

REPORT TO: TAYSIDE VALUATION JOINT BOARD – 21 NOVEMBER 2011

REPORT ON: INTERNAL AUDIT

REPORT BY: ASSESSOR

REPORT NO: TVJB 22-2011

1 PURPOSE OF REPORT

1.1 To present to the Board the following Internal Audit Reports, which are attached as appendices to this report:-

Internal Audit Report 2011/05 – Corporate Governance and Control Environment
2010/11
2011/07 – Asset Management 2010/11
2011/08 – System Development 2010/11
2011/09 – Annual Report 2010/11

2 RECOMMENDATIONS

2.1 The Board is asked to note the contents of the four Audit Reports.

3 FINANCIAL IMPLICATIONS

3.1 The cost of Internal Audit Services is provided for in the Assessor's Revenue Budget.

4 POLICY IMPLICATIONS

4.1 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.

5 BACKGROUND

5.1 Henderson Loggie have been appointed to provide an Internal Audit Service in respect of the financial years 2010/11 to 2012/13. Audit work has proceeded in accordance with the Audit Needs Assessment and Strategic Plan for the period 2010 to 2013 approved by the Board on 9 May 2011.

5.2 Report 2011/05 – Corporate Governance and Control Environment, which is included as Appendix 1 to this report, concludes that compliance with the standards set out in *Delivering Good Government in Local Government* is good. It identifies some minor areas where improvement could be made around ensuring that existing documentation is reviewed, embedding risk management into the planning and operational processes and making existing documents more readily available to the public. The Assessor will address these issues at an early date.

5.3 The report also includes recommendations in relation to monitoring and reviewing the skills and performance of Board members. While accepting the soundness of these recommendations as a matter of principle, it is considered that having regard to the type and volume of business which is formally transacted by the Board, taken together with the nature and extent of the Board members' involvement in operational matters, it is unnecessary and inappropriate to implement these recommendations. The auditor has accepted this position.

- 5.4 Report 2011/07 – Asset Management, which is attached as Appendix 2 to this report, concludes that appropriate procedures and controls are in place. However, it provides some recommendations on how asset management arrangements could be further strengthened. The Assessor and Treasurer will address these recommendations in early course.
- 5.5 Report 2011/08 – System Development, which is attached as Appendix 3 to this report, covers the processes and controls applied in the development and implementation of the new electoral registration and management computer system, and the migration of data between the old and new system. The overall conclusion is that the implementation was well controlled and that the data migration was well planned and successful. The report recommends that consideration be given to adopting a more formal approach to any future large scale projects; that working group remits be reviewed; and that a post implementation review be carried out. The Assessor will attend to these matters.
- 5.6 Report 2011/09 – Annual Report on the Provision of Internal Audit services is attached as Appendix 4 to this report. It summarises the work carried out on internal audit during the year and outlines the proposed allocation of audit work for 2011/12 in accordance with the previously approved Strategic Plan.

6 CONSULTATION

- 6.1 The Clerk and Treasurer to the Board have been consulted on this report.

7 BACKGROUND PAPERS

- 7.1 None

John M Galbraith FRICS
Assessor

November 2011

Appendix 1



HENDERSON LOGGIE
Chartered Accountants

Tayside Valuation Joint Board

**Corporate Governance and Control Environment
2010/11**

Internal Audit Report No: 2011/05

Draft Issued: 08 June 2011

Final Issued: 21 October 2011



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Management Summary

Introduction

As part of the Internal Audit programme at Tayside Valuation Joint Board ('the Board') for 2010/2011 we carried out a review of the corporate governance arrangements in place. The Audit Needs Assessment, completed in March 2011, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Joint Board and the Assessor that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Corporate governance is 'the combination of processes and structures implemented by the governing body in order to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives' (Cadbury Report, 1992).

Strong corporate governance is important to ensure that the Joint Board provides appropriate leadership, direction and control of the Board. In addition, the Joint Board must answer to key stakeholders, ensure that the Board's objectives are being met and hold key executive staff accountable.

In 2008 the CIPFA/SOLACE Joint Working Group issued *Delivering Good Governance in Local Government*. This guidance illustrates best practice for developing and maintaining a local code of governance and making adopted practice open and explicit. It recommends that authorities must be able to demonstrate that they are complying with the principles of good governance. The six core principles defined in the guidance are taken from the *Good Governance Standard for Public Services* developed by the Independent Commission on Good Governance in Public Services and have been adapted for local government purposes. Good governance means:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of members and officers to be effective;
- Engaging with local people and other stakeholders to ensure robust public accountability.

Although the above points are outlined in the standard we recognise that due to the size of the Board and the statutory requirement of its functions not all of the principles are fully applicable.

Scope of the Audit

This review covered the corporate governance arrangements within the Board and compared these against best practice. This included reviewing such items as:

- Code of Corporate Governance;
- Committee organisation and administration;
- Standing Orders;
- Financial Regulations;
- Delegation of Powers to Officers;
- Fraud Guidelines; and
- Complaints procedures.



Management Summary

Objectives of the Audit

The objective of our audit was to obtain reasonable assurance that the Board's corporate governance and control environment arrangements are in accordance with best practice as set out in *Delivering Good Governance in Local Government – A Guidance Note for Scottish Authorities* published by CIPFA/SOLACE in 2008.

We also carried out a follow-up review on the outstanding actions from Internal Audit report 2008/03, *Corporate Governance*. Our conclusions on whether these points have been adequately implemented are included within Appendix I.

Audit Approach

We identified the corporate governance arrangements in place through interviews with staff and a review of relevant supporting documentation to gain evidence that the arrangements in place are operating effectively.

The control environment in place at the Board was reviewed and benchmarked against current best practice using *Delivering Good Governance in Local Government*. The guidance presents six principles of good governance, together with supporting principles that are common to all public service organisations and are intended to assist all those with an interest in public governance to assess good governance practice. 'Applications' included for each supporting principle explain what should be done to put it into practice.

Our work involved review of specific policies, Joint Board minutes and other documents, including the Service Plan 2008 - 2013, Financial Regulations and the local Code of Corporate Governance, to ensure that they cover all aspects currently recommended by best practice, as well as discussion with the Assessor.

Action Plan

This report sets out a detailed list of improvement actions, which we consider necessary to ensure efficient delivery of each objective and these are discussed within the text for clarity. An action plan for implementation of these recommendations can be found at Section 2 of this report.

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

- A Fundamental issues which require the consideration of the Joint Board.
- B Significant matters which can be resolved by the Assessor.
- C Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

Overall Conclusion

From our audit work, compliance with *Delivering Good Governance in Local Government* was found to be good with a number of minor areas where improvements could be made.



Management Summary

Summary of Main Findings and Recommendations

Tayside Valuation Joint Board largely meets the six governance standards as set out in *Delivering Good Governance in Local Government*. There are a few areas where improvement could be made around ensuring that existing documentation is reviewed and brought up to date, embedding risk management into the planning and operational processes and making existing documents publicly available. These findings form part of our overall assessment of compliance with the six principles of *Delivering Good Governance in Local Government*.

Acknowledgements

We would like to thank the Assessor and his staff for the co-operation and assistance we received during the course of our review.



Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
Appendix I, 1.1	R1 The Board should establish a clear mission and vision and include statements within the Service Plan.	B		Y	Assessor	December 2011
Appendix I, 1.1	R2 The Service Plan should be reviewed and updated annually to ensure that it remains up to date and in line with the Boards strategic aims.	B		Y	Assessor	Ongoing
Appendix I, 2.1	R3 The code of corporate governance should be updated to reflect the changes in appointments to the statutory posts of Treasurer and Clerk of the Board.	B		Y	Assessor	October 2011
Appendix I, 2.2	R4 The Board should develop a system which ensures that the performance of all Committee members is formally and regularly assessed.	B	While accepting the soundness of the recommendation as a matter of principle, it is considered that having regard to the type and volume of business which is formally transacted by the Joint Board, taken together with the nature and extent of Board members' involvement in operational matters, it is unnecessary and inappropriate to implement this recommendation. Auditor comment: accepted	N		



Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
Appendix I, 4.3	R5 The key risks documented in the Corporate Risk Register, together with the mitigating actions, should be cross referred to the relevant actions in the Service Plan 2008 - 2013 and monitoring of the agreed actions list should be considered by the Joint Board.	B		Y	Depute Assessor	December 2011
Appendix I, 4.3	R6 The local code of corporate governance should be updated to reflect the changes made since the introduction of the Risk Register and Business Continuity Plan.	B		Y	Depute Assessor	December 2011
Appendix I, 4.3	R7 In line with the details included within the Business Continuity Plan, the Board should ensure that the Plan is available to the public on the organisation's website.	C	The plan is available on the website through the Minutes of the Board meetings. However, it is agreed that it should be made more easily accessible.	Y	Depute Assessor	Immediate
Appendix I,	R8 In order to monitor and review the Board members' skills and expertise the Board should consider developing a skills matrix to map the required skills against its current board membership.	B	While accepting the soundness of the recommendation as a matter of principle, it is considered that having regard to the type and volume of business which is formally transacted by the Joint Board, taken together with the nature and extent of Board members' involvement in operational matters, it is unnecessary and inappropriate to implement this recommendation. Auditor comment: accepted	N		



1. Corporate Governance

1.1 Comparison with *Delivering Good Governance in Local Government*

The Board's corporate governance arrangements have been compared to good practice as defined in *Delivering Good Governance in Local Government*. Our findings are given in Appendix I.



Appendix I

Principle	Requirement met?	Comments, including any recommendations
<p>1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.</p>		
<p>1.1</p>	<p>Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users</p>	<p>Partial</p> <p>The Board's Service Plan 2008 – 2013 is publicly available on the organisation's website. Although the Service Plan clearly reflects corporate objectives and includes details of the organisation's core objectives for each service area it does not include a mission statement or a vision of how the mission will be carried out.</p> <p>The Service Plan outlines the organisation's key targets and performance measures for each service area and states that the Board has implemented a Best Value regime.</p> <p>Per the CIPFA/SOLACE guidance the corporate plan should be reviewed every 12 months, however it appears from the text included within the document that some sections of the Service Plan have not been updated since 2008.</p> <p>Per CIPFA/SOLACE the annual report should include service users' feedback on service delivery as a means of communicating the organisation's activities and achievements. The Board issues an annual report which does not include service users' feedback however the Board separately publishes the results of an annual Customer Satisfaction Survey. Both documents are available on the organisation's website.</p> <p>'Application to be further developed' The Board should establish a clear mission and vision and include statements within the Service Plan. (R1)</p> <p>The Service Plan should be reviewed and updated annually to ensure that it remains up to date and in line with the Board's strategic aims. (R2)</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
1.2	Ensure that users receive a high quality of service whether directly, or in partnership, or by commissioning.	✓	<p>The Service Plan includes details of key target and performance measures. The Results of performance data are published in the Annual Report.</p> <p>The Board also issues annual customer feedback forms to members of the public who make direct contact with the organisation. Results then feed into Service Plan review. The Service Plan was developed in 2008 and feedback forms have been in use since 2006/07.</p> <p>A range of Key Performance Indicators (KPIs) are used to measure the performance of the Board's functions. These KPIs have been established through agreement between the Scottish Assessors' Association and the Scottish Government.</p> <p>Through the Scottish Assessors' Association statistical information is provided to the Scottish Government. The data is then used to benchmark the Board's performance against other similar organisations throughout Scotland.</p> <p>Internal Audit reports are also reported to the Joint Board with Action Plans devised from findings with progress reported at subsequent committee meetings.</p> <p>'Application to be further developed'</p> <p>None.</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
1.3	Ensure that the authority makes the best use of resources and that tax payers and service users receive excellent value for money.	✓	<p>Through the Scottish Assessors' Association Committee structure statistical information is provided to the Scottish Government. The data is then used to benchmark the Board's performance against other similar organisations throughout Scotland.</p> <p>The Board's Financial Regulations also states that '<i>the board shall at all times endeavour to secure the best value for the money it spends and encourage the use throughout the Assessors' Services</i>'. This is considered an appropriate outcome.</p> <p>'Application to be further developed'</p> <p>None.</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
2.	Members and officers working together to achieve a common purpose with clearly defined functions and roles.		
2.1	Ensure effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.	✓	<p>Financial Regulations available on the website define the roles and responsibilities of the Treasurer, Clerk of the Board and of the Board itself. The existing local code of corporate governance also details that the posts of Treasurer and Clerk of the Board are statutory posts held by the Depute Chief Executive (Finance) and Depute Chief Executive (Support Services) of Dundee City Council. These statutory posts are now held by different officers of Dundee City Council and the code of corporate governance requires to be updated.</p> <p>A separate 'Delegation of Powers to Officers' document is also available on the organisation's website detailing the additional powers of the Treasurer, Clerk and Board. The proceedings and business of the Board are regulated by Standing Orders which are monitored and reviewed as required.</p> <p>The Board receives and approves the Annual Report and Accounts. The Board also receives all Internal and External Audit Reports, along with Key and other Performance Reports. It approves all relevant actions, policies and significant expenditures. All Board meetings are open to the public and are suitably advertised in advance. The Minutes of all Board meetings are made available to the public.</p> <p>'Application to be further developed' The financial regulations should be updated to reflect the changes in appointments to the statutory posts of Treasurer and Clerk of the Board (R3).</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
2.2	Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard.	✓	<p>A separate 'Delegation of Powers to Officers' document is publicly available which outlines powers delegated by the Board to the Assessor, the Treasurer and the Clerk. Further details of the roles and responsibilities of the Clerk, Treasurer, Assessor and the Board are contained in the organisation's Financial Regulations and local code of corporate governance.</p> <p>The Board's Section 95 Officer is clearly detailed in the Financial Regulations as the Treasurer – stated as the Depute Chief Executive (Finance) of Dundee City Council in the local code.</p> <p>The Board has one sub-committee in place – General Purposes Committee – with the terms of reference and reporting arrangements included in the local code of corporate governance and financial regulations.</p> <p>As detailed in the Service Plan the principal measure of performance of the organisation is its ability to deliver all services effectively and within the various statutory timetables. A range of KPI's are in place and customer satisfaction surveys which are reported to the Board and are available for public scrutiny.</p> <p>The performance of elected members is currently reviewed by each of the constituent Councils. The Board does not operate its own system to formally and regularly assess the performance of elected members.</p> <p>'Application to be further developed'</p> <p>The financial regulations should be updated to reflect the changes in appointments to the statutory posts of Treasurer and Clerk of the Board (R3).</p> <p>The Board should develop a system which ensures that the performance of all elected members on the Board is formally and regularly assessed (R4).</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
2.3	Ensuring relationships between the authority, its partners and the public are clear so that each know what to expect of the other.	✓	<p>The constitution and operations of the Joint Board are defined in legislation. The proceedings and business of the Board are regulated by Standing Orders.</p> <p>The Joint Board comprises 15 elected members from across the three constituent councils. The proceedings and business of the Board are regulated by Standing Orders.</p> <p>All Board meetings are open to the public and minutes are also publicly available.</p> <p>Service delivery is measured through key targets, customer satisfaction surveys and scrutiny from members of the Joint Board. KPI's detailed in Service Plan and customer satisfaction data are also reported to the Joint Board.</p> <p>The Service Plan identifies the key partnerships / relationships that the Board has with other bodies, including: the three constituent local authorities, Scottish Assessors Association, Council tax and Rate payers, the electorate and Councillors and MSP's.</p> <p>'Application to be further developed' None.</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
3.	Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.		
3.1	Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.	✓	<p>Members and officers should comply with the Nolan Committee principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership. A review of the organisation’s policies noted that these principles are included within the local Code of Corporate Governance. This is considered an appropriate outcome.</p> <p>Roles and responsibilities, standing orders, schedules of meetings, minutes of meetings and local code of governance are all publicly available on the organisation’s website, which demonstrates the organisations commitment to openness and accountability.</p> <p>The standards of conduct and personal behaviour expected of members and its partners are communicated through standing orders. There is no local code of conduct in place, however, members are expected to abide by their constituent Council’s Members’ Code of Conduct and register any interests relevant to the Joint Board in their constituent Councils’ Register of Members’ Interests, which are available for public inspection.</p> <p>Officers must conduct themselves in accordance with standards of conduct that are expected of staff as a public employee. Staff are required to abide by the National Code of Conduct for Local Government Employees in Scotland.</p> <p>Newly elected members receive induction training conducted by the Assessor following their appointment to the Board.</p> <p>‘Application to be further developed’ None.</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
3.2	Ensuring that organisational values are put into practice and are effective.	✓	<p>A staff handbook is issued to all staff and staff are expected to abide by the National Code of Conduct for Local Government Employees in Scotland.</p> <p>Organisation values are disseminated to staff through structured training. Compliance with these values is measured through the annual appraisal process. As noted at 2.2 above, the Board does not have a system in place for formally and regularly assessing the performance of Board members.</p> <p>The Board has developed a number of policies including Race Equality, Gender Equality, Disability Equality and Health and Safety which are all publicly available on the organisation's website.</p> <p>Public opinion on the behaviour of the Board's staff, officers or members is obtained through annual customer feedback surveys and reported to the Joint Board.</p> <p>'Application to be further developed'</p> <p>None.</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
4. Taking informed decisions and transparent decisions which are subject to effective scrutiny and managing risk.			
4.1	Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.	✓	<p>The role of scrutiny has been established through a scheme of delegation as outlined in 'Delegation of Powers to Officers' and committee structures including the Board itself and the General Purposes sub-committee.</p> <p>Decisions should be explained through use of criteria, thought processes used and considerations to ensure they are transparent and can be subject to audit. The 2010/11 Joint Board minutes were reviewed to determine whether the rationale for decisions made had been noted. We found that, overall, decisions were adequately supported with clear rationale explained in the minutes for why the decision was made. Copies of all meeting minutes are available on the organisation's website.</p> <p>Elected Members are expected to abide by their constituent Council's Members Code of Conduct and register any interests relevant to the Joint Board in their constituent Councils' Register of Members' Interests to ensure that transparency is maintained.</p> <p>Follow-up of previous Internal Audit reports In 2008/09 Internal Audit previously reported in their follow-up report on Corporate Governance (report 2008/03) that copies of reports submitted to the Board alongside corresponding minutes were not publicly available on the Board's website. Our review has noted that this is now complete with all reports and minutes now available.</p> <p>'Application to be further developed' None.</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
4.2	Having good-quality information, advice and support to ensure that services are what the community wants/needs.	✓	<p>The Joint Board should receive information which is sufficient to fulfil its monitoring role. Capital and Revenue budgets as well as the findings from any Internal Audit reviews are reported to the Joint Board each quarter.</p> <p>From our review of the financial monitoring statements presented to the Joint Board we noted a sufficient level of detail and explanation is provided to allow the Joint Board to take informed decisions.</p> <p>As highlighted in 1.2, the results from annual customer feedback forms is fed into the service planning process to shape future service delivery.</p>
			<p>'Application to be further developed' None.</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
4.3	Ensuring that an effective risk management system is in place.	Partial	<p>Effective risk management comes from identifying and assessing risks and implementing appropriate responses, for example, internal controls, insurance and risk mitigation.</p> <p>We have reviewed the organisation’s risk register and consider this to be sufficiently detailed in identifying risks and identifying appropriate responses. In order to embed risk management into the planning and operational processes the key risks documented in the Corporate Risk Register, together with the mitigating actions, should be cross referred to the relevant actions in the Service Plan 2008 - 2013 and monitoring of the agreed actions list should be considered by the Joint Board.</p> <p>Risk Management is identified in the local code as essential for maintaining the integrity of the Joint Board. The Code states that ‘A Risk Management Strategy is in place, and a Risk Assessment Policy, Risk Registers and Business Continuity Plans are in course of preparation.’ The local code was published in March 2008 and since then the Board has now established Risk Registers and Business Continuity Plans. Therefore the local code should be updated to reflect these changes.</p> <p>The Business Continuity Plan states that staff awareness will be promoted by publishing the Business Continuity Plan on the organisation’s website. Our review noted that this document is not yet available on the website.</p> <p>The guidance recommends that arrangements are in place for whistle blowing to which staff and all those contracting with the organisation have access. The Public Interests Disclosure Act also recommends that such a policy is in place to promote openness and honesty within the organisation. Our review has noted that the Board has a whistle blowing policy in place. The policy is available on the organisation’s website as the <i>Disclosure of Information</i> document.</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
			<p>Follow-up of previous Internal Audit reports In 2008/09 Internal Audit previously reported in their follow-up report on Corporate Governance (report 2008/03) that testing of the Business Continuity Plan remained outstanding. Our review noted that this has since been tested and is now complete.</p> <p>‘Application to be further developed’ The key risks documented in the Corporate Risk Register, together with the mitigating actions, should be cross referred to the relevant actions in the Service Plan 2008 - 2013 and monitoring of the agreed actions list should be considered by the Joint Board. (R5)</p> <p>The local code of corporate governance should be updated to reflect the changes made since the introduction of the Risk Register and Business Continuity Plan. (R6)</p> <p>In line with the details included within the Business Continuity Plan, the Board should ensure that the Plan is available to the public on the organisation’s website. (R7).</p>
4.4	Using their legal powers to the full benefit of the citizens and communities in their areas.	✓	<p>Roles of Treasurer and Clerk are statutory posts. Members are required to abide by the code of conduct of their respective councils and all staff are required to abide by the National Code of Conduct for Local Government Employees in Scotland.</p> <p>The Assessor is also a statutory post and has direct operational responsibility for the statutory functions of the organisation and reports to the Board on all areas of operation.</p> <p>‘Application to be further developed’ None.</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
5. Developing the capacity and capabilities of members and officers to be effective.			
5.1	Making sure that members and officers have the skills, knowledge, experience and resources they need to perform their roles well.	✓	<p>The constituent councils should appoint members to the Joint Board who have the necessary blend of skills; knowledge and experience using an open skills-based recruitment process.</p> <p>At present the responsibility for selection and training of elected members rests primarily with the Constituent Councils. To ensure that the Joint Board is committed to developing the skills that its members require to carry out their roles more effectively, the Joint Board should commit to reviewing the skills and expertise that they require for the future and work with the constituent Councils to attract the people with skills to address any gaps identified.</p> <hr/> <p>‘Application to be further developed’ In order to monitor and review the Board members’ skills and expertise the Board should consider developing a skills matrix to map the required skills against its current Board membership (R8).</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
5.2	Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.	✓	<p>New elected members should receive a thorough induction that is tailored to their role in the organisation. All members should have opportunities to develop further skills and to update their knowledge throughout their period of membership of the organisation, and should take seriously their responsibilities to identify and address their development needs.</p> <p>Each of the constituent councils provides core training to elected members on the role of being a Councillor.</p> <p>Recommendations have been made earlier in this report on monitoring the performance (R4) and skills (R8) of Board members.</p> <p>'Application to be further developed' Recommendations (R4) and (R8).</p>
5.3	Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing and renewal.	✓	<p>Officers are agreed and appointed by each of the constituent local authorities. Members of the Joint Board are also appointed by the Councils. The management team within Tayside Valuation Joint Board has no influence in the appointment of elected members to the Joint Board.</p>
			<p>Application to be further developed'</p> <p>None.</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
6. Engaging with local people and other stakeholders to ensure robust public accountability.			
6.1	Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.	✓	<p>The local code includes a section on stakeholder focus which identifies the various stakeholders with whom the Board engages and for what purpose. The Board also publish annual accounts in accordance with statutory requirements which are then subject to external audit. Audited accounts are then available to the public. An annual report is also published by the Board for the public.</p> <p>All Board meetings are open to the public and dates and times are advertised in advance.</p> <p>'Application to be further developed' None.</p>
6.2	Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning.	✓	<p>Feedback should be obtained from key service users and the public. A clear policy should detail what users will be consulted on, including how the findings will be incorporated in decision making. All complaints should be processed using a clear procedure.</p> <p>All Board meetings are open to the public and dates and times are advertised in advance.</p> <p>The Joint Board receives feedback directly from end users through annual customer feedback surveys.</p> <p>Performance standards and targets are identified and agreed for each service area. Performance of KPI's is monitored and reported to the management team.</p> <p>'Application to be further developed' None.</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
6.3	Making best use of human resources by taking an active and planned approach to meet responsibility to staff.	✓	<p>A clear policy should state when and how management consults and involves staff and their representatives in decision making.</p> <p>In May 2009 the Board approved a Staff Consultation document which states that consultation shall take place whenever a decision is likely to have an impact upon employees and the way in which they work.</p> <p>In order to meet its responsibility to its staff the Board has established a number of employment policies which include Disability Equality, Gender Equality and Race Equality and also Employment Monitoring.</p> <p>Follow-up of previous Internal Audit reports In 2008/09 Internal Audit previously reported in their follow-up report on Corporate Governance (report 2008/03) that Board approval for the draft Policy for Staff Consultation remained outstanding. This was approved in May 2009 and is now complete.</p> <hr/> <p>'Application to be further developed' None.</p>

Appendix 2



Tayside Valuation Joint Board

**Asset Management
2010/11**

Internal Audit Report No: 2011/07

Draft Issued: 4 August 2011

Final Issued: 10 October 2011



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Management Summary

Introduction

As part of the Internal Audit programme at Tayside Valuation Joint Board ('the Board') for 2010/2011 we carried out a review of the Asset Management arrangements in place. The Audit Needs Assessment, completed in March 2011, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Joint Board and the Assessor that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Scope of the Audit

We reviewed the arrangements in place for identifying, maintaining, reviewing and disposing of the Board assets and the process in place for approving new capital spend.

Objectives of the Audit

The objectives of our audit were to establish whether the Board's asset management arrangements ensure that assets are safeguarded and that capital expenditure plans are appropriate and in line with the Board's strategic objectives:

- there is a system for recording assets and checking the physical existence of these on a regular basis;
- a maintenance plan is in place over the Board's assets which is appropriately monitored;
- existing assets are reviewed on a periodic basis to ensure that they effectively meet the needs of the Board;
- asset disposals are properly authorised and recorded and such assets are disposed of securely: and
- there is a capital approval process which ensures that all capital spend is in line with the Board's strategy, has been appropriately prioritised and assessed, and provides value for money.

Audit Approach

We assessed whether the above objectives were being met by documenting the Board's asset management arrangements; systems, procedures and controls through interviews with the Board's Administration Officer and key members of the Finance Team at Dundee City Council ('the Council'). We established whether the expected controls were in place by comparing these against good practice reference – Local Government in Scotland Act 2003 *Asset Management under Best Value Advisory Note*. A sample of items was tested to ensure asset maintenance, disposal and capital appraisal controls were working effectively.

Management Summary

Action Plan

This report sets out ten improvement actions, which we consider necessary to ensure efficient delivery of each objective and this is discussed within the text for clarity. An action plan for implementation of these recommendations can be found at Section 2 of this report.

To aid the use of the action plan, our recommendations are graded to denote the level of importance that should be given to each one. These gradings are as follows:

- A Fundamental issues which require the consideration of the Joint Board.
- B Significant matters which can be resolved by the Board's Administration Officer, Assessor or the Departmental Accountant at the Council.
- C Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

Overall Conclusion

Overall we obtained reasonable assurance that:

- there is a system for recording assets and checking the physical existence of these on a regular basis;
- Although the Board does not have a formal maintenance plan in place over the Board's assets which is appropriately monitored, an overview of assets and their maintenance is carried out by IT staff and staff in each office;
- existing assets are reviewed on a periodic basis to ensure that they effectively meet the needs of the Board;
- asset disposals are properly authorised and recorded and such assets are disposed of securely; and
- there is a capital approval process which ensures that all capital spend is in line with the Board's strategy, has been appropriately prioritised and assessed, and provides value for money.

However our review found that the asset management arrangements could be further strengthened and these are detailed in our attached Action Plan.

Summary of Main Findings and Recommendations

A Service Level Agreement for the provision of financial services is in place between the Board and Council. Under this Agreement the Council is responsible for maintaining the Board's general ledger, preparing control account reconciliations, providing regular revenue monitoring and management reports and preparing annual statutory accounts. Our testing found the Board's Asset Register is reconciled to the Fixed Asset Register prepared by the Council as part of the year-end accounts process. At present reconciliations prepared by the Council are not submitted to the Board, with the exception of monthly bank reconciliations.

Physical checks of a sample of high value portable and desirable appliances on an annual basis have been put in place. However due to the retirement of the Administration Manager we have been unable to verify this for 2010/11.

The Board does not currently have a maintenance plan for their assets.

Acknowledgements

We would like to thank all staff at the Board and the Council who assisted us during our review.



Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
1.2	General R1 Once the restructuring at the Board is complete a full review of all the Board's procedures should be carried out to ensure that they are fit for purpose. All staff should be made aware of any changes made to the Board's procedures.	C		Y	Assessor	December 2011
2.4	Recording of assets R2 A copy of the reconciliation of the Board's Asset Register and the FAR prepared by the Council should be made available to the Board to ensure any variances are investigated and adjusted for in the Board's Asset Register.	B		Y	Treasurer	December 2011
2.7	R3 A sample of higher value, portable and desirable assets should be physically checked on an annual basis and details of the physical check be maintained as evidence of the check.	B		Y	Administration Manager	December 2011
2.10	R4 Where more detailed lists of camera / laser measures are maintained the assets on these lists should agree to the assets detailed on the overall list.	C		Y	Administration Manager	December 2011



Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
3.2	Maintenance of Assets R5 The Board should consider improving their current maintenance arrangements by developing a maintenance plan for their assets, together with monitoring arrangements.	B		Y	Depute Assessor	December 2011
5.1	Asset Disposal R6 The Board should consider drafting guidelines for asset disposals, covering when assets can be disposed of, who can instruct and authorise.	C		Y	Depute Assessor	December 2011
5.4	R7 The Fixed Asset Register maintained by the Council should mirror asset references in the Board's asset register and should be fully populated. A reconciliation of all movements, including disposals should be prepared and entries made in the Board and the Council asset registers to ensure registers reconcile. Entries to remove assets that are fully depreciated should only be processed if the asset is no longer in use at the Board. Otherwise the asset should remain on the register at nil value.	B		Y	Treasurer	December 2011



Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
6.4	Capital approved process R8 A reconciliation of budget to actual spend should be prepared at least annually, to ensure that monies spent are in line with approved budget. The reconciliation could be prepared by either the Board or the Council, and when prepared the other party could be sent a copy.	C		Y	Treasurer	December 2011



Main Report

1. General

- 1.1 The Board has undergone a number of changes to its workforce due to retirements of a number of senior personnel; including the Board's Assessor, the Information Technology Manager, the Administrations Manager and the Depute Assessor from Perth & Kinross. As a result of these retirements there has been restructuring of the Board's workforce. The Depute Assessor from Dundee has been appointed as Assessor from 1 July 2011, the Depute Assessor for Angus has been appointed as Depute Assessor over the three Tayside areas of Dundee, Angus and Perth & Kinross and three of the four current principal valuers have become Assistant Assessors. Further restructuring is planned.

Observation

- 1.2 The workforce changes at the Board have meant that they have had to adapt processes to fit the current workforce. For example less senior members of staff are now fulfilling roles that were previously carried out by managers as supporting members of the administration team have been added to the Board's invoice processing and authorisation procedures as the administration manager has retired.

Risk

Changes are being made to the Board's procedures due to workforce changes which may not result in weaknesses in the internal control environment.

Recommendation

R1 Once the restructuring at the Board is complete a full review of all the Board's procedures should be carried out to ensure that they are fit for purpose. All staff should be made aware of any changes made to the Board's procedures.

Benefit

The Board has procedures in place that take account of their workforce restructuring and follow Best Practice.

2. Recording of Assets and Checking Physical Existence

- 2.1 The Asset Register system in use by the Board is Filemaker Pro. This is maintained by the Board's Information Technology (IT) department, principally the IT Operations Officer. Each asset on the register has a number, description, serial number, location (Perth, Dundee, Angus), details of where located, cost of asset, order number, year of purchase and date of purchase.
- 2.2 Additions and disposals to the register are processed by the IT Operations officer and copy invoices for additions and disposals are kept in addition to those maintained as part of the Purchase Ledger system.
- 2.3 The Board has in place a Service Level Agreement (SLA) with Dundee City Council ('the Council') for the provision of financial services. The current SLA covers the period April 2007 to March 2012. The services provided include the maintenance of the Board's general ledger, the preparation of control account reconciliations, provision of regular revenue monitoring and management reports and the preparation of annual statutory accounts.

Observation

- 2.4 The Board's month-end and year-end financial close process is performed by the Council. Reconciliation of the Board's Asset Register to the General Ledger by the Council is part of the year-end accounts process. At present reconciliations prepared by the Council are not submitted to the Board, with the exception of monthly bank reconciliations.

Risk

Variations between the Asset Register and the General Ledger are not highlighted to the Board and assets are incorrectly recorded on the Asset Register.

Main Report

2. Recording of Assets and Checking Physical Existence (continued)

Recommendation

R2 A copy of the reconciliation of the Board's Asset Register and the Fixed Asset Register prepared by the Council should be made available to the Board to ensure any variances are investigated and adjusted for in the Board's Asset Register.

Benefit

Assurance can be obtained that the Asset Register and General Ledger are reconciled and the Asset Register correctly reflects assets held by the Board.

2.5 The Board's Financial Regulations note that the Assessor is also responsible for ensuring that a sample of higher value, portable and desirable assets are physically checked on an annual basis and for maintaining security of assets.

2.6 Physically checking a sample of higher value, portable and desirable assets was one of the outstanding recommendations from a 2007/08 internal audit report by the Council's internal audit service. It was due to be completed in June 2008, after all inventories completed and was the responsibility of the administration manager.

Observation

2.7 Our review has noted that a physical check of high value, portable and desirable assets was the responsibility of the Administration Manager. As the Administration Manager has recently retired we have been unable to confirm whether this has taken place or not.

Risk

There is a risk that assets are lost or stolen.

Recommendation

R3 A sample of higher value, portable and desirable assets should be physically checked on an annual basis and details of the physical check be maintained as evidence of the check.

Benefit

The risk of assets being lost or stolen is minimised.

2.8 One of the outstanding recommendations from a previous internal audit asset management report was for the Board to complete asset inventories for all assets, not just computer assets. These have now been completed and we have received copies of the completed inventories.

2.9 A review of the information received noted that there is an overall non computer asset inventory and also separate lists for Dundee cameras and laser measures. Assets included in the separate lists are also included on the overall lists. The separate lists contain more details such as serial number, user, inventory number, location and comments.

Observation

2.10 A comparison of the information in both lists for cameras and laser measures for Dundee noted that on the overall asset management list for non- computer equipment there were references D0469, D0470 and D0471 which were not included on the separate camera list.

Risk

There is risk that there will be confusion as to what assets the Board actually holds if separate lists are maintained and that assets listed on both lists do not agree.

Recommendation

R4 Where more detailed lists of camera / laser measures are maintained the assets on these lists should agree to the assets detailed on the overall list.

Benefit

The risk of confusion as to what assets the Board actually holds on separate lists will be minimised, if care is taken to ensure that the assets on both lists agree.

Main Report

3. Maintenance of Assets

- 3.1 The Board's Service Plan 2008-13 indicates that the continuing effective delivery of the Department's services is dependent on its IT section and that the major task of the IT department is to continue to maintain existing systems and to develop and provide new and altered systems to meet the needs of the department

Observation

- 3.2 In discussion with the administration officer we were informed that there are no formal maintenance plans for assets at the Board. Currently an overview of the Board's assets and their maintenance is performed by IT staff in conjunction with the IT working group, which includes representatives from each office.

Risk

Without a maintenance plan in place at the Board, there is a risk that assets are not fully maintained and an objective from the Board's 2008-13 Service Plan may not be fulfilled.

Recommendation

R5 The Board should consider improving their current maintenance arrangements by developing a maintenance plan for their assets, together with monitoring arrangements.

Benefit

A maintenance plan should ensure that existing systems are maintained and the Board's 2008-13 Service Plan objectives are fulfilled.

4. Periodic Review of Assets

- 4.1 Where computer and computer related equipment are purchased, they should receive a Portable Appliance Test (PAT). The establishment of a PAT facility was one of the outstanding recommendations from the 2007/08 internal audit report by the Council's internal audit service. It was recommended that PAT be carried out as soon as possible after purchase and thereafter tested annually. Management indicated that PAT equipment would be purchased, training courses would be sourced and IT staff would attend and all computer equipment would be tested on purchase. This recommendation was due to be completed in December 2008 and was the responsibility of the IT manager.
- 4.2 Following a review of PAT procedures, the Board has not established an in-house PAT facility or purchased their own PAT equipment. A visual inspection is carried out on any new appliances using the Board's "Formal Visual Electrical Inspection Guidance" and PAT testing is carried out every three years by an outside contractor. This was last done in October 2010.
- 4.3 The Board's Financial Regulations detail that the Board will annually review all insurances. All insurances are maintained through the Board's partnership with DCC; and a General Risk Management Insurance Policy with Zurich was noted to be in place for the year to 1 April 2011 and to have been renewed from 1 April 2011.

5. Asset Disposals

Observation

- 5.1 As the Board's assets are principally IT assets the disposal of assets is instructed by the IT department. There is no formal system in place for disposals, IT decide when assets are obsolete for disposal.

Risk

Without set guidelines for when assets can be disposed of, there is a risk that assets are disposed of inappropriately.

Main Report

5. *Asset Disposals (continued)*

Recommendation

R6 The Board should consider drafting guidelines for asset disposals, covering when assets can be disposed of, who can instruct and authorise.

Benefit

Set guidelines for when assets can be disposed of, should means that asset are disposed of appropriately.

5.2 The Board uses a recycling disposal company to pick up and dispose of the asset, and from them they obtain a certificate of disposal.

5.3 Our review of disposals found that only one disposal was made in 2010/11; the scrapping of a printer. This disposal appeared to be made in line with the Board's current procedures, with the disposal being recorded in the Board's Asset Register and being disposed of securely through the use of a recycling disposal company.

Observation

5.4 A copy of the Council's Fixed Asset Register (FAR) for the Board was obtained to ensure the disposal recorded in the Board's asset register was also reflected in the Council's FAR. A review of the FAR noted that all asset references on the FAR were not fully populated and the disposal on the Board's asset register was not visible on the Council FAR. In addition there were other disposals noted on the Council's FAR for 2010/11 that were not recorded on the Board's FAR. We have been informed that the reasons for the differences relate to assets that are fully depreciated being removed from the respective registers.

Risk

There is a risk that entries made are not being fully and correctly recorded in both asset registers and that the year-end accounts are misstated.

Recommendation

R7 The FAR register maintained by the Council should mirror asset references in the Board's asset register and should be fully populated. A reconciliation of all movements, including disposals should be prepared and entries made in the Board and the Council asset registers to ensure registers reconcile. Entries to remove assets that are fully depreciated should only be processed if the asset is no longer in use at the Board. Otherwise the asset should remain on the register at nil value.

Benefit

Entries made are fully and correctly recorded in both asset registers and the year-end accounts are not misstated.

6. *Capital Approval Process*

6.1 Three year capital expenditure budgets are prepared by the Assessor and reported to the Board annually by the Treasurer. Our review noted that three year capital expenditure budgets and movements between years were reported for 2009/10 to 2011/12 on 1 February 2010 and for 2010/11 to 2012/13 on 31 January 2011 and that main items of capital expenditure were detailed on these reports.

6.2 The Board's tender procedures require:

- Board approvals following full tender process for contracts over £25,000
- Items between £25,000 and £10,000 do not need Board approval unless specifically requested
- Items below £10,000, down to £1,000 require three competitive quotes

6. *Capital Approval Process (continued)*

- 6.3 There were no items above £10,000 during 2010/11 except the purchase of the new Electoral System. This system is a specialist item and therefore a full tender process was not appropriate. Further information on this system is included in our report 2011/08 Systems Development. We selected a sample of items below £10,000 and ensured three competitive quotes had been obtained thereby ensuring the procedures are complied with.

Observation

- 6.4 The Council do not provide the Board with a reconciliation between budgeted spend and actual spend. We have been informed that the Council only monitor the level of spend to ensure overall spend does not exceed budget.

Risk

There is risk that monies spent by the Board are not on items approved by the capital budget.

Recommendation

R8 A reconciliation of budget to actual spend should be prepared at least annually, to ensure that monies spent are in line with approved budget. The reconciliation could be prepared by either the Board or the Council, and when prepared the other party could be sent a copy.

Benefit

Monies spent by the Board are spent on items approved by the capital budget.

Appendix 3



Tayside Valuation Joint Board

**System Development
2010/11**

Internal Audit Report No: 2011/08

Draft Issued: 8 August 2011

Final Issued: 10 October 2011



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1. Management Summary

Introduction and Background

As part of the Internal Audit programme at Tayside Valuation Joint Board ('the Board'), for 2010/11, we carried out a review of the arrangements for IT systems development and implementation. Our Audit Needs Assessment identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Joint Board and Assessor that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Audit Scope and Objectives

Scope

This audit covered the processes and controls in place for the development and implementation of the new electoral registration and management systems, and the migration of data between the old and the new system.

Objectives

Systems development and implementation

The objectives of the audit were to ensure that:

- the Board applied formal documented project management standards and policies, which reflect best practice;
- the project team and manager received adequate project management training;
- a detailed business case, project initiation document and detailed project plan were established;
- a functional specification was prepared which sets out users' requirements and a technical specification was prepared based on this;
- an outline testing plan with acceptance criteria was written at the functional specification stage and this plan was complied with during the implementation phase;
- procurement arrangements complied with the Board's Financial Regulations and procedures;
- relevant staff were appropriately trained at the right time in the new system and operational guides, user manuals and support are available to system users;
- licence agreements were checked to ensure that they allow the system to be used in accordance with the users' requirements; and
- all hardware and software is held securely in appropriate conditions and recorded on IT inventories.

Post-implementation review for Halarose migration

The objectives of the review were to:

- Consider whether benefits identified in the business case have been achieved; and
- Identify any 'lessons learned' to inform future projects.

1. Management Summary

Audit Approach

From discussions with the IT Manager, the Depute Assessor and other relevant Board staff, and review of the relevant project documentation, we considered whether the above objectives have been met.

We carried out a post-implementation review of the Halarose migration project through interviews with stakeholders and review of key project documentation such as the business case and information kept to track costs and benefits.

Action Plan Grading

This report sets out improvement actions, which we consider necessary to ensure efficient delivery of each objective and this is discussed within the text for clarity. An action plan for implementation of the recommendations can be found at Section 2 of this report.

To aid the use of the action plan, our recommendations are graded to denote the level of importance that should be given to each one. These gradings are as follows:

- A Fundamental issues which require the consideration of the Joint Board.
- B Significant matters which can be resolved by the IT Manager, or the Assessor.
- C Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

Overall Conclusion

Systems development and implementation

Overall we obtained assurance that the development and implementation of the new electoral registration and management system was well controlled, although this was achieved through informal rather than formal project management. It is possible that a more formal approach to the original business case and decision to stay with Northgate may have averted the position that the Board and Councils found themselves in when the new Northgate system failed. Data migration was well planned and from the limited evidence available appears to have been undertaken successfully with limited issues to be resolved.

Post-implementation review for Halarose migration

There were no benefits identified in a business case, however the objective of implementing an electoral system that is fit for purpose in delivering the Council's statutory duties in this regard appears to have been achieved, although until a full year's cycle has been undertaken this will not be confirmed.

We have made some recommendations about actions that should be taken in future to make the process more formal.

1. Management Summary

Summary of Main Findings and Recommendations

We found that:

Systems development and implementation

- formal documented project management standards and policies were not applied to the implementation, however an experienced team had taken a robust approach that incorporated elements of best practice;
- no project management training was given however the project manager was an experienced officer and the supplier was very organised in its approach to the implementation;
- there was no detailed business case or project initiation document as a result of the specialist nature of the system. A detailed project plan was established in conjunction with the supplier;
- no functional specification or technical specification were prepared due to the specialist nature of the system. There is evidence of detailed, targeted technical discussion between the IT staff in the Board and Councils and the supplier;
- testing was built into the implementation plan but there was no outline testing plan with acceptance criteria written at the start of the project. Limited written evidence is available on the testing outcome, however the testing described by officers appears to have been robust;
- procurement arrangements for the software did not comply fully with the Board's Financial Regulations and procedures, however given the nature of the system the process that was undertaken to choose the system appears reasonable and robust. Significant procurement discounts of £5000 in total were achieved through the purchase of the system by the Board and three Councils;
- relevant staff have been appropriately trained at the right time in the new system and operational guides, user manuals and support are available to system users;
- licence agreements were discussed in detail at the planning and completion stages to ensure that they allow the system to be used in accordance with the users' requirements; and
- hardware and software is held securely in appropriate conditions and recorded on IT inventories.

Post-implementation review for Halarose migration

- We have recommended that a review take place in early 2012 once a full year's cycle of operation is complete to identify any 'lessons learned' to inform future projects.

Acknowledgements

We would like to thank all staff at the Board who assisted us during our review.



2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
2.2	Project Management R1 If large-scale projects are undertaken in future, consideration should be given to the training needs of the project manager and the project management tools to be employed for the project. This should cover all aspects of the implementation, including setting criteria for testing, user acceptance, training and criteria for assessing the post implementation stage.	B		Y	Assessor	Ongoing
2.3	R2 Once the management structures of the Board are finalised a review of all group remits should be undertaken.	C		Y	Assessor	December 2011
7.2	Post Implementation Review R3 A review should be carried out early in 2012 to consider if any lessons learned are apparent from the operation of the system for carry forward to future projects.	C		Y	Depute Assessor	March 2012

3. Main Report

1. *Background*

- 1.1 Tayside Valuation Joint Board provides Electoral Registration services to Perth & Kinross and Angus Councils. Systems for dealing with this are operated from the Board's offices in Forfar and Perth and on site in both Councils. Council staff also use the system to deal with elections management. Although Dundee City Council deals with their own electoral registration they used the same supplier as the Board and therefore the Board and the three Councils worked together when a new system was required.
- 1.2 In 2009/10 a new computerised Electoral system was needed because the existing system was old and no longer fit for purpose. Its provider, Northgate, had indicated that it would no longer be supported after 1 December 2009 (subsequently extended to July 2010). Northgate intended to produce a new Windows based system and the Board and Councils initially agreed to move to this as there were seen to be a number of advantages to staying with the current supplier of the system.
- 1.3 Equipment was purchased and the system was installed for testing. It quickly became apparent that the new system was not well developed and could not deliver an effective electoral system. Contacts in other organisations reported similar issues with the new system. As a result of the issues, the existing software support was extended by Northgate on more than one occasion. It is possible that a more formal approach to the business case and decision to stay with Northgate may have averted this position.
- 1.4 This situation meant that at the point that the Councils and the Board decided to seek an alternative solution there was a shorter than normal timeframe for the alternative system to be sourced and implemented. Consideration of new systems took place between January and March 2010, with a project group covering the Board and Perth & Kinross, Angus and Dundee City Councils was set up in February 2010.
- 1.5 Selection of the Halarose system, EROS, was made in May 2010 and was heavily influenced by the user Councils. Clear criteria for the decision are recorded in meeting notes and e-mails.

2. *Project Management*

- 2.1 Formal project management was not undertaken, however there is evidence from minutes, e-mails and meeting notes to demonstrate that the project was well controlled and there was good interaction between staff in the three Councils, the Board and the supplier during the processes of selection and implementation.

2.2 *Observation*

The project was managed by an experienced officer and this, coupled with good input from the supplier, appears to be the reason that the project implementation was achieved without any major issues.

Risk

Without formal project management, future projects may not be run effectively, particularly if the staff involved have no previous experience and the supplier is less committed than Halarose was.

Recommendation

R1 If large-scale projects are undertaken in future, consideration should be given to the training needs of the project manager and the project management tools to be employed for the project. This should cover all aspects of the implementation, including setting criteria for testing, user acceptance, training and criteria for assessing the post implementation stage.

Benefit

Projects will have appropriate project management arrangements in place.

3. Main Report

2. *Project Management (Continued)*

2.3 *Observation*

We asked for the remit of the ER working group and it was found to have been last reviewed in 1998 and to need updating. Officers acknowledged that this and other group remits should be revisited when the current restructuring that is underway is finalised.

Risk

Without an up to date remit, groups may not review all that they should, or may duplicate work being carried out elsewhere

Recommendation

R2 Once the management structures of the Board are finalised a review of all group remits should be undertaken.

Benefit

Groups' work will achieve the most effective impact.

3. *Specification*

- 3.1 The Electoral system is required to perform a specific set of statutory tasks, and at the time the system was required only four providers were available for this in Britain. As a result no specification as such was written by the Board or the Councils, rather information was provided by the suppliers about what their system did and how it worked. Only two providers engaged with the Board; one other declined to quote and the Northgate system had been shown not to be fit for purpose.
- 3.2 Demonstrations were arranged from two providers and a visit was made to another Scottish user of the Halarose system before it was selected as the best solution by all three Councils and the Board. Discussion was also held with other Assessors and their staff to gauge the experience of other users of the two systems.
- 3.3 Following the initial decision to purchase, additional modules were added to the system and significant discounts were received as a result of all three Councils and the Board purchasing the same software together.
- 3.4 There is evidence of detailed discussion between the IT staff in the Councils, the Board and the supplier to ensure that specific technical requirements were explored and resolved.
- 3.5 Although there is no detailed business case, project initiation document or functional specification for the project, the business case is demonstrated by the need for a system to perform Electoral functions, and there is sufficient evidence of technical discussion to be assured that the lack of these documents did not adversely affect the implementation.

4. *Implementation*

- 4.1 An implementation plan, covering the Board and the three Councils, was drafted early in the implementation process and revised several times as work progressed. It identified critical actions working backwards from the "go live" target date of 1 December 2010, the date at which the Electoral register must be published. The plan ran from August 2010 to January 2011 and included initial preparations; data conversion; hardware configuration and installation; data and image conversion; testing and training before and after the system went live. Evidence shows that the supplier was very organised in its approach to the implementation.

3. Main Report

4. *Implementation (Continued)*

- 4.2 Detailed instructions were prepared by the supplier, in conjunction with the Board's IT staff, for the data extraction from the Northgate system for conversion to EROS.
- 4.3 The testing carried out was described to us by officers and referred to in documentation, however the test results were not retained or recorded formally, so that we have been unable to verify the testing undertaken and the results. From the limited evidence available the testing appears to have been appropriate and timely, with good responses from the supplier to address issues identified.
- 4.4 Implementation was timed to allow production of the Electoral register on 1 December 2010. This date was missed by a few days and for statutory purposes the parallel testing run of the canvass on the old system was used to produce the official registers. The new system went live on 13 December 2010.
- 4.5 Training schedules and timetables were drawn up and all relevant staff received training. Bad weather adversely affected training schedules and some had to be re-scheduled.
- 4.6 User manuals are available and we understand they were used in the training sessions.
- 4.7 We understand from officers that although there have been one-off issues arising with the operation of the system following its implementation the supplier has been very good in responding to and resolving them.

5. *Procurement*

- 5.1 Initially servers and equipment were purchased for the new Northgate system during 2009. Although the total cost of hardware, software and ancillary equipment, at just over £33,000 was above the £25,000 level where tenders and Board approval are required quotes were sought from a variety of suppliers for individual pieces or related groups of equipment. In this way the cheapest price was able to be obtained overall by using several suppliers. We checked quotes for a sample of these purchases and they were in line with procurement policies for items below £10,000. Board approval for the purchase of the new system had already been received when the capital budget was approved.
- 5.2 During the changeover to Halarose it was established that the specification of the equipment purchased for the new Northgate system was sufficient to run the Halarose system.
- 5.3 The Halarose software purchase, at £14,650, was above the limit of £10,000 that requires tenders to be obtained. We found that a formal tender process was not undertaken, however in the circumstances of the specialised nature of the system, and the input from the Councils, the process that was undertaken to choose the system and negotiate the price appears reasonable and robust. Significant discounts of £5,000 were obtained from the supplier as a result of all four organisations taking the system at the same time.
- 5.4 Licence agreements were checked at the time the software was purchased and there is evidence of detailed discussion between the Councils, the Board and the supplier to ensure the number purchased was correct for all sites that would run the Electoral software and the various other additional modules that had been purchased.

3. Main Report

6. Security

- 6.1 There are servers in Dundee, Perth and Forfar. We visited the Dundee server room. The room is used to store stationery and spare equipment, and contains fireproof safes for software and back-up storage. The room is tidy and well laid out so that risks from poor layout and untidy and excessive storage are minimised.
- 6.2 The Dundee server room is within an area with controlled access and access to the server room itself is via a combination keypad. The combination for this was changed following the recent retirement of a number of staff. The room is not kept locked when IT staff are working at their desks which sit in the main office outside the room. Given that the room is within a controlled access area this is not seen as a major risk and no recommendation has been made.
- 6.3 Hardware is recorded in an asset register. Testing of this was undertaken during our work on asset management and was reported in our report 2011/07 Asset Management
- 6.4 Minor system updates are undertaken by the Board's IT staff. The software supplier undertakes any major system updates and has remote access to connect to the system through a specific server using a unique key, user name and password. This is changed if people leave. Logs are checked every morning and this would show in the log and be followed up if it had been used unexpectedly.
- 6.5 Access to the system for all users is by unique user name and password. Access is provided only to those who are required to operate the system. All grades of the Board's staff have the same level of access, with the exception of the IT Operations Officer who has Administrator authority to set user permissions.

7. Post Implementation Review

- 7.1 No acceptance criteria were set at the outset of the implementation against which the results can be measured formally. However the system has very specific objectives regarding registration and for use during elections and so far, although there have been a few teething problems, we understand these have been sorted out quickly by the supplier and officers are content that the system is functioning as expected.

7.2 *Observation*

No formal lessons learned session has been held. Staff generally felt that the implementation had gone well and there was little that would be achieved from such a session. Teething problems with the system appear to have been manageable. The full position regarding the implementation and system operation will not be known until a full year's cycle has been undertaken using the system.

Risk

Issues with some of the cyclical operations may not yet be apparent

Recommendation

R3 A review should be carried out early in 2012 to consider if any lessons learned are apparent from the operation of the system for carry forward to future projects.

Benefit

Any issues that could have been avoided through a different approach at the implementation stage will be identified for future projects.

Appendix 4



HENDERSON LOGGIE
Chartered Accountants

Tayside Valuation Joint Board

**Annual Report to the Joint Board and the Assessor
on the Provision of Internal Audit Services for
2010/11**

Internal Audit Report No: 2011/09

Draft Issued: 3 August 2011

Final Issued: 21 October 2011



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1. Annual Report and Opinion

- 1.1 We have been appointed as internal auditors of Tayside Valuation Joint Board ('the Board') for the period 1 April 2010 to 31 March 2013. This report summarises the internal audit work performed during 2010/11.
- 1.2 Our first task was to undertake a comprehensive Audit Needs Assessment (ANA) based on the areas of risk that the Board is exposed to (Report 2011/01, issued in draft 24 February 2011 and finalised 4 March 2011). The ANA was prepared following discussion with the Assessor, several senior Board personnel, the external auditors, Audit Scotland, and with reference to the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. The ANA was prepared on the basis of the normal three-year internal audit cycle, covering the period 2010/11 to 2012/13. The assessment covered the main areas where the Board is exposed to risk that can be managed through internal control, and which therefore should be considered for examination by internal audit. Following on from the ANA, a Strategic Plan was formulated covering the three-year cycle, and this was approved by the Joint Board, together with the ANA, at its meeting on 9 May 2011.
- 1.3 The work undertaken in the year followed that set out in the Strategic Plan for 2010/11. The reports submitted are listed in Section 2 of this report and a summary of results and conclusions from each assignment is given at Section 3. Our work on Asset Management and IT systems development / implementation / data migration has been completed although not yet reported to the Board. We have however concluded positively on all our audit objectives and there are no significant issues arising from this work.
- 1.4 An analysis of time spent against budget is at Section 4.

Significant Issues

- 1.5 There were no significant issues identifying major internal control weaknesses arising from our internal audit work. In general, procedures were operating adequately in the areas selected, but in most cases areas for further strengthening were identified and action plans have been agreed to address these issues.

Opinion

- 1.6 In our opinion the Board operates adequate and effective internal control systems as defined in the ANA. Proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during the current year and an examination of the reports of the previous internal audit service provider, Dundee City Council.



2. Reports Submitted

2011/01	ANA and Strategic Plan 2010 to 2013
2011/02	Annual Plan 2010/11
2011/03	General Ledger
2011/04	Payroll
2011/05	Corporate Governance and Control Environment
2011/06	Follow-Up Reviews
2011/07	Asset Management
2011/08	System Development

3. Summary of Results and Conclusions

2011/01 – ANA and Strategic Plan 2010 to 2013

Final Issued March 2011

A comprehensive ANA based on the areas of risk that the Board is exposed to was undertaken in February 2011. A Strategic Plan to cover the three-year internal audit cycle was then formulated (refer to paragraph 1.2 above).

2011/02 – Annual Plan 2010/11

Final Issued April 2011

The purpose of this document was to present, for consideration by the Joint Board, the annual operating plan for the year ended 31 March 2011. The plan was based on the proposed allocation of audit days for 2010/11 set out in the ANA and Strategic Plan 2010 to 2013.

The detailed scope, objectives and audit approach for each audit assignment to be undertaken, arrived at following discussion with the Assessor, were set out in the report.

2011/03 – General Ledger

Final Issued July 2011

We reviewed the following processes as part of our audit: month-end financial close process; year-end financial close process; and updating user access rights and adding / removing users on the main financial system.

Overall we obtained reasonable assurance that:

- the chart of accounts, coding structure, reports and procedures are adequate in respect of production of the Board's management accounts and financial statements;
- key controls are in place over the trial balance structure, control account reconciliations and journal entries; and
- there is adequate control and reconciliation of the main feeder systems to the general ledger.

Only the Board's Administration staff and appropriate Finance staff at Dundee City Council have user access rights to the Board's main financial systems and there were no changes required in the year under review.

A Service Level Agreement for the provision of financial services is in place between the Board and Council. Under this Agreement the Council is responsible for maintaining the Board's general ledger, preparing control account reconciliations, providing regular revenue monitoring and management reports and preparing annual statutory accounts.

Our testing found the Board's control accounts are regularly reconciled by the Council. At present reconciliations prepared by the Council are not submitted to the Board, with the exception of monthly bank reconciliations. We recommended that control account reconciliations are regularly submitted to the Board and reviewed to ensure any variances are investigated timeously.

3. Summary of Results and Conclusions

2011/04 – Payroll

Final Issued June 2011

The scope of the audit covered the adequacy and effectiveness of the processes and procedures in place to ensure that payroll payments made on the payroll system are valid, authorised, accurate and monitored appropriately.

From our audit work, assurance was obtained that, overall, a good level of control is in place and systems are sufficient to ensure:

- new posts are appropriately approved;
- starters and leavers are properly treated and enter and leave the system at the correct dates;
- correct calculation of gross pay and deductions;
- overtime payments and other variations to pay are properly authorised, processed and recorded;
- approval and checking of changes to employee standing data;
- payroll reconciliations are completed and reviewed on a timely basis;
- monitoring information is adequate for identifying incorrect payroll payments and to allow budget holders to manage their budgets effectively; and
- payments, whether to staff or paying deductions over to third parties, are properly authorised, processed and recorded within the main accounting system.

However our testing on the process for updating employee standing data identified weaknesses in the current approach, with updating of standing employee data based on email correspondence. Whilst recognising that changes to standing employee data are not commonplace we recommended that a more formal process should be put in place to document these.

As part of our testing on the checking of payments made to employees, we found that the payroll report provided by the Council was not signed-off as being checked. Although it was intimated that this is checked, we recommended that the report is signed-off by the Administration Manager to provide documented evidence that the amount paid has been independently verified.

2011/05 – Corporate Governance and Control Environment

Final Issued October 2011

This review covered the corporate governance arrangements within the Board and compared these against best practice. This included reviewing such items as: Code of Corporate Governance; Committee organisation and administration; Standing Orders; Financial Regulations; Delegation of Powers to Officers; Fraud Guidelines; and Complaints procedures.

The objective of our audit was to obtain reasonable assurance that the Board's corporate governance and control environment arrangements are in accordance with best practice as set out in *Delivering Good Governance in Local Government – A Guidance Note for Scottish Authorities* published by CIPFA/SOLACE in 2008.

We found that the Board largely meets the six governance standards set out in the above guide. There were a few areas where improvement could be made around ensuring that existing documentation is reviewed and brought up to date; embedding risk management into the planning and operational processes; and making existing documents publicly available.

3. Summary of Results and Conclusions

2011/06 – Follow-Up Reviews

Final Issued June 2011

We carried out a follow-up review of the recommendation arising from Internal Audit Report 2009/03 – Budgetary Control prepared by the previous internal auditors. No recommendations were made in the other reports issued during 2009/10.

The objective of our follow-up review was to assess whether the recommendation made in the previous report had been appropriately implemented and to ensure that, where little or no progress had been made towards implementation, that plans were in place to progress it.

The Board implemented the single recommendation contained within report 2009/03 in October 2010 with the publication of revised Financial Regulations. In line with the recommendation made by internal audit, Paragraph 22.2 of the revised Financial Regulations sets out the requirement for regular review and updating of the document to reflect any changes in legislation or working practices.

2011/07 – Asset Management

Final issued October 2011

We reviewed the arrangements in place for identifying, maintaining, reviewing and disposing of the Board assets and the process in place for approving new capital spend.

Overall we concluded that:

- there is a system for recording assets and checking the physical existence of these on a regular basis;
- Although the Board does not have a formal maintenance plan in place over the Board's assets which is appropriately monitored, an overview of assets and their maintenance is carried out by IT staff and staff in each office;
- existing assets are reviewed on a periodic basis to ensure that they effectively meet the needs of the Board;
- asset disposals are properly authorised and recorded and such assets are disposed of securely; and
- there is a capital approval process which ensures that all capital spend is in line with the Board's strategy, has been appropriately prioritised and assessed, and provides value for money.

Our review found that the asset management arrangements could be further strengthened and an action plan has been agreed to address these.

No significant issues have been identified although a number of recommendations are proposed to further strengthen controls.

3. Summary of Results and Conclusions

2011/08 – System Development

Final issued October 2011

We reviewed the processes and controls in place for the development and implementation of the new electoral registration and management systems, and the migration of data between the old and the new system.

Systems development and implementation

Overall we obtained assurance that the development and implementation of the new electoral registration and management system was well controlled, although this was achieved through informal rather than formal project management. It is possible that a more formal approach to the original business case and decision to stay with Northgate may have averted the position that the Board and Councils found themselves in when the new Northgate system failed. Data migration was well planned and from the limited evidence available appears to have been undertaken successfully with limited issues to be resolved.

Post-implementation review for Halarose migration

There were no benefits identified in a business case, however the objective of implementing an electoral system that is fit for purpose in delivering the Council's statutory duties in this regard appears to have been achieved, although until a full year's cycle has been undertaken this will not be confirmed.

We have made some recommendations about actions that should be taken in future to make the process more formal.



4. Time Spent – Budget v Actual

Internal Audit	Report number	Planned days	Actual days feed	Days to fee at August 2011	Days to spend / WIP	Variance
Staffing Issues						
<i>Payroll</i>	2011/04	4	-	4	-	-
Estates and Facilities						
<i>Asset management</i>	2011/07	4	-	4	-	-
Financial Issues						
<i>General ledger</i>	2011/03	3	-	3	-	-
Organisational Issues						
<i>Corporate governance and control environment</i>	2011/05	6	-	6	-	-
Information and IT						
<i>Systems development / implementation / data migration</i>	2011/08	7	-	4	-	(3)
Other Audit Activities						
Liaison with External Audit)	N/A					
Management and Planning)	2011/02	4	3	2	-	1
Attendance at Joint Board)	N/A					
Follow-up Reviews	2011/06	2	-	2	-	-
ANA	2011/01	4	4	-	-	-
Total		34	7	25	-	(2)
		=====	=====	=====	=====	=====



5. Operational Plan for 2011/12

- 5.1 Following our appointment as internal auditors for the period from 1 April 2010 to 31 March 2013 we prepared an Audit Needs Assessment and Strategic Plan for 2010 to 2013 (internal audit report 2011/01, issued March 2011).
- 5.2 An extract from the Strategic Plan, in relation to 2011/12, is below.

Tayside Valuation Joint Board Strategic Plan 2010/11 to 2012/13

Proposed Allocation of Audit Days

	Planned 11/12 Days
Reputation	
<i>Publicity</i>	
<i>Health and Safety</i>	
Council Tax	
Non Domestic Rates	8
Electoral Register	
Staffing Issues	
<i>Recruitment and retention / HR policies</i>	
<i>Payroll</i>	
Estates and Facilities	
<i>Asset management</i>	
Financial Issues	
<i>Budget setting / budgetary control</i>	
<i>General ledger</i>	
<i>Procurement and creditors / purchasing</i>	5
<i>Debtors / income</i>	
<i>Cash & bank / Treasury management</i>	
Organisational Issues	
<i>Risk management / Business continuity</i>	5
<i>Corporate governance and control environment</i>	
<i>Corporate planning</i>	
Information and IT	
<i>IT network arrangements</i>	6
<i>Data protection / FOI</i>	
<i>Systems development / implementation / data migration</i>	
Other Audit Activities	
Management and Planning)	4
External audit)	
Attendance at audit committees)	
Follow-up reviews	2
ANA	
Total	30
	=====

Appendix 1



HENDERSON LOGGIE
Chartered Accountants

Tayside Valuation Joint Board

Corporate Governance and Control Environment 2010/11

Internal Audit Report No: 2011/05

Draft Issued: 08 June 2011

Final Issued: 21 October 2011



Section 1 Management Summary

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Management Summary

Introduction

As part of the Internal Audit programme at Tayside Valuation Joint Board ('the Board') for 2010/2011 we carried out a review of the corporate governance arrangements in place. The Audit Needs Assessment, completed in March 2011, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Joint Board and the Assessor that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Corporate governance is 'the combination of processes and structures implemented by the governing body in order to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives' (Cadbury Report, 1992).

Strong corporate governance is important to ensure that the Joint Board provides appropriate leadership, direction and control of the Board. In addition, the Joint Board must answer to key stakeholders, ensure that the Board's objectives are being met and hold key executive staff accountable.

In 2008 the CIPFA/SOLACE Joint Working Group issued *Delivering Good Governance in Local Government*. This guidance illustrates best practice for developing and maintaining a local code of governance and making adopted practice open and explicit. It recommends that authorities must be able to demonstrate that they are complying with the principles of good governance. The six core principles defined in the guidance are taken from the *Good Governance Standard for Public Services* developed by the Independent Commission on Good Governance in Public Services and have been adapted for local government purposes. Good governance means:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of members and officers to be effective;
- Engaging with local people and other stakeholders to ensure robust public accountability.

Although the above points are outlined in the standard we recognise that due to the size of the Board and the statutory requirement of its functions not all of the principles are fully applicable.

Scope of the Audit

This review covered the corporate governance arrangements within the Board and compared these against best practice. This included reviewing such items as:

- Code of Corporate Governance;
- Committee organisation and administration;
- Standing Orders;
- Financial Regulations;
- Delegation of Powers to Officers;
- Fraud Guidelines; and
- Complaints procedures.



Management Summary

Objectives of the Audit

The objective of our audit was to obtain reasonable assurance that the Board's corporate governance and control environment arrangements are in accordance with best practice as set out in *Delivering Good Governance in Local Government – A Guidance Note for Scottish Authorities* published by CIPFA/SOLACE in 2008.

We also carried out a follow-up review on the outstanding actions from Internal Audit report 2008/03, *Corporate Governance*. Our conclusions on whether these points have been adequately implemented are included within Appendix I.

Audit Approach

We identified the corporate governance arrangements in place through interviews with staff and a review of relevant supporting documentation to gain evidence that the arrangements in place are operating effectively.

The control environment in place at the Board was reviewed and benchmarked against current best practice using *Delivering Good Governance in Local Government*. The guidance presents six principles of good governance, together with supporting principles that are common to all public service organisations and are intended to assist all those with an interest in public governance to assess good governance practice. 'Applications' included for each supporting principle explain what should be done to put it into practice.

Our work involved review of specific policies, Joint Board minutes and other documents, including the Service Plan 2008 - 2013, Financial Regulations and the local Code of Corporate Governance, to ensure that they cover all aspects currently recommended by best practice, as well as discussion with the Assessor.

Action Plan

This report sets out a detailed list of improvement actions, which we consider necessary to ensure efficient delivery of each objective and these are discussed within the text for clarity. An action plan for implementation of these recommendations can be found at Section 2 of this report.

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

- A Fundamental issues which require the consideration of the Joint Board.
- B Significant matters which can be resolved by the Assessor.
- C Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

Overall Conclusion

From our audit work, compliance with *Delivering Good Governance in Local Government* was found to be good with a number of minor areas where improvements could be made.



Management Summary

Summary of Main Findings and Recommendations

Tayside Valuation Joint Board largely meets the six governance standards as set out in *Delivering Good Governance in Local Government*. There are a few areas where improvement could be made around ensuring that existing documentation is reviewed and brought up to date, embedding risk management into the planning and operational processes and making existing documents publicly available. These findings form part of our overall assessment of compliance with the six principles of *Delivering Good Governance in Local Government*.

Acknowledgements

We would like to thank the Assessor and his staff for the co-operation and assistance we received during the course of our review.



Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
Appendix I, 1.1	R1 The Board should establish a clear mission and vision and include statements within the Service Plan.	B		Y	Assessor	December 2011
Appendix I, 1.1	R2 The Service Plan should be reviewed and updated annually to ensure that it remains up to date and in line with the Boards strategic aims.	B		Y	Assessor	Ongoing
Appendix I, 2.1	R3 The code of corporate governance should be updated to reflect the changes in appointments to the statutory posts of Treasurer and Clerk of the Board.	B		Y	Assessor	October 2011
Appendix I, 2.2	R4 The Board should develop a system which ensures that the performance of all Committee members is formally and regularly assessed.	B	While accepting the soundness of the recommendation as a matter of principle, it is considered that having regard to the type and volume of business which is formally transacted by the Joint Board, taken together with the nature and extent of Board members' involvement in operational matters, it is unnecessary and inappropriate to implement this recommendation. Auditor comment: accepted	N		



Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
Appendix I, 4.3	R5 The key risks documented in the Corporate Risk Register, together with the mitigating actions, should be cross referred to the relevant actions in the Service Plan 2008 - 2013 and monitoring of the agreed actions list should be considered by the Joint Board.	B		Y	Depute Assessor	December 2011
Appendix I, 4.3	R6 The local code of corporate governance should be updated to reflect the changes made since the introduction of the Risk Register and Business Continuity Plan.	B		Y	Depute Assessor	December 2011
Appendix I, 4.3	R7 In line with the details included within the Business Continuity Plan, the Board should ensure that the Plan is available to the public on the organisation's website.	C	The plan is available on the website through the Minutes of the Board meetings. However, it is agreed that it should be made more easily accessible.	Y	Depute Assessor	Immediate
Appendix I,	R8 In order to monitor and review the Board members' skills and expertise the Board should consider developing a skills matrix to map the required skills against its current board membership.	B	While accepting the soundness of the recommendation as a matter of principle, it is considered that having regard to the type and volume of business which is formally transacted by the Joint Board, taken together with the nature and extent of Board members' involvement in operational matters, it is unnecessary and inappropriate to implement this recommendation. Auditor comment: accepted	N		



1. Corporate Governance

1.1 Comparison with *Delivering Good Governance in Local Government*

The Board's corporate governance arrangements have been compared to good practice as defined in *Delivering Good Governance in Local Government*. Our findings are given in Appendix I.



Appendix I

Principle	Requirement met?	Comments, including any recommendations
1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.		
1.1	Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users	<p>Partial</p> <p>The Board's Service Plan 2008 – 2013 is publicly available on the organisation's website. Although the Service Plan clearly reflects corporate objectives and includes details of the organisation's core objectives for each service area it does not include a mission statement or a vision of how the mission will be carried out.</p> <p>The Service Plan outlines the organisation's key targets and performance measures for each service area and states that the Board has implemented a Best Value regime.</p> <p>Per the CIPFA/SOLACE guidance the corporate plan should be reviewed every 12 months, however it appears from the text included within the document that some sections of the Service Plan have not been updated since 2008.</p> <p>Per CIPFA/SOLACE the annual report should include service users' feedback on service delivery as a means of communicating the organisation's activities and achievements. The Board issues an annual report which does not include service users' feedback however the Board separately publishes the results of an annual Customer Satisfaction Survey. Both documents are available on the organisation's website.</p> <p>'Application to be further developed' The Board should establish a clear mission and vision and include statements within the Service Plan. (R1)</p> <p>The Service Plan should be reviewed and updated annually to ensure that it remains up to date and in line with the Board's strategic aims. (R2)</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
1.2	Ensure that users receive a high quality of service whether directly, or in partnership, or by commissioning.	✓	<p>The Service Plan includes details of key target and performance measures. The Results of performance data are published in the Annual Report.</p> <p>The Board also issues annual customer feedback forms to members of the public who make direct contact with the organisation. Results then feed into Service Plan review. The Service Plan was developed in 2008 and feedback forms have been in use since 2006/07.</p> <p>A range of Key Performance Indicators (KPIs) are used to measure the performance of the Board's functions. These KPIs have been established through agreement between the Scottish Assessors' Association and the Scottish Government.</p> <p>Through the Scottish Assessors' Association statistical information is provided to the Scottish Government. The data is then used to benchmark the Board's performance against other similar organisations throughout Scotland.</p> <p>Internal Audit reports are also reported to the Joint Board with Action Plans devised from findings with progress reported at subsequent committee meetings.</p> <p>'Application to be further developed'</p> <p>None.</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
1.3	Ensure that the authority makes the best use of resources and that tax payers and service users receive excellent value for money.	✓	<p>Through the Scottish Assessors' Association Committee structure statistical information is provided to the Scottish Government. The data is then used to benchmark the Board's performance against other similar organisations throughout Scotland.</p> <p>The Board's Financial Regulations also states that '<i>the board shall at all times endeavour to secure the best value for the money it spends and encourage the use throughout the Assessors' Services</i>'. This is considered an appropriate outcome.</p> <p>'Application to be further developed'</p> <p>None.</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
2.	Members and officers working together to achieve a common purpose with clearly defined functions and roles.		
2.1	Ensure effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.	✓	<p>Financial Regulations available on the website define the roles and responsibilities of the Treasurer, Clerk of the Board and of the Board itself. The existing local code of corporate governance also details that the posts of Treasurer and Clerk of the Board are statutory posts held by the Depute Chief Executive (Finance) and Depute Chief Executive (Support Services) of Dundee City Council. These statutory posts are now held by different officers of Dundee City Council and the code of corporate governance requires to be updated.</p> <p>A separate 'Delegation of Powers to Officers' document is also available on the organisation's website detailing the additional powers of the Treasurer, Clerk and Board. The proceedings and business of the Board are regulated by Standing Orders which are monitored and reviewed as required.</p> <p>The Board receives and approves the Annual Report and Accounts. The Board also receives all Internal and External Audit Reports, along with Key and other Performance Reports. It approves all relevant actions, policies and significant expenditures. All Board meetings are open to the public and are suitably advertised in advance. The Minutes of all Board meetings are made available to the public.</p> <p>'Application to be further developed' The financial regulations should be updated to reflect the changes in appointments to the statutory posts of Treasurer and Clerk of the Board (R3).</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
2.2	Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard.	✓	<p>A separate 'Delegation of Powers to Officers' document is publicly available which outlines powers delegated by the Board to the Assessor, the Treasurer and the Clerk. Further details of the roles and responsibilities of the Clerk, Treasurer, Assessor and the Board are contained in the organisation's Financial Regulations and local code of corporate governance.</p> <p>The Board's Section 95 Officer is clearly detailed in the Financial Regulations as the Treasurer – stated as the Depute Chief Executive (Finance) of Dundee City Council in the local code.</p> <p>The Board has one sub-committee in place – General Purposes Committee – with the terms of reference and reporting arrangements included in the local code of corporate governance and financial regulations.</p> <p>As detailed in the Service Plan the principal measure of performance of the organisation is its ability to deliver all services effectively and within the various statutory timetables. A range of KPI's are in place and customer satisfaction surveys which are reported to the Board and are available for public scrutiny.</p> <p>The performance of elected members is currently reviewed by each of the constituent Councils. The Board does not operate its own system to formally and regularly assess the performance of elected members.</p> <p>'Application to be further developed'</p> <p>The financial regulations should be updated to reflect the changes in appointments to the statutory posts of Treasurer and Clerk of the Board (R3).</p> <p>The Board should develop a system which ensures that the performance of all elected members on the Board is formally and regularly assessed (R4).</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
2.3	Ensuring relationships between the authority, its partners and the public are clear so that each know what to expect of the other.	✓	<p>The constitution and operations of the Joint Board are defined in legislation. The proceedings and business of the Board are regulated by Standing Orders.</p> <p>The Joint Board comprises 15 elected members from across the three constituent councils. The proceedings and business of the Board are regulated by Standing Orders.</p> <p>All Board meetings are open to the public and minutes are also publicly available.</p> <p>Service delivery is measured through key targets, customer satisfaction surveys and scrutiny from members of the Joint Board. KPI's detailed in Service Plan and customer satisfaction data are also reported to the Joint Board.</p> <p>The Service Plan identifies the key partnerships / relationships that the Board has with other bodies, including: the three constituent local authorities, Scottish Assessors Association, Council tax and Rate payers, the electorate and Councillors and MSP's.</p> <p>'Application to be further developed' None.</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
3.	Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.		
3.1	Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.	✓	<p>Members and officers should comply with the Nolan Committee principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership. A review of the organisation’s policies noted that these principles are included within the local Code of Corporate Governance. This is considered an appropriate outcome.</p> <p>Roles and responsibilities, standing orders, schedules of meetings, minutes of meetings and local code of governance are all publicly available on the organisation’s website, which demonstrates the organisations commitment to openness and accountability.</p> <p>The standards of conduct and personal behaviour expected of members and its partners are communicated through standing orders. There is no local code of conduct in place, however, members are expected to abide by their constituent Council’s Members’ Code of Conduct and register any interests relevant to the Joint Board in their constituent Councils’ Register of Members’ Interests, which are available for public inspection.</p> <p>Officers must conduct themselves in accordance with standards of conduct that are expected of staff as a public employee. Staff are required to abide by the National Code of Conduct for Local Government Employees in Scotland.</p> <p>Newly elected members receive induction training conducted by the Assessor following their appointment to the Board.</p> <p>‘Application to be further developed’ None.</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
3.2	Ensuring that organisational values are put into practice and are effective.	✓	<p>A staff handbook is issued to all staff and staff are expected to abide by the National Code of Conduct for Local Government Employees in Scotland.</p> <p>Organisation values are disseminated to staff through structured training. Compliance with these values is measured through the annual appraisal process. As noted at 2.2 above, the Board does not have a system in place for formally and regularly assessing the performance of Board members.</p> <p>The Board has developed a number of policies including Race Equality, Gender Equality, Disability Equality and Health and Safety which are all publicly available on the organisation's website.</p> <p>Public opinion on the behaviour of the Board's staff, officers or members is obtained through annual customer feedback surveys and reported to the Joint Board.</p> <p>'Application to be further developed'</p> <p>None.</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
4. Taking informed decisions and transparent decisions which are subject to effective scrutiny and managing risk.			
4.1	Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.	✓	<p>The role of scrutiny has been established through a scheme of delegation as outlined in 'Delegation of Powers to Officers' and committee structures including the Board itself and the General Purposes sub-committee.</p> <p>Decisions should be explained through use of criteria, thought processes used and considerations to ensure they are transparent and can be subject to audit. The 2010/11 Joint Board minutes were reviewed to determine whether the rationale for decisions made had been noted. We found that, overall, decisions were adequately supported with clear rationale explained in the minutes for why the decision was made. Copies of all meeting minutes are available on the organisation's website.</p> <p>Elected Members are expected to abide by their constituent Council's Members Code of Conduct and register any interests relevant to the Joint Board in their constituent Councils' Register of Members' Interests to ensure that transparency is maintained.</p> <p>Follow-up of previous Internal Audit reports In 2008/09 Internal Audit previously reported in their follow-up report on Corporate Governance (report 2008/03) that copies of reports submitted to the Board alongside corresponding minutes were not publicly available on the Board's website. Our review has noted that this is now complete with all reports and minutes now available.</p> <p>'Application to be further developed' None.</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
4.2	Having good-quality information, advice and support to ensure that services are what the community wants/needs.	✓	<p>The Joint Board should receive information which is sufficient to fulfil its monitoring role. Capital and Revenue budgets as well as the findings from any Internal Audit reviews are reported to the Joint Board each quarter.</p> <p>From our review of the financial monitoring statements presented to the Joint Board we noted a sufficient level of detail and explanation is provided to allow the Joint Board to take informed decisions.</p> <p>As highlighted in 1.2, the results from annual customer feedback forms is fed into the service planning process to shape future service delivery.</p>
			<p>'Application to be further developed' None.</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
4.3	Ensuring that an effective risk management system is in place.	Partial	<p>Effective risk management comes from identifying and assessing risks and implementing appropriate responses, for example, internal controls, insurance and risk mitigation.</p> <p>We have reviewed the organisation’s risk register and consider this to be sufficiently detailed in identifying risks and identifying appropriate responses. In order to embed risk management into the planning and operational processes the key risks documented in the Corporate Risk Register, together with the mitigating actions, should be cross referred to the relevant actions in the Service Plan 2008 - 2013 and monitoring of the agreed actions list should be considered by the Joint Board.</p> <p>Risk Management is identified in the local code as essential for maintaining the integrity of the Joint Board. The Code states that ‘A Risk Management Strategy is in place, and a Risk Assessment Policy, Risk Registers and Business Continuity Plans are in course of preparation.’ The local code was published in March 2008 and since then the Board has now established Risk Registers and Business Continuity Plans. Therefore the local code should be updated to reflect these changes.</p> <p>The Business Continuity Plan states that staff awareness will be promoted by publishing the Business Continuity Plan on the organisation’s website. Our review noted that this document is not yet available on the website.</p> <p>The guidance recommends that arrangements are in place for whistle blowing to which staff and all those contracting with the organisation have access. The Public Interests Disclosure Act also recommends that such a policy is in place to promote openness and honesty within the organisation. Our review has noted that the Board has a whistle blowing policy in place. The policy is available on the organisation’s website as the <i>Disclosure of Information</i> document.</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
			<p>Follow-up of previous Internal Audit reports In 2008/09 Internal Audit previously reported in their follow-up report on Corporate Governance (report 2008/03) that testing of the Business Continuity Plan remained outstanding. Our review noted that this has since been tested and is now complete.</p> <p>‘Application to be further developed’ The key risks documented in the Corporate Risk Register, together with the mitigating actions, should be cross referred to the relevant actions in the Service Plan 2008 - 2013 and monitoring of the agreed actions list should be considered by the Joint Board. (R5)</p> <p>The local code of corporate governance should be updated to reflect the changes made since the introduction of the Risk Register and Business Continuity Plan. (R6)</p> <p>In line with the details included within the Business Continuity Plan, the Board should ensure that the Plan is available to the public on the organisation’s website. (R7).</p>
4.4	Using their legal powers to the full benefit of the citizens and communities in their areas.	✓	<p>Roles of Treasurer and Clerk are statutory posts. Members are required to abide by the code of conduct of their respective councils and all staff are required to abide by the National Code of Conduct for Local Government Employees in Scotland.</p> <p>The Assessor is also a statutory post and has direct operational responsibility for the statutory functions of the organisation and reports to the Board on all areas of operation.</p> <p>‘Application to be further developed’ None.</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
5. Developing the capacity and capabilities of members and officers to be effective.			
5.1	Making sure that members and officers have the skills, knowledge, experience and resources they need to perform their roles well.	✓	<p>The constituent councils should appoint members to the Joint Board who have the necessary blend of skills; knowledge and experience using an open skills-based recruitment process.</p> <p>At present the responsibility for selection and training of elected members rests primarily with the Constituent Councils. To ensure that the Joint Board is committed to developing the skills that its members require to carry out their roles more effectively, the Joint Board should commit to reviewing the skills and expertise that they require for the future and work with the constituent Councils to attract the people with skills to address any gaps identified.</p> <hr/> <p>‘Application to be further developed’ In order to monitor and review the Board members’ skills and expertise the Board should consider developing a skills matrix to map the required skills against its current Board membership (R8).</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
5.2	Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.	✓	<p>New elected members should receive a thorough induction that is tailored to their role in the organisation. All members should have opportunities to develop further skills and to update their knowledge throughout their period of membership of the organisation, and should take seriously their responsibilities to identify and address their development needs.</p> <p>Each of the constituent councils provides core training to elected members on the role of being a Councillor.</p> <p>Recommendations have been made earlier in this report on monitoring the performance (R4) and skills (R8) of Board members.</p> <p>'Application to be further developed' Recommendations (R4) and (R8).</p>
5.3	Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing and renewal.	✓	<p>Officers are agreed and appointed by each of the constituent local authorities. Members of the Joint Board are also appointed by the Councils. The management team within Tayside Valuation Joint Board has no influence in the appointment of elected members to the Joint Board.</p>
			<p>Application to be further developed'</p> <p>None.</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
6. Engaging with local people and other stakeholders to ensure robust public accountability.			
6.1	Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.	✓	<p>The local code includes a section on stakeholder focus which identifies the various stakeholders with whom the Board engages and for what purpose. The Board also publish annual accounts in accordance with statutory requirements which are then subject to external audit. Audited accounts are then available to the public. An annual report is also published by the Board for the public.</p> <p>All Board meetings are open to the public and dates and times are advertised in advance.</p> <p>'Application to be further developed' None.</p>
6.2	Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning.	✓	<p>Feedback should be obtained from key service users and the public. A clear policy should detail what users will be consulted on, including how the findings will be incorporated in decision making. All complaints should be processed using a clear procedure.</p> <p>All Board meetings are open to the public and dates and times are advertised in advance.</p> <p>The Joint Board receives feedback directly from end users through annual customer feedback surveys.</p> <p>Performance standards and targets are identified and agreed for each service area. Performance of KPI's is monitored and reported to the management team.</p> <p>'Application to be further developed' None.</p>



Appendix I

	Principle	Requirement met?	Comments, including any recommendations
6.3	Making best use of human resources by taking an active and planned approach to meet responsibility to staff.	✓	<p>A clear policy should state when and how management consults and involves staff and their representatives in decision making.</p> <p>In May 2009 the Board approved a Staff Consultation document which states that consultation shall take place whenever a decision is likely to have an impact upon employees and the way in which they work.</p> <p>In order to meet its responsibility to its staff the Board has established a number of employment policies which include Disability Equality, Gender Equality and Race Equality and also Employment Monitoring.</p> <p>Follow-up of previous Internal Audit reports In 2008/09 Internal Audit previously reported in their follow-up report on Corporate Governance (report 2008/03) that Board approval for the draft Policy for Staff Consultation remained outstanding. This was approved in May 2009 and is now complete.</p> <hr/> <p>'Application to be further developed' None.</p>

Appendix 2



Tayside Valuation Joint Board

**Asset Management
2010/11**

Internal Audit Report No: 2011/07

Draft Issued: 4 August 2011

Final Issued: 10 October 2011



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Management Summary

Introduction

As part of the Internal Audit programme at Tayside Valuation Joint Board ('the Board') for 2010/2011 we carried out a review of the Asset Management arrangements in place. The Audit Needs Assessment, completed in March 2011, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Joint Board and the Assessor that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Scope of the Audit

We reviewed the arrangements in place for identifying, maintaining, reviewing and disposing of the Board assets and the process in place for approving new capital spend.

Objectives of the Audit

The objectives of our audit were to establish whether the Board's asset management arrangements ensure that assets are safeguarded and that capital expenditure plans are appropriate and in line with the Board's strategic objectives:

- there is a system for recording assets and checking the physical existence of these on a regular basis;
- a maintenance plan is in place over the Board's assets which is appropriately monitored;
- existing assets are reviewed on a periodic basis to ensure that they effectively meet the needs of the Board;
- asset disposals are properly authorised and recorded and such assets are disposed of securely: and
- there is a capital approval process which ensures that all capital spend is in line with the Board's strategy, has been appropriately prioritised and assessed, and provides value for money.

Audit Approach

We assessed whether the above objectives were being met by documenting the Board's asset management arrangements; systems, procedures and controls through interviews with the Board's Administration Officer and key members of the Finance Team at Dundee City Council ('the Council'). We established whether the expected controls were in place by comparing these against good practice reference – Local Government in Scotland Act 2003 *Asset Management under Best Value Advisory Note*. A sample of items was tested to ensure asset maintenance, disposal and capital appraisal controls were working effectively.

Management Summary

Action Plan

This report sets out ten improvement actions, which we consider necessary to ensure efficient delivery of each objective and this is discussed within the text for clarity. An action plan for implementation of these recommendations can be found at Section 2 of this report.

To aid the use of the action plan, our recommendations are graded to denote the level of importance that should be given to each one. These gradings are as follows:

- A Fundamental issues which require the consideration of the Joint Board.
- B Significant matters which can be resolved by the Board's Administration Officer, Assessor or the Departmental Accountant at the Council.
- C Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

Overall Conclusion

Overall we obtained reasonable assurance that:

- there is a system for recording assets and checking the physical existence of these on a regular basis;
- Although the Board does not have a formal maintenance plan in place over the Board's assets which is appropriately monitored, an overview of assets and their maintenance is carried out by IT staff and staff in each office;
- existing assets are reviewed on a periodic basis to ensure that they effectively meet the needs of the Board;
- asset disposals are properly authorised and recorded and such assets are disposed of securely; and
- there is a capital approval process which ensures that all capital spend is in line with the Board's strategy, has been appropriately prioritised and assessed, and provides value for money.

However our review found that the asset management arrangements could be further strengthened and these are detailed in our attached Action Plan.

Summary of Main Findings and Recommendations

A Service Level Agreement for the provision of financial services is in place between the Board and Council. Under this Agreement the Council is responsible for maintaining the Board's general ledger, preparing control account reconciliations, providing regular revenue monitoring and management reports and preparing annual statutory accounts. Our testing found the Board's Asset Register is reconciled to the Fixed Asset Register prepared by the Council as part of the year-end accounts process. At present reconciliations prepared by the Council are not submitted to the Board, with the exception of monthly bank reconciliations.

Physical checks of a sample of high value portable and desirable appliances on an annual basis have been put in place. However due to the retirement of the Administration Manager we have been unable to verify this for 2010/11.

The Board does not currently have a maintenance plan for their assets.

Acknowledgements

We would like to thank all staff at the Board and the Council who assisted us during our review.



Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
1.2	General R1 Once the restructuring at the Board is complete a full review of all the Board's procedures should be carried out to ensure that they are fit for purpose. All staff should be made aware of any changes made to the Board's procedures.	C		Y	Assessor	December 2011
2.4	Recording of assets R2 A copy of the reconciliation of the Board's Asset Register and the FAR prepared by the Council should be made available to the Board to ensure any variances are investigated and adjusted for in the Board's Asset Register.	B		Y	Treasurer	December 2011
2.7	R3 A sample of higher value, portable and desirable assets should be physically checked on an annual basis and details of the physical check be maintained as evidence of the check.	B		Y	Administration Manager	December 2011
2.10	R4 Where more detailed lists of camera / laser measures are maintained the assets on these lists should agree to the assets detailed on the overall list.	C		Y	Administration Manager	December 2011



Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
3.2	Maintenance of Assets R5 The Board should consider improving their current maintenance arrangements by developing a maintenance plan for their assets, together with monitoring arrangements.	B		Y	Depute Assessor	December 2011
5.1	Asset Disposal R6 The Board should consider drafting guidelines for asset disposals, covering when assets can be disposed of, who can instruct and authorise.	C		Y	Depute Assessor	December 2011
5.4	R7 The Fixed Asset Register maintained by the Council should mirror asset references in the Board's asset register and should be fully populated. A reconciliation of all movements, including disposals should be prepared and entries made in the Board and the Council asset registers to ensure registers reconcile. Entries to remove assets that are fully depreciated should only be processed if the asset is no longer in use at the Board. Otherwise the asset should remain on the register at nil value.	B		Y	Treasurer	December 2011



Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
6.4	Capital approved process R8 A reconciliation of budget to actual spend should be prepared at least annually, to ensure that monies spent are in line with approved budget. The reconciliation could be prepared by either the Board or the Council, and when prepared the other party could be sent a copy.	C		Y	Treasurer	December 2011



Main Report

1. General

- 1.1 The Board has undergone a number of changes to its workforce due to retirements of a number of senior personnel; including the Board's Assessor, the Information Technology Manager, the Administrations Manager and the Depute Assessor from Perth & Kinross. As a result of these retirements there has been restructuring of the Board's workforce. The Depute Assessor from Dundee has been appointed as Assessor from 1 July 2011, the Depute Assessor for Angus has been appointed as Depute Assessor over the three Tayside areas of Dundee, Angus and Perth & Kinross and three of the four current principal valuers have become Assistant Assessors. Further restructuring is planned.

Observation

- 1.2 The workforce changes at the Board have meant that they have had to adapt processes to fit the current workforce. For example less senior members of staff are now fulfilling roles that were previously carried out by managers as supporting members of the administration team have been added to the Board's invoice processing and authorisation procedures as the administration manager has retired.

Risk

Changes are being made to the Board's procedures due to workforce changes which may not result in weaknesses in the internal control environment.

Recommendation

R1 Once the restructuring at the Board is complete a full review of all the Board's procedures should be carried out to ensure that they are fit for purpose. All staff should be made aware of any changes made to the Board's procedures.

Benefit

The Board has procedures in place that take account of their workforce restructuring and follow Best Practice.

2. Recording of Assets and Checking Physical Existence

- 2.1 The Asset Register system in use by the Board is Filemaker Pro. This is maintained by the Board's Information Technology (IT) department, principally the IT Operations Officer. Each asset on the register has a number, description, serial number, location (Perth, Dundee, Angus), details of where located, cost of asset, order number, year of purchase and date of purchase.
- 2.2 Additions and disposals to the register are processed by the IT Operations officer and copy invoices for additions and disposals are kept in addition to those maintained as part of the Purchase Ledger system.
- 2.3 The Board has in place a Service Level Agreement (SLA) with Dundee City Council ('the Council') for the provision of financial services. The current SLA covers the period April 2007 to March 2012. The services provided include the maintenance of the Board's general ledger, the preparation of control account reconciliations, provision of regular revenue monitoring and management reports and the preparation of annual statutory accounts.

Observation

- 2.4 The Board's month-end and year-end financial close process is performed by the Council. Reconciliation of the Board's Asset Register to the General Ledger by the Council is part of the year-end accounts process. At present reconciliations prepared by the Council are not submitted to the Board, with the exception of monthly bank reconciliations.

Risk

Variations between the Asset Register and the General Ledger are not highlighted to the Board and assets are incorrectly recorded on the Asset Register.

Main Report

2. Recording of Assets and Checking Physical Existence (continued)

Recommendation

R2 A copy of the reconciliation of the Board's Asset Register and the Fixed Asset Register prepared by the Council should be made available to the Board to ensure any variances are investigated and adjusted for in the Board's Asset Register.

Benefit

Assurance can be obtained that the Asset Register and General Ledger are reconciled and the Asset Register correctly reflects assets held by the Board.

2.5 The Board's Financial Regulations note that the Assessor is also responsible for ensuring that a sample of higher value, portable and desirable assets are physically checked on an annual basis and for maintaining security of assets.

2.6 Physically checking a sample of higher value, portable and desirable assets was one of the outstanding recommendations from a 2007/08 internal audit report by the Council's internal audit service. It was due to be completed in June 2008, after all inventories completed and was the responsibility of the administration manager.

Observation

2.7 Our review has noted that a physical check of high value, portable and desirable assets was the responsibility of the Administration Manager. As the Administration Manager has recently retired we have been unable to confirm whether this has taken place or not.

Risk

There is a risk that assets are lost or stolen.

Recommendation

R3 A sample of higher value, portable and desirable assets should be physically checked on an annual basis and details of the physical check be maintained as evidence of the check.

Benefit

The risk of assets being lost or stolen is minimised.

2.8 One of the outstanding recommendations from a previous internal audit asset management report was for the Board to complete asset inventories for all assets, not just computer assets. These have now been completed and we have received copies of the completed inventories.

2.9 A review of the information received noted that there is an overall non computer asset inventory and also separate lists for Dundee cameras and laser measures. Assets included in the separate lists are also included on the overall lists. The separate lists contain more details such as serial number, user, inventory number, location and comments.

Observation

2.10 A comparison of the information in both lists for cameras and laser measures for Dundee noted that on the overall asset management list for non- computer equipment there were references D0469, D0470 and D0471 which were not included on the separate camera list.

Risk

There is risk that there will be confusion as to what assets the Board actually holds if separate lists are maintained and that assets listed on both lists do not agree.

Recommendation

R4 Where more detailed lists of camera / laser measures are maintained the assets on these lists should agree to the assets detailed on the overall list.

Benefit

The risk of confusion as to what assets the Board actually holds on separate lists will be minimised, if care is taken to ensure that the assets on both lists agree.

Main Report

3. Maintenance of Assets

- 3.1 The Board's Service Plan 2008-13 indicates that the continuing effective delivery of the Department's services is dependent on its IT section and that the major task of the IT department is to continue to maintain existing systems and to develop and provide new and altered systems to meet the needs of the department

Observation

- 3.2 In discussion with the administration officer we were informed that there are no formal maintenance plans for assets at the Board. Currently an overview of the Board's assets and their maintenance is performed by IT staff in conjunction with the IT working group, which includes representatives from each office.

Risk

Without a maintenance plan in place at the Board, there is a risk that assets are not fully maintained and an objective from the Board's 2008-13 Service Plan may not be fulfilled.

Recommendation

R5 The Board should consider improving their current maintenance arrangements by developing a maintenance plan for their assets, together with monitoring arrangements.

Benefit

A maintenance plan should ensure that existing systems are maintained and the Board's 2008-13 Service Plan objectives are fulfilled.

4. Periodic Review of Assets

- 4.1 Where computer and computer related equipment are purchased, they should receive a Portable Appliance Test (PAT). The establishment of a PAT facility was one of the outstanding recommendations from the 2007/08 internal audit report by the Council's internal audit service. It was recommended that PAT be carried out as soon as possible after purchase and thereafter tested annually. Management indicated that PAT equipment would be purchased, training courses would be sourced and IT staff would attend and all computer equipment would be tested on purchase. This recommendation was due to be completed in December 2008 and was the responsibility of the IT manager.
- 4.2 Following a review of PAT procedures, the Board has not established an in-house PAT facility or purchased their own PAT equipment. A visual inspection is carried out on any new appliances using the Board's "Formal Visual Electrical Inspection Guidance" and PAT testing is carried out every three years by an outside contractor. This was last done in October 2010.
- 4.3 The Board's Financial Regulations detail that the Board will annually review all insurances. All insurances are maintained through the Board's partnership with DCC; and a General Risk Management Insurance Policy with Zurich was noted to be in place for the year to 1 April 2011 and to have been renewed from 1 April 2011.

5. Asset Disposals

Observation

- 5.1 As the Board's assets are principally IT assets the disposal of assets is instructed by the IT department. There is no formal system in place for disposals, IT decide when assets are obsolete for disposal.

Risk

Without set guidelines for when assets can be disposed of, there is a risk that assets are disposed of inappropriately.

Main Report

5. *Asset Disposals (continued)*

Recommendation

R6 The Board should consider drafting guidelines for asset disposals, covering when assets can be disposed of, who can instruct and authorise.

Benefit

Set guidelines for when assets can be disposed of, should means that asset are disposed of appropriately.

5.2 The Board uses a recycling disposal company to pick up and dispose of the asset, and from them they obtain a certificate of disposal.

5.3 Our review of disposals found that only one disposal was made in 2010/11; the scrapping of a printer. This disposal appeared to be made in line with the Board's current procedures, with the disposal being recorded in the Board's Asset Register and being disposed of securely through the use of a recycling disposal company.

Observation

5.4 A copy of the Council's Fixed Asset Register (FAR) for the Board was obtained to ensure the disposal recorded in the Board's asset register was also reflected in the Council's FAR. A review of the FAR noted that all asset references on the FAR were not fully populated and the disposal on the Board's asset register was not visible on the Council FAR. In addition there were other disposals noted on the Council's FAR for 2010/11 that were not recorded on the Board's FAR. We have been informed that the reasons for the differences relate to assets that are fully depreciated being removed from the respective registers.

Risk

There is a risk that entries made are not being fully and correctly recorded in both asset registers and that the year-end accounts are misstated.

Recommendation

R7 The FAR register maintained by the Council should mirror asset references in the Board's asset register and should be fully populated. A reconciliation of all movements, including disposals should be prepared and entries made in the Board and the Council asset registers to ensure registers reconcile. Entries to remove assets that are fully depreciated should only be processed if the asset is no longer in use at the Board. Otherwise the asset should remain on the register at nil value.

Benefit

Entries made are fully and correctly recorded in both asset registers and the year-end accounts are not misstated.

6. *Capital Approval Process*

6.1 Three year capital expenditure budgets are prepared by the Assessor and reported to the Board annually by the Treasurer. Our review noted that three year capital expenditure budgets and movements between years were reported for 2009/10 to 2011/12 on 1 February 2010 and for 2010/11 to 2012/13 on 31 January 2011 and that main items of capital expenditure were detailed on these reports.

6.2 The Board's tender procedures require:

- Board approvals following full tender process for contracts over £25,000
- Items between £25,000 and £10,000 do not need Board approval unless specifically requested
- Items below £10,000, down to £1,000 require three competitive quotes

6. *Capital Approval Process (continued)*

- 6.3 There were no items above £10,000 during 2010/11 except the purchase of the new Electoral System. This system is a specialist item and therefore a full tender process was not appropriate. Further information on this system is included in our report 2011/08 Systems Development. We selected a sample of items below £10,000 and ensured three competitive quotes had been obtained thereby ensuring the procedures are complied with.

Observation

- 6.4 The Council do not provide the Board with a reconciliation between budgeted spend and actual spend. We have been informed that the Council only monitor the level of spend to ensure overall spend does not exceed budget.

Risk

There is risk that monies spent by the Board are not on items approved by the capital budget.

Recommendation

R8 A reconciliation of budget to actual spend should be prepared at least annually, to ensure that monies spent are in line with approved budget. The reconciliation could be prepared by either the Board or the Council, and when prepared the other party could be sent a copy.

Benefit

Monies spent by the Board are spent on items approved by the capital budget.

Appendix 3



Tayside Valuation Joint Board

**System Development
2010/11**

Internal Audit Report No: 2011/08

Draft Issued: 8 August 2011

Final Issued: 10 October 2011



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1. Management Summary

Introduction and Background

As part of the Internal Audit programme at Tayside Valuation Joint Board ('the Board'), for 2010/11, we carried out a review of the arrangements for IT systems development and implementation. Our Audit Needs Assessment identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Joint Board and Assessor that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

Audit Scope and Objectives

Scope

This audit covered the processes and controls in place for the development and implementation of the new electoral registration and management systems, and the migration of data between the old and the new system.

Objectives

Systems development and implementation

The objectives of the audit were to ensure that:

- the Board applied formal documented project management standards and policies, which reflect best practice;
- the project team and manager received adequate project management training;
- a detailed business case, project initiation document and detailed project plan were established;
- a functional specification was prepared which sets out users' requirements and a technical specification was prepared based on this;
- an outline testing plan with acceptance criteria was written at the functional specification stage and this plan was complied with during the implementation phase;
- procurement arrangements complied with the Board's Financial Regulations and procedures;
- relevant staff were appropriately trained at the right time in the new system and operational guides, user manuals and support are available to system users;
- licence agreements were checked to ensure that they allow the system to be used in accordance with the users' requirements; and
- all hardware and software is held securely in appropriate conditions and recorded on IT inventories.

Post-implementation review for Halarose migration

The objectives of the review were to:

- Consider whether benefits identified in the business case have been achieved; and
- Identify any 'lessons learned' to inform future projects.

1. Management Summary

Audit Approach

From discussions with the IT Manager, the Depute Assessor and other relevant Board staff, and review of the relevant project documentation, we considered whether the above objectives have been met.

We carried out a post-implementation review of the Halarose migration project through interviews with stakeholders and review of key project documentation such as the business case and information kept to track costs and benefits.

Action Plan Grading

This report sets out improvement actions, which we consider necessary to ensure efficient delivery of each objective and this is discussed within the text for clarity. An action plan for implementation of the recommendations can be found at Section 2 of this report.

To aid the use of the action plan, our recommendations are graded to denote the level of importance that should be given to each one. These gradings are as follows:

- A Fundamental issues which require the consideration of the Joint Board.
- B Significant matters which can be resolved by the IT Manager, or the Assessor.
- C Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

Overall Conclusion

Systems development and implementation

Overall we obtained assurance that the development and implementation of the new electoral registration and management system was well controlled, although this was achieved through informal rather than formal project management. It is possible that a more formal approach to the original business case and decision to stay with Northgate may have averted the position that the Board and Councils found themselves in when the new Northgate system failed. Data migration was well planned and from the limited evidence available appears to have been undertaken successfully with limited issues to be resolved.

Post-implementation review for Halarose migration

There were no benefits identified in a business case, however the objective of implementing an electoral system that is fit for purpose in delivering the Council's statutory duties in this regard appears to have been achieved, although until a full year's cycle has been undertaken this will not be confirmed.

We have made some recommendations about actions that should be taken in future to make the process more formal.

1. Management Summary

Summary of Main Findings and Recommendations

We found that:

Systems development and implementation

- formal documented project management standards and policies were not applied to the implementation, however an experienced team had taken a robust approach that incorporated elements of best practice;
- no project management training was given however the project manager was an experienced officer and the supplier was very organised in its approach to the implementation;
- there was no detailed business case or project initiation document as a result of the specialist nature of the system. A detailed project plan was established in conjunction with the supplier;
- no functional specification or technical specification were prepared due to the specialist nature of the system. There is evidence of detailed, targeted technical discussion between the IT staff in the Board and Councils and the supplier;
- testing was built into the implementation plan but there was no outline testing plan with acceptance criteria written at the start of the project. Limited written evidence is available on the testing outcome, however the testing described by officers appears to have been robust;
- procurement arrangements for the software did not comply fully with the Board's Financial Regulations and procedures, however given the nature of the system the process that was undertaken to choose the system appears reasonable and robust. Significant procurement discounts of £5000 in total were achieved through the purchase of the system by the Board and three Councils;
- relevant staff have been appropriately trained at the right time in the new system and operational guides, user manuals and support are available to system users;
- licence agreements were discussed in detail at the planning and completion stages to ensure that they allow the system to be used in accordance with the users' requirements; and
- hardware and software is held securely in appropriate conditions and recorded on IT inventories.

Post-implementation review for Halarose migration

- We have recommended that a review take place in early 2012 once a full year's cycle of operation is complete to identify any 'lessons learned' to inform future projects.

Acknowledgements

We would like to thank all staff at the Board who assisted us during our review.



2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date
2.2	Project Management R1 If large-scale projects are undertaken in future, consideration should be given to the training needs of the project manager and the project management tools to be employed for the project. This should cover all aspects of the implementation, including setting criteria for testing, user acceptance, training and criteria for assessing the post implementation stage.	B		Y	Assessor	Ongoing
2.3	R2 Once the management structures of the Board are finalised a review of all group remits should be undertaken.	C		Y	Assessor	December 2011
7.2	Post Implementation Review R3 A review should be carried out early in 2012 to consider if any lessons learned are apparent from the operation of the system for carry forward to future projects.	C		Y	Depute Assessor	March 2012

3. Main Report

1. *Background*

- 1.1 Tayside Valuation Joint Board provides Electoral Registration services to Perth & Kinross and Angus Councils. Systems for dealing with this are operated from the Board's offices in Forfar and Perth and on site in both Councils. Council staff also use the system to deal with elections management. Although Dundee City Council deals with their own electoral registration they used the same supplier as the Board and therefore the Board and the three Councils worked together when a new system was required.
- 1.2 In 2009/10 a new computerised Electoral system was needed because the existing system was old and no longer fit for purpose. Its provider, Northgate, had indicated that it would no longer be supported after 1 December 2009 (subsequently extended to July 2010). Northgate intended to produce a new Windows based system and the Board and Councils initially agreed to move to this as there were seen to be a number of advantages to staying with the current supplier of the system.
- 1.3 Equipment was purchased and the system was installed for testing. It quickly became apparent that the new system was not well developed and could not deliver an effective electoral system. Contacts in other organisations reported similar issues with the new system. As a result of the issues, the existing software support was extended by Northgate on more than one occasion. It is possible that a more formal approach to the business case and decision to stay with Northgate may have averted this position.
- 1.4 This situation meant that at the point that the Councils and the Board decided to seek an alternative solution there was a shorter than normal timeframe for the alternative system to be sourced and implemented. Consideration of new systems took place between January and March 2010, with a project group covering the Board and Perth & Kinross, Angus and Dundee City Councils was set up in February 2010.
- 1.5 Selection of the Halarose system, EROS, was made in May 2010 and was heavily influenced by the user Councils. Clear criteria for the decision are recorded in meeting notes and e-mails.

2. *Project Management*

- 2.1 Formal project management was not undertaken, however there is evidence from minutes, e-mails and meeting notes to demonstrate that the project was well controlled and there was good interaction between staff in the three Councils, the Board and the supplier during the processes of selection and implementation.

2.2 *Observation*

The project was managed by an experienced officer and this, coupled with good input from the supplier, appears to be the reason that the project implementation was achieved without any major issues.

Risk

Without formal project management, future projects may not be run effectively, particularly if the staff involved have no previous experience and the supplier is less committed than Halarose was.

Recommendation

R1 If large-scale projects are undertaken in future, consideration should be given to the training needs of the project manager and the project management tools to be employed for the project. This should cover all aspects of the implementation, including setting criteria for testing, user acceptance, training and criteria for assessing the post implementation stage.

Benefit

Projects will have appropriate project management arrangements in place.

3. Main Report

2. *Project Management (Continued)*

2.3 *Observation*

We asked for the remit of the ER working group and it was found to have been last reviewed in 1998 and to need updating. Officers acknowledged that this and other group remits should be revisited when the current restructuring that is underway is finalised.

Risk

Without an up to date remit, groups may not review all that they should, or may duplicate work being carried out elsewhere

Recommendation

R2 Once the management structures of the Board are finalised a review of all group remits should be undertaken.

Benefit

Groups' work will achieve the most effective impact.

3. *Specification*

- 3.1 The Electoral system is required to perform a specific set of statutory tasks, and at the time the system was required only four providers were available for this in Britain. As a result no specification as such was written by the Board or the Councils, rather information was provided by the suppliers about what their system did and how it worked. Only two providers engaged with the Board; one other declined to quote and the Northgate system had been shown not to be fit for purpose.
- 3.2 Demonstrations were arranged from two providers and a visit was made to another Scottish user of the Halarose system before it was selected as the best solution by all three Councils and the Board. Discussion was also held with other Assessors and their staff to gauge the experience of other users of the two systems.
- 3.3 Following the initial decision to purchase, additional modules were added to the system and significant discounts were received as a result of all three Councils and the Board purchasing the same software together.
- 3.4 There is evidence of detailed discussion between the IT staff in the Councils, the Board and the supplier to ensure that specific technical requirements were explored and resolved.
- 3.5 Although there is no detailed business case, project initiation document or functional specification for the project, the business case is demonstrated by the need for a system to perform Electoral functions, and there is sufficient evidence of technical discussion to be assured that the lack of these documents did not adversely affect the implementation.

4. *Implementation*

- 4.1 An implementation plan, covering the Board and the three Councils, was drafted early in the implementation process and revised several times as work progressed. It identified critical actions working backwards from the "go live" target date of 1 December 2010, the date at which the Electoral register must be published. The plan ran from August 2010 to January 2011 and included initial preparations; data conversion; hardware configuration and installation; data and image conversion; testing and training before and after the system went live. Evidence shows that the supplier was very organised in its approach to the implementation.

3. Main Report

4. *Implementation (Continued)*

- 4.2 Detailed instructions were prepared by the supplier, in conjunction with the Board's IT staff, for the data extraction from the Northgate system for conversion to EROS.
- 4.3 The testing carried out was described to us by officers and referred to in documentation, however the test results were not retained or recorded formally, so that we have been unable to verify the testing undertaken and the results. From the limited evidence available the testing appears to have been appropriate and timely, with good responses from the supplier to address issues identified.
- 4.4 Implementation was timed to allow production of the Electoral register on 1 December 2010. This date was missed by a few days and for statutory purposes the parallel testing run of the canvass on the old system was used to produce the official registers. The new system went live on 13 December 2010.
- 4.5 Training schedules and timetables were drawn up and all relevant staff received training. Bad weather adversely affected training schedules and some had to be re-scheduled.
- 4.6 User manuals are available and we understand they were used in the training sessions.
- 4.7 We understand from officers that although there have been one-off issues arising with the operation of the system following its implementation the supplier has been very good in responding to and resolving them.

5. *Procurement*

- 5.1 Initially servers and equipment were purchased for the new Northgate system during 2009. Although the total cost of hardware, software and ancillary equipment, at just over £33,000 was above the £25,000 level where tenders and Board approval are required quotes were sought from a variety of suppliers for individual pieces or related groups of equipment. In this way the cheapest price was able to be obtained overall by using several suppliers. We checked quotes for a sample of these purchases and they were in line with procurement policies for items below £10,000. Board approval for the purchase of the new system had already been received when the capital budget was approved.
- 5.2 During the changeover to Halarose it was established that the specification of the equipment purchased for the new Northgate system was sufficient to run the Halarose system.
- 5.3 The Halarose software purchase, at £14,650, was above the limit of £10,000 that requires tenders to be obtained. We found that a formal tender process was not undertaken, however in the circumstances of the specialised nature of the system, and the input from the Councils, the process that was undertaken to choose the system and negotiate the price appears reasonable and robust. Significant discounts of £5,000 were obtained from the supplier as a result of all four organisations taking the system at the same time.
- 5.4 Licence agreements were checked at the time the software was purchased and there is evidence of detailed discussion between the Councils, the Board and the supplier to ensure the number purchased was correct for all sites that would run the Electoral software and the various other additional modules that had been purchased.

3. Main Report

6. Security

- 6.1 There are servers in Dundee, Perth and Forfar. We visited the Dundee server room. The room is used to store stationery and spare equipment, and contains fireproof safes for software and back-up storage. The room is tidy and well laid out so that risks from poor layout and untidy and excessive storage are minimised.
- 6.2 The Dundee server room is within an area with controlled access and access to the server room itself is via a combination keypad. The combination for this was changed following the recent retirement of a number of staff. The room is not kept locked when IT staff are working at their desks which sit in the main office outside the room. Given that the room is within a controlled access area this is not seen as a major risk and no recommendation has been made.
- 6.3 Hardware is recorded in an asset register. Testing of this was undertaken during our work on asset management and was reported in our report 2011/07 Asset Management
- 6.4 Minor system updates are undertaken by the Board's IT staff. The software supplier undertakes any major system updates and has remote access to connect to the system through a specific server using a unique key, user name and password. This is changed if people leave. Logs are checked every morning and this would show in the log and be followed up if it had been used unexpectedly.
- 6.5 Access to the system for all users is by unique user name and password. Access is provided only to those who are required to operate the system. All grades of the Board's staff have the same level of access, with the exception of the IT Operations Officer who has Administrator authority to set user permissions.

7. Post Implementation Review

- 7.1 No acceptance criteria were set at the outset of the implementation against which the results can be measured formally. However the system has very specific objectives regarding registration and for use during elections and so far, although there have been a few teething problems, we understand these have been sorted out quickly by the supplier and officers are content that the system is functioning as expected.

7.2 *Observation*

No formal lessons learned session has been held. Staff generally felt that the implementation had gone well and there was little that would be achieved from such a session. Teething problems with the system appear to have been manageable. The full position regarding the implementation and system operation will not be known until a full year's cycle has been undertaken using the system.

Risk

Issues with some of the cyclical operations may not yet be apparent

Recommendation

R3 A review should be carried out early in 2012 to consider if any lessons learned are apparent from the operation of the system for carry forward to future projects.

Benefit

Any issues that could have been avoided through a different approach at the implementation stage will be identified for future projects.

Appendix 4



HENDERSON LOGGIE
Chartered Accountants

Tayside Valuation Joint Board

**Annual Report to the Joint Board and the Assessor
on the Provision of Internal Audit Services for
2010/11**

Internal Audit Report No: 2011/09

Draft Issued: 3 August 2011

Final Issued: 21 October 2011



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1. Annual Report and Opinion

- 1.1 We have been appointed as internal auditors of Tayside Valuation Joint Board ('the Board') for the period 1 April 2010 to 31 March 2013. This report summarises the internal audit work performed during 2010/11.
- 1.2 Our first task was to undertake a comprehensive Audit Needs Assessment (ANA) based on the areas of risk that the Board is exposed to (Report 2011/01, issued in draft 24 February 2011 and finalised 4 March 2011). The ANA was prepared following discussion with the Assessor, several senior Board personnel, the external auditors, Audit Scotland, and with reference to the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. The ANA was prepared on the basis of the normal three-year internal audit cycle, covering the period 2010/11 to 2012/13. The assessment covered the main areas where the Board is exposed to risk that can be managed through internal control, and which therefore should be considered for examination by internal audit. Following on from the ANA, a Strategic Plan was formulated covering the three-year cycle, and this was approved by the Joint Board, together with the ANA, at its meeting on 9 May 2011.
- 1.3 The work undertaken in the year followed that set out in the Strategic Plan for 2010/11. The reports submitted are listed in Section 2 of this report and a summary of results and conclusions from each assignment is given at Section 3. Our work on Asset Management and IT systems development / implementation / data migration has been completed although not yet reported to the Board. We have however concluded positively on all our audit objectives and there are no significant issues arising from this work.
- 1.4 An analysis of time spent against budget is at Section 4.

Significant Issues

- 1.5 There were no significant issues identifying major internal control weaknesses arising from our internal audit work. In general, procedures were operating adequately in the areas selected, but in most cases areas for further strengthening were identified and action plans have been agreed to address these issues.

Opinion

- 1.6 In our opinion the Board operates adequate and effective internal control systems as defined in the ANA. Proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during the current year and an examination of the reports of the previous internal audit service provider, Dundee City Council.



2. Reports Submitted

2011/01	ANA and Strategic Plan 2010 to 2013
2011/02	Annual Plan 2010/11
2011/03	General Ledger
2011/04	Payroll
2011/05	Corporate Governance and Control Environment
2011/06	Follow-Up Reviews
2011/07	Asset Management
2011/08	System Development

3. Summary of Results and Conclusions

2011/01 – ANA and Strategic Plan 2010 to 2013

Final Issued March 2011

A comprehensive ANA based on the areas of risk that the Board is exposed to was undertaken in February 2011. A Strategic Plan to cover the three-year internal audit cycle was then formulated (refer to paragraph 1.2 above).

2011/02 – Annual Plan 2010/11

Final Issued April 2011

The purpose of this document was to present, for consideration by the Joint Board, the annual operating plan for the year ended 31 March 2011. The plan was based on the proposed allocation of audit days for 2010/11 set out in the ANA and Strategic Plan 2010 to 2013.

The detailed scope, objectives and audit approach for each audit assignment to be undertaken, arrived at following discussion with the Assessor, were set out in the report.

2011/03 – General Ledger

Final Issued July 2011

We reviewed the following processes as part of our audit: month-end financial close process; year-end financial close process; and updating user access rights and adding / removing users on the main financial system.

Overall we obtained reasonable assurance that:

- the chart of accounts, coding structure, reports and procedures are adequate in respect of production of the Board's management accounts and financial statements;
- key controls are in place over the trial balance structure, control account reconciliations and journal entries; and
- there is adequate control and reconciliation of the main feeder systems to the general ledger.

Only the Board's Administration staff and appropriate Finance staff at Dundee City Council have user access rights to the Board's main financial systems and there were no changes required in the year under review.

A Service Level Agreement for the provision of financial services is in place between the Board and Council. Under this Agreement the Council is responsible for maintaining the Board's general ledger, preparing control account reconciliations, providing regular revenue monitoring and management reports and preparing annual statutory accounts.

Our testing found the Board's control accounts are regularly reconciled by the Council. At present reconciliations prepared by the Council are not submitted to the Board, with the exception of monthly bank reconciliations. We recommended that control account reconciliations are regularly submitted to the Board and reviewed to ensure any variances are investigated timeously.

3. Summary of Results and Conclusions

2011/04 – Payroll

Final Issued June 2011

The scope of the audit covered the adequacy and effectiveness of the processes and procedures in place to ensure that payroll payments made on the payroll system are valid, authorised, accurate and monitored appropriately.

From our audit work, assurance was obtained that, overall, a good level of control is in place and systems are sufficient to ensure:

- new posts are appropriately approved;
- starters and leavers are properly treated and enter and leave the system at the correct dates;
- correct calculation of gross pay and deductions;
- overtime payments and other variations to pay are properly authorised, processed and recorded;
- approval and checking of changes to employee standing data;
- payroll reconciliations are completed and reviewed on a timely basis;
- monitoring information is adequate for identifying incorrect payroll payments and to allow budget holders to manage their budgets effectively; and
- payments, whether to staff or paying deductions over to third parties, are properly authorised, processed and recorded within the main accounting system.

However our testing on the process for updating employee standing data identified weaknesses in the current approach, with updating of standing employee data based on email correspondence. Whilst recognising that changes to standing employee data are not commonplace we recommended that a more formal process should be put in place to document these.

As part of our testing on the checking of payments made to employees, we found that the payroll report provided by the Council was not signed-off as being checked. Although it was intimated that this is checked, we recommended that the report is signed-off by the Administration Manager to provide documented evidence that the amount paid has been independently verified.

2011/05 – Corporate Governance and Control Environment

Final Issued October 2011

This review covered the corporate governance arrangements within the Board and compared these against best practice. This included reviewing such items as: Code of Corporate Governance; Committee organisation and administration; Standing Orders; Financial Regulations; Delegation of Powers to Officers; Fraud Guidelines; and Complaints procedures.

The objective of our audit was to obtain reasonable assurance that the Board's corporate governance and control environment arrangements are in accordance with best practice as set out in *Delivering Good Governance in Local Government – A Guidance Note for Scottish Authorities* published by CIPFA/SOLACE in 2008.

We found that the Board largely meets the six governance standards set out in the above guide. There were a few areas where improvement could be made around ensuring that existing documentation is reviewed and brought up to date; embedding risk management into the planning and operational processes; and making existing documents publicly available.

3. Summary of Results and Conclusions

2011/06 – Follow-Up Reviews

Final Issued June 2011

We carried out a follow-up review of the recommendation arising from Internal Audit Report 2009/03 – Budgetary Control prepared by the previous internal auditors. No recommendations were made in the other reports issued during 2009/10.

The objective of our follow-up review was to assess whether the recommendation made in the previous report had been appropriately implemented and to ensure that, where little or no progress had been made towards implementation, that plans were in place to progress it.

The Board implemented the single recommendation contained within report 2009/03 in October 2010 with the publication of revised Financial Regulations. In line with the recommendation made by internal audit, Paragraph 22.2 of the revised Financial Regulations sets out the requirement for regular review and updating of the document to reflect any changes in legislation or working practices.

2011/07 – Asset Management

Final issued October 2011

We reviewed the arrangements in place for identifying, maintaining, reviewing and disposing of the Board assets and the process in place for approving new capital spend.

Overall we concluded that:

- there is a system for recording assets and checking the physical existence of these on a regular basis;
- Although the Board does not have a formal maintenance plan in place over the Board's assets which is appropriately monitored, an overview of assets and their maintenance is carried out by IT staff and staff in each office;
- existing assets are reviewed on a periodic basis to ensure that they effectively meet the needs of the Board;
- asset disposals are properly authorised and recorded and such assets are disposed of securely; and
- there is a capital approval process which ensures that all capital spend is in line with the Board's strategy, has been appropriately prioritised and assessed, and provides value for money.

Our review found that the asset management arrangements could be further strengthened and an action plan has been agreed to address these.

No significant issues have been identified although a number of recommendations are proposed to further strengthen controls.

3. Summary of Results and Conclusions

2011/08 – System Development

Final issued October 2011

We reviewed the processes and controls in place for the development and implementation of the new electoral registration and management systems, and the migration of data between the old and the new system.

Systems development and implementation

Overall we obtained assurance that the development and implementation of the new electoral registration and management system was well controlled, although this was achieved through informal rather than formal project management. It is possible that a more formal approach to the original business case and decision to stay with Northgate may have averted the position that the Board and Councils found themselves in when the new Northgate system failed. Data migration was well planned and from the limited evidence available appears to have been undertaken successfully with limited issues to be resolved.

Post-implementation review for Halarose migration

There were no benefits identified in a business case, however the objective of implementing an electoral system that is fit for purpose in delivering the Council's statutory duties in this regard appears to have been achieved, although until a full year's cycle has been undertaken this will not be confirmed.

We have made some recommendations about actions that should be taken in future to make the process more formal.

4. Time Spent – Budget v Actual

Internal Audit	Report number	Planned days	Actual days feed	Days to fee at August 2011	Days to spend / WIP	Variance
Staffing Issues						
<i>Payroll</i>	2011/04	4	-	4	-	-
Estates and Facilities						
<i>Asset management</i>	2011/07	4	-	4	-	-
Financial Issues						
<i>General ledger</i>	2011/03	3	-	3	-	-
Organisational Issues						
<i>Corporate governance and control environment</i>	2011/05	6	-	6	-	-
Information and IT						
<i>Systems development / implementation / data migration</i>	2011/08	7	-	4	-	(3)
Other Audit Activities						
Liaison with External Audit)	N/A					
Management and Planning)	2011/02	4	3	2	-	1
Attendance at Joint Board)	N/A					
Follow-up Reviews	2011/06	2	-	2	-	-
ANA	2011/01	4	4	-	-	-
Total		34	7	25	-	(2)
		=====	=====	=====	=====	=====



5. Operational Plan for 2011/12

5.1 Following our appointment as internal auditors for the period from 1 April 2010 to 31 March 2013 we prepared an Audit Needs Assessment and Strategic Plan for 2010 to 2013 (internal audit report 2011/01, issued March 2011).

5.2 An extract from the Strategic Plan, in relation to 2011/12, is below.

Tayside Valuation Joint Board Strategic Plan 2010/11 to 2012/13

Proposed Allocation of Audit Days

	Planned 11/12 Days
Reputation	
<i>Publicity</i>	
<i>Health and Safety</i>	
Council Tax	
Non Domestic Rates	8
Electoral Register	
Staffing Issues	
<i>Recruitment and retention / HR policies</i>	
<i>Payroll</i>	
Estates and Facilities	
<i>Asset management</i>	
Financial Issues	
<i>Budget setting / budgetary control</i>	
<i>General ledger</i>	
<i>Procurement and creditors / purchasing</i>	5
<i>Debtors / income</i>	
<i>Cash & bank / Treasury management</i>	
Organisational Issues	
<i>Risk management / Business continuity</i>	5
<i>Corporate governance and control environment</i>	
<i>Corporate planning</i>	
Information and IT	
<i>IT network arrangements</i>	6
<i>Data protection / FOI</i>	
<i>Systems development / implementation / data migration</i>	
Other Audit Activities	
Management and Planning)	4
External audit)	
Attendance at audit committees)	
Follow-up reviews	2
ANA	
Total	30
	=====