



Internal Audit Report
The Environment Service
Property Maintenance
Assignment No. 16-21
October 2016

Final Report

Finance Division
Corporate and Democratic Services
Perth & Kinross Council
Blackfriars Development Centre
North Port
Perth PH1 5LU

Internal Audit

“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”. Public Sector Internal Auditing Standards (PSIAS)

On 27th March 2013, the Council’s Audit Committee approved the PSIAS as the relevant standard for its Internal Audit activity.

Background and Introduction

This audit was carried out as part of the audit plan for 2016/17, which was approved by the Audit Committee on 30 March 2016.

Property Services, within The Environment Service, is responsible for the maintenance of the Council’s non-domestic property assets. This includes identifying and resolving maintenance requirements to ensure that the Council’s buildings are fit to deliver services in a safe and comfortable environment whilst maintaining their asset value, both now and into the future within available funding.

The Service advises that there are currently 155 operational owned buildings, 140 commercial leased buildings, 28 previously operational buildings (now vacant), and a multitude of sites with varying levels of responsibility (i.e. cemetery boundary walls, public clocks, war memorials, etc.). The 2016/17 revenue budget for the ongoing maintenance of these is £4.831 million, including £855,000 allocated to responding to reactive maintenance helpdesk requests. On average the Service receives approximately 135 reactive maintenance helpdesk requests each week.

The Environment Service Business Management Improvement Plan (BMIP) documents work taking place within Property Services to develop robust Property Asset Management Planning. This includes the implementation of a Property Asset Management System, Concerto, within 2015/16, in which Internal Audit were involved in the procurement consultation phase.

Audit testing was carried out in August and September 2016.

Scope and Limitations

Audit considered the arrangements for the identification of both planned and re-active maintenance requirements and to ensure that re-active maintenance work is procured from the appropriate suppliers;

This included review of the ongoing work by the Service to develop appropriate strategies and policies, helpdesk request processes, Maintenance Officer order processing, oversight and reporting processes. In addition, the audit focused on controls in place to ensure that re-active maintenance work identified is procured from the appropriate supplier.

In order to arrive at an opinion on the achievement of the Control Objectives, the audit included review of Service reports, plans, policies, procedures and other documents, and interviews with relevant staff.

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Limitations of Scope:

The audit did not review the procurement of planned maintenance work; the procurement exercises carried out in relation to the award of Maintenance Contracts; and the controls in place to ensure that maintenance work procured was completed in a timely and cost-effective manner. In addition, the audit did not include a review of projects within the Capital programme. These may be topics for separate future audits.

Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A 'control objective' is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective 1: To ensure that there are appropriate systems in place for identifying maintenance works required (both planned and re-active)

Audit Comments: Audit testing confirmed that there are appropriate systems in place to assist Property Services with the identification of maintenance work required. These include reporting of works required to a Property Helpdesk via the Customer Service Centre; forms and guidance on ERIC for requesting property alterations; building condition surveys and cyclical compliance maintenance programmes. In addition, it was observed that The Maintenance Team liaise closely with contractors, Service contacts and the other teams within their own Service.

The Maintenance Team has changed significantly in recent years, with the appointment of a new compliment of staff, implementation of a revised structure and introduction of new systems. Due to these changes, the Corporate Property Maintenance Policy and Strategy Plan as outlined in a report to the Property Sub-Committee in 2012 were not progressed.

However, as indicated within the Service BMIP and Risk Profile, there is work progressing to formulate a Property Asset Management Plan and associated Property Strategies, aligning with revisions being made to the Corporate Property Asset Management Strategy. Examples of work completed so far include the Property Reactive Maintenance Contracts Strategy and the Energy Policy and Strategy, both of which have been adopted within 2016. The Corporate Property Asset Management Strategy has been drafted and the Service advises that this is scheduled for presentation to the Property Sub-Committee in mid-2017. The Corporate Building Maintenance Policy, implemented in 2010, is also under review to reflect changes to personnel, structure and systems.

Audit testing revealed that all teams within the Property Service are working together to build a comprehensive overview of the condition of the estate to inform future planning. There is a system in place to identify and re-prioritise maintenance works for the current financial year and work is ongoing to further develop Concerto, the Property Asset Management System, to fully meet the

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Services needs and to provide centralised recording of detailed property condition and maintenance information. There are procedures detailing some aspects of the work undertaken by the Property Maintenance Service, although the Service recognises that there is the potential to develop these further.

Audit observed that, where the Service approach and accompanying procedures have not yet been fully documented, an element of key person dependency exists, most notably upon the Maintenance Team Leader.

Strength of Internal Controls:

Moderate

Control Objective 2: To ensure that re-active maintenance work is procured from the appropriate suppliers

Audit Comments:

As a result of testing, Audit is satisfied that re-active maintenance work is being procured from the appropriate suppliers.

The Concerto system has in-built functionality and controls to assist in ensuring that works are suitably procured. These include drop down menus to guide supplier selection, password verification for order placement and secondary authorisation of all invoices.

The authorisation process of invoices on Concerto is labour-intensive due to the volumes (approximately 13,000 during 2015/16). To provide more relevant assurance over works orders, the Service carry out more detailed checks of invoices on a sample basis. There is, however, scope to improve the documentation of this and to review Concerto authorisation control requirements.

Audit testing revealed that there is scope to improve the audit trail to provide more information on the actions taken by Maintenance Officers.

Similar to Control Objective 1, audit observed that there is an element of key person dependency for oversight checking and authorisation centred around the Maintenance Team Leader in relation to these tasks. Due to requirements for documentation, process improvements and further workload commitments current oversight controls may become unsustainable if this is not addressed.

Strength of Internal Controls:

Moderately Strong

Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken

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not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

Acknowledgements

Internal Audit acknowledges with thanks the co-operation of Property Services during this audit.

Feedback

Internal Audit welcomes feedback from management, in connection with this audit or with the Internal Audit service in general.

Distribution

This report has been distributed to:

B Malone, Chief Executive

J Valentine, Depute Chief Executive Sustainability, Strategic & Entrepreneurial Development

B Renton, Director (Environment)

S Crawford, Head of Property Services

J Symon, Head of Finance

K McNamara, Head of Community Planning, Strategic Commissioning and Organisational Development

L Simpson, Head of Legal and Governance Services

J Beveridge, Service Manager (Corporate Landlord)

R Graham, Maintenance Team Leader

G. Taylor, Head of Democratic Services

P Dickson, Complaints & Governance Officer

External Audit

Authorisation

The auditor for this assignment was L Ferguson. The supervising auditor was M Morrison.

This report is authorised for issue:

Jacqueline Clark

Chief Internal Auditor

Date: 31 October 2016

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Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Property Maintenance Strategy & Policy	Medium
2	Written Procedures	Low
3	Audit Trail & Oversight	Medium
4	Key Person Dependency	Medium

Appendix 2: Action Plan

Action Point 1 - Property Maintenance Strategy & Policy

Due to a change in key personnel, the Corporate Property Maintenance Policy and Strategy Plan as outlined in a report to the Property Sub-Committee in 2012 were not progressed. However, there is work progressing within the Service to assist in the formulation of a Property Asset Management Plan and associated Property Strategies.

The Corporate Building Maintenance Policy, implemented in 2010, is under review to reflect changes to personnel, structure and approach.

Management Action Plan

The Service will formulate and document a Corporate Property Maintenance Strategy and will update the Corporate Building Maintenance Policy in line with changes.

Importance:	Medium
Responsible Officer:	J Beveridge, Service Manager (Corporate Landlord)
Lead Service:	The Environment Service
Date for Completion (Month / Year):	April 2017
Required Evidence of Completion:	Corporate Property Maintenance Strategy Updated Corporate Building Maintenance Policy

Auditor's Comments

Satisfactory

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Action Point 2 - Written Procedures

There are procedure documents reflecting some aspects of the work completed by the Maintenance Team. There is, however, scope to improve existing procedures to further document the routine processes of the Maintenance Officers and Helpdesk staff. The recently introduced processes regarding vacant property visits would also benefit from being documented.

Management Action Plan

The Service will develop procedures to reflect the full scope of the work of the Helpdesk Operator and Maintenance Officers.

Importance:	Low
Responsible Officer:	R Graham, Maintenance Team Leader
Lead Service:	The Environment Service
Date for Completion (Month / Year):	April 2017
Required Evidence of Completion:	Procedures

Auditor's Comments

Satisfactory

Action Point 3 - Audit Trail & Oversight

There is scope to improve the audit trail to provide more information on the actions taken by Maintenance Officers. Examples of this include; where contracts are awarded to suppliers' out-with the reactive maintenance contract framework where specialist knowledge is required of specific systems; when Helpdesk orders are closed without a works order being placed and when evidencing that all Health & Safety guidance has been issued to contractors as required.

In addition, whilst the Service carries out sample checks of invoices to give assurance over works procured, there will be benefit in documenting this further.

There is scope to review the current level of authorisation requirements on Concerto.

Management Action Plan

The Service will include a section on audit trail within procedure documents. This will include making notes and uploading relevant correspondence to Concerto to evidence why the term contractor has not been selected and relevant health and safety documentation where necessary. Direction will also be given to staff to this effect.

The invoice sample checking process will be documented and a record of invoices checked will be maintained.

A review of authorisation requirements on Concerto will be undertaken.

Importance:	Medium
Responsible Officer:	J Beveridge, Service Manager (Corporate Landlord)
Lead Service:	The Environment Service
Date for Completion (Month / Year):	April 2017
Required Evidence of Completion:	Procedures documenting audit trail requirements Oversight procedure Evidence of review

Auditor's Comments

Satisfactory

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Action Point 4 - Key Person Dependency

Audit observed that, where the Service approach and accompanying procedures have not yet been fully documented, an element of key person dependency exists, most notably upon the Maintenance Team Leader.

This also extends to the oversight checking and authorisation of invoices. There is a concern that, where there is a requirement for documentation, process improvements and further workload commitments current oversight controls may become unsustainable if this is not addressed.

Management Action Plan

Service Management will review areas identified within audit actions to try to negate areas of key person dependency.

Importance:	Medium
Responsible Officer:	J Beveridge, Service Manager (Corporate Landlord)
Lead Service:	The Environment Service
Date for Completion (Month / Year):	April 2017
Required Evidence of Completion:	Evidence of review

Auditor's Comments

Satisfactory