



## **Internal Audit Report**

Customer Services

Capital Contracts

Computer Replacement Management

August 2012

## **1 INTRODUCTION**

This report has been created as the result of an Internal Audit review of Computer Replacement Management within the Council as part of the 2011/12 Audit Plan. The audit was included in the audit plan at the request of the Service as it was recognised that this was a significant element in the ICT capital programme which needs to be well controlled.

The 2010/11 Capital Plan identified a Council wide Personal Computer (PC) replacement programme as a Service Development Approved Priority. All PCs within the Council have be replaced over a 4 year period. PCs utilised within the Corporate estate have to be replaced within 3 years with the PCs within the Education estate to be replaced within 4 years. The total budget over the 4 year period is approximately £3m.

## **2 AUDIT SCOPE AND OBJECTIVES**

The audit objectives were to

- Ensure that appropriate policies, procedures and regulations are in place and being adhered to;
- Ensure that ICT equipment inventories are maintained and up-to-date; and
- Ensure that additions, deletions and maintenance of ICT equipment are appropriately recorded

## **3 RISK ASSESSMENT**

As part of the audit process and in conjunction with our CIPFA Systems Based Audit (SBA), ICQ approach, the risk register was reviewed to identify any areas that needed to be included within the audit. One risk was identified:

SR13 - Failure to comply with new legislation, regulations or statutory responsibilities.

## **4 CORPORATE GOVERNANCE**

There were no Corporate Governance issues to be reported as a result of this audit.

## **5 MAIN FINDINGS**

- 5.1 The Customer and Support Services I.T. Support Team, are in the process of developing an asset management system to support the management of the Computer Replacement Programme. The team currently uses a SQL database to record details of all of the PCs held by the Council, however, this record is not fully updated to record when PCs are replaced and deemed obsolete. There is also no indication on the individual database records how and when the equipment was disposed of or if it is being held as second hand stock.
- 5.2 In line with the Waste Electrical and Electronic Equipment (WEEE) directive the Council use a Scottish Environment Protection Agency (SEPA) approved authorised treatment facility to dispose of IT equipment. While most PCs are disposed of under this agreement there is no system in place to ensure that all obsolete IT equipment has been disposed of in this way. There is no formal documented policy or procedure in place for the disposal of obsolete IT equipment.
- 5.3 At the time of the audit there was no formal system to record the stock of new PCs purchased and held awaiting installation however a system has since been developed to record this information.
- 5.4 There was no formal system in place to monitor outputs against the budgeted and actual expenditure however a reporting mechanism is currently being developed and a proposal on how this will be managed has been presented to the IT Management Team on 29<sup>th</sup> August 2012.

## **6 RECOMMENDATIONS**

Six recommendations were identified as a result of the audit. One of the recommendations is of high priority and five are of medium priority. The recommendations are shown in the action plan attached at Appendix 2 and have been compiled with the co-operation and agreement of senior management.

Internal Audit considers that, in an effort to improve the quality of information, monitoring and control, the recommendations should be implemented in accordance with the agreed action plan. Management have set achievable implementation dates and they will be required to provide reasons to the Audit Committee for failure to implement within the agreed timescale. Management if it decides not to implement recommendations, must evaluate and accept the risks associated with that decision.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as fundamental, material or minor. The definitions of each classification are set out below:-

**High** - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

**Medium** - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

**Low** - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

## 7 AUDIT OPINION

Implementing the Computer Replacement Programme has resulted in a number of risks to the Council which require to be addressed. The main areas of risk arise from the increase in the number of PCs being purchased by, delivered to and stored by the Council and the resultant requirement to dispose of the PCs which are deemed obsolete.

At the time of the audit the Service were developing a number of systems to alleviate the risks and it is Internal Audit's view that if these systems are fully developed and the recommendations made in this report are implemented, risks to the Council will be greatly reduced.

Recommendations arising from the audit work should be implemented by the nominated responsible officer/s within the agreed timescale. Recommendations not implemented will require explanation to the Audit Committee. This could lead to findings being reported in the Internal Control Statement produced by the Council in support of the Annual Accounts.

## 8 ACKNOWLEDGEMENTS

Thanks are due to the following for their co-operation and assistance during the Audit and the preparation of the report and action plan

IT Officer, Service Desk;  
IT Infrastructure Service Manager;  
ICT Production Manager;  
Network Services Manager;  
Senior IT Technician;  
IT Technician;  
IT Engineer (Service Desk);  
IT Business Manager;  
Systems/ Administration Support Assistant;  
Creditors Supervisor; and  
Admin Assistant – Customer and Support Services.

Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

This report is private and confidential for the Council's information only and is solely for use in the provision of an internal audit service to the Council. In any circumstances where anyone other than the Council accesses this report it is on the strict understanding that the Council will accept no liability for any act or omission by any party in consequence of their consideration of this report or any part thereof. The report is not to be copied, quoted or referred to, in whole or in part, without prior written consent.



## APPENDIX 2 ACTION PLAN

No.	FINDINGS	PRIORITY	AGREED ACTION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	The Council does not use dedicated asset management software to record all PCs. The SQL database currently used did not hold information in relation to the disposal of equipment	Medium	The SQL database should continue to be updated to record when equipment has been disposed of and is no longer part of the estate. This record should reflect how the equipment was disposed of. In addition the Service should provide details of the PC Asset Management System which will replace the SQL database, provide an implementation date and subsequently confirm when implementation has taken place.	IT Infrastructure Services Manager	SQL Database – Changes now implemented  New PC Asset Management System – implemented by 31 October 2012
2	Within Education there are frequently requests from Head Teachers to retain older equipment because it serves a specific purpose. This is contrary to the principle of the replacement programme.	Medium	A new procedure will be communicated to all Head Teachers to ensure that where possible within Education the oldest equipment is being replaced first. Any requests from Head Teachers which are contrary to this must be agreed by the IT Infrastructure Services Manager or ICT Production Manager.	IT Infrastructure Services Manager	30 September 2012

No.	FINDINGS	PRIORITY	AGREED ACTION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
3	<p>There is no policy or procedural document in place identifying the options available for the disposal of obsolete equipment and detailing how the Council ensures compliance with the legislative and operational requirements.</p>	High	<p>The Council will review the system in place for disposal of obsolete equipment to ensure that it meets the operational and legislative requirements of the Council and allows the Council to confirm that it has disposed of all obsolete PCs in accordance with these requirements.</p> <p>The review will include creating a document which sets out the Council's responsibilities for the disposal of obsolete computer equipment. This document will address the options available for disposal. The cost involved in removing all data from obsolete computer equipment before they are sold to staff or donated to community groups will be considered when determining whether these methods of disposal continue to be an option. Any decision will be made in the best interests of the Council and will be able to demonstrate that best value is being achieved. In addition, there will be a procedural document detailing how the options outlined in the policy will be delivered to ensure compliance with legislative and operational requirements and will include how the disposal is recorded on the asset register.</p> <p>In ensuring that the requirements of the WEEE directive and the requirement to destroy data are satisfied the Council will demonstrate best value. The Council will ensure that this continues to be the case as the age profile of the assets to be disposed of changes as the Computer Replacement Programme moves forward.</p>	IT Infrastructure Services Manager	31 October 2012



No.	FINDINGS	PRIORITY	AGREED ACTION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
4	One secondary school technician has advised that they do not use the services of MGH to dispose of obsolete equipment. The method used to dispose of obsolete equipment does not provide a documented audit trail that the Council has complied with the WEEE directive.	High	Policy will be communicated to all Education IT Technicians for implementation. The practice of individuals carrying out data destruction and making their own arrangements for disposal of hardware will cease immediately. All PCs to be disposed of will be uplifted by the registered company to ensure that there is an adequate audit trail. Education Services will ensure that all staff involved in the disposal of obsolete equipment is aware of the obligations of the WEEE directive and the safe disposal of data.	Head of Education	30 September 2012
5	Instances where PCs were retained as second hand stock were identified as part of the sample testing. These included PCs which were over 3 years old.	Medium	On the corporate network only PCs under 3 years old will be retained as second hand stock to be redeployed within Council. PCs over 3 years old will only be retained with the explicit authorisation from the IT Infrastructure Services Manager or the ICT Production Manager.	IT Infrastructure Services Manager	Completed
6	There was no evidence of formal monitoring of the actual spend against outputs however a performance management proposal to address this has been tabled at the IT Management Team on 29 <sup>th</sup> August 2012.	Medium	The Service has confirmed that the proposal was accepted by the IT Management Team on 29 <sup>th</sup> August 2012.	IT Infrastructure Services Manager	Completed