

**REPORT TO: SCRUTINY COMMITTEE – 13 JUNE 2012**

**REPORT ON: INTERNAL AUDIT REPORTS**

**REPORT BY: CHIEF INTERNAL AUDITOR**

**REPORT NO: 234-2012**

## **1.0 PURPOSE OF REPORT**

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

## **2.0 RECOMMENDATIONS**

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

## **3.0 FINANCIAL IMPLICATIONS**

None

## **4.0 MAIN TEXT**

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

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

## **5.0 POLICY IMPLICATIONS**

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

## **6.0 CONSULTATIONS**

The Chief Executive, Director of Corporate Services and Head of Democratic and Legal Services have been consulted on the content of this report.

## **7.0 BACKGROUND PAPERS**

None

Sallie Dailly, Chief Internal Auditor

DATE: 31 May 2012

## i) INTERNAL AUDIT REPORT 2011/25

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Corporate Governance Arrangements</b>

**Introduction**

A review of the Council's arrangements in place for gathering assurances relating to the internal control environment was part of the planned internal audit work.

The Council has prepared an Annual Governance Statement (AGS) for inclusion in its Statement of Accounts since the 2009/10 financial year. A Self Assessment Checklist (SAC) for departmental heads was introduced, following an internal audit review of corporate governance in 2009/10, as part of the assurance gathering process for the AGS. The purpose of the SAC is to seek information from departmental heads about the areas they are responsible for, contribute to forming a view on the effectiveness of the internal control system and identify potential areas for improvement for inclusion within the AGS. The content is reviewed annually and revised where appropriate. The 2011/12 SAC has recently gone through the annual review process and developments have been made, most notably the introduction of a new scoring mechanism to align the process with the annual review of the Council's Local Code of Corporate Governance.

Question 2.2 in the SAC, asks whether or not operational procedures, guidance and administrative instructions have been compiled for the department's key processes. Having sufficient operational procedures, guidance and administrative instructions in place reduces the risk of error, inconsistent working practices and non-compliance with legislation, particularly during periods of absence and assists the Council with achieving and maintaining a robust internal control environment.

**Scope and Objectives**

The overall objective of this review was to assess the responses given to Question 2.2 in the 2010/11 SACs along with examining a selection of supporting evidence. As a result of the reshaping of the Council's organisational structure during 2011/12, the audit fieldwork focussed on the Education, Social Work and Housing Departments where the impact from this exercise had been minimal. The methodology adopted within these departments for completing the SAC as well as managing the introduction, development and dissemination of procedural documents, including version control, were also considered as part of this review with a view to identifying and sharing good practice.

**Conclusion**

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

The main area commented upon in the report is as follows:

- In order to reduce the risk of a varied methodology being adopted for completing the 2011/12 SAC, a standard approach, which includes the requirement to involve senior management teams in the process, should be agreed and communicated to departments. In addition, the 2011/12 SAC should be amended to ensure that Question 2.2 clearly states key processes include non-financial processes

**Management Response to the Audit Report**

The audit finding and recommendation were formally reported to the Director of Corporate Services and appropriate action agreed to address the matters raised.

## ii) INTERNAL AUDIT REPORT 2011/29

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Handling and Disposal of Confidential Waste</b>

**Introduction**

A review of the procedures operating within the Council in respect of the handling and disposal of confidential waste was part of the planned internal audit work.

On 16 December 2011, under section 61 (6) of the Freedom of Information (Scotland) Act 2002, the Scottish Ministers laid before Parliament the "Scottish Ministers' Code Of Practice On Records Management By Scottish Public Authorities". The Code describes the practices considered desirable for Scottish public authorities to follow in connection with the keeping, management and destruction of the authorities' records. In drafting this document, the Scottish Government consulted the Keeper of the Records of Scotland and the Scottish Information Commissioner about the content of the Code. It should be noted that failure to comply with the Code may also result in authorities contravening other legislation relating to information and records, such as the Data Protection Act 1998, the Environmental Information Regulations (Scotland) 2004, the INSPIRE (Scotland) Regulations 2009 and the Re-use of Public Sector Information Regulations 2005, and they may consequently be in breach of their statutory obligations.

The Council is committed to reducing the use of paper records and many of the processes operated are now electronic rather than paper based. Notwithstanding this, there are confidential records which remain paper-based. These may have been provided by clients of various departments in the form of application forms or supporting documentation. Alternatively these may be a by-product of systems operated within departments. The Public Records (Scotland) Act 2011, due to come into force in 2013, places duties on named public authorities to produce, implement and review a Records Management Plan for their particular organisation. This will include recommended good practice in respect of the disposal, storage and destruction of confidential waste.

**Scope and Objectives**

The overall objective of this review is to examine the procedures operated within the Council in respect of handling and disposal of confidential waste.

**Conclusion**

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

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

- To ensure that confidential waste is handled and disposed of in a secure manner a corporate policy should be compiled which includes guidance in relation to the secure storage, methods of disposal and destruction and the records to be maintained.

**Management Response to the Audit Report**

The audit findings and recommendations were formally reported to the Director of Corporate Services and appropriate action agreed to address the matters raised.

## iii) INTERNAL AUDIT REPORT 2011/42

<b>Client</b>	<b>Housing</b>
<b>Subject</b>	<b>Housing Repairs</b>

**Introduction**

A review of the arrangements in place for housing repairs was part of the planned internal audit work. The Council's housing repairs service is currently delivered through the Housing Repairs Partnership Agreement. This is essentially an agreement between the Housing, Environment and Corporate Services Departments and provides a framework for the implementation of a repairs service which covers day to day maintenance of the housing stock and the maintenance of open spaces.

The Housing Department offers a range of ways in which tenants can report a repair. This includes in person at various Council offices, by telephone through the Housing Repairs Centre which provides a 24 hour service or online via the Council's website. Of the order of 70,000 jobs are completed annually and work is grouped into categories to endeavour to achieve best value. The most common repair categories include quick fix, routine and non-routine, out of hours and daytime emergencies. Each category has a pre-determined priority and timescale for completion of the work required which is based on the principle that the more urgent the repair the quicker it will be attended to.

The Council also recognises that it is important to relet empty properties quickly and efficiently whilst ensuring that such properties are repaired to a consistent standard. To assist in achieving this the Housing Department has developed a Relet Standard to ensure that new tenants move into properties that are safe, clean, tidy and in good working order. Repairs identified as part of the relet process are also processed through the repairs system.

For the 2011 calendar year expenditure on housing repairs, including relet work, was of the order of £10.6 million and during this period the housing estate totalled just over 16,400 properties. This total included of the order of 3,100 shell properties.

**Scope and Objectives**

The overall objective of the audit was to carry out a review of the arrangements in place for reporting, categorising, recording, allocating, and monitoring housing repairs requirements. This review included those repairs identified via the relet process.

**Conclusion**

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

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

- To ensure that there is effective control over user access to the computerised Housing Repairs System a comprehensive review of the active users and corresponding permissions requires to be carried out.
- To assist in identifying potential areas for improvement a more formal framework of feedback to staff logging jobs should be introduced.
- To maximise the potential benefits of the post completion inspection regime for routine repairs consideration should be given to introducing targeted joint inspections between housing and environment staff similar to those used for relet work.

**Management Response to the Audit Report**

The audit findings and recommendations were formally reported to the Director of Housing and appropriate action agreed to address the matters raised.

## iv) INTERNAL AUDIT REPORT 2011/43

<b>Client</b>	<b>Corporate</b>
<b>Subject</b>	<b>Follow-up Review of BACS</b>

**Introduction**

As part of the planned internal audit work, a follow-up of the recommendations made in Internal Audit Report 2010/26, BACS, issued in February 2011, was undertaken. The report concluded that there were weaknesses in the system that should be addressed. The main areas highlighted were as follows:

- A formal business continuity plan for BACS had not been compiled.
- The databases of information used in the BACS system were not being backed-up.
- A thorough review of users and their corresponding permissions within the BACS and Bankline systems required to be carried out.
- BACS expenditure limits set in conjunction with the Royal Bank of Scotland for the Superannuation Fund, Purchase Ledger and Payroll user numbers had not been reviewed for reasonableness by a senior member of staff.

**Scope and Objectives**

The objective of this follow-up is to assess whether or not the recommendations agreed by management in Internal Audit Report 2010/26, BACS, have been appropriately implemented and to ensure that, where little or no progress has been made towards implementation, that plans are in place to progress them. The review was restricted to areas included in the original report.

**Conclusion**

*The principal conclusion drawn from the follow-up work undertaken is that whilst some action has been taken to strengthen the control weaknesses highlighted in the original review there are still some recommendations which require to be implemented by management.*

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

- A formal business continuity plan for BACS should be compiled. The plan should be tested periodically with any weaknesses identified during the test process being resolved by revising the plan accordingly.

**Management Response to the Audit Report**

The audit findings and recommendations were formally reported to the Director of Corporate Services and appropriate action agreed to address the matters raised.

## v) INTERNAL AUDIT REPORT 2011/44

<b>Client</b>	<b>Corporate Services</b>
<b>Subject</b>	<b>Follow-up Review of Electoral Registration</b>

**Introduction**

As part of the planned internal audit work, a follow-up review of Internal Audit Report 2010/34, Electoral Registration, issued in August 2011, was undertaken.

The original internal audit report concluded that whilst there was basically a sound system of control there were some areas where it was viewed improvements could be made. The main areas commented upon in the report were as follows:

- Sample checks were not routinely carried out to confirm the accuracy of changes manually input to the Eros system and the system's management reporting functionality had not been fully considered.

**Scope and Objectives**

The objective of this follow-up is to assess whether or not the recommendation agreed by management in Internal Audit Report 2010/34 has been implemented within the given timescale and to ensure that, where little or no progress has been made towards its implementation, that plans are in place to progress it. In addition, a high level assessment of the key processes feeding into the Eros system was also included as part of this review.

**Conclusion**

*The principal conclusion drawn from the follow-up work undertaken is that whilst some action has been taken to strengthen the control weaknesses highlighted in the original review there are parts of the recommendation which require to be implemented by management.*

The main area where action agreed by management is still outstanding is as follows:

- The reporting functionality of the system that facilitates the checking of duplicate names is now available and plans are in place to progress this at this year's canvass.

**Management Response to the Audit Report**

The audit findings and recommendations were formally reported to the Director of Corporate Services and appropriate action agreed to address the matters raised.