

REPORT TO: AUDIT AND RISK MANAGEMENT SUB-COMMITTEE - 25 SEPTEMBER 2006

REPORT ON: EXTERNAL AUDIT REPORTS

REPORT BY: PEARL TATE, SENIOR AUDIT MANAGER

REPORT NO: 551-2006

1 PURPOSE OF REPORT

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

2 RECOMMENDATIONS

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

3 BACKGROUND

3.1 The following reports have been finalised since the last Sub-Committee:

- Efficient Government – Position Statement
- Financial Systems Review
- BV Improvement Plan – Follow Up
- Financial Strategy – Follow Up
- Dundee Discovery Card – Follow Up
- Website Overview – Follow Up

3.2 The Financial Systems Review includes our findings in respect of the system introduced by the council to monitor progress on implementing audit recommendations. The above follow up reports were subject to more detailed audit work.

Pearl Tate
Senior Audit Manager
15 September 2006

Dundee City Council 2005/06

Efficient Government – Position Statement

June 2006



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Audit Scotland, on behalf of the Accounts Commission for Scotland, is responsible for:

- providing independent reports to the Commission and the wider public on how public money is spent, what it achieves and what improvements can be made
- providing independent reports to public sector bodies on their finances, their corporate governance and how they manage their performance and secure value for money
- providing an independent opinion on whether the annual financial statements of public sector bodies have been prepared in accordance with statutory requirements



Overall, Dundee City Council has demonstrated a clear commitment to the Efficient Government agenda. There is evidence of corporate leadership and scrutiny with the Best Value Sub-Committee being responsible for an overall assessment of progress and performance, and an Efficient Government Project Board of senior officers to drive the process. Planned revenue savings are mostly managed departmentally, allowing departments to take responsibility for identifying and delivering efficiency gains.

The Council estimates that it will achieve efficiency gains of £5.666 million over the three years commencing 2005/06, with £661,000 of these savings planned to be achieved through improved procurement practices. Some work is still required to identify further cashable savings to meet the target set by the Scottish Executive.

Although the Council is making good progress in implementing processes and procedures to measure and monitor efficiency savings, most of these are still at an early stage. In common with other councils, significant effort is still required to ensure that appropriate guidance is issued to staff to clarify what constitutes efficiency and how it should be measured, monitored and reported. The Council requires to develop a comprehensive performance management information system capable of confirming no loss of service quality, and tracking savings to ensure deployment to frontline services. Without clear baseline information covering cost and quality of service, the Council will find it difficult to demonstrate that claimed efficiencies have not impacted adversely on service provision.

Context

Introduction

1. The continuous improvement agenda has been a feature in Scottish local government for a number of years, but has been given added impetus by the Local Government in Scotland Act 2003 and the Efficient Government initiative. The 2003 Act established Best Value as a statutory duty of local authorities, following a period of voluntary commitment. The Efficient Government initiative was launched by the Minister for Finance and Public Services in June 2004 and is a central part of a programme of investment, reform and modernisation.
2. The actions of local government are crucial to the challenge of creating sustainable communities. With this goal in mind, it is in everyone's interests (national, regional or local) to work in partnership to promote efficiency, getting the most from available resources to enhance services to local people.
3. A key feature of the Efficient Government initiative is that it focuses on the public sector as a whole, rather than individual organisations, with the intention of realising efficiencies through joining up. The primary objective is to deliver the same services with less money or to enable frontline services to deliver more or better services with the same money.
4. The Efficient Government Plan sets targets to achieve £745 million of cash-releasing savings, and £300 million of time-releasing savings, by 2007/08. It is anticipated that local government as a whole will contribute £325 million in cash-releasing savings to the overall target:

	£m
Assumed local government efficiency savings (top sliced)	168.3
Efficiencies in supporting people programme (top sliced)	27.0
Modernising government & efficient government fund efficiency savings	40.0
Contribution to procurement savings	80.0
Fire service reform	1.5
Common police services	10.0

5. Although the Scottish Executive (SE) has not notified councils of the efficiency savings they should achieve each year it anticipated that Dundee City Council's contribution to the top-sliced target of £168.3 million will be £4.984 million over three years, equating to £1.627 million for 2005/06. Although this is a relatively small sum compared to the Council's budgeted gross revenue spend of £455.7 million in 2005/06, it needs to be considered alongside other financial pressures facing the Council such as the costs associated with the single status agreement and equal pay claims, increased pension costs and the revenue consequences of funding major infrastructure projects. The Council also requires to contribute efficiencies towards the other targets outlined above.
6. All Council activities and services should be explored to identify the scope for efficiencies. In addition, the Scottish Executive has identified particular workstreams in *'Building a Better Scotland'*:
 - procurement
 - asset management
 - streamlining bureaucracy
 - managing absence
 - shared service support

Key issues and risks for councils

7. The Efficient Government initiative has incorporated some assumed efficiency savings into annual financial settlements, presenting an immediate challenge as significant efficiency gains through service redesign are likely to take longer than one year to be fully realised. Failure to achieve the level of savings anticipated will increase financial pressures and may impact adversely on the quality of services provided. In order to claim an efficiency councils need to demonstrate that service outcomes have been maintained or improved, presenting a real challenge to evidence the link between resources and performance measurement.
8. All councils need to embrace the Efficient Government agenda and establish a clear programme for delivering efficiency savings, ensure effective leadership throughout the process and monitor the effectiveness of change programmes. Councils need to consider:
 - what services to deliver and whether these are the right services to provide;
 - whether current levels of services add the most (or 'best') value to local communities;
 - whether they are delivering these services in the most appropriate and efficient way (including consideration of the scope for joint working).
9. As part of a comprehensive programme of Best Value reviews, councils need to review services to identify opportunities for delivering improved efficiency and plan for efficiency gains every year while continuing to improve performance and make best use of resources in the longer term. This requires an approach which allows for easy or quick wins while simultaneously developing and delivering a strategy for the future. Underpinning this is a need for good baseline information on costs and service outputs and outcomes.

Audit approach

10. In accordance with our Audit Risk Analysis and Plan for 2005/06, we have undertaken an initial review of the risks and management arrangements within the Council in relation to the Efficient Government initiative. The audit was undertaken during January to March 2006 and involved:
 - enquiry into the issues and risks identified in the 2005/06 Local Government Priorities and Risks Framework (PRF). The PRF is an annual document which summarises the key national priorities and risks facing councils in the coming year. It is used as a tool by auditors, in conjunction with an assessment of local risks, to target audit work to key risk areas;
 - completion of a management arrangements diagnostic to provide baseline information across a range of efficient government related topics;
 - review of relevant documentation.
11. Some of the efficiency projects being considered by the Council will take some years to produce tangible results. We also recognise that development of performance management systems to fully confirm and track efficiency savings will take time to develop and embed. As a result, we will track the Council's progress on the Efficient Government initiative over the coming years.

The position across Scotland

12. The 2005/06 PRFs for local government, health and central government have all highlighted Efficient Government related matters as a key management challenge. With this in mind, Audit Scotland has developed a strategy for monitoring the achievement of efficiency savings across the public sector. The strategy aims to:
 - establish a clear and systematic approach to the audit of Efficient Government;
 - ensure Audit Scotland has 'real time intelligence' covering progress in implementing this important initiative;
 - join-up the audit across the public sector to inform client, sector and national reporting;
 - establish clear baseline information to highlight key risk areas and to inform considerations for further work.

13. A management arrangements diagnostic is being completed for most public sector bodies and we intend to present comparative information to the Council in early summer. This will assist the Council to assess how it is progressing the initiative relative to other councils and public sector bodies and will enable the dissemination of best practice.

Audit Findings

Planned savings

14. The following table sets out the Council's latest estimate of planned efficiency savings for 2005/06:

	Projected Cashable Savings £'000	Projected Non Cashable Savings £'000	Total	Cashable Savings anticipated by SE against £168m target £'000
SE Workstreams				
Asset Management	383	147	530	
Managing Absence (Note 1)	0	0	0	
Streamlining Bureaucracy	811	176	987	
Shared Service Support	88	73	161	
Other Efficiencies				
Social Work	114	0	114	
Economic Development	15	0	15	
Leisure & Communities	112	0	112	
Waste Management	32	0	32	
Environmental Health	24	0	24	
Chief Executive	8	0	8	
Press Office	7	0	7	
Personnel	22	0	22	
Information Technology	12	0	12	
Support Services	41	0	41	
Finance Revenues	33	0	33	
Other Housing	8	0	8	
Corporate	110	0	110	
Leisure & Communities – recycling	0	20	20	
Total (excluding procurement)	1,820	416	2,236	1,627
Procurement	591	6	597	
Total	2,411	422	2,833	

Note 1 – efficiency savings are anticipated but not yet quantified.

15. The Council has also estimated the efficiencies it anticipates generating during 2006/07 and 2007/08. Although it is expected that the savings identified in 2005/06 will apply in future years the

table below only highlights new efficiency savings in the year and is not the cumulative position. This approach was necessary to allow a comparison with the SE target for cashable savings.

	Projected Cashable Savings £'000	Projected Non Cashable Savings £'000	Total	Cashable Savings anticipated by SE against £168m target £'000
2006/07 (excl procurement)	1,500	401	1,901	1,722
2006/07 procurement	70	0	70	
Total 2006/07	1,570	401	1,971	
2007/08 (excl procurement)	802	60	862	1,635
2007/08 procurement	0	0	0	
Total 2007/08	802	60	862	

16. Over the three years, therefore, the Council estimates that it will achieve non-procurement related cash efficiency gains of £4.122 million, which is £0.862 million less than the overall target. There is a small shortfall against the SE targets for 2006/07 and the Council will require to identify further efficiencies as part of the 2007/08 Revenue Budget exercise. The efficiencies so far identified include:
- the Education PPP project which is expected to achieve £0.809 million in cashable savings by 2007/08;
 - Housing Revenue Account cash savings of £0.805 million and time releasing savings of £0.335 million achieved from savings on capital costs through partnership arrangements, process improvements and moving staff into a single office.
17. Further efficiency gains are anticipated from improved procurement practices. Over the three years to 2007/08 the Council hope to realise £661,000 of cash releasing efficiencies and £6,000 of time releasing savings from this initiative, making a small contribution to the overall target of £80 million of cash-releasing savings to be generated from all Scottish councils. The key component of this project for Dundee City Council was joining the Authorities Buying Consortium in April 2005.

Current position and risk exposure

We sought to ensure that the Council:

- has demonstrated a clear commitment to the Efficient Government agenda, with corporate leadership and scrutiny by elected members and senior management;
- has a systematic process to identify areas where the scope for efficiencies might exist (for example, by re-organising or re-designing service delivery functions);
- has developed a change programme which covers both the short and long term;
- properly controls and monitors progress on efficiency projects (by both members and officers);
- has disseminated clear guidance on how to classify and calculate proposed efficiency gains;
- has robust performance management information systems, which confirm no loss of service quality, to underpin efficiency claims and can track efficiency savings to ensure deployment to frontline services;
- has embedded Efficient Government aims within the budget setting process.

18. Overall, Dundee City Council has demonstrated a clear commitment to the Efficient Government agenda, with savings close to SE targets identified for the first two years. Further efficiency savings need to be identified for 2007/08 if the Council is to achieve the overall three year SE target.

Action plan, no 1

19. Organisationally, the Council is making good progress in implementing processes and procedures to measure and monitor efficiency savings. Most of these, however, are still at an early stage:
- the Best Value Sub-Committee has been given the remit to monitor the Efficient Government programme. The Sub-Committee agreed in January 2006 that it would schedule two meetings per annum to consider an overall assessment of progress and performance in relation to Best Value and Efficient Government;
 - an Efficient Government Project Board, consisting of senior officers, has been established to identify and monitor projects to deliver Efficient Government gains in line with the strategic themes. The Board was set up in September 2005 and has still to establish a regular cycle of meetings;
 - Efficient Government projects and commitments have been included in the departmental budget round for 2005/06 to 2007/08;
 - departments have been given significant responsibility for identifying and achieving efficiency gains. Many of these relate to the key workstreams identified in *Building a Better Scotland*;
 - corporate projects have been set up to co-ordinate Efficient Government work on procurement, asset management, managing absence and flexible working.
20. Crucially, and in common with most other councils, Dundee City Council does not yet have a comprehensive performance management information system capable of confirming there has been no loss of service quality, and tracking savings to ensure these are deployed to frontline services. It is therefore difficult for the Council to support its efficiency claims highlighted in paragraphs 14 and 15. For example, efficiencies being claimed through vacant posts require to be supported by performance information demonstrating that there has been no adverse operational impact. Similarly, more management information is required to confirm that when staff reductions in back office functions are achieved, resources are productively deployed to frontline services.

Action plan, no 2

21. The Council is developing Efficiency Monitoring Returns to enable departments to report efficiency information in a consistent way. These are expected to come into use in time for the first Annual Efficiency Report due to be reported to the Best Value Sub-Committee in June 2006. Currently, it is not clear whether or not these returns will contain sufficient information to give assurance that claimed efficiencies are real and have not had an adverse impact on services. To date the Council has not disseminated clear guidance on how to classify and calculate proposed efficiency gains, with obvious risks that not all efficiencies achieved across the organisation are captured or that sums are identified as efficiencies that do not meet the required criteria.

Action plan, no 3

22. We also reviewed the Council's progress in relation to the five key workstreams identified in *Building a Better Scotland* and found that:
- draft asset management plans were scheduled to be in place by March 2006 and finalised by March 2007. Although the 2006 target has slipped, the Council remains confident that it can finalise this project on time;
 - absence management procedures were updated in August 2005 and an action plan agreed with the aim of reducing costs. The Council has high absence rates compared to most other councils and its statutory or occupational sick pay costs in 2004/05 were £5.75 million. The Council has also recognised that absence impacts on temporary cover, overtime and service delivery, the costs of which are not included in the £5.75 million;

- the Council joined the Authorities Buying Consortium in April 2005 and is anticipating procurement savings from this. The Council has also submitted Stage 1 and 2 bids to the Efficient Government Fund in partnership with other Tayside Authorities and if accepted the Council will introduce an e-procurement system and reorganise its procurement process;
- the Council currently provides support services to seven other bodies, supported by service level agreements;
- streamlining bureaucracy gains are anticipated through the Council's Customer First ICT Strategy, staff relocations and redeploying back office staff (although this is still at an early stage).



Management action

23. A summary of the areas where identified risk exposure requires management consideration is included in the section which follows. Planned action, responsibilities and timescales have been provided by management.
24. The contents of this report have been agreed with relevant officers to confirm factual accuracy. The co-operation and assistance given by all officers contacted during the course of this review is gratefully acknowledged.

Risk summary and action plan

No.	Issue & risk	Responsible officer	Response & agreed action	Action date
1.	<p>The SE is reducing the annual grant aided expenditure of the Council by £4.984 million over three years to reflect efficiencies from the Efficient Government programme. Although the Council identified efficiency savings of £4.122 million over the same period, further efficiencies of £0.862 million, mostly arising in 2007/08, are needed to meet the SE target.</p> <p><i>Risk: If further efficiency savings are not identified there is a risk that the reduction in grant aided expenditure may result in cuts to services.</i></p>	Depute Chief Executive (Finance)	Departments will be asked to bring forward proposals for efficiency savings as part of the 2007/08 Revenue Budget exercise.	February 2007
2.	<p>The Council does not yet have a comprehensive performance management information system capable of confirming no loss of service quality, and tracking savings to ensure deployment to frontline services, to underpin its efficiency claims.</p> <p><i>Risk: Without clear baseline information covering cost and quality of service, the Council may find it difficult to demonstrate that claimed efficiencies have not impacted adversely on service provision.</i></p>	Assistant Chief Executive (Community Planning)	Work is ongoing nationally through the Improvement Service to develop a template for this purpose. The Council will use this to develop an efficiency monitoring pro-forma to record and report efficiency information in a consistent way.	December 2006
3.	<p>Clear guidelines for defining and measuring efficiency gains were not in place for most of 2005/06.</p> <p><i>Risk: The Council may fail to capture all efficiencies achieved or identify sums that do not meet the required criteria. Failure to demonstrably achieve the level of efficiencies expected could lead to loss of credibility with the Scottish Executive and the public.</i></p>	Depute Chief Executive (Finance)	All cash efficiency savings are now incorporated in the ongoing 3 Year Revenue Budget 2006-2009 and will be monitored on a monthly basis as part of the Council's robust Revenue Monitoring procedures.	30 June 2006

Dundee City Council

September 2006

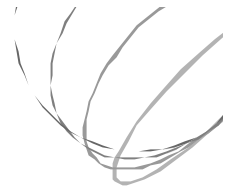


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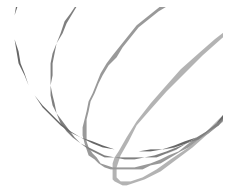
Financial Systems

Introduction

1. In line with our 2005/06 Audit Risk Analysis and Plan we have undertaken a review of the Council's progress to date on implementing the recommendations made in previous audit reports. In 2004/05 we recommended that the council should establish a system to monitor progress on and implementation of agreed recommendations from audit reports and that progress on implementing recommendations should be reported to the Audit & Risk Management Sub Committee. This was aimed at improving the internal control system within the council. Our follow up work, therefore, focussed mainly on the progress the council has made in implementing its own review and monitoring system.
2. Our Financial Statements Strategy highlighted that between March and May 2006 we would undertake testing on the higher level controls we plan to rely on for our audit of the financial statements. One of the key areas reviewed this year was the on-going migration to the new payroll and personnel system, ResourceLink.
3. This report highlights our audit findings from these areas of work.

Follow up of previous recommendations

4. As a result of our 2004/05 Follow Up report, the Finance Department was tasked with regularly reviewing agreed action plans and liaising with the relevant departments to ensure these were actioned. It was also agreed that progress reports would be regularly submitted to the Audit & Risk Management Sub-Committee with effect from March 2006.
5. The procedures for dealing with external audit reports were revised in November 2005 to incorporate the Depute Chief Executive (Finance)'s extended role in reviewing the progress on the implementation of agreed recommendations. The revised procedures highlighted that these reviews would be largely based on the information contained in the Strategic Plan Monitoring Database and that, where necessary, the Depute Chief Executive (Finance) would liaise directly with departments.
6. The Strategic Plan Monitoring Database records details of action points from performance improvement areas, the best value improvement plan and other external audit reports. It is a self-assessment approach and responsible officers are required to keep the database up to date with progress. If slippage occurs in the planned implementation then revised target dates can be set. The



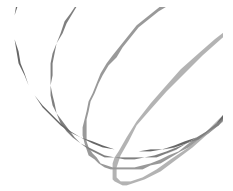
Database has been in place since 2005 and we have been advised that consideration is now being given to ways of better utilising this facility.

7. Finance staff carried out the first review of agreed external audit action plans in early May 2006 and a report on progress went to the Audit and Risk Management Sub Committee on 15 May 2006. We reviewed this progress report and initially encountered some difficulties when reconciling it back to our original issued reports. These areas were discussed with finance staff and, in most cases, were resolved satisfactorily.
8. We also carried out more detailed follow up work on the following areas and have issued separate reports on our findings:
 - Website Overview;
 - Dundee Discovery Card;
 - Financial Strategy;
 - Best Value and Community Planning.

Systems Assurance

Payroll

9. In April 2004 the council began to migrate its payroll and personnel system to ResourceLink which is the payroll and personnel system supplied by Northgate Information Solutions Ltd. This change was required as the previous system, ISIS, which was also supplied by Northgate, was no longer being developed and supported after 2006.
10. The individual “payrolls” transferred to the new system at the time of our review were Pensions, Finance General, Planning & Transportation, Education and Personnel. In May 2006 around 50% of the payroll records administered by the council, including Tayside Valuation Joint Board, had been transferred to ResourceLink.
11. The migration process is labour intensive with existing personnel and payroll data either being exported from ISIS or collected on transfer forms, and keyed or loaded into spreadsheets provided by Northgate for upload to the new system. Substantial validation of the personnel data is required as ISIS had become significantly out of date for this information.
12. Parallel runs are conducted to establish where any anomalies or differences exist and action is taken to make changes where required before the payroll goes live on the new system.



13. We were provided with full audit trails from the upload and parallel run reconciliations for the Education payroll. Some parallel run spreadsheets were also provided for the Pensions Payroll. Documentary evidence of the migration for other payrolls was not available for review. Our findings are therefore based only on the Education migration and from general discussions with the project manager.

Good practice

14. We found a number of examples of good practice, in particular:

- staff were required to sign forms confirming the personal information to be transferred from ISIS to Resourcelink;
- forms not returned were generally followed up individually and personally to establish the existence of the person (but see risk areas below);
- significant pre-validation of data to be loaded reduced the number of errors found after upload;
- parallel run totals were sample checked by staff from the department whose payroll was being migrated;
- an audit trail of records not transferred was kept.

Risk exposure

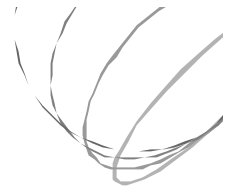
15. The main risk areas noted were:

- maintaining two payroll and personnel systems places a large administrative overhead on the Council and may lead to data being duplicated, out of alignment, or confused;
- records may have been transferred to the new system without a definitive confirmation that the member of staff exists. The post setting process, however, acted as a compensatory control for this risk.

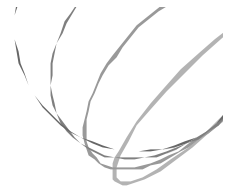
Refer Risk Summary & Action Plan no 1

Other High Level Controls

16. Our audit approach is based on an annual integrated assessment of risk across our Code of Audit Practice responsibilities in relation to governance, performance and opinion (on financial statements). This approach includes:



- understanding the business of the Council and the risk exposure which could impact on the financial statements;
 - assessing the key systems of internal control, and considering how risk exposure in these systems could affect the financial statements;
 - identifying major transaction streams, balances and areas of estimation, understanding how the Council will include these in the financial statements and developing audit objectives for these; and
 - assessing the risk of material misstatement in the financial statements, in conjunction with our evaluation of inherent risk and control environment risk as part of our integrated risk assessment approach.
17. In February 2006 we reviewed the Internal Audit structure and function in accordance with International Standard on Auditing 610 and identified areas of their work on which we intend to rely for a number of aspects of our programme of work during 2005/06. In the intervening period we have reviewed the following specific areas of work carried out by internal audit staff:
- Cash Collection and Receipting
 - Debtors and Debt Management
 - Ordering, Receipting and Creditor Payments
 - Council Tax
 - Housing and Council Tax Benefits
18. Between March and May 2006 we reviewed the high level controls in the key financial systems namely, budgetary control, payroll, creditors, debtors, capital accounting, housing benefits, housing rents, council tax (including benefits), non domestic rates and treasury management.



Good Practice

19. The Council operates a number of high level controls to mitigate the risks of material misstatement, error, fraud and corruption within its main transaction streams. These include:

- the financial regulations which provide clear guidance and instructions;
- procedural notes which cover key financial processing routines such as housing and council tax benefits;
- an anti-fraud and corruption policy which clearly outlines the roles and responsibilities of management and staff to prevent and detect fraud;
- a debt recovery system and paralegal training for staff to improve both the level and the cost of collecting council tax. This has resulted in a further 3.6% (unaudited) of council tax income being collected in 2005/06 compared to the previous year and a reduction in collection costs of £2 (unaudited) per dwelling;
- key reconciliations between feeder systems and the general ledger which are compiled regularly and independently reviewed at a senior level;
- a daily trial balance report which allows problems with ledger operation, control and suspense accounts to be identified and corrected as necessary;
- budgetary control reports, which provide assurance at a corporate level and which enable departments to track performance and identify and act upon variances;
- key performance indicators which are reported monthly to senior management enabling corrective action to be taken where required;
- a Treasury Management Policy Statement and annual Treasury Management strategy in line with the CIPFA Code of Practice on Treasury Management;
- the review of payments by cheque and bank transfer by senior officers with investigations of any large or unusual items;
- internal audit which provides an effective controls review and risk assessment service independent of operational activities within a planning framework which includes financial systems.

Risk exposure

20. There were no new areas of risk exposure identified from our review of the high level controls which had not been notified to the council in previous audit reports.

Risk summary and action plan

No.	Issue & risk	Responsible officer	Response & agreed action	Action date
1	<p>As at May 2006, around 50% of payroll records administered by the council were held on ResourceLink and the remainder were still held on ISIS. Maintaining these two systems placed a large administrative burden on the council.</p> <p>Risk - <i>There is a risk that data may be duplicated, out of alignment or confused across the two payroll systems.</i></p>	Depute Chief Executive Finance	It is acknowledged that the dual running of both systems places an increased temporary workload on the Central Payroll Team. It is anticipated the remaining employees who are currently paid through the ISIS Payroll System will be migrated onto Resourcelink by 31 March 2007.	31 March 2007

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Mr Alex Stephen
Chief Executive
Dundee City Council
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DD1 3 BD

17 August 2006

Dear Mr Stephen,

Best Value Improvement Plan – Follow up

In line with our 2005/06 Audit Risk Analysis and Plan we have undertaken a review of the Council's progress to date on implementing the improvement plan developed following our 2005 *Audit of Best Value and Community Planning*. The follow up review looked at the progress towards implementing the improvement plan recorded on the Strategic Plan Monitoring Database as at May 2006 and meetings were held with the relevant officers during June to confirm the position. The attached appendix details the progress to date as reported to the Best Value Sub Committee in June 2006.

I am pleased to report that progress has been made towards meeting a number of the areas for improvement, in particular:

- the remit of the Best Value Sub Committee has been expanded to give members better opportunities to exercise scrutiny and greater public accountability. Progress reports in relation to best value and efficient government are to be discussed at the Sub Committee twice a year;
- the functions of the Council Management Team have been reviewed and specific meetings dealing with performance monitoring and strategic issues have been held since October 2005;
- equality plans have been approved by the Commission for Racial Equality (CRE).

There has, however, been slippage in many other areas of the improvement plan. The target dates for actions where slippage has occurred have been revised and progress is monitored through the Council Management Team and the Best Value Sub Committee. The main areas include:

- actions relating to service planning and the new guidance, which will incorporate the role of members in monitoring plans and the use of benchmarking and option appraisals, which were initially planned for June 2006 are now expected by October 2006;
- the service planning work is running in tandem with the Working Group set up in May 2006 to look at ways to better integrate the planning and budgeting processes. A report outlining the proposals for more coherent linking of planning and budgeting is also scheduled for October 2006 and it is anticipated that the outcomes from this Group will be implemented by the initial target date of May 2007;
- the Human Resource strategy which was scheduled to be in place by April 2006 is still being developed and a revised completion date of October 2006 is anticipated;
- the format, content and frequency of financial reports was due to be reviewed, and any changes agreed, by January 2006. A review has now been completed and the revised formats were submitted to the Finance Committee on 14 August 2006 following consultation and agreement with all the political groups;

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- consideration has still has to be given to the development of public consultation and communication strategies to ensure that Services can demonstrate they respond to customer views;
- the rigorous corporate EFQM self-assessment process aimed at renewing the importance of leadership in establishing a culture of Best Value has fallen slightly behind schedule and is now due to be completed a month later than expected in September 2006;
- the business continuity plans initially scheduled for December 2005 will now be developed by December 2006. The 2005 date was anticipated as a requirement of the Civil Contingencies Act 2004 (Contingency Planning) (Scotland) Regulations 2005 but business continuity plans were subsequently not specified in the Regulations. Authorities are required under the 2004 Act to provide business continuity advice to voluntary and business organisations. There has been limited progress on this new aspect of the legislation.

In summary, although there has been a degree of slippage in implementing a number of action points, the Council is continuing to make progress in taking forward its improvement plan and we will monitor progress against the planned/revised milestones on an on-going basis.

Yours sincerely

Pearl Tate
Senior Audit Manager
enc.

cc:
Mr D Dorward, Depute Chief Executive (Finance)
Mrs M Stewart, Head of Finance
Mr G Manzie, Accounting Manager
Mrs S Dailly, Chief Internal Auditor
Mrs N Bridle, Assistant Director, Best Value
Ms F McFarlane, Performance Audit

Reference	Area for Improvement, Measures and Targets	Progress as reported to BV Sub Committee June 2006	Audit Comment
A	<p>Review the political management and public performance reporting arrangements with a view to increasing openness and transparency of decision making, and ensuring members get better opportunities to exercise scrutiny and greater public accountability.</p> <p><i>Measures (Targets) - Report reviewing how to improve openness, transparency and scrutiny of decision making through the political management and public performance reporting to be approved by Committee (December 2005, Report to Policy and Resources (P&R) Committee January 2006).</i></p>	<p>Report to the Best Value Sub Committee 26th January expanded the remit in relation to best value and efficient government. Quarterly reports to the Council's management team showing the status of projects will be summarised and presented for elected members scrutiny to the Best Value Sub Committee on a half yearly basis in June and in December.</p>	<p>This new approach is at a very early stage and we will continue to monitor developments in this area. The first report in June 2006 identified the total number of projects that were behind schedule or unlikely to be achieved, however, it did not give any indication of revised dates for completion of these outstanding actions.</p>
B	<p>Ensure that members take a more active role in reviewing the performance of services and take steps to ensure more systematic and comprehensive reporting from services to service committees.</p> <p><i>Measures (Targets) - Review the service planning process and produce new comprehensive guidance and training on producing service plans and involving elected members in the process. The review will incorporate the improvements referred to in J & K below (June 2006, Report to Policy and Resources Committee June 2006).</i></p>	<p>A consultation meeting with departments took place in January on the objectives and success criteria for new service planning guidelines. Draft guidance and examples of best practice were to be circulated in February although this is now late. The new guidance is to be in place for October 2006 at the same time as the report from the working group on linking plans to the budget for publication of new service plans in 2007.</p>	<p>Slippage has occurred in implementing actions relating to service planning guidance which are now running in tandem with the Working Group set up to look at ways to better integrate the planning and budgeting processes.</p>

<p>C</p>	<p>Develop and implement an HR strategy that will ensure effective corporate management of staff absence, and ensure the Council's staffing establishment is as streamlined and targeted as possible.</p> <p><i>Measures (Targets) - Corporate Human Resource strategy developed (March 2006) and agreed by Committee (report to Personnel Committee April 2006).</i></p>	<p>Plan to report on an HR strategy is underway.</p>	<p>Although the target date of April 2006 has not been achieved, the development of an HR Strategy is being progressed and a report to the Personnel Committee is anticipated in October 2006.</p>
<p>D</p>	<p>Develop more coherent links between planning and budgeting and allocation of resources in accordance with policy priorities and objectives.</p> <p><i>Measures (Targets) - A working group will be established to bring forward measures aimed at integrating resource planning, including the financial costing of corporate/service objectives and new initiatives, into both corporate and service plans (Group in place by December 2005). Measurable financial performance targets will also be established and reported for significant areas (partial implementation by May 2006, full implementation of agreed proposals in May 2007).</i></p>	<p>Working Group was set up in May 2006 and has meetings scheduled over the summer of 2006.</p>	<p>The outcomes from this Group will be linked into the work relating to service planning guidance.</p> <p>Full implementation of agreed proposals from this Group is expected by the May 2007 target date.</p> <p>It is intended that Service Plan guidance will be issued later this calendar year requiring departments to prepare annual Service Plans incorporating budget data with effect from 2007/08.</p>

<p>E</p>	<p>Review the format, content and frequency of financial reports to ensure members receive adequate information to monitor the financial position.</p> <p><i>Measures (Targets) - The format of the revenue and capital expenditure monitoring reports to be reviewed by Management Team and Finance Committee (December 2005, Report to Committee January 2006).</i></p>	<p>A survey has been issued to and returned by key stakeholders on financial report formats. Proposals for revising the format of the performance monitoring reports will be considered and approved during the Council recess, and be implemented by the August 2006 Finance Committee.</p>	<p>A review has now been completed and the revised formats were submitted to the Finance Committee on 14 August 2006 following consultation and agreement with all the political groups</p> <p>We have not yet reviewed the revised formats.</p>
<p>F</p>	<p>Review the role of the Council Management Team (CMT) to bring a greater degree of corporate discipline to performance management, service review, and option appraisal ensuring that these are properly linked with corporate planning and budget setting processes and are better placed to deliver continuous improvement.</p> <p><i>Measures (Targets)- Review the functions of CMT and implement new performance management measures(December 2005), Review Service Plans 2006/07 (March 2006), Option Appraisal Review (March 2006), Further review of performance management (June 2006)</i></p>	<p>Report 608-2005 was approved by the P & R Committee October 2005. This proposed separating the agenda of the CMT into operation and performance and strategy. The functions of the CMT have since been reviewed and the new performance and strategy CMT is now operational.</p> <p>A report was agreed by the CMT (Performance & Strategy) in November 2005 setting out the format of a quarterly report covering performance on the objectives and projects in the strategic plan monitoring database. The first of these reports was considered in February 2006. The Best Value Sub-Committee has adopted the remit of considering this performance report at least twice per year. The new service plan guidance to be issued in October 2006 will complete the review of performance management.</p>	<p>The functions of the CMT have been reviewed and specific meetings dealing with performance monitoring and strategic issues have been held since October 2005.</p> <p>The slippage in service planning actions has impacted on completion of this section of the improvement plan.</p>

G	<p>Review the Council structure to ensure a better fit with corporate objectives, the needs of service users and organisational efficiencies.</p> <p><i>Measures (Targets) - Review to be carried out and reported to Council for consideration (June 2006)</i></p>	Report submitted to committee in June 2006.	The June report recommended that this action should be taken forward by the new Administration in 2007/08.
H	<p>Review the impact of community planning with the planning partners to ensure that all partners are directing adequate resources to agreed priorities.</p> <p><i>Measures (Targets) - New Community Plan 2005/2010 agreed and published in June 2005 (in place). The first annual monitoring review of the Plan and its 6 themes will include a review of impact and resource allocation (October 2006)</i></p>	External assessment of quality of Partnership work agreed as part of Dundee University's Monitoring and Research programme for 2006. Discussions held with the Improvement Service regarding pilot project on analysis of value added through strategic theme groups. Date for initial meeting of Health and Care theme with Improvement Service consultants set for 23 June 2006. Participants identified and briefed.	Action date of October 2006. Progress noted.
I	<p>Take steps to share good practice more widely and systematically within the Council and the management team to make better use of benchmarking and option appraisal, building on examples of these already being used in parts of the Council.</p> <p><i>Measures (Targets) - Review and report on the use of benchmarking and option appraisal in the Council recommending what steps to take (November 2005). Implement best practice and update service plans (May 2006)</i></p>	A corporate strategy employee newsletter called "changing for the future" was introduced on the modernising government theme in June 2006. This will share good practice. The service plan guidance is now to be reported by October 06 and will include guidance on benchmarking and option appraisal. A review of the training needs associated with the service plans will be completed by December 06.	<p>The slippage in service planning actions has impacted on completion of this section of the improvement plan.</p> <p>Senior officers view the revised CMT (performance and strategy) as one way of sharing good practice across Services.</p>

<p>J</p>	<p>Ensure that all service plans are SMART and that these and Council strategies are able to demonstrate that they respond to customer views as expressed through consultations and surveys.</p> <p><i>Measures (Targets) - All service plan performance targets and strategic projects milestones to be reviewed to make them as SMART as practicable (July 2006). Public consultation and communication strategies to be prepared and approved for all services (July 2006). Feedback reported via service plan reports to committees (July 2006). Monitoring and reviewing effectiveness of consultation and communication via the new CMT roles and via Service Plan reports to Committees (July 2006)</i></p>	<p>A consultation meeting with departments has taken place on new service plan guidance. The next step was the Corporate Planning Department to issue draft guidance in February but this is now October 06. The instructions issued to Departments in March on the annual service plan performance report explicitly required an update on consultations with stakeholders be included in the report. A quarterly reporting system to the new CMT (Performance & Strategy) will include a report on the actions taken to make all the objectives in plans SMART. They were reported to the February and June Management Team. The Best Value Sub-Committee will receive a full report on the monitoring of objectives in June 2006.</p>	<p>Slippage has occurred in implementing actions relating to service planning guidance which are now running in tandem with the Working Group set up to look at ways to better integrate the planning and budgeting processes.</p> <p>Consideration has still has to be given to the development of public consultation and communication strategies to ensure that Services can demonstrate they respond to customer views.</p>
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<p>K</p>	<p>Take steps to ensure that the Council can demonstrate its commitment to equal opportunities in its service delivery, and show progress with its overall approach to sustainable development.</p> <p><i>Measures (Targets) - Develop and implement Equality Action Plans for each service (December 2005). Sustainability performance to be specifically monitored via the CMT, and Service Plan and Council Plan reporting procedures (July 2006 onwards). Sustainability Policy in place following approval by Committee (October 2005). A comprehensive environmental policy framework to be developed and approved by Committee (December 2005). Sustainability criteria incorporated into Council's procurement strategy (December 2005)</i></p>	<p>Departments have made assessments on equality action plans required. At the P&R Committee 14 November 2005 it was agreed that committee reports relating to new policy must be accompanied by an equality and diversity report which at a minimum would be an Equality Impact Assessment Form.</p> <p>Environmental Services & Sustainability Committee agreed Council's Sustainability Policy, Corporate Priorities and Action Plan on the 20th February 2006. The Council's Sustainability Policy Implementation Group is now taking forward the action plan and progress will be reviewed annually. New Service Planning Guidance is currently being developed that will include requirements for reporting on sustainability development progress.</p> <p>No further developments are anticipated re the procurement strategy until June 2006 when bid to the Efficient Government Fund regarding procurement strategy will be known. Sustainability considerations re procurement may then be developed at that time.</p>	<p>Equality plans in place and approved by Commission for Racial Equality. Plans also in place to meet gender and disability requirements.</p> <p>Reporting on sustainability to be covered under the new service planning guidance expected by October 2006.</p> <p>Linkage to procurement strategy delayed until after bid outcomes are known.</p>
<p>L</p>	<p>Renewal of the importance of leadership in establishing a culture of Best Value.</p> <p><i>Measures (Targets) - Carry out a rigorous corporate EFQM self-assessment process and implement resulting action plan (August 2006)</i></p>	<p>Presentation given to Management Team in March 06 by Social Work and their approach to be followed for the corporate EFQM assessment to start in May and be completed by September 06.</p>	<p>Slight slippage in target date. Now scheduled for completion in September 2006.</p>

<p>M</p>	<p>Extend asset management arrangements across the Council to ensure assets are managed in the most effective way possible and are explicitly matched to the Council's objectives.</p> <p><i>Measures (Targets) - Complete property surveys and have information in accessible computer-based system (February 2006). Draft Asset Management Plan issued for consultation (September 2006). Finalisation, approval and implementation of Asset Management Plan (July 2007).</i></p>	<p>Surveys for sufficiency, suitability and condition were completed by 31 March. Full draft report is being compiled.</p>	<p>Draft Asset Management plan excluding housing and highways has been prepared. The May 2007 date for full AMP to be in place is expected to be achieved.</p>
<p>N</p>	<p>Ensure that the Council's approach to risk management fully reflects business continuity issues and civil contingencies.</p> <p><i>Measures (Targets) - All Departments of the Council to produce their own detailed business continuity plans in an agreed format (December 2005). Business continuity plans to be modified in the light of specific obligations imposed by the Civil Contingencies Bill (Dependent upon publication date of the Bill).</i></p>	<p>Departments identified their critical services for business continuity planning by December 05. The Audit and Risk Management Sub-Committee approved a report in March 06 setting out training requirements for departments and the wider business community for creating business continuity plans.</p>	<p>Departmental business continuity plans to be in place by December 2006 (initially had expected this would be required by December 2005 under the Civil Contingencies Act 2004 (Contingency Planning) (Scotland) Regulations 2005).</p> <p>Authorities are required under the 2004 Act to provide business continuity advice to voluntary and business organisations. Sessions to promote business continuity with voluntary organisations and local businesses were initially hoped to have been held in May/June 2006. We were advised that the voluntary sector has still to respond as to their preferred format. When a response is received the workshop will be organised. Risk Management staff have encouraged departments to raise business continuity with suppliers.</p>

<p>O</p>	<p>Ensure that the Council's approach to procurement at all levels achieves best value.</p> <p><i>Measures (Targets) - Prepare bid for funding assistance to take forward procurement-related proposals under Efficient Government Initiative (July 2005). Investigate extension of joint working initiatives with other local authorities and public sector agencies to maximise buying power etc (October 2005). Annual review of corporate procurement strategy incorporated as part of overall annual review of Council Plan Performance (July 2006)</i></p>	<p>A stage 2 bid for the Efficient Government Fund has been submitted (March 06). This will have a highly significant influence on the Council's procurement strategy. No further significant developments anticipated until outcomes around June 2006.</p>	<p>The Tayside Procurement Consortium of Dundee City, Angus and Perth & Kinross Councils commissioned Capgemini UK plc to prepare a Scope and Readiness Assessment of the three authorities and to develop a combined procurement strategy. The report which was issued to the Consortium in January 2006 was the basis of a business case and stage 2 Efficient Government Fund bid which was submitted in March 2006. Further progress with this action point is dependent on approval of the stage 2 bid.</p>
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Mr Alex Stephen
Chief Executive
Dundee City Council
21 City Square
Dundee
DD1 3 BD

17 August 2006

Dear Mr Stephen,

Financial Strategy Report 2004/05 – Follow up

In line with our 2005/06 Audit Risk Analysis and Plan we have undertaken a review of the Council's progress to date on implementing the recommendations from our 2004/05 *Financial Strategy* report. A number of these recommendations were closely linked with actions under the Council's Best Value Improvement Plan (BVIP) and we used our findings from that audit work, along with the information recorded on the Strategic Plan Monitoring Database as at July 2006, to conclude this review. Where the Database did not disclose progress or there were queries on the details this was raised with officers. The attached appendix includes progress updates provided by officers in August 2006.

I am pleased to report that two recommendations were fully implemented and progress has been made towards meeting most of the other areas for improvement including those with longer term and on-going target dates, in particular:

- the CIPFA Financial Management model has been implemented in response to a review of the council's financial strategy against good practice;
- a Working Group has been established to develop improved links between the council's planning and budgeting processes;
- work is on-going to develop longer term financial planning.

Although target dates were not met for two of the recommendations work was on-going to address this slippage. The Human Resource strategy which was scheduled to be in place by April 2006, per the BVIP, is still being developed and a revised completion date of October 2006 is anticipated. Written budgetary control procedures scheduled to be in place by March 2006 are now expected to be issued shortly.

In summary, I am pleased to report that good progress has been made in taking forward the recommendations from the Financial Strategy report and we will continue to monitor progress on an on-going basis.

Yours sincerely

Pearl Tate
Senior Audit Manager
enc.

cc:
Mr D Dorward, Depute Chief Executive (Finance)
Mrs M Stewart, Head of Finance
Mr G Manzie, Accounting Manager
Mrs S Dailly, Chief Internal Auditor
Ms F McFarlane, Performance Audit

Agreed Recommendation	Council Response	Progress per Strategic Plan Monitoring Database July 2006 (date of update)	Audit Comment
<p>A number of reports have been produced recently highlighting good practice in financial strategy, including the Controller of Audit's 'Overview of the local authority accounts 2004', the Audit Commission's 'Improvement through better financial management' and CIPFA's framework/model on 'Improving financial management in public services'. These documents provide useful benchmarks on best practice but these are not being fully used by the Council to improve its approach to financial strategy and management.</p> <p><i>Risk: The Council's financial strategy and approach to financial management does not progress in line with best practice.</i></p> <p>Recommendation: The Council should continue to review its own progress on financial strategy and financial management against good practice benchmarks on a regular basis.</p>	<p>The Council will continue to review its progress against good practice benchmarks on a regular basis. This will include an evaluation of CIPFA's Financial Model, and possible implementation thereafter.</p> <p>Ongoing</p>	<p>The CIPFA Financial Management model has been implemented and the input by contributors is in the process of being analysed. (19/5/06)</p>	<p>We note the progress made to date.</p>

<i>Agreed Recommendation</i>	<i>Council Response</i>	<i>Progress per Strategic Plan Monitoring Database July 2006 (date of update)</i>	<i>Audit Comment</i>
<p>The Council does not clearly align its resources to the objectives and priorities set out in its Corporate Plan. The corporate plan itself does not include a series of measurable performance targets for each significant area of activity and there is limited linkage between the corporate Plan priorities and objectives and those detailed in individual Service Plans.</p> <p><i>Risk: Corporate Plan objectives and service plan initiatives are not adequately costed or aligned with financial plans and, consequently, cannot be delivered.</i></p> <p><i>Recommendation: Resource planning, including the financial costing of corporate/service objectives and new initiatives should be developed and integrated into both the Corporate and Service plans.</i></p> <p><i>Measurable financial performance targets should be established and reported for significant areas.</i></p>	<p>Whilst there is perhaps no formal comment that Financial Plans and Services Plans are linked it is clearly Council policy that Service Plans are only approved by Committees on the basis that a Service Plan must be delivered in accordance with the approved budget. This encourages departments to achieve efficiency savings, ensure value for money and modernise services to ensure that the Service Plan can be delivered. Furthermore, Chief Officers are appraised on their performance in delivering Service Plans.</p> <p>A working group will be established to prepare for implementation when the new Corporate Plan becomes due in May 2007. The existing plan will be used to test costings. Work to date has tended to concentrate on measuring new initiatives rather than performance measurement of existing core budgets which is more difficult to demonstrate.</p> <p><i>By 30 September 2007</i></p>	<p>Working Group has been set up including representatives of the Service Departments. A schedule of meetings has been prepared for 2006. <i>(19/5/06)</i></p> <p><u><i>Update 11/8/2006</i></u></p> <p><i>On Target</i></p> <p><i>The Working Group is currently evaluating professional guidance and best practice, with a view to improving alignment and integration through revised service planning guidance.</i></p>	<p>This action also links to the council's BVIP. We have confirmed that the outcomes from this Group will be linked into the work on-going within the council relating to service planning guidance.</p> <p>Full implementation of agreed proposals from this Group is expected by the May 2007 target date agreed under the BVIP.</p>

<i>Agreed Recommendation</i>	<i>Council Response</i>	<i>Progress per Strategic Plan Monitoring Database July 2006 (date of update)</i>	<i>Audit Comment</i>
<p>The Council is committed to joint working and its approach to joint financial planning is well developed in areas such as co-ordinating financial planning and decision-making. However, joint governance arrangements with partners are under-developed.</p> <p><i>Risk: Financial plans do not support effective joint working and restrict the achievement of corporate objectives in relation to community planning.</i></p> <p><i>Recommendation: Joint governance arrangements with partners should be further developed to include, for example, a joint approach to risk management, financial and performance reporting and preparation of medium term financial plan. The respective roles, commitments and risks of the Council and partners should be known and communicated.</i></p>	<p>Joint Governance arrangements will be reviewed as part of the review of Corporate Governance. Guidelines will be established as part of the review. A standard approach does have difficulties due to the wide variety of services jointly provided to stakeholders and of which the Council is a partner. Many of the items noted are already incorporated in existing single <i>sponsorship</i> Service Level Agreements, therefore extending this to partnerships should not prove onerous particularly as many of these will relate to other partner public bodies such as the NHS.</p> <p><i>By 31 December 2006</i></p>	<p>Assessment not available</p> <p>(Note – in discussions with officers we were advised that this comment indicates that the trigger date for action recorded on the database has not yet been reached.)</p>	<p>We are aware from discussions with the Head of Finance that this action is being progressed. The December target date is expected to be met.</p>

<i>Agreed Recommendation</i>	<i>Council Response</i>	<i>Progress per Strategic Plan Monitoring Database July 2006 (date of update)</i>	<i>Audit Comment</i>
<p>There is limited long term planning (over 10 -15 years) which may reflect the difficulties of long term financial planning in the light of short term financial settlements. However, the lack of a long term plan restricts the Council's ability to prioritise expenditure to meet its longer term objectives.</p> <p><i>Risk: Failure to project the longer-term implications of previous spending decisions could restrict the ability to achieve objectives beyond the three-year budgeting horizon.</i></p> <p><i>Recommendation: The Council should further develop longer term financial planning to ensure that it is accounting for known changes, for example, demographic movements or the Waterfront Project. This should also recognise the need not only for a clear corporate funding approval process but also an exit strategy to mitigate risk around ring fenced or specific initiatives monies being withdrawn.</i></p>	<p>The Council already prepares rolling 3-Year Revenue & Capital Budgets, in line with financial settlement figures issued by the Scottish Executive and in accordance with Best Value requirements. In addition, major long-term projects (eg DERL, Schools PPP, Waterfront) are underpinned by detailed life-cycle plans and models. We are also looking to model the financial implications of population decline beyond the current 3-year horizon in order to better inform our financial planning processes. We do not believe, however, that there is much to be gained by extending detailed revenue and capital budget documents beyond the current 3-year horizon due to the inherent assumptions and uncertainties.</p> <p>In terms of ring-fenced funding, this has long been recognised by Local Government as a problematic issue and we have vigorously lobbied the Executive to mainstream funding where appropriate. In terms of exit strategies, the Council always seeks to mitigate its risk exposure by time-limiting its financial commitment eg by employing staff on fixed term contracts etc.</p> <p><i>On-going</i></p>	<p>Assessment not available (as trigger date set on database not yet reached)</p> <p><u>Update 11/8/2006</u></p> <p><i>On Target</i></p> <p><i>A 20-year Revenue Budget model has been developed and is currently being tested using various assumptions. In the short-term, however, priority continues to be given to securing a budget for 2007/08 within the Council Plan targets and meeting elected members aspirations. Longer-term financial planning will be developed as part of the new Council Plan for 2007-2011 and will take cognisance of the Scottish Executive's 2007 Spending Review.</i></p>	<p>We note the progress made to date.</p>

<i>Agreed Recommendation</i>	<i>Council Response</i>	<i>Progress per Strategic Plan Monitoring Database July 2006 (date of update)</i>	<i>Audit Comment</i>
<p>A new system of controlling capital investment, <i>The Prudential Code</i>, came into being in April 2004. This is based largely on self regulation. A key aspect of the new approach is the development of an asset management strategy and plan. The Council is currently undertaking a full review of its assets as part of the process of developing an asset management plan by 31 March 2007.</p> <p><i>Risk: Capital expenditure is not affordable, prudent and sustainable nor soundly based on robust asset management planning.</i></p> <p><i>Recommendation: The Council should further develop its approach to capital investment planning, including the finalisation of the corporate asset management strategy and plan. Milestone dates should be set to ensure the 2007 deadline is achieved and remedial action taken where necessary to ensure this target date does not slip.</i></p>	<p>The Council's approach to capital investment planning will be further developed in line with the requirements of the new Prudential Code.</p> <p><i>On-going</i></p> <p>The Council has established a Corporate Asset Management Group to take forward the preparation of the Asset Management Plan. The Group is working to a detailed timetable (including milestone dates), with a view to having a draft Plan by 31 March 2006 and a final Plan by 31 March 2007. It is believed that the Council's progress is in line with (or ahead of) progress being made by other Councils.</p> <p><i>By 31 March 2007</i></p> <p>The Council already has an Asset Management Plan in place for the Education Department (the "School Estates Management Plan") and this covers around 25% of the value of the Council's entire asset portfolio.</p>	<p>Assessment not available (as trigger date set on database not yet reached)</p> <p><u>Update 11/8/2006</u></p> <p><i>On Target</i></p> <p><i>The Council continues to develop its approach to capital investment planning in line with professional guidance, emerging best practice and previous audit recommendations.</i></p>	<p>The surveys for sufficiency, suitability and condition which are a fundamental part of compiling an Asset Management Plan (AMP) were completed by 31 March. A draft AMP (excluding housing and highways) has been prepared.</p> <p>This action also links to the BVIP where the target date for a full AMP to be in place is May 2007.</p>

<i>Agreed Recommendation</i>	<i>Council Response</i>	<i>Progress per Strategic Plan Monitoring Database July 2006 (date of update)</i>	<i>Audit Comment</i>
<p>The 2005/06 capital budget was approved by members three months after 2005/06 revenue budget (approved February 2005) and after the start of the financial year.</p> <p><i>Risk: All of the revenue implications for capital planning decisions have not been taken into account.</i></p> <p><i>Recommendation: There should be improved linkage between capital and revenue budgets. Current year capital budgets should be approved before the start of the financial year.</i></p>	<p>The 2005/2006 Revenue and Capital Budgets <u>were</u> closely co-ordinated despite the time-lag in approval. All the revenue implications of the Capital Plan were taken into account, however we do acknowledge that linkage between capital and revenue budgets can be improved. A detailed timetable is being prepared covering both processes, with the aim of having the 2006-2009 budgets approved before the start of the 2006/07 financial year.</p> <p><i>By 31 March 2006</i></p>	<p>Consultation process has started. Committee report anticipated in February. <i>(18/1/06)</i></p>	<p>The General Services Capital Plan 2006-09 was approved by Policy & Resources Committee in January 2006.</p>

<i>Agreed Recommendation</i>	<i>Council Response</i>	<i>Progress per Strategic Plan Monitoring Database July 2006 (date of update)</i>	<i>Audit Comment</i>
<p>The Council does not have a corporate approach to workforce planning therefore there is no assurance that it is maximising the use of the staffing resources available.</p> <p><i>Risk: Staff resources are not deployed as effectively as they could be to deliver Best Value services.</i></p> <p><i>Recommendation: A systematic approach to workforce planning should be developed that covers, for example, redeployment, planned staff reductions, future training needs and succession planning related to the workforce's age profile.</i></p>	<p>We have already highlighted the need to develop a Human Resource (HR) strategy in our Best Value Improvement Action Plan. Our approach will cover a wider range of issues rather than just workforce reduction. For example, it will include forecasting the number of employees required over given periods and identify what we are going to do to ensure that we get these employees ie recruitment, retention etc.</p> <p><i>On-going</i></p>	<p>Report will be submitted to Personnel Committee in June 2006. Item will then be completed. <i>(16/5/06)</i></p>	<p>This action also links to the BVIP.</p> <p>No report has yet gone to Committee, however, we are aware from our work on the BVIP that the development of an HR Strategy is being progressed and a report to the Personnel Committee is anticipated in October 2006.</p>

<i>Agreed Recommendation</i>	<i>Council Response</i>	<i>Progress per Strategic Plan Monitoring Database July 2006 (date of update)</i>	<i>Audit Comment</i>
<p>Member scrutiny of financial performance is limited to monthly reports to the Finance Committee. These reports provide a projected spend to the end of the year against annual budget by service/department. Actual spend to date is not provided for revenue expenditure and the monitoring reports do not analyse service/department spending across budget headings. Individual Service Committees do not receive any financial monitoring information.</p> <p><i>Risk: Elected members are not provided with sufficient information to enable effective scrutiny.</i></p> <p><i>Recommendation: Detailed financial information on capital and revenue should be reported to individual service committees. Members should be consulted on the level and format of the financial information they need to allow them to effectively discharge their responsibilities in this area.</i></p>	<p>Disagree.</p> <p>A review of budget monitoring procedures was recently undertaken and there was little evidence that existing practices were not satisfactory. We are, however, reviewing the format of the capital expenditure monitoring report in light of comments made in the external audit report on Prudential Code.</p> <p>All 29 elected members of the Council are members of the Finance Committee. We therefore see little merit in submitting the same information to individual Service Committees. We would also point out that we are submitting financial monitoring information to Committee more frequently than most other Councils.</p> <p>We see little merit in including actual-spend-to-date information in revenue expenditure monitoring reports: spend is not even throughout the financial year and the projected spend is much more meaningful and gives adequate indication of problem areas. Similarly, we see little merit in including a subjective cost analysis as accountability operates at departmental level.</p> <p>Notwithstanding the above comments, we are happy to canvass the views of our elected members on this matter.</p> <p><i>By 31 December 2005</i></p>	<p>Not recorded on Database</p> <p><u>Update 11/8/2006</u></p> <p><i>Achieved</i></p> <p><i>Following a consultation exercise and review of best practice, revised formats for revenue and capital monitoring reports have now been agreed with the various political groups. The new style reports will be submitted to the Finance Committee on 14 August 2006.</i></p>	<p>In discussions with officers we were advised that the final four recommendations in this report were not included on the database as the target dates had either passed or were imminent at the time the database was being updated with the Financial Strategy points. It was decided that there was little merit, therefore, in including these on the database.</p> <p>This also links to the BVIP and from our follow up work on the BVIP we are aware that a survey was issued to and returned by key stakeholders on financial report formats. Revised formats went to the August 2006 Finance Committee meeting.</p>

<i>Agreed Recommendation</i>	<i>Council Response</i>	<i>Progress per Strategic Plan Monitoring Database July 2006 (date of update)</i>	<i>Audit Comment</i>
<p>Whilst some training has been provided to budget holders on how to interrogate the Council ledger and on how to monitor their budgets, the Council's approach to developing financial skills across the organisation could be improved.</p> <p><i>Risk: Financial expertise within the Council is not sufficient to support effective financial management.</i></p> <p><i>Recommendation: The Council should introduce a structured programme of staff development and training on financial issues and undertake a regular review of the financial expertise in place across the organisation.</i></p>	<p>Disagree.</p> <p>The Finance Department provides adequate training for budget holders on the key corporate financial systems. In addition, the larger Service Departments have their own Finance Managers and/or accounting staff, appropriately qualified. Professional accountancy staff within the Council are encouraged to participate in CPD Schemes and a formal staff appraisal scheme is also in place which includes training and development issues.</p> <p>Notwithstanding the above comments, it is proposed that a review be undertaken in this area in order to identify any outstanding training needs.</p> <p><i>By 31 December 2005</i></p>	<p>Not recorded on Database</p> <p><u><i>Update 11/8/2006</i></u></p> <p><i>On-going</i></p> <p><i>The issue of outstanding training needs is being considered through a number of different exercises including the CIPFA FM Model, stakeholder meetings with departments and the new budgetary control manuals (see item below). To date, no outstanding training needs have been identified.</i></p>	<p>We note the updated position provided by officers in August.</p>

<i>Agreed Recommendation</i>	<i>Council Response</i>	<i>Progress per Strategic Plan Monitoring Database July 2006 (date of update)</i>	<i>Audit Comment</i>
<p>The budgetary control procedures within the Council have not been formally documented.</p> <p><i>Risk: Budgetary control is weakened in the absence of the member of staff normally assigned to undertake a particular aspect or procedure.</i></p> <p><i>Recommendation: Written procedures should be drawn up for all aspects of the budgetary control process, kept up-to-date, and issued to relevant staff.</i></p>	<p>Detailed revenue and capital budgetary monitoring procedures will be documented and issued as guidance to all relevant staff by March 2006.</p> <p><i>By 31 March 2006</i></p>	<p>Not recorded on Database</p> <p><u><i>Update 11/8/2006</i></u></p> <p><i>On-going</i></p> <p><i>The Revenue Budgetary Control Manual is at an advanced draft stage and will be issued in the near future. The Capital Budgetary Control Manual is currently being prepared and will be issued as soon as possible, after appropriate consultation.</i></p>	<p>We found that written procedures had not been prepared as at July 2006, however, we note the updated position provided by officers in August.</p>

<i>Agreed Recommendation</i>	<i>Council Response</i>	<i>Progress per Strategic Plan Monitoring Database July 2006 (date of update)</i>	<i>Audit Comment</i>
<p>The consolidated revenue account for the Council is not presented in accordance with CIPFA Best Value Accounting Code of Practice, Service Expenditure Analysis requirements.</p> <p><i>Risk: The Council fails to comply with Best Value Accounting Code of Practice.</i></p> <p><i>Recommendation: For annual accounts purposes, the existing accounting structure should be converted to present service expenditure information on the consolidated revenue account in accordance with the Best Value Accounting Code of Practice.</i></p>	<p>The existing accounting structure will be retained as this provides management information enquiry/reporting facilities for operators in accordance with the Council's departmental structure. Using a set of alternative analysis levels, however, present service expenditure information on the consolidated revenue account will be presented in accordance with Best Value Accounting Code of Practice. Present service expenditure in line with the Council's departmental structure will be included in the notes to the consolidated revenue account. This change in presentation will be incorporated into the Council's draft final accounts for 2005/06 to be passed to Audit Scotland in June 2006.</p> <p><i>By 30 June 2006.</i></p>	<p>Not recorded on Database</p> <p><u>Update 11/8/2006</u></p> <p><i>Achieved</i></p> <p><i>The 2005/06 CRA was presented in BVACoP format</i></p>	<p>This action was completed by the target date and the council's unaudited accounts 2005/06 were presented in accordance with the Best Value Accounting Code of Practice.</p>

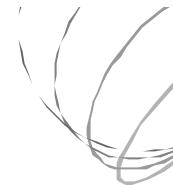
Dundee City Council

Dundee Discovery Card Follow Up 2005/2006

August 2006

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Executive Summary

Introduction

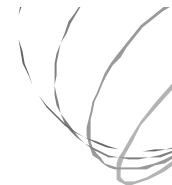
- 1 As set out in the Audit Risk Analysis and Plan, and as part of our agreed information management audit work for 2005/2006, we have followed up the recommendations from our 2004/05 review of the Dundee Discovery Card Implementation.
- 2 The original review resulted in four recommendations, which Council officers agreed to address within a set timescale. During the follow-up review, we discussed the progress that was made on implementing the recommendations. A breakdown of this progress can be found in the following table.

Recommendation status	Significance		
	High	Medium	Total
Number of recommendations	3	1	4
Implemented	2	N/A	2
Partly implemented	1		1

- 3 An analysis of the success in carrying out the recommendations can be found in the Recommendation Schedule in the attached appendix to this report.

Main findings

- 4 We are pleased to report that 2 of the 4 recommendations have been implemented and one is partially complete. Responsibility for the remaining recommendation has passed out of Dundee City Council control. (see paragraph 8) In particular we noted that:
 - a Dundee Discovery Card Team section plan has been prepared which is reviewed and updated regularly; the section plan and the Corporate Planning Service Plan are both clearly aligned with the Council's strategic objectives;
 - the section plan defines performance measures relating to the objectives of the Dundee Discovery Card implementation project; these are reported regularly to the Discovery Card Partnership Board;



- baseline comprehensive documentation exists for the major application areas including Schools and Customer Services. Some updates to documentation have been prepared to stand alongside the baseline manuals;
 - a Test environment is now installed and there is evidence that satisfactory release management procedures are in place.
- 5 On a more general note, the Council has now integrated the Discovery Card with its Citizens Account database. This is already delivering benefits with 114,000 citizen records now held, and 30,000 entitlement cards applied for. The majority of these have consented to data sharing between services and partners. The integration expands the scope of applications which can be used by a single card and allows changes notified by citizens to be effected across multiple systems. The initiative has provided a clear vision and represents a good practice model for national implementation.
- 6 Dundee City Council takes a high profile role nationally in supporting the development and production of the National Entitlement Card and has lead involvement in the project currently being delivered by the Improvement Service¹. The Partnership is working with supplier and user communities to provide a standard specification of the card infrastructure. This will enable new users, developers and suppliers of applications to standardise their products. A critical mass of card users has now been established across Scotland making the progress of this initiative clear to see.
- 7 The project team recognises that the challenging implementation schedule of the integration work has had an impact on the update and completion of its procedures documentation. In addition a key member of the project has now also been seconded to the National Entitlement Card project. They anticipate that this task will now be completed by October 2006.

Refer to Risk Area 1

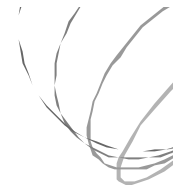
- 8 The continuing development of the National Entitlement Card project has seen responsibility for the management of the private keys² passing to the Improvement Service project. The keys are used to decrypt the data held on the smartcard chip, and are only released to suppliers wishing to access the chip, through a rigorous authorisation process. The secure storage of these keys is important so as to reduce the likelihood of illegal access to the data, or interference with the intelligence on the chip which could impact on the operation of the card applications. Whilst the

¹ Improvement Service is a partnership between the Scottish Executive, the Convention of Scottish Local Authorities (COSLA) and the Society of Local Authority Chief Executives (SOLACE). It is a company limited by guarantee with a budget of 4.5m over three years provided by the Scottish Executive.

² In public key cryptography, a private key is an encryption/decryption [key](#) known only to the party that needs to access encrypted data or authenticate his identity. If the key is discovered or intercepted by someone else, messages can easily be decrypted.



project no longer has direct responsibility for the private keys , the Dundee Discovery Card Business Development Manager has advised that they have received formal assurance from the Improvement Service that satisfactory security and backup measures are in place.



Follow Up Action Plan

Risk No	Risk Exposure	Planned Assurance Action	Responsible Officer	Target Date
1	<p>(Carried forward from 2004/05 audit report)</p> <p>The task of collating and reviewing documentation to reflect recent developments is not yet complete.</p> <p>Risk: <i>The lack of complete and up to date standards and procedures documentation may result in inconsistency of approach and over reliance on verbal transfer of knowledge to new staff.</i></p>	<p>Completion of the Standards and Procedures documentation is now part of the integrated workload of the Section and has been assigned to a dedicated member of staff to ensure its completion.</p> <p>Specific updates are created at times of process changes and are now part of the change process.</p> <p>For new processes, the documentation is created for the training of staff.</p>	DDC Manager	October 2006



Recommendation Schedule

Implementation Progress		Implemented	
		Yes	No
1	<p>The Dundee Discovery Card (DCC) project would benefit from the development of a strategic service plan. The DDC project plan should be reviewed and updated in line with this service plan.</p> <p>The Service Plan (2003-2007) for the Corporate Planning Department includes objectives relating to the Dundee Discovery Card and related Modernising Government projects such as the Citizen Account. A new section plan has been prepared for the Dundee Discovery Card Team containing objectives, performance measures and projects for that section. These plans were approved by the Policy & Resources Committee on 26 June 2006. The Service Plan is subject to monitoring through the Strategic Plan monitoring arrangements in place at the Council. The Dundee Discovery Card Team section plan is reviewed and updated quarterly and reported to the Discovery Card Partnership Board.</p> <p>Both plans reflect objectives and themes from the Council Plan. They also describe the Council's participation in and focus on the National Entitlement Card project currently being delivered through the Improvement Service.</p>	✓	
2	<p>Processes and procedures within the DDC team need to be documented.</p> <p>Progress is being made with documentation. The challenging schedule for implementing the Discovery Card's integration with the Citizen's Account database and the issuing of 30,000 National Entitlement Cards for senior citizens and disabled people has led to ongoing changes being required in processes and procedures. Procedure updates have therefore been issued where appropriate. The Council plans to have a comprehensive set of process and procedure notes completed by October 2006.</p>	Partial	
3	<p>A test environment for the smartcard database should be implemented to allow testing of upgrades and trialling of modifications.</p> <p>The test environment capability was implemented late in 2005 and utilised successfully for an upgrade in January 2006.</p> <p>The Council demonstrates good practice in its release management procedures, using a checklist to ensure that testing is comprehensive, complete and approved before being implemented in the live environment.</p>	✓	



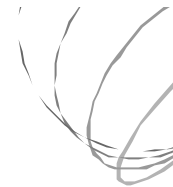
Implementation Progress Contd.		Implemented	
		Yes	No
4	<p>Consideration should be given to storing the private keys that give access to smartcard sections containing information, offline.</p> <p>The private keys are now managed by the Improvement Service who are delivering the National Entitlement Card project.</p> <p>The Dundee Discovery Card Business Development Manager has received assurance that the risks of loss or disclosure of these keys is minimised through appropriate security and backup measures.</p>	Not applicable	



Dundee City Council

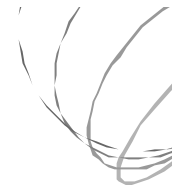
Dundee Website Overview Follow Up 2005/2006

August 2006



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Executive Summary

Introduction

- 1 As set out in the Audit Risk Analysis and Plan, and as part of our agreed information management audit work for 2005/2006, we have followed up the recommendations from our 2004/05 overview of the Dundee City Council website.
- 2 The original review resulted in seven recommendations, which Council officers agreed to address within a set timescale. During the follow-up review, we discussed the progress that was made on implementing the recommendations. A breakdown of this progress can be found in the following table.

Recommendation status	Significance		
	High	Medium/Low	Total
Number of recommendations	3	4	7
Implemented	2	4	6
Partly implemented	1		1

- 3 An analysis of the success in carrying out the recommendations can be found in the Recommendation Schedule in the attached appendix to this report.

Main findings

- 4 We are pleased to report that 6 of the 7 recommendations have been implemented and the remaining one is partially complete. In particular we noted that:
 - a completely refurbished Council website is in the final stages of development. This will address accessibility weaknesses and will provide for standardisation of pages layout and content management by departmental Information Champions;
 - terms and conditions and data protection statements are clearly displayed on appropriate pages of the website; additional statements on security of personal information and the Council's privacy policy are also provided;
 - guidance clarifying the roles and responsibilities of the various departments and teams responsible for website publishing have been brought up to date;



- performance measures relating to the website statement of requirements have been developed and will be reported regularly.

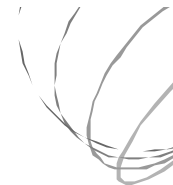
5 The one recommendation which remains partially implemented relates to the display of personal email addresses on the website. In general it is not considered good practice to display unnecessary personal information on the internet as it can quickly become out of date or can put the staff member at risk of identity theft or harassment. The Council Management Team considered this issue after our last audit report was published and have decided to retain personal email addresses for senior officers. Mailboxes relating to council services will have generic email addresses. We note however that guidance on managing such mailboxes has not been formalised and circulated to departments.

Refer to risk area number 1

6 The redevelopment of the website has provided the Council with an opportunity to incorporate best practice and e-government standards in the new implementation. Improvements will include search engine optimisation, accessibility features, web standards compatibility and ease of update.

7 We note that after a process of evaluating several commercial Content Management System products, the Web Steering Group decided to support an in house development of content management software and procedures. These will be rolled out to the departmental Information Champions as part of the implementation of the new website later in 2006.

8 The Council has demonstrated best practice in its approach to benefits realisation by defining and developing performance measures based on its website Statement of Requirements 2003-2007. Baseline statistics are currently being gathered which will enable the Council to measure the difference the website is making to its citizens by providing improved services and information.



Follow Up Action Plan

Risk No	Risk Exposure	Planned Assurance Action	Responsible Officer	Target Date
1	<p>(Carried forward from 2004/05 audit report)</p> <p>Guidance on managing mailboxes which may receive email from the public has not been prepared and issued to staff.</p> <p><i>Risk: Citizens may not receive responses within an adequate time period and the Council may not be able to meet its obligations under the Freedom of Information (Scotland) Act.</i></p>	<p>Guidance on managing mail boxes will be issued. This will advise staff that generic e-mail boxes are the responsibility of the leader of the individual team. Use of personal e-mail boxes will be restricted to directors and heads of service of each department, and the responsibility for the management of these boxes will fall on their own support teams.</p>	<p>Head of Leisure & Cultural Services</p>	<p>Mid September 2006</p>

Recommendation Schedule

Implementation Progress		Implemented	
		Yes	No
1	<p>The redesign of the Council website should address the accessibility weaknesses identified.</p> <p>The Council is working towards implementing a completely refurbished website in September 2006. The design and standards employed in its development will address the weaknesses previously identified including search engine optimisation, accessibility, web standards compatibility and ease of update. A workplan has been prepared outlining the tasks, responsibilities and timescales required for this project.</p>	✓	
2	<p>The Council should provide Terms and Conditions of Use on the website, and where appropriate make provisions for users to actively accept these.</p> <p>A Terms and Conditions link is clearly available from the website homepage and other appropriate places. The Terms and Conditions comprise access rights, copyright, responsibility for links, warranty disclaimer and privacy information.</p>	✓	
3	<p>The Council should provide Data Protection statements where interactive forms on the website collect personal and/or sensitive information.</p> <p>A Data Protection Statement is displayed where personal information is collected on forms (for example - Housing Repairs On-Line) and in other appropriate places throughout the website. The Council also provides information on the security of online transactions and a privacy policy on the use of cookies and the storage of personal information. We consider this to be good practice.</p>	✓	
4	<p>The Council should give implementation of a Content Management System serious consideration.</p> <p>The Council has evaluated several commercial Content Management Systems, and has undertaken a feasibility study into their workability in the Council website development environment. After consideration, the Website Steering Group has decided not to take a commercial product but to develop in house the process and procedures for website content edit, update and publishing. This initiative will be implemented as part of the of the new website project and rolled out to the Information Champions in each department later in 2006.</p>	✓	
5	<p>Staff guidelines for publishing material on the Council website should be updated.</p> <p>The Guidelines for Electronic Publishing were updated in December 2005. The paper outlines the roles of various departments and teams involved in the creation of web pages and database information, and the procedures to follow for successful promotion of information via the web.</p> <p>We note that it is the responsibility of the Information Champions to ensure that their departments are aware of these procedures.</p>	✓	

Implementation Progress contd		Implemented	
		Yes	No
6	<p>The Council should design website performance reports on the basis of the targets set out in the Statement of Requirements and report periodically to see whether the objectives are being met.</p> <p>A draft paper has been prepared and circulated to the Web Steering Group in March 2006, setting out performance measures against the functionality of the website defined in the statement of requirements. The team have started to collect baseline statistics and will be reporting performance regularly to the Web Steering group.</p>	✓ Pending approval by Web Steering Group	
7	<p>The Council should use generic email addresses for contacts on the website and provide guidelines for managing mail boxes accordingly.</p> <p>Subsequent to the 2004/05 audit, the Council's Management Team discussed the use of personal and generic email addresses on the website. They agreed that personal email addresses would remain on the website for senior officers. Where a service was being provided a generic address would be appropriate. An e-mail regarding this was sent out to departments, but formal guidance on the management of mailboxes has not been issued.</p>	Partial	