly to strategies and guidance would provide greater assurance that these aspects are fully considered in reports presented to Committee.
- Climate Action Plans need to be more clearly articulated to ensure accountability and urgency in their implementation. While plans set out an overall trajectory for emissions reductions, the contribution of individual actions and initiatives have not been quantified, limiting the ability of Services to prioritise or assess the delivery risk of the actions for which they are responsible.
- While appropriate measures are in place to monitor the projected targets, sufficient supporting evidence for each individual action is not consistently maintained.

Planned Developments

In the course of carrying out the review, we observed changes and improvements to processes that were in development or in the course of being implemented. Where this was the case, we have not raised recommendations provided we could obtain reasonable assurance that adequate arrangements were in place to see their implementation. Improvements that are in the course of being taken forward include:

- Implementation of a SharePoint site to enable Services to share information on the progress of Net Zero Transition Plan actions and monitor their delivery.
- Development of a revised reporting template for action progress, which is planned for use from mid-year 2025.
- Development of Council wide standard procedures for calculating organisational emissions, aligned with guidance covering compliance reporting for Climate Change duties.

Impact on Risk Register

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

- CDDP010 Climate Change / Environment (Inherent risk 5x5, residual risk 4x3)
- CDPE014 Climate Change / Environment (Inherent risk 5x4, residual risk 3x4)

- DCC004b CITY PLAN - Failure to address climate change / net zero (Inherent risk 5x5, residual risk 4x4)

The Climate Strategy and Delivery Plans are put in place to mitigate the risk that the Council fails to address climate change. There are two aspects to these plans: reduction of the Council's own emissions with the objective of reaching net zero in line with government targets; and putting in place measures to reduce the carbon emissions of the City of Dundee as a whole.

The Capital Plan 2023-28 included £96m of investment towards tackling climate change and delivering Net Zero Emission targets, and the Dundee Climate Fund consists of £750,000 for the implementation of statutory Local Heat and Energy Efficiency Strategy and the Local Area Energy Plan.

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

- Council's Public Bodies Climate Change Duty Annual Report
- Dundee Biodiversity Action Plan 2020-30
- Dundee Climate Action Plan
- Dundee Climate Leadership Group
- Engage with communities about the climate challenge and foster participation and collaboration to enable local action
- Intention to meet Net-Zero Greenhouse Gas Emissions by 2045 or earlier
- Local Area Energy Plan
- Local Food Growing Strategy
- Local Heat and Energy Efficiency Strategy
- Net Zero Transition Plan
- Regional Transport Strategy
- Take action to ensure our communities, green networks and infrastructure are adaptable to a changing climate and reduce the risks and vulnerability to unavoidable impacts
- Waste and Recycling Strategy Action Plan 2020-25

A Climate Risk and Vulnerability Assessment has been conducted to evaluate the climate change risks the Council may face and explore potential adaptation options. Although it is not a mandatory requirement, the Council have undertaken this assessment voluntarily to proactively identify and address these risks.

We observed that although some of the major risks identified under the Climate Change Risk & Vulnerability Assessment have been incorporated into Corporate and Service risk registers, there are some which have not been included. These include areas identified as high risk, such as the risks arising from high temperature, risks to terrestrial species, and risks to water quality and household water supplies.

Risk owners should consider whether the risks identified in the Climate Change Risk & Vulnerability Assessment are appropriately mitigated and evaluate if the Council risk registers should be updated to bring those risk areas and any mitigation measures within the scope of regular risk monitoring and reporting processes.

(ii) INTERNAL AUDIT REPORT 2024/02

| | |
|----------------|------------------------------------------------------------------------------------------|
| Client | Chief Executive Service, Neighbourhood Services and Children and Families Service |
| Subject | Partnership Working - Dundee Alcohol and Drugs Partnership |

Executive Summary**Conclusion****Comprehensive Assurance**

The Council has established effective governance arrangements that appropriately support its delivery responsibilities under the Alcohol and Drugs Partnership's Strategic Framework. Representation, planning alignment, and monitoring processes are all operating effectively.

Background

Alcohol and Drugs Partnerships (ADPs) are strategic bodies established according to a Scottish Government Framework to reduce the use of and harm from alcohol and drugs. The Framework is designed to bring together legislative requirements and statutory duties of public bodies with performance reporting requirements which relate to the Scottish Government's National Vision and Public Health Priorities.

Dundee City Council is a partner of Dundee Alcohol and Drug Partnership. The ADP is hosted within Dundee Health and Social Care Partnership (HSCP) and includes representation from statutory partners such as the NHS, and third sector organisations. The ADP is convened under an independent Chair not connected to any partner organisation. ADPs are expected to agree and publish a strategy and delivery plan which aim to achieve local outcomes to reduce the use of harms from alcohol and drugs. For the Dundee ADP this takes the form of the Dundee ADP Strategic Framework 2023-2028.

The objectives set out in the strategic framework and the actions identified in its associated delivery plan can impact upon the delivery of Council services in a number of ways.

- The Council or a Council Service may take responsibility for implementation of an ADP action which would not otherwise form part of the Council's statutory Service delivery.
- The strategic framework or the plan may influence the delivery of, or identify performance indicators for, existing Council social work or support services provided to Council residents.
- The strategic framework may form part of the planning environment for Council operational plans in areas which are not directly connected to the work of the ADP but are complementary to it.

In order for the Council's participation to be effective, it is necessary that the Council has robust arrangements to identify its commitments to the ADP, ensure that these are appropriately delegated, and their delivery monitored and reported back to the ADP.

Scope

Review of the arrangements which underpin the Council's delivery responsibilities under the Alcohol and Drugs Partnership's Strategic Framework, including delivery plans, progress monitoring, and engagement with other members of the Partnership.

Objectives

| | | Action Priority | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-----------------|---|---|---|
| | | C | H | M | L |
| Arrangements are in place to ensure that Services whose work is impacted by the Council's ADP commitments are appropriately represented at the ADP, and arrangements are in place to cascade any requirements to operational areas. | Comprehensive Assurance | - | - | - | - |
| Services have a mechanism which identifies instances where they are committed to delivering an action for, or on behalf of, the ADP and ensures that these are incorporated into their own operational planning. | Comprehensive Assurance | - | - | - | - |
| Services have arrangements in place to ensure that, where necessary, their operational plans are prepared to align with ADP objectives and performance indicators or are updated or amended should this be required. | Comprehensive Assurance | - | - | - | - |
| There are suitable monitoring and reporting processes within the Council, and arrangements for the Council to report on progress to the ADP. | Comprehensive Assurance | - | - | - | - |
| TOTAL | | - | - | - | - |

Key Findings

We identified a number of areas of good practice:

- The Council has implemented a representative structure that ensures appropriate engagement at all levels of the Alcohol and Drugs Partnership governance framework.
- Council representatives who attend the main ADP group and/or its various subgroups, create a link between the ADP and Council services with information flowing through these designated staff members back to their respective service management teams.
- There is a nested plan approach to ensure that ADP strategic priorities are effectively connect with service-level implementation, which enables strategic objectives established at the ADP level to cascade appropriately into operational activities at the service level.

- Service plans demonstrate consideration of ADP objectives and there are mechanisms in place to incorporate any changes to ADP strategies into service planning.
- Service performance indicators indirectly support broader substance use prevention and intervention strategies without duplicating ADP metrics.
- There are monitoring and reporting processes for tracking council activities and performance indicators that directly support the priorities of the ADP.

Impact on Risk Register

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

- Effectiveness of Partnerships (inherent risk 5x2, residual risk 5x3)
- DCC004a Failure to Adequately Address Poverty / Inequalities (inherent risk 5x4, residual risk 5x3)

Our audit examined the governance arrangements supporting the Council's engagement with the Alcohol and Drugs Partnership which relates directly to risk DCC002 (Effectiveness of Partnerships) where the ADP is specifically listed as a key partnership. We also found linkages to risk DCC004a (Failure to Adequately Address Poverty / Inequalities) given the relationship between substance use and wider inequality.

The controls reviewed align with several of the mitigating controls identified in the risk register under DCC002, particularly:

- Governance structure
- Joint vision and defined objectives
- Monitoring meetings
- Review meetings and reporting
- Performance management framework

Our findings indicate these controls are largely operating as intended for the ADP.

The "Governance Structure" control, which is rated as fully effective in Pentana, appears appropriate based on our findings. The ADP governance structure has been reviewed and improved to enhance alignment with wider Protecting People arrangements. Similarly, the "Monitoring meetings" and "Review meetings and reporting" controls demonstrate effectiveness through established reporting pathways with Council services providing progress updates on service-specific commitments to the ADP and relevant subgroups.

While existing controls capture much of the governance framework, our review identified that the reliance on designated staff members to create linkages between the ADP and Council services, while generally effective, introduces potential continuity risks if personnel changes occur. This dependency could be noted as a risk factor within the partnership effectiveness control framework.

Based on our findings, we consider that the current "fully effective" rating appears appropriate for key controls related to governance structure and monitoring processes under DCC002, as these appear to be operating as intended for the ADP.

- Risk owners should consider adding a specific control related to knowledge management and succession planning for key partnership roles, acknowledging that the effectiveness

of current arrangements relies significantly on the expertise and relationships of designated representatives.

(iii) INTERNAL AUDIT REPORT 2023/11

| | |
|----------------|-------------------------------------------------------------------|
| Client | Children and Families Service |
| Subject | Young People in Residential Care - Missing Persons Process |

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

The Children and Families Service has established a process to ensure all missing individuals' incidents in Residential Care are reported on a timely basis, and actions taken to ensure the wellbeing of the young people. We have identified areas for improvement relating to adherence to the processes, and clarification of guidance around risk assessment, monitoring and management reporting. These recommendations will, if implemented, enhance the ability of the Service to demonstrate compliance, and support delivery of better outcomes for the young people in residential care.

Background

Residential care homes offer young people, usually of secondary school age, a safe place to live together with other children away from home. They provide accommodation and support. Young people are placed in residential care on the recommendation of a Children's Hearing Panel or on an emergency, short-term basis to guarantee their safety.

Dundee City Council operates six residential care homes, which accommodate approximately 30 children and young people at any given time. Residential care homes are externally inspected by the Care Inspectorate every 12 months to provide assurance over compliance with national standards.

In order to meet its statutory responsibilities in relation to children and young people in residential care, the process of care planning must consider risks of harm arising from being away from their place of residence, balanced with the dignity and independence of the individual. A fundamental aspect of this caring responsibility is exercising judgement as to when an individual is unexpectedly absent from the residence, and the appropriate action to be taken.

Scope

Review of the arrangements for risk assessment, planning for, and prevention of young people going missing from Residential Care. To include review of processes for identifying, recording, and responding to such instances.

Objectives

| | | Action Priority | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-----------------|---|---|---|
| | | C | H | M | L |
| There is a consistent and clearly communicated procedure which is implemented across young people's residences in the event that an individual is missing. | Substantial Assurance | - | - | 2 | 2 |
| There are clearly articulated criteria for the activation of the procedure. | Comprehensive Assurance | - | - | - | - |
| Risk assessments are in place for each residence, and for individual young people where appropriate, and these are periodically reviewed and kept up to date. | Substantial Assurance | - | - | 2 | - |
| Appropriate monitoring information is compiled and reported to provide assurance to management that these processes are working effectively, and to identify any trends or areas of unmanaged risk. | Substantial Assurance | - | - | 1 | - |
| TOTAL | | - | - | 5 | 2 |

Nature of Recommendations

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

Key Findings

We identified a number of areas of good practice:

- A clear and detailed communication procedure exists for reporting young individuals in residential care as missing.
- The absence procedure document clearly expresses the criteria for activating the missing person's process.
- The procedure document is consistent with the requirements of other stakeholders and has considered the documentation and communication requirements of the other related agencies.
- According to the reports and information provided by the service there is a significant reduction in missing persons incidents in the Children and Young people in residential care.

We have identified the following areas for improvement:

- We observed inconsistencies between the houses in adherence to absence procedures, primarily related to documentation and record-keeping requirements. While we did not perceive a direct risk of harm to the Children and Young People, introducing controls to ensure that incident information is collated and reviewed would provide greater assurance over the effectiveness of the procedures by enhancing opportunities to analyse trends and make any further changes/improvements and improving compliance with procedures.
- Monitoring and oversight of implementation of the procedure is inconsistent, and we found that not all information held by residences was reflected in records held centrally.
- There is no ongoing or refresher training for staff covering missing persons incidents or behavioural risk assessment. While we did not observe any instances in which staff were not familiar with the procedures, identifying and addressing any training need would help to ensure consistency and improve adherence to documentation and record keeping requirements.
- Adding version control information to procedure documents would provide additional assurance that they are up to date and reviewed as required.
- The procedure for behavioural risk assessment of young people in residential care is not comprehensively documented, and we found that the requirements for authorisation and review of risk assessments were not well articulated or clearly recorded.
- Whilst there is a requirement to notify senior management of missing persons incidents of more than 12 hours and this is adhered to, there is no requirement to periodically report aggregate information on missing young people to management, meaning that senior management has only a limited ability to gain assurance that processes are operating as expected.

Impact on Risk Register

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

- DCC004a Failure to Adequately Address Poverty / Inequalities (inherent risk 5x4, residual risk 5x3).
- CFCJ004 Harm (to / caused by service user) (inherent risk 5x5, residual risk 5x3).
- CFHL011/CFCJ013 Children and Young People Development (inherent risk 5x4, residual risk 5x4).

The most critical risk identified in the risk register pertains to potential harm to service users. Our review considered these risks from the perspective of behavioural risk assessment, timely and accurate communication and appropriate decision making throughout the process.

A key mitigation against these risks is the implementation of the absence procedures. However, our findings indicate that the effectiveness of this mitigation is undermined by challenges in conducting thorough risk assessments, inconsistencies in adherence to protocols, and inadequate monitoring. These issues may compromise the service's ability to effectively prevent harm to its users.

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

- Good case recording
- Information Sharing
- Mandatory regular training for staff to ensure statutory responsibilities are understood

- Regular supervision and quality assurance by line management

We have made recommendations in relation to record-keeping processes with respect to missing persons incidents, although we note that these are primarily concerned with processes to compile and report on incidents. Those same processes also serve a supervisory and quality assurance function in that they add a layer of review and scrutiny to the process of incident recording.

Risk owners should consider whether these risks are correctly scored in the light of the findings of this review.

(iv) INTERNAL AUDIT REPORT 2024/07

| | |
|----------------|----------------------------------------|
| Client | Corporate Finance |
| Subject | Capital Planning and Monitoring |

Executive Summary**Conclusion****Limited Assurance**

The Council has established a clear policy for monitoring the progress of capital projects, including defining responsibilities for collating information, and a process for its compilation and reporting.

We were not able to gain assurance that financial information gathered at an operational level for Housing Revenue Account (HRA) projects supports effective scrutiny of the cost monitoring for individual projects of the capital programme.

Background

Capital planning and monitoring are essential components of local authority financial management. They involve the strategic allocation of resources for long-term investments in infrastructure, building, equipment and other assets that are crucial for delivering public services. The process is governed by the Prudential Code for Capital Finance in Local Authorities, which requires councils to ensure their capital expenditure plans are affordable, prudent and sustainable.

Key elements of capital planning include:

- Identifying and prioritising capital investment needs
- Developing a multi-year capital programme
- Securing funding sources (e.g. borrowing, grants, capital receipts)
- Conducting option appraisals for major projects

Capital monitoring involves:

- Tracking expenditure against approved budgets
- Monitoring project progress and timelines
- Identifying and addressing variances or slippage
- Regular reporting to stakeholders, including senior management and Elected Members.

The Council's capital projects span across City Development, Neighbourhood Services (including Housing Revenue Account) and Customer Services & IT. The Council's Capital Investment Strategy 2018-2028 guides these investments, emphasising areas such as the Tay Cities Region Deal and housing provision.

For the 2024/25 financial year, the Council approved a capital budget of £136,304k. The outturn at 30 June 2025 was £122,149k.

Scope

Review of the procedures to oversee the implementation of Capital Plans, in line with the Council's Capital Investment Strategy, and monitor and scrutinise Capital expenditure.

Objectives

| | | Action Priority | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-----------------|---|---|---|
| | | C | H | M | L |
| Processes are in place to ensure that Capital Plans are implemented in line with the Council's Capital Investment Strategy | Comprehensive Assurance | - | - | - | - |
| Policies and procedures for conducting Option Appraisals are clearly defined, consistently applied across all capital projects, and any deviations are appropriately justified and approved | Substantial Assurance | - | - | 1 | - |
| Effective monitoring and scrutiny processes are established to identify progress with capital projects, including addressing any slippage. This will focus on the HRA Capital Plan | Limited Assurance | - | 1 | | - |
| Regular reporting mechanisms are in place to provide timely, accurate and relevant information on capital expenditure to senior management and elected members, supporting effective decision making. | Substantial Assurance | - | - | - | - |
| TOTAL | | - | 1 | 1 | - |

Nature of Recommendations

One medium priority recommendation relates to the design of controls as articulated by the Capital Budgetary Control Manual, and one high priority recommendation to the operation of existing controls. This suggests that revision of the control framework will help to reduce risk, but that the majority of risk arises from issues which limit the effectiveness of already established controls.

Key Findings

We identified areas of good practice:

- The Dundee City Council Capital Budgetary Control Manual (June 2022) provides detailed guidelines on capital planning, monitoring, and reporting. The manual covers option appraisals, capital plan preparation, and monitoring processes. It outlines the roles and responsibilities for capital planning, monitoring, and reporting.

- A capital planning timetable is developed by the capital team, ensuring all activities and deadlines are communicated to relevant services via Teams to maintain adherence to the process.
- The Capital Plan is reviewed and approved by appropriate individuals and committees, and regularly updated for compliance with the manual's guidelines.
- Options Appraisal are required for projects, which helps to ensure alignment with the Council's strategic priorities. The Manual provides a detailed framework for conducting Option Appraisals, outlining the process, expected outcomes, and deliverables.
- Meetings at various management levels consistently track and make decisions regarding the progress of projects in the Capital Plan.

We have identified the following areas for improvement:

- The Option Appraisals requirements set out in the Capital Budgetary Control Manual do not address all operational scenarios. We observed that different practices are applied to different types of projects, most notably in HRA projects. The Options Appraisal requirement set out in the manual should be reviewed and updated to cover these operational requirements.
- Monitoring processes for HRA projects are inconsistently applied, and the information which flows into capital monitoring reporting cannot easily be verified. Management should revise the process by which capital project monitoring information is collated and reported to ensure that they align, and that the process supports the provision of timely and accurate information.

Impact on risk register

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

- DCC001 Financial Sustainability (inherent risk 5x4, Residual risk 5x5).
- DCC010 Major Project Delivery (inherent risk 5x3, Residual risk 4x3).
- DCC015c Delivery of the Council's Long-Term Objectives is Impacted by Insufficient Investment in Infrastructure and Assets (inherent risk 5x4, Residual risk 5x4).

The process of Capital Planning and Monitoring is intended to mitigate the risks that the Council does not deliver its major projects, or its objectives, due to insufficient infrastructure. Within the scope of this review, the financial value at risk can be quantified as being approximately £136,304K which is the capital budget for 2024/25, which impacts upon the Council's financial sustainability.

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

- Capital and revenue monitoring.
- Capital Investment Strategy approval.
- Capital Plan setting and approval process.
- Capital Governance Group Scrutiny.
- Continued use of Project Boards.
- Management Systems in Place.
- Option Appraisals / Approval Process.
- Project Management Resourcing.

- Regular Project Reviews.
- Corporate Leadership Team approval and actions regarding revenue monitoring.
- Formal Timetable for revenue and capital monitoring.
- Budget setting and approval process, Approval of 3 year revenue budget.
- Long Term Revenue Budget Forecast, Medium Term Strategy.

We have identified areas for improvement in relation to Option Appraisals, as established practice does not fully align with policy; and in relation to HRA projects where monthly monitoring updates do not appear to reflect the operational projections for the year.

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

Definitions of Levels of Assurance

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

Definitions of Action Priorities

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

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