

REPORT TO: SCRUTINY COMMITTEE – 10 DECEMBER 2014

REPORT ON: INTERNAL AUDIT REPORTS

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 462-2014

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: 25 November 2014

i) INTERNAL AUDIT REPORT 2013/27

Client	Environment
Subject	Plant and Equipment

Introduction

A review of the arrangements in place within the Environment Department for the management and monitoring of small plant and equipment was part of the planned internal audit work.

Within the Department, small plant and equipment is generally used for construction activity and managed by the Construction Division. The Division is responsible for undertaking planned and reactive repairs and maintenance as well as refurbishing the Council's existing property portfolio and constructing new builds. The Division employs a diverse range of tradesmen with varied small plant and equipment requirements including hand drills, electric saws, tile cutters and ladders. There are of the order of 1300 items of small plant and equipment held by the Division. Items of small plant and equipment not in use are held in a centralised store at Clepington Road. The store currently operates the Plant and Vehicle System and a supplementary Access Database known as the DCS Small Plant Management System to record the purchase, issue / hire, testing and disposal of plant and equipment. The Department is currently in the process of implementing a rationalisation programme to establish a single store containing diverse stock types, including plant and equipment, in which one stores management and monitoring system will operate.

The Electricity at Work Regulations require employers to ensure that any electrical equipment with the potential to cause injury is maintained in order to reduce the risk of this happening. The Health and Safety Executive (HSE) states that whilst the Regulations do not make inspection or testing of electrical equipment a legal requirement, it is considered to be good practice. Employers also have a duty under the Work at Height Regulations to assess the risks, plan the work so that it is carried out safely and supervise all operatives who work at height.

Scope and Objectives

Review of the systems operated within the Environment Department in respect of the management and monitoring of small plant and equipment. The review focussed on the Construction Division's small plant and equipment.

Conclusion

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

The main areas highlighted in the report are as follows:

- As part of the stores rationalisation programme, management should determine what information is held within the Plant and Vehicle System and the DCS Small Plant Management System so that it can be fully utilised. As part of this exercise, a reconciliation of the information contained within the two systems should be carried out.
- Steps should be taken to ensure that the formal testing regime in place for equipment is operating as intended. In addition, the suite of Safety Notes and Operators Instructions should be reviewed and refreshed where considered appropriate and the importance of carrying out regular visual inspections to supplement the formal testing regime should be reinforced.

Management Response to the Audit Report

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

ii) INTERNAL AUDIT REPORT 2014/03

Client	Corporate
Subject	Capital Monitoring

Introduction

A review of capital planning and budget setting arrangements against industry best practice was part of the planned internal audit work.

In March 2013 the Accounts Commission published a national report on Major Capital Investment in Councils. This report broadly assessed how well capital investment was being directed, managed and delivered within Scottish councils. At this point in time there were around 203 major capital projects with a combined value of approximately £5 billion underway across Scotland. In summary the report highlighted that whilst councils have in recent years improved their oversight of major capital projects and are clear about their broad goals, further work is still required in a number of areas. Such areas included specifying expected benefits and how they will be measured, developing long term investment spending and financing plans and provision of better information to allow more effective scrutiny of major projects.

The national report was subsequently submitted to the Council's Scrutiny Committee in June 2013 (Report No. 279-2013) and Elected Members were advised that a review of the Council's current capital reporting and monitoring arrangements would be undertaken by officers in order to identify and adopt additional elements of good practice. Following on from this, a report was submitted to the Council's Strategic Management Team and it was agreed that a Major Capital Projects Group, chaired by the Director of Corporate Services be established and a review of the content and format of the capital monitoring report be undertaken.

Scope and Objectives

Systems review of departmental and corporate arrangements which underpin the monitoring of the Council's Capital Plan. This review focussed upon the management of the Council's capital planning and budget setting arrangements and assessed how the Council compares to industry best practice. Potential improvements identified as a result of this review will feed into the initiatives outlined above.

Conclusion

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

The main areas highlighted in the report are as follows:

- There should be a clear linkage between the corporate strategy and the capital spend programme. In addition, projects should be reviewed to ensure they are aligned with Council priorities and objectives before being accepted into the capital spend programme.
- To further improve the framework within which the Council's capital planning and budget setting arrangements operate at a project level, there should be a clear monitoring process from business case through to post-assignment reviews, which takes cognisance of good practice principles and practices. In addition, guidelines should be developed to ensure business cases have an appropriate level of detail and the roles and responsibilities of the project sponsor and project manager should be more clearly defined particularly in such areas as risk assessments and the capture and feedback on lessons learned.

Management Response to the Audit Report

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

iii) INTERNAL AUDIT REPORT 2014/12

Client	Corporate
Subject	Anti-Virus Software

Introduction

A high level review of the deployment of anti-virus software across the Council's information technology infrastructure was undertaken as part of the planned internal audit work.

With the increase in malicious attacks on organisations' networks, the need to have robust and up-to-date anti-virus software in place has become ever more important. The Council currently uses Sophos anti-virus software to protect the Council's networks and systems from damage by malicious software or attack.

All computer systems used for Council business have the anti-virus software installed prior to use, with automatic updates occurring to ensure this software remains at the appropriate level. Council laptops and other portable devices will receive the relevant updates when connected to the Council network, or the internet, which should be done at least monthly by the asset users. The Council Information Technology Division is responsible for the deployment and maintenance of the anti-virus software across the Council network.

Scope and Objectives

Review of the deployment of anti-virus software including an assessment of the effectiveness of the arrangements to mitigate potential risks. Areas considered and assessed as part of this review included internal policies and procedures and working practices in respect of monitoring, review and any remedial action taken.

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:

- Steps should be taken to formalise the monitoring and management of the small percentage of computer systems, servers, laptops and portable devices used for Council business that have not connected to the Council network to receive the latest anti-virus signatures. In addition, the management information available from the Sophos Enterprise Console in respect of virus alerts should be used to assess if any remedial action is required in terms of improving user awareness in this area.

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.