

REPORT TO: AUDIT AND RISK MANAGEMENT SUB-COMMITTEE - 21 JANUARY 2008

REPORT ON: INTERNAL AUDIT REPORTS

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 75-2008

1.0 PURPOSE OF REPORT

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

2.0 RECOMMENDATIONS

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

3.0 FINANCIAL IMPLICATIONS

None

4.0 MAIN TEXT

4.1. The day-to-day activity of the Internal Audit Service is primarily driven by the reviews included within the Internal Audit Plan. Broadly, on the completion of a specific review, a report which details the audit findings and recommendations is prepared and issued to Management for a formal response and submission of Management's proposed action plan to take the recommendations forward. Any follow-up work subsequently undertaken will examine the implementation of the action plan submitted by Management.

4.2. Executive Summaries for the reviews which have been finalised in terms of paragraph 4.1 above are provided at Appendix A. Within each Executive Summary the prime aim is to provide both Members and Management with key information which includes the reason for undertaking the review, summary financial data and statistics, the areas encompassed within the review and specific areas which were excluded, the principal audit objectives, an audit opinion on the adequacy of the systems and control framework of the area reviewed, the key conclusions based on the audit findings and recommendations and a summary of Management's response to the audit report. The full reports are available to Members on request.

5.0 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6.0 CONSULTATIONS

The Chief Executive and Head of Finance have been consulted on the content of this report.

7.0 BACKGROUND PAPERS

None

Sallie Dailly, Chief Internal Auditor

DATE: 14 January 2008

i) INTERNAL AUDIT REPORT 2007/01

Department	Leisure and Communities
Subject	Disclosure Checks
Introduction	
<p>As part of the planned audit work a review of the procedures operated in relation to Disclosure Checks within the Leisure & Communities Department was carried out. The current disclosure service in Scotland, known as Disclosure Scotland, has been in operation since 2002 and is designed to help employers make safer recruitment and appointment decisions in relation to paid or unpaid positions. There are three levels of disclosure certificate - basic, standard and enhanced. Free disclosures for volunteers are undertaken via an intermediary organisation, the Central Registered Body in Scotland. A new system for vetting and disclosure of individuals is included in the provisions of the Protection of Vulnerable Groups (Scotland) Bill which was passed in March 2007 but implementation of this legislation is not due to commence until April 2008.</p> <p>Within the Leisure & Communities Department, a disclosure check at an enhanced level is undertaken for all new staff and volunteers who have contact with children or vulnerable adults, with appointment to post being conditional on an acceptable disclosure check. Disclosure checks have also been undertaken for some existing employees. In 2006 approximately 300 disclosure checks were requested. Applications for disclosure checks are channelled via the Staffing & Payroll Section based at Departmental Headquarters and staff in that section review the appropriateness of the check and ensure that applications have been satisfactorily completed and the relevant identification has been included prior to sending off the applications. Procedures are in place for verification of details of convictions on returned disclosures and for assessing whether the individual should be employed and for the handling, storage and retention of disclosure information to adhere to Disclosure Scotland requirements.</p>	
Scope and Objectives	
<p>To examine the systems operated within Leisure & Communities in respect of disclosure checks both centrally and in locations relating to both the former Leisure & Arts and Communities Department. Areas to be examined included adequacy of Council and Departmental policy, Departmental procedures for requesting and handling disclosure checks and storage and destruction arrangements.</p>	
Conclusion	
<p><i>The principal conclusion drawn from this review is that whilst there is basically a sound system of control there are some areas where it is viewed improvements can be made.</i></p> <p>The main areas commented upon in the report are as follows:</p> <ul style="list-style-type: none"> • To ensure adherence to Leisure & Communities departmental guidance for administering disclosure checks and the handling, storage and disposal of documentation, staff should be reminded of the policies and procedures to be followed and a system for monitoring progress of requests for disclosure checks from initiation to disposal of the documentation should be established. • To ensure accuracy of the information contained in the disclosure database maintained by the Department, data in the system should be reviewed and anomalies corrected. There should be agreement on the information to be entered in the various fields and training should be organised for any new member of staff. 	
Management Response to the Audit Report	
<p>The audit findings and recommendations were formally reported to the Director of Leisure and Communities and appropriate action agreed to address the specific issues raised.</p>	

ii) INTERNAL AUDIT REPORT 2007/06

Department	Planning and Transportation
Subject	Parking Penalty Charge Notices

Introduction

As part of the planned audit work for 2006/07, a review of the effectiveness of the controls operating in respect of the system for Parking Penalty Charge Notices (PCNs) was carried out.

Under the terms of the Road Traffic Act 1991, decriminalisation of parking enforcement in Dundee came into force on 1 April 2004. In the financial year 2006/07, approximately 30,000 PCNs were issued of which 77% were for on-street and 23% were for off-street parking. Income received over the same period was in the region of £977,000.

At the time of audit fieldwork, there were 16 Parking Attendants working 7 days a week from 8 am to 6 pm on a shift system, using hand held devices and digital cameras to record information and produce the hard copy of the penalty charge notices. Information from the handheld devices is downloaded to the main Authority Traffic computer system provided by Civica and there is an automatic progression path until the PCN is closed, although, if a written enquiry is received, the PCN is put on hold and no further action is taken until the enquiry is resolved. A link to the Driver and Vehicle Licensing Agency (DVLA) enables information to be obtained on the registered owners of vehicles, who are legally liable for the PCN charge. The charge for all contraventions is set at £60 but this is reduced by 50% if payment is received within 14 days and rises to £90 if the debt is not paid and a Charge Certificate is issued. Payment of PCNs can be made in person, over the telephone, by post or online via the Council's website. Outstanding debts are referred to Sheriff Officers for them to pursue. An independent internal Parking Review Panel meets regularly and appeals against the Council decision can be made to the Scottish Parking Appeals Service.

The audit review identified areas for improvement in both the Planning and Transportation and Finance Departments. This report details the recommendations made in respect of procedures operated within the Planning and Transportation Department. Internal Audit Report 2007/35 details the recommendation relating to the Finance Department.

Scope and Objectives

The objective of the audit was to give an opinion on the effectiveness of the controls operating in respect of the system for parking penalty charge notices. Areas considered included issuing of PCNs, download of data to the main system, discounts awarded for early payment, appeals procedures, receipting and banking of income, debt collection and bad debt write off and system security.

Conclusion

The principal conclusion drawn from this review is that there are weaknesses in the system which should be addressed.

The main areas highlighted in the report are as follows:

- To facilitate recovery of PCN debt, the database should be regularly monitored to ensure that all PCNs are moving through the various stages of debt recovery, procedures should be established to deal with PCNs when DVLA is unable to provide details of registered owners and greater use should be made of the management reporting facility by staff within the Parking Office.
- To improve efficiency of processing and reduce the potential for error, payments should be recorded in Authority Traffic at the time of receipt and all income should be banked as soon as practicable.
- To improve security over premises and information, the security codes to the parking offices should be changed when personnel leave, user access permissions to the computer system should be reviewed to ensure these are appropriate and standard letters should be created and a reference number should be recorded on the system to indicate the letter issued.
- To ensure that PCNs are dealt with in a consistent manner within expected timescales, staff should be provided with procedure notes.

Management Response to the Audit Report

The audit findings and recommendations were formally reported to the Director of Planning and Transportation appropriate action agreed to address the specific issues raised.

iii) INTERNAL AUDIT REPORT 2007/09

Department	Social Work
Subject	East Port House

Introduction

As part of the planned internal audit work a review of the systems operating at East Port House was carried out.

East Port House is a unit which is managed by Social Work staff within Dundee City Council and caters for people over the age of 16 who are subject to probation, bail or parole conditions. The objective of the unit is to assist long-term prisoners leaving custody access suitable accommodation with appropriate networks, aiding re-integration and inclusion into the community, thus reducing the likelihood of further offending.

The unit operates as a partnership between Angus, Dundee and Perth and Kinross Councils and is managed by Dundee City Council. It is funded by the Scottish Executive and the grant received for 2006/07 was £539,358.

Scope and Objectives

The overall aim of the assignment was to verify that the systems operating at East Port House are satisfactory. Areas examined included banking arrangements, general security, ordering, receipting and payment of goods and services, authorised signatories, budget monitoring arrangements, client cash, inventories and petty cash.

Conclusion

The principal conclusion drawn from this review is that whilst there is basically a sound system of control there are some areas where it is viewed improvements can be made.

The main areas commented upon in the report are as follows:

- To ensure that monthly payroll variations and sessional payments are accurate, time sheets should be appropriately authorised, Staffing 5 forms fully completed, monthly return sheets verified by a member of staff other than the one who completed it and payments to sessional staff should be authorised by a senior member of staff.
- In order to improve controls over the ordering, receipting and payment of goods and services, there should be adequate segregation of duties and all orders should detail the nature, quantity and price of the goods or services. Thereafter, goods received should be verified to the order and recorded on inventories where appropriate.
- In order to ensure that income due to East Port House is maximised, Social Care Officers should make clients aware of any problems in relation to their Housing Benefit or Direct Rent payments and advise them of the appropriate action to take.

Management Response to the Audit Report

The audit findings and recommendations were formally reported to the Director of Social Work and appropriate action agreed to address the specific issues raised.

iv) INTERNAL AUDIT REPORT 2007/16

Department	Housing
Subject	Follow-up Review of Cash Collection and Receipting
Introduction	
<p>As part of the planned internal audit work, a follow-up review to Internal Audit Report 2005/41 on cash collection and receipting was undertaken.</p> <p>The original internal audit report concluded that whilst the procedures operated by staff in relation to the areas reviewed were in general satisfactory, there were certain aspects of the system where it was viewed that improvements could be made. These included the following:</p> <ul style="list-style-type: none"> • Ensuring that staff are issued with procedure notes which cover guidance on banking procedures and levels of cash to be held in tills. • Ensuring that entry to cash offices and booths is restricted to staff who require access to these areas. • Reviewing the adequacy of the level of cash floats in the till. • Reviewing the feasibility of collecting payments via other mechanism for housebound citizens. <p>Since the original review the Housing Department has restructured. There are now only two housing offices West District and East District.</p>	
Scope and Objectives	
<p>To assess whether or not each of the recommendations agreed by Management in Internal Audit Report 2005/41 has been implemented within the given timescales. The review was restricted to areas included in the original report.</p>	
Conclusion	
<p><i>The principal conclusion drawn from the follow-up work undertaken is that whilst some action has been taken to strengthen the control weaknesses highlighted in the original review there are still some recommendations which require to be implemented by management.</i></p> <p>The main area where action agreed by management is still outstanding is as follows:</p> <ul style="list-style-type: none"> • To ensure the security of cash and keys following the relocation to the two District Offices, cash levels held in tills and procedures operated in respect of keys should be reviewed. 	
Management Response to the Audit Report	
<p>The audit findings and recommendations were formally reported to the Director of Housing and appropriate action agreed to address the specific issues raised.</p>	

v) INTERNAL AUDIT REPORT 2007/18

Department	Environmental Health and Trading Standards
Subject	Payroll – Travel and Subsistence

Introduction
<p>As part of the planned internal audit work a review of the systems operated in relation to travel and subsistence payments within the Environmental Health and Trading Standards Department was undertaken. Environmental Health and Trading Standards is split into three divisions, Environment, Food Health & Safety and Trading Standards. In financial year 2006/07, expenditure on travel and subsistence was in the region of £10,500 for the Department.</p> <p>The Council will reimburse all reasonable claims made for travel and subsistence incurred on Council business in accordance with National / Local agreements. All claims for payment of car allowances, subsistence allowances, travelling and incidental expenses require to be submitted by employees on a monthly basis on the Council's standard proforma.</p> <p>The employee is required to confirm that the claim being submitted is a true account of expenses actually and necessarily incurred in the course of their duties with Dundee City Council. Thereafter the forms are authorised by designated personnel prior to being verified and input to the payroll system. Receipts for expenses incurred during the period covered by the claim form should be attached where appropriate.</p>
Scope and Objectives
<p>The overall aim of the assignment was to undertake a review of the systems operated in relation to travel and subsistence claims. Areas examined included compliance with Dundee City Council policy, extent of sharing transport where possible, adequacy of completeness of forms submitted, documentation provided in support of claims, procedures for checking and authorising claims, timeliness of submission of claims and accuracy of data input to payroll.</p>
Conclusion
<p><i>The principal conclusion drawn from this review is that there is a sound system of control designed to achieve the system objectives and that the controls are being consistently applied.</i></p>

vi) INTERNAL AUDIT REPORT 2007/21

Department	Housing
Subject	Scottish Housing Quality Standard

Introduction
<p>A review of the systems operated in respect of the Scottish Housing Quality Standard (SHQS) within the Housing Department was carried out as part of the planned audit work.</p> <p>In February 2004 the Minister for Communities announced details of the content of the SHQS and set the target date of 2015 for bringing houses in the social rented sector up to this Standard. To meet the Standard a house must be compliant with the tolerable standard, free from serious disrepair, energy efficient, provided with modern facilities and services, healthy, safe and secure. Councils have been permitted to set their own milestones for progressing towards the 2015 target date, taking account of their own local circumstances.</p> <p>In June 2006 Dundee submitted its SHQS Delivery Plan to Communities Scotland. This is a very comprehensive document which shows that expenditure required over the period to 2015 is of the order of £140m which will be financed by a combination of borrowing, land sales and council house sales. In order to assess the accuracy of the condition of stock, the Housing Committee of 23 October 2006 agreed to carry out a stock Condition Survey of 30% of the Council's housing stock and to purchase a stock information database. The John Martin Partnership, Chartered Quantity Surveyors and Cost Consultants were contracted to carry out the stock condition survey of the housing stock and to provide a populated electronic database which will assist Dundee City Council in tracking progress towards achieving the targets as set out in the SHQS Delivery Plan. The database is due to be passed to Dundee City Council with completed survey information in October 2007.</p> <p>Communities Scotland have advised that they will monitor progress of the Delivery Plan and all local authority landlords are required to submit a fully updated Plan by June 2009.</p>
Scope and Objectives
<p>The objective of this audit review was to provide an opinion on the adequacy of the systems being used to ensure that the Housing Department achieves the SHQS by 2015. Areas examined included overall project management issues, arrangements for ensuring the timely delivery, accuracy and maintenance of the database, reasonableness of financial aspects of the submission document and identification of risks and associated contingency arrangements.</p>
Conclusion
<p><i>The principal conclusion drawn from this review is that there are weaknesses in the system which should be addressed.</i></p> <p>The main areas highlighted in the report are as follows:</p> <ul style="list-style-type: none"> • In order to ensure that the Council is on target to deliver the SHQS Delivery Plan, a Project Board chaired by the Director of Housing should be established. The Project Board should be supported by a Project Management Team and should meet on a regular basis to monitor progress and address any emerging issues in respect of the Delivery Plan. • To ensure that the information in the database is robust, adequate resources should be made available for updating the system, data should be reconciled on a regular basis and the Department should ensure that there are appropriate back up arrangements in place. • To ensure that the Capital and Revenue budgets are sufficient to deliver the Scottish Housing Quality Standard by 2015, all elements of the Delivery Plan should be reviewed annually.
Management Response to the Audit Report
<p>The audit findings and recommendations were formally reported to the Director of Housing and appropriate action agreed to address the specific issues raised.</p>

vii) INTERNAL AUDIT REPORT 2007/22

Department	Support Services
Subject	Guidance on Disclosure Checks
Introduction	
<p>As part of the planned audit work, a review of the procedures operated in relation to disclosure checks within the Leisure & Communities Department was carried out. The current disclosure service in Scotland, known as Disclosure Scotland, has been in operation since 2002 and is designed to help employers make safer recruitment and appointment decisions in relation to paid or unpaid positions. There are three levels of disclosure certificate - basic, standard and enhanced. Free disclosures for volunteers are undertaken via an intermediary organisation, the Central Registered Body in Scotland.</p> <p>The Legal Manager within Support Services is the Council's Lead Disclosure Officer. However, each department has its own Disclosure Officer and departmental staff are responsible for determining the posts which require a disclosure check and for processing disclosure checks for staff and volunteers working within their department. There are Council policies on the recruitment of ex-offenders and on the secure handling, use, storage and retention of disclosure information. Recommendations on periodic checking of employees were presented to the Council's Management Team (Operational Issues) in April 2005. However, these were not implemented as the Scottish Executive was proposing to introduce a new system for vetting and disclosures of individuals who work, or wish to work, with vulnerable groups. There have been delays in introduction of the relevant legislation and, although The Protection of Vulnerable Groups (Scotland) Bill was passed in March of this year, phased implementation is not scheduled to commence until 2008.</p>	
Scope and Objectives	
<p>The scope of the original audit was to examine the systems operated within Leisure & Communities in respect of disclosure checks both centrally and in locations relating to both the former Leisure & Arts and Communities Department. Areas to be examined included adequacy of Council and Departmental policy, Departmental procedures for requesting and handling disclosure checks and document storage and destruction arrangements.</p>	
Conclusion	
<p><i>The principal conclusion drawn from this review is that whilst there is basically a sound system of control there is one area where it is viewed improvements can be made.</i></p> <p>The specific area commented upon in the report is as follows:</p> <ul style="list-style-type: none"> To ensure consistency in approach to Disclosure Scotland requirements throughout the Council, consideration should be given to the compilation of central guidance on good practice. 	
Management Response to the Audit Report	
<p>The audit findings and recommendations were formally reported to the Depute Chief Executive (Support Services) and appropriate action agreed to address the specific issue raised.</p>	

viii) INTERNAL AUDIT REPORT 2007/23

Department	Education
Subject	School Placing Requests

Introduction

As part of the planned internal audit work for 2007/08 a review of the systems operated for School Placing Requests was carried out.

Within Dundee, children starting school are priority 1 for the primary school in their catchment area whilst pupils starting secondary school are priority 1 for the secondary school associated with the feeder primary school which they have attended. If children move into an area they will be allocated a place in the school in the catchment area, if there is capacity.

Under the Education (Scotland) Act 1980 parents and guardians have the right to make placing requests for their children and, where possible, the Education Authority has to place the child accordingly. Requests are made on the relevant application form which should be returned by the first Monday in February and the Council has until the 30 April to give a written decision. However, the Education Department tries to provide a response to parents by mid March. In the event that the number of places available at a particular school is restricted, the requests are prioritised according to criteria set by the Education Department.

The Education Authority can refuse a placing request under certain circumstances; for example if such a placement would make it necessary to employ an additional teacher, cause significant expenditure on extending or altering the accommodation, be seriously detrimental to the continuity of the child's education, is likely to be seriously detrimental to the order and discipline of the school or the educational well being of pupils attending the school or the education provided is not suited to the age, ability or aptitude of the child. Should a child be refused a place, parents have the right to appeal. The Council has a formal procedure for processing all appeals received and these are heard by an appeals committee. In the event that an appeal is unsuccessful, the parent has the right of appeal to the Sheriff.

Scope and Objectives

The overall aim of this review was to examine the systems operated in respect of School Placing Requests and formally report the findings. Areas examined included timeliness and adequacy of notices in the press, the adequacy of application forms, procedures for processing forms, allocation of places and appeals procedures.

Conclusion

The principal conclusion drawn from this review is that whilst there is basically a sound system of control there are some areas where it is viewed improvements can be made.

The main areas commented upon in the report are as follows:

- To improve the quality of information provided to parents, the current guidance notes should be reviewed and amended where appropriate.
- To minimise the risk of errors and ensure that there is a complete audit trail, staff should be reminded of the importance of checking that all pupils being enrolled reside in the catchment area, allocating the correct priorities and the necessity for completing and retaining all supporting documentation.
- In order to ensure uniformity of working practices, consideration should be given to issuing procedure notes to staff which details practices to be to be operated in respect of allocation of priorities, checking procedures, maintenance of waiting lists and logging of appeals.

Management Response to the Audit Report

The audit findings and recommendations were formally reported to the Director of Education and appropriate action agreed to address the specific issues raised.

ix) INTERNAL AUDIT REPORT 2007/24

Department	Environmental Health and Trading Standards
Subject	2006/07 Grant Claim : Contaminated Land

Introduction
<p>In April 2005 Dundee City Council were advised that an allocation of funding for the three year period 2005-06 to 2007-08 inclusive had been granted for capital works associated with the implementation of the statutory contaminated land regime, as set out in Part IIA of the Environmental Protection Act 1990. For the 2006/07 financial year the amount awarded to the Council under this scheme was £142,000 and the actual amount awarded was expended in full.</p> <p>It is a requirement of the Conditions of the Grant that "at the end of each Financial Year the Grantee shall prepare an account showing all expenditure incurred by the Grantee in connection with the Project during that Financial Year. Such account shall be audited and certified as true and accurate by a member of the Institute of Chartered Accountants in Scotland or any other equivalent body as may be approved by the Scottish Ministers and a copy of the external auditors' report shall be submitted to the Scottish Ministers no later than 30 November in each year following completion of the audit".</p>
Scope and Objectives
<p>The overall aim of this review was to enable the Chief Internal Auditor to provide an opinion as to whether or not the grant funding received in respect of the above subject has been spent in accordance with the related Terms and Conditions.</p>
Conclusion
<p><i>On the basis of examining the accounts and records of this grant claim, obtaining such explanations and carrying out such tests as deemed necessary, it is considered that the entries in the claim form are fairly stated, and that the sums claimed are properly due and have been used in accordance with the terms and conditions of the Offer of Grant.</i></p>

x) INTERNAL AUDIT REPORT 2007/25

Department	Environmental Health and Trading Standards
Subject	2006/07 Grant Claim : Noise Nuisance

Introduction
<p>In December 2005 funding of £1,111,667 was offered to Dundee City Council to assist the local authority implement the noise nuisance provisions contained under Part 5 of the Antisocial Behaviour etc (Scotland) Act 2004. The grant covered the period 1 April 2006 to 31 March 2008 inclusive. For the 2006/07 financial year the grant component was £554,097 and the amount expended by the Council totalled £386,843. The variance between the grant awarded and the actual expenditure was primarily due to the lead in time at the start of the 2006/07 financial year which was required to determine the optimum staffing level and to recruit appropriate staff.</p> <p>It is a requirement of the Conditions of the Grant that "at the end of each Financial Year the Grantee shall prepare an account showing all expenditure incurred by the Grantee in connection with the Project during that Financial Year. Such account shall be audited and certified as true and accurate by a Registered Auditor and a copy of the external auditors' report shall be submitted to the Scottish Ministers no later than 30 November in each year following completion of the audit".</p>
Scope and Objectives
<p>The overall aim of this review was to enable the Chief Internal Auditor to provide an opinion as to whether or not the grant funding received in respect of the above subject has been spent in accordance with the related Terms and Conditions.</p>
Conclusion
<p><i>On the basis of examining the accounts and records of this grant claim, obtaining such explanations and carrying out such tests as deemed necessary, it is considered that the entries in the claim form are fairly stated, and that the sums claimed are properly due and have been used in accordance with the terms and conditions of the Offer of Grant.</i></p>

xi) INTERNAL AUDIT REPORT 2007/26

Department	Waste Management
Subject	2006/07 Grant Claim : Strategic Waste Fund

Introduction
<p>The Scottish Executive made a formal offer of grant to Dundee City Council from the Strategic Waste Fund in a letter dated 26 January 2005. This fund is a specific grant scheme for the implementation of the National Waste Strategy for Scotland. The offer totalled £5.159 million for the financial years 2004/05 to 2007/08 inclusive. Thereafter, for the financial years 2008/09 to 2019/20 inclusive, the Council has been provided with an indicative grant figure of the order of £20 million.</p> <p>The grant awarded to Dundee City Council for the 2006/07 financial year totalled £1,203,000 of which £485,000 was awarded for capital expenditure and £718,000 for operational expenditure. The actual grant expenditure for the 2006/07 financial year totalled £1,156,060 and the breakdown between capital and operational expenditure was £468,829 and £687,231 respectively.</p> <p>Under paragraph 4.5 of the Conditions of Grant it is a requirement that "at the end of each financial year, the Grantee shall prepare an account showing the expenses reasonably and properly incurred" and that "such account shall be audited internally and shall be certified as true and accurate", by a member of one of the bodies specified by the Scottish Executive.</p>
Scope and Objectives
<p>The overall aim of this review was to enable the Chief Internal Auditor to provide an opinion as to whether or not the grant funding received in respect of the above subject has been spent in accordance with the related Terms and Conditions.</p>
Conclusion
<p><i>On the basis of examining the accounts and records of this grant claim, obtaining such explanations and carrying out such tests as deemed necessary, it is considered that the entries in the claim form are fairly stated, and that the sums claimed are properly due and have been used in accordance with the terms and conditions of the Offer of Grant.</i></p>

xii) INTERNAL AUDIT REPORT 2007/28

Department	Dundee Contract Services
Subject	Stocks, Stores and Stock Checks
Introduction	
As part of the planned internal audit work a review of the stores system operated by Dundee Contract Services was carried out. The Department's stores are located at Clepington Road, Caird Park and Camperdown Park and a wide range of stock items are held. These include general building materials, spares for plant and vehicles, fuel and horticultural and nursery stock. The actual value of stock held by Dundee Contract Services at the end of the 2006/07 financial year was of the order of £302,000.	
Scope and Objectives	
The objective of this audit was to undertake a review of the stores operated by Dundee Contract Services and to provide an opinion on the adequacy of the systems and controls, which underpin the stock held in the department. Areas reviewed included guidance issued to staff, management and monitoring of stock holdings and adequacy of stocktaking arrangements.	
Conclusion	
<p><i>The principal conclusion drawn from this review is that whilst there is basically a sound system of control there are some areas where it is viewed improvements can be made.</i></p> <p>The main area commented upon in the report is as follows:</p> <ul style="list-style-type: none"> To improve controls over fuel stock, systems should be reviewed to ensure that the database is kept up to date, there are improved procedures in relation to the registration of users issued with fuel fobs and the practice of the dyeing of fuel is re-introduced. 	
Management Response to the Audit Report	
The audit findings and recommendations were formally reported to the Director of Dundee Contract Services and action agreed to address the specific issues raised.	

xiii) INTERNAL AUDIT REPORT 2007/34

Department	Corporate
Subject	Procurement

Introduction

As part of the Internal Audit Plan for 2007/08, a review of the corporate procurement arrangements in place within Dundee City Council (the Council) was carried out.

Efficient government is at the heart of the Scottish Government's improvement agenda, which aims to ensure best value in the delivery of public sector services. The Efficient Government Initiative is a five-year programme designed to deliver public sector efficiency savings. As part of the Efficient Government Initiative, John McClelland (McClelland) was commissioned to carry out a review of public procurement in Scotland. The McClelland Report (entitled Review of Public Procurement in Scotland), which includes a number of recommendations for improvement, was published in March 2006.

In line with the McClelland Report, a national Public Procurement Reform Board (the Board) was established with responsibility for, amongst other things, overseeing implementation of the McClelland recommendations. A Programme Initiation Document entitled Programme for the Reform of Public Sector Procurement in Scotland (The McClelland Programme), was published in December 2006 to assist the Board and the Programme Advisor, McClelland, with overseeing the necessary changes to policy, delivering cross-sector collaboration and structures to support it including the establishment of procurement Centres of Expertise, improving procurement management information, enhancing skills and practices, improving procurement efficiency (including through e-Procurement) and improving supplier relations.

McClelland estimates that the consolidated procurement spend in the Scottish public sector is approximately £8 billion, £2.3 billion of which relates to local authority. The level of expenditure together with the potential to develop current procurement systems to generate efficiency savings has brought procurement to the forefront and given it a national profile. It was reported in August 2007, that the Council's total expenditure in 2005/06 was £182 million.

A national study on procurement was undertaken by the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) earlier this year. The principal aims of the national study were to audit local authority compliance with the key McClelland recommendations and recognised procurement best practice and report a national picture of compliance that would assist with identifying and sharing best practice. Chief Internal Auditors were instructed to assess levels of compliance within their own local authorities and report individual scores to SLACIAG using a standard checklist and scoring mechanism. The Council's Internal Audit Plan for 2007/08 incorporated time for the national study and for reporting detailed findings locally.

The Council has demonstrated improvement in its approach and delivery of procurement related activities since publication of the McClelland Report, more specifically in the last few months, and has confirmed through its actions (including the appointment of a Corporate Procurement Manager; development of a Corporate Procurement Strategy; collaborative working with Angus and Perth and Kinross Councils through the formation of Tayside Procurement Consortium; becoming a member council of the Authorities Buying Consortium / Scotland Excel project), and plans in place (including the implementation of e-procurement; development of a contracts register; and production of a procurement manual and associated guidance), that it is committed to continuous improvement in this area. It should be noted that the extent and pace of improvement will depend upon the availability of resources and on Scotland Excel's progression towards establishing national contracts.

Scope and Objectives
<p>The scope of the audit was to complete the SLACIAG checklist and establish, by doing so, whether the Council complies with the key McClelland recommendations and recognised best practice in procurement. The main objective of the audit was to assess the Council's procurement arrangements against 62 Key Control Questions detailed in the checklist, and establish whether the Council can demonstrate: its procurement function has the necessary authority, position and resources; it has an appropriate strategy governing its procurement activity; it has addressed the legal frameworks for procurement; it collaborates on procurement; it has sound business processes throughout the procurement cycle; it has modernised its approach to procurement; and robust performance management of procurement and that this adds to organisation efficiency.</p>
Conclusion
<p><i>The principal conclusion drawn from this review is that whilst there is basically a sound system of control, there are some areas where it is viewed improvements can be made.</i></p> <p>The main area commented upon in the report is that the Council should strive towards implementing the key McClelland recommendations. Priority should be given, where possible and logical, to improving working practices relating to the Key Control Questions with lower scores.</p>
Management Response to the Audit Report
<p>The audit findings and recommendations were formally reported to the Depute Chief Executive (Finance) and appropriate action agreed to address the specific issues raised.</p>

xiv) INTERNAL AUDIT REPORT 2007/35

Department	Finance General
Subject	Parking Penalty Charge Reconciliation Procedures
Introduction	
<p>As part of the planned audit work for 2006/07, a review of the effectiveness of the controls operating in respect of the system for Parking Penalty Charge Notices (PCNs) was carried out.</p> <p>Under the terms of the Road Traffic Act 1991, decriminalisation of parking enforcement in Dundee came into force on 1 April 2004. In the financial year 2006/07, approximately 30,000 PCNs were issued of which 77% were for on-street and 23% were for off-street parking. Income received over the same period was in the region of £977,000.</p> <p>Payments received at the Parking Office in person, by telephone, mail, at the District Court or from Sheriff Officers are recorded in Authority Traffic which is also updated automatically for payments made on the Council website. All payments received are also processed in the Council's General Ledger within Powersolve.</p> <p>The audit review identified areas for improvement in both the Planning and Transportation and Finance Departments. This report details the recommendation relating to the Finance Department. Internal Audit Report 2007/06 details the recommendations made in respect of procedures operated within the Planning and Transportation Department.</p>	
Scope and Objectives	
<p>The objective of the audit was to give an opinion on the effectiveness of the controls operating in respect of the system for parking penalty charge notices. Areas considered included issuing of PCNs, download of data to the main system, discounts awarded for early payment, appeals procedures, receipting and banking of income, debt collection and bad debt write off and system security.</p>	
Conclusion	
<p><i>The principal conclusion drawn from this review is that there are weaknesses in the system which should be addressed.</i></p> <p>The specific area commented upon in the report is as follows:</p> <ul style="list-style-type: none"> • Arrangements should be put in place to ensure that the value of income recorded in Authority Traffic is reconciled to amounts recorded in Powersolve on a pre-determined basis. 	
Management Response to the Audit Report	
<p>The audit findings and recommendations were formally reported to the Chief Accountant and appropriate action agreed to address the specific issue raised.</p>	

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Department	Planning and Transportation
Subject	2006/07 Grant Claim : Bus Route Development

Introduction

The Bus Route Development Grant, which falls under the powers contained in Section 70 of the Transport (Scotland) Act 2001, has the specific aim to provide financial support for up to 3 years to aid the development of new and existing local bus services which can demonstrate the potential for growth. The overall purpose of the Grant is to improve access to public transport, encourage modal shift and reduce congestion. Under this scheme, the Scottish Executive made a formal offer to Dundee City Council in their letter of 24th March 2005, of grant of up to a maximum of £1,771,000 for the financial years 2005/06 to 2007/08 inclusive. For the 2006/07 financial year the grant provision made to the Council was £482,000 and the actual grant payments received totalled £315,254.

Under the conditions of grant there is a requirement that "the [Transport Authority] shall by the 30 June in the financial year following receipt of any grant submit to The Scottish Ministers a statement of compliance with the grant conditions signed by the head of internal audit.

Scope and Objectives

The overall aim of this review was to enable the Chief Internal Auditor to provide an opinion as to whether or not the grant funding received in respect of the above subject has been spent in accordance with the related Terms and Conditions.

Conclusion

On the basis of examining the accounts and records of this grant claim, obtaining such explanations and carrying out such tests as deemed necessary, it is considered that the entries in the claim form are fairly stated, and that the sums claimed are properly due and have been used in accordance with the terms and conditions of the Offer of Grant.