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**Report to Scrutiny Committee**

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**Date of Meeting: 1 December 2011**

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**Subject: Internal Audit Progress Report - 30 September 2011**

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**Report by: Revenues and Payments Manager**

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**1.0 Purpose**

- 1.1. This report provides an update to 30 September 2011 on the progress of the Internal Audit Annual Plan, as approved by Scrutiny Committee on 25 February 2010, in accordance with the Financial Regulations.
- 1.2. The report also provides an update on the progress of implementation of recommendations to 30 September 2011 by Officers from previous Internal Audit Reports and External Audit Reports.

**2.0 Recommendations**

- 2.1. The Committee is asked to note the report and progress made to 30 September 2011.

**3.0 Considerations**

- 3.1. Progress on completion of the Annual Plan 2010-11, is summarised in the table below, with more detail being provided in Appendix A.

<b>Status of Audits</b>	<b>30 Sept 2011</b>	<b>%</b>
To be Commenced	2	18%
Onsite/On going	2	18%
Draft Report Issued	2	18%
Final Report Issued	5	46%
Total	11	100%

- 3.2. At 30 September 2011, two audits in the 2010-11 Plan have commenced on site. An additional two audits (Risk Management and Purchases and Payments) have been commenced for the Assessors and are reported separately to the Valuation Joint Board.

- 3.3. Members will recall from the Scrutiny Committee on 21st October 2010 it was reported that unanticipated projects have impacted on the available capacity of Internal Audit therefore 6 audits from the 2010/11 Plan would be carried into the subsequent year. These audits form the 2011/12 Audit Plan and are reflected in Appendix A.

### **Final Reports**

- 3.4. The following reports are summarised for members in Appendix B and C:-
- Fleet Management (Appendix B)
  - Data Protection - Housing (Appendix C)

### **Progress of Follow Up**

- 3.5. Within Action Plans from previous Internal Audit Reports, there were 86 recommendations which were due to be implemented by 30 September 2011, arising from 22 reports. 27 recommendations have been implemented, 56 are in progress and 3 are currently not implemented. Of the 3 recommendations not implemented 2 are priority 2 and 1 is priority 3.
- 3.6. Of the 3 recommendations not implemented, one related to budget monitoring and two relate to health and safety management.
- 3.7. The budget monitoring recommendation relates to the introduction of commitment accounting and will be introduced with the roll out of the POPLAR system, which is currently ongoing.
- 3.8. The two health and safety management recommendations relate to the review of existing whistleblowing policies and staff being informed of how to confidentially inform the Council if they have concerns. Both recommendations are to be addressed through the corporate review of HR policies.
- 3.9. The progress made by Officers on these recommendations is summarised in Appendix D and where not sufficiently implemented, progress to date and revised completion dates have been agreed.
- 3.10. Also within Action Plans from previous External Audit Reports, there were 22 recommendations which were due to be implemented by 30 September 2011 arising from 4 reports. Fourteen recommendations have been implemented and 8 remaining outstanding.
- 3.11. The progress made by Officers on these recommendations is summarised in Appendix E.

### **Conclusion**

- 3.12. Seven reports from the 2010-11 Annual Plan have now been completed, with a further two currently onsite. Progress continues to be made on implementing and addressing recommendations from previous reports.
- 3.13. Members are asked to note the report and progress made to 30 September 2011

## 4.0 Sustainability Implications

4.1. There are no sustainability implications.

## 5.0 Resource Implications

5.1. *Financial Details*

5.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes ☒

5.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes ☒

5.4. *Staffing*

## 6.0 Exempt Reports

6.1. Is this report exempt? Yes ☐ (please detail the reasons for exemption below) No ☒

## 7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities 2008 - 2011** (Please double click on the check box ☒)

The area has a positive image and attracts people and businesses	<input type="checkbox"/>
Our communities are more cohesive and inclusive	<input type="checkbox"/>
People are better skilled, trained and ready for learning and employment	<input type="checkbox"/>
Our communities are safer	<input type="checkbox"/>
Vulnerable people and families are supported	<input type="checkbox"/>
Substance misuse and its effects are reduced	<input type="checkbox"/>
Health is improving and health inequalities are reducing	<input type="checkbox"/>
The environment is protected and enhanced for all	<input type="checkbox"/>
The Council is effective, efficient and recognised for excellence	<input checked="" type="checkbox"/>

(2) **Council Policies** (Please detail)

Financial Regulations.

## 8.0 Equalities Impact

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?  
Yes ☐ No ☒

## 9.0 Legality

- 9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes ☒

## 10.0 Appendices

- 10.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix A - Progress on approved Internal Audit Annual Plan

Appendix B - Fleet Management

Appendix C - Data Protection - Housing

Appendix D - Progress of Follow Up of Internal Audit Reports

Appendix E - Progress of Follow Up of External Audit Reports

## 11.0 Background Papers



- 11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes ☐ (please list the documents below) No ☒

### Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Susan Mackay	Revenues and Payments Manager	452047

### Approved by

NAME	DESIGNATION	SIGNATURE
Nikki Bridle	Director Finance & Corporate Services	
Elaine McPherson	Chief Executive	

# PROGRESS ON APPROVED INTERNAL AUDIT ANNUAL PLAN

# APPENDIX A

<b>Audit</b>	<b>Annual Plan</b>	<b>Service</b>	<b>Progress</b>
Licensing Arrangements	2010-11	Community & Regulatory	Final Report Issued
Following Public Pound - Review of ALEO	2010-11	Strategy & Customer Services	Ongoing
Data Protection - HL	2010-11	Support Services	To Be Commenced
Sundry Debtors	2010-11	Support Services	Ongoing
Imprests and Council Funds	2010-11	Support Services	Draft Report Issued
Capital Income	2010-11	Support Services	To Be Commenced
Data Protection - Housing	2010-11	Community & Regulatory	Final Report Issued
Rent Setting, Collection and Arrears	2010-11	Social Policy	Draft Report Issued
Residential Schools	2010-11	Social Policy/Education	Final Report Issued
Adoption and Fostering	2010-11	Social Policy	Final Report Issued
Procurement	2010-11	Social Policy	Final Report Issued
Absence Management	2011-12	Corporate	To Be Commenced
Economic Development	2011-12	Community & Regulatory	To Be Commenced
Financial and Operating Controls x 3	2011-12	Education	To Be Commenced
Supply Teachers	2011-12	Education	To Be Commenced
Reactive and Cyclical Repairs	2011-12	Community & Regulatory	To Be Commenced
Community Service	2011-12	Social Policy	To Be Commenced



## 1. INTRODUCTION

- 1.1 This report details the recommendations arising from the Internal Audit review. Internal Audit reviewed the fleet management processes within Facilities Management, as part of the Audit Plan for 2009-10, which was approved by Scrutiny Committee on 9 April 2009.

## 2. SCOPE AND OBJECTIVES

- 2.1 The scope of the audit included review of defined policies and procedures for fleet management, an effective and efficient replacement programme, maintenance and testing of fleet and that there are appropriate licences. The scope did not include review of insurance arrangements and fuel management.
- 2.2 The objective of the audit was to provide assurance on the controls within fleet management. Six key controls were identified and tested and the adequacy of the internal controls was established. These internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The key controls and assessments are as follows:

Key Control	Assurance Assessment
The Council has clearly defined policies and procedures in relation to fleet management.	Significant
The Council has an economic, efficient and effective approach to vehicle replacement.	Reasonable
The Council's fleet is maintained properly and deployed effectively.	Significant
The Council complies with all relevant requirements of its Operators Licence.	Significant
All Council vehicles are properly licensed and only authorised staff have access.	Significant
All Council vehicles are properly tested.	Significant

## 3. SYSTEM OVERVIEW AND AUDIT OPINION

- 3.1 Fleet Services provide fleet management and a maintenance service for around 250 Council vehicles.
- 3.2 There are good controls in place in relation to fleet management processes. These could be strengthened, however, by Services determining the optimum number of vehicles required for their Service to help inform the replacement programme.
- 3.3 From the testing undertaken, the following strengths were identified:

**The Council has clearly defined policies and procedures in relation to fleet management.**

- There is a Fleet Management Business Plan for 2010-11 which is linked to corporate objectives.
- The Service subscribes to the APSE "Transport Operations and Vehicle Maintenance Performance Network" with this council being the highest

performer in seven Qualitative and Transport Operations indicators in its peer group of fourteen similar authorities.

- There are procedures for operational staff and the Fleet Services team. These procedures are clear, comprehensive and compliant with relevant statute.

**The Council has an economic, efficient and effective approach to vehicle replacement.**

- A Transport User Group comprised of officers from Fleet Services and Service users discuss the vehicle replacement programme and current and future vehicle utilisation.
- A customer satisfaction survey is carried out annually, the latest on November 2009. This asked whether there is sufficient consultation with Services when procuring replacement or additional vehicles. The response from all Services who responded was that there is sufficient consultation.
- All vehicles tested are procured under an existing Framework Agreement with Falkirk Council.
- All vehicles disposed of are sold at the Scottish Motor Auction with a disposal slip authorised by the Fleet Team Leader.

**The Council's fleet is maintained properly and deployed effectively.**

- All new vehicles are scheduled for regular maintenance in line with Council and Vehicle and Operator Services Agency (VOSA) guidance.
- All workshop staff are issued with a checklist covering all required routine maintenance.
- There is a comprehensive record of maintenance, both planned and reactive and safety work. An 8-week maintenance programme, approved by VOSA, is kept to for large vehicles with a 16-week maintenance programme followed for smaller vehicles.
- New drivers are assessed in the vehicle they are to drive and issued with appropriate guidance.
- An annual driving licence check is carried out by the Fleet Services Coordinator.
- Fleet Services will follow up with Services if they detect that drivers have not been recording the required daily driver checks.

**The Council complies with all relevant requirements of its Operators Licence.**

- The Council holds an up to date Operators Licence and is meeting the relevant requirements.

**All Council vehicles are properly licensed and only authorised staff have access.**

- Comprehensive information on all the Council's vehicles are recorded in SAVE, the software system for fleet management. This provides management reports on request.
- The audit confirmed that vehicles are properly taxed by the due date and were taxed for a full year.
- The total amount paid each month in respect of vehicle tax is reconciled to the lists provided by DVLA of vehicles due to be taxed.
- Services confirm receipt of tax discs for their vehicles.



**All Council vehicles are properly tested.**

- Statutory MOT and HGV dates are recorded for each vehicle.
- The audit found that all vehicles are tested before the due date for MOTs.
- Only six MOT failures were recorded for 2009-10. Any faults found were corrected at the time with the vehicles successfully retested.

3.4 From the testing undertaken, the following areas for improvement were identified:

- Services were not actively consulted on the Planned Vehicle Replacement Capital Programme.
- There is no formal documented approval of the vehicle specifications for vehicles purchased.
- Services feel that the current tracking system is out of date, difficult to use and subject to regular breakdown. This system is mainly used to provide evidence to respond to allegations from the public and customers.
- Reconciliations of the total amount paid each month in respect of car tax to the lists provided by DVLA of vehicles due to be taxed are not reviewed and authorised by an independent officer.

#### 4. RECOMMENDATIONS

4.1 A summary of the recommendations raised from this audit is included in a Management Action Plan. Management comments, the date for implementation and Responsible Officer have been reflected within the Action Plan.

4.2 The Management Action Plan contains the following priority of recommendations.

Priority Assessments	Number
Priority 1	-
Priority 2	1
Priority 3	2
Priority 4	1



## 1. INTRODUCTION

- 1.1 This report details the recommendations arising from the Internal Audit review. Internal Audit reviewed the data protection processes within Housing as part of the Audit Plan for 2010-11, which was approved by Scrutiny Committee on 25 February 2010.

## 2. SCOPE AND OBJECTIVES

- 2.1 The scope of the audit included collection, processing, storage and retention of all personal data including personnel records in Housing Services within Community and Regularity Services and Social Policy. The scope of the audit covered:
- interviewing relevant staff in Housing Services; and
  - obtaining copies of relevant documentation and reviewing for adequacy.
- 2.2 The objective of the audit was to provide assurance on the controls within Data Protection. The eight principles defined in the Data Protection Act 1998, were tested and the adequacy of arrangements against the eight principles was established. These internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The key controls and assessments are as follows:

Key Control	Assurance Assessment
Personal data shall be processed fairly and lawfully.	Significant
Personal data shall be obtained only for one or more specified and lawful purposes, and shall not be further processed in any manner incompatible with that purpose or those purposes.	Significant
Personal data shall be adequate, relevant and not excessive in relation to the purpose or purposes for which they are processed.	Significant
Personal data shall be accurate and, where necessary, kept up to date.	Reasonable
Personal data processed for any purpose or purposes shall not be kept for longer than is necessary for that purpose or those purposes.	Limited
Personal data shall be processed in accordance with the rights of data subjects under this Act.	Reasonable
Appropriate technical and organisational measures shall be taken against unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data	Reasonable
Personal data shall not be transferred to a country or territory outside the European Economic Area, unless that country or territory ensures an adequate level of protection of the rights and freedoms of data subjects in relation	Not applicable to Housing Services

to the processing of personal data.	
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### 3. SYSTEM OVERVIEW AND AUDIT OPINION

3.1 The Data Protection Act 1998 regulates the collection, holding and processing of personal data relating to individuals. The Council must comply with the eight data protection principles. Personal data relates to a living individual who can be identified from the data. Sensitive personal data relates to racial or ethnic origin, political opinions, religious beliefs, trade union membership, health, sexual life, criminal activity. The Data Protection Officer is the Head of Strategy and Customer Services with Service Managers accountable for assessing and meeting training needs. All employees are responsible for ensuring data protection compliance.

3.2 There are reasonable controls in place in relation to data protection processes. Personal data is processed fairly and lawfully with the data collected adequate, relevant and not excessive in relation to the purpose for which it is being processed. There is, however, sensitive personal data relating to previous tenants in housing files which should be removed.

3.3 From the testing undertaken, the following strengths were identified:

#### Principles 1 and 2

- All categories and purposes of personal data and sensitive personal data have been identified in the Data Protection Register which is reviewed annually.
- Housing has legitimate reasons for collecting and using sensitive personal data.
- Tenants provide explicit consent to the processing of sensitive personal data where applicable.
- The fair processing requirements of the Act have been complied with.
- All Housing Officers are made aware of the need to keep information confidential.

#### Principle 3 and Principle 4

- Housing has identified the minimum amount of information required in order to fulfil its purpose properly.
- An exercise, looking at mechanisms for identity checks to help to determine whether applicants for housing are entitled to council houses, involves ensuring that data protection is not breached.
- The ISAS system is to be used to cleanse the data held in all Housing systems, i.e. OHMS, Pegasus and the other numerous stand alone systems. It will also highlight where information is not recorded consistently in these systems, e.g., different phone numbers for housing tenants.
- Housing recently reviewed the housing waiting list to establish whether applicants are still interested in being considered for housing and that their details held are correct. Now, whenever applicants contact the section to follow up their application, their personal details are verified.
- Housing Officers quality check housing applications input to the OHMS system.
- The Forth Valley Antisocial Behaviour Information Sharing Protocol between the police and the Council ensures tenants' files only contain factual information on alleged or actual offences.

#### Principle 5

- A Procedure for the Destruction of Records regarding cancelled housing application forms on the Housing Allocations Waiting List was produced in August 2010. This has to now be formally approved by Housing Management Team.
- A review of 4,600 house sales carried out over December 2008 to April 2010 found files containing data relating to previous tenants, little, if any, of which is now required for Council business. Following advice from Legal Services, documents including guarantees and warranties were passed to the current owners.

#### Principle 6

- There have been no subject access requests in the last two years. However, officers are aware that any third party information would be removed and advice would be sought from the Principal Administration Officer (Data Protection Officer).

#### Principle 7

- Housing has a designated officer for information security and data protection, the Housing Development Manager. Job descriptions will cover this role with actions required for Housing to be completed by this officer. The actions include local procedures covering data protection and information security to be issued to all Housing officers.
- Sensitive personal data within electronic records is controlled by password access or, for some small databases, held in a folder with access restricted to limited officers. For access to OHMS, and Pegasus, users are set up in groups depending on their job with approval required by the officer's line manager.
- Passwords are required to be changed every 30 days for OHMS.
- All Housing Managers have been recently issued with a Hardware Device and Network Data Protection Survey on spreadsheets in which is recorded their teams' use of IT devices including laptops and memory sticks. This is currently being completed after which all new devices will be purchased through Information Technology and linked to the spreadsheets.
- Sensitive personal data is either shredded or put in confidential waste.
- Tenants' details in reports are anonymised where possible.

#### Principle 8

- There has been no personal data transferred to a country or territory outside the European Economic Area. However officers would seek advice from the Principal Administration Officer if this were required in the future.

### 3.4 From the testing undertaken, the following areas for improvement were identified:

#### Principle 5

- The data held within House Files have never been reviewed.
  - The documents in one file are from 1967 with all files reviewed in the audit containing numerous information relating to previous tenants.
  - The information relating to previous tenants includes sensitive personal information, e.g. correspondence relating to them being in arrears, anti social behaviour, etc.
  - The files include one for a property demolished in 2006.
  - It is acknowledged that Housing officers are aware that the house files are a data protection issue.
- There is no formal retention schedule for Housing detailing classes of data with predetermined retention periods taking into account statutory

requirements. A lack of retention periods was raised as an issue during the audit by all Team Leaders.

Principle 7

- House files are not held securely. They are held in an open plan office in Lime Tree House in unsecured cabinets.

There are numerous disparate systems used by Housing with sensitive personal information on these.

#### 4. RECOMMENDATIONS

- 4.1 A summary of the recommendations raised from this audit is included in a Management Action Plan. Management comments, the date for implementation and Responsible Officer have been reflected within the Action Plan.
- 4.2 The Management Action Plan contains the following priority of recommendations

Priority Assessments	Number
Priority 1	3
Priority 2	1
Priority 3	0
Priority 4	1

# PROGRESS OF FOLLOW UP OF INTERNAL AUDIT REPORTS TO 30 SEPTEMBER 2011

# APPENDIX D

Report Title	Priority				Number of Recommendations	Recommendations Implemented	Recommendations In Progress	Recommendation Outstanding	Priority	
	1	2	3	4					1 - 2	3 - 4
Adoption and Fostering	-	1	1	-	2	2	-	-	-	-
Allocation of Council Housing	-	4	3	-	7	-	7	-	-	-
Budgeting Monitoring	-	1	-	-	1	-	-	1	1	-
Capital Expenditure	-	3	1	-	4	4	-	-	-	-
Council Tax	-	4	-	-	4	3	1	-	-	-
Data Protection	-	-	1	-	1	1	-	-	-	-
Data Protection - Housing	2	1	-	-	3	1	2	-	-	-
Financial & Non-Financial Controls	-	4	-	-	4	4	-	-	-	-
Fleet Management	-	-	1	-	1	-	1	-	-	-
Funding External Organisations	-	1	-	-	1	1	-	-	-	-
Governance	-	4	1	1	6	6	-	-	-	-
Health and Safety Management	-	1	1	-	2	-	-	2	1	1
Information Security	-	10	-	-	10	2	8	-	-	-
Licensing Arrangements	-	3	1	2	6	-	6	-	-	-
Management of MAPPA	-	1	-	-	1	1	-	-	-	-
Management of PPP Contracts	-	1	-	-	1	-	1	-	-	-
Procurement - Education	-	3	-	-	3	-	3	-	-	-
Purchase Cards	-	4	1	-	5	1	4	-	-	-
Purchasing and Payments	1	11	-	-	12	-	12	-	-	-
Residential Schools	-	3	-	1	4	-	4	-	-	-
Social Policy	-	1	5	1	7	-	7	-	-	-
Waste Management	-	1	-	-	1	1	-	-	-	-
<b>TOTAL</b>	<b>3</b>	<b>62</b>	<b>16</b>	<b>5</b>	<b>86</b>	<b>27</b>	<b>56</b>	<b>3</b>	<b>2</b>	<b>1</b>





**PROGRESS OF FOLLOW UP OF EXTERNAL AUDIT REPORTS TO 30 SEPTEMBER 2011**

**APPENDIX E**

<b>Report Title</b>	<b>Number of Recommendations</b>	<b>Recommendations Implemented</b>	<b>Recommendations In Progress</b>	<b>Recommendations Outstanding</b>
Core Financial Systems 2008/09	12	6	-	6
Report on the 2008/09 Audit	7	5	1	1
Key Issues Memorandum 2008/09 Accounts Audit	1	1	-	-
Key Issued Memorandum 2009/10 Accounts Audit	2	2	-	-
<b>TOTAL</b>	<b>22</b>	<b>14</b>	<b>1</b>	<b>7</b>

