

Argyll & Bute Council - Internal Audit Report

May 2018

Final

Street Lighting

Audit Opinion: Reasonable

	High	Medium	Low
Number of Findings	1	1	2

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Contact Details

Internal Auditor: ***David Sullivan***
 Telephone: ***01546 604125***
 e-mail: ***david.sullivan@argyll-bute.gov.uk***

1. Executive Summary

Introduction

1. As part of the 2017/18 internal audit plan, approved by the Audit & Scrutiny Committee in March 2017, we have undertaken an audit of Argyll & Bute Council's (the Council) system of internal control and governance in relation to street lighting.
2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed.
3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and we would like to record our appreciation for the cooperation and assistance we received from all officers over the course of the audit.

Background

4. The Council owns and maintains approximately 14,000 illuminated signs and street lamps throughout Argyll and Bute. The Council employs permanent employees and two sub-contractors as lighting engineers to carry out repairs. The service is managed centrally by Roads and Amenity Services (R&AS), with area offices carrying out the day-to-day operations. To help manage the delivery of street lighting, R&AS use a system called WDM within which there is a lighting management subsystem (LMS).
5. In December 2015 the Policy and Resources Committee approved a lighting project to replace the Council's 14,000 street lights with LED energy efficient luminaires. This was approved by full Council in April 2016. The replacement programme commenced November 2016 and is expected to be completed in 2018.

Scope

6. The scope of the audit was to undertake a review of the relevant policies and procedures in place and ensure the service is operating in compliance with them. We also reviewed performance reporting to ensure service delivery is being appropriately monitored.

Audit Opinion

7. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.
8. Our overall audit opinion for this audit is that we can take a reasonable level of assurance. This means that internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are a number of areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.

Key Findings

9. We have highlighted one high recommendations, one medium recommendations and two low recommendation where we believe there is scope to strengthen the control and governance environment. These are summarised below:
- The Council's street lighting policy and documented procedures should be reviewed to ensure they are comprehensive and reflect current working practices.
 - Post completion of the LED project planned maintenance should be carried out as per a revised council policy
 - Procedures should be documented to ensure the street lighting asset register is accurate and complete.
 - The street lighting repair targets in documented procedures and the R&AS service plan should be consistent.
10. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

11. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	Assessment	Summary Conclusion
1	There are appropriate procedures/policies in place to support the maintenance of street lighting	Reasonable	Whilst the street lighting policy details maintenance standards and a number of documented procedures have been updated in the last three years to reflect the LED replacement programme further work is required to ensure policy and procedures reflect current working practices.
2	Street lighting inspections and repairs are carried out in line with agreed policy and procedures	Reasonable	Appropriate systems are in place to record repairs carried out against a target date and there is a satisfactory process to enable the public to report faults. As part of the LED project, inspections of street lighting assets and repairs have been carried out. However, prior to this there had been no planned maintenance for a period of four years. Street lighting assets are recorded in an asset register however there are no documented procedures in place to ensure the register is complete and accurate.
3	Monitoring of sub-contractors is effective with appropriate contracts in place	Reasonable	Monitoring of sub-contractors is outlined in contract award documentation including performance via a monthly appraisal. Progress of work carried out by sub-contractors is subject to monitoring to enable payments to be made however there was no formal recording of sub-contractor performance as specified in the Contract Award Recommendation Report (CARR). There are currently no sub-contractors working for the Council.

4	Performance reporting is accurate, complete, and regularly reported to the appropriate committees	Substantial	There is appropriate performance reporting in Pyramid and quarterly performance reporting to the Economic, Development and Infrastructure Committee (ED&I). There is also annual reporting via the Association of Public Service Excellence (APSE) which benchmarks council performance against other councils.
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12. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

There are appropriate procedures/policies in place to support the maintenance of street lighting.

13. The current street lighting policy details maintenance standards and a number of service procedures have been revised as a result of the LED replacement programme. Some documented procedures, method statements and risk assessments have been reviewed in the last 18 months to 3 year period to reflect current working practices. There are priority allocations and corresponding response times in place for different categories of repairs. However there are still some areas where further work is required to ensure procedures reflect revised working practices.

Action Plan 1

14. The documented procedures establish the required response time for a repair dependant on whether the repair is categorised as emergency, routine fault, dark light or cable fault. These response times have been populated in the LMS with the currently agreed target of seven days however the 2018/19 R&AS service plan shows a target of ten days which management confirmed is an error. The LED replacement programme should result in a reduction in maintenance due to their greater reliability of LED luminaires and this is likely to result in changes to the approach to maintenance response.

Action Plan 4

Street lighting inspections and repairs are carried out in line with agreed policy and procedures

15. The street lighting policy confirms a requirement for *“Monthly inspection procedures to detect outages and planned electrical and structural inspections to identify potential problems and pre-empt in-service faults, while ensuring continual efficient operation and verification of inventory records.”*

16. To deliver the LED replacement programme (refer to paragraph 5) an electrical inspection of the 14,000 street lamps was carried out and repairs carried out where deemed necessary. Prior to this project commencing in 2016 no planned inspections and repairs had been carried out for a period of approximately four years. Once the LED project is completed a new policy document, which will incorporate the approach to maintenance, is to be drafted and submitted to the ED&I Committee for approval.

Action Plan 2

17. The LMS is used to record all repairs notified to and carried out by the lighting department. It assigns a unique reference to repairs along with a category allocation based on agreed priorities

as specified in the documented procedure. The date the works order is assigned and completed is recorded in LMS and LMS compares the completion date to the date the repair should have been completed by.

18. Street lighting assets are recorded in an asset register within LMS. All assets are assigned a unique asset tag. Street lighting assets are being updated automatically as a result of the LED replacement programme however there are no formal procedures in place to ensure the register is maintained beyond that.

Action Plan 3

19. The Council has an established system, on the Council website, to enable members of the public to report street lighting faults. Faults are also identified by lighting engineers during the normal course of their work. All faults reported are recorded within the LMS system and reviewed by a technical officer on a daily basis.
20. Complaints raised by members of public e.g. dark lights, are handled via the complaints section on the Council website or by phoning the Council's complaints number.
21. Lighting engineers are provided with appropriate training which is recorded on their employee file.

Monitoring of sub-contractors is effective with appropriate contracts in place

22. The Council do not currently employ sub-contractors to carry out street lighting repairs although they have done so within the previous year. The CARR relating to previously employed sub-contractors were to *"deliver repairs, maintenance and inspection works across Argyll and Bute to supplement internal resource within the Council"* and outlined the performance criteria including conducting a monthly appraisal of:
 - timely response
 - work fit for purpose including health and safety
 - effective communication
 - consistency of prices
 - number of refused work packages.
23. Management confirmed that, whilst not formally documented, the progress of sub-contractors to deliver assigned works packages/instructions was monitored, as was the quality of work, before payments were made. The previous contracts did allow for contract termination in the event of a number of outcomes not being met including contract performance. Management confirmed that there were no issues with the performance of the sub-contractors previously employed. This was discussed with management who have confirmed that, going forward, if any sub-contractors are utilised they will be monitored appropriately both in terms of quality performance against industry standards and required specification. As there are currently no sub-contractors employed by the Council this assurance is considered sufficient and no action plan has been raised.

Performance reporting is accurate, complete, and regularly reported to the appropriate committees

24. On a quarterly basis street lighting update the Pyramid Performance Management System with the percentage of dark lamp repairs carried out within the five day target. The service has failed to meet the target for all four quarters within the financial year 2017/18. This is recognised in the quarter three performance report to the E&DI Committee which includes a reference to the challenges the department has in meeting these target times. The action against this challenge noted in the report was *“ the provision of ongoing installation of LED street lighting will result in a more reliable and robust lighting infrastructure “*
25. Street lighting report on an annual basis to the APSE which benchmarks the Council's performance against other councils. Management also attend APSE meetings.
26. There are regular team meetings between management and lighting engineers to discuss operational issues although these meetings are not formally recorded. This is not considered a material concern.

Appendix 1 – Action Plan

	No.	Finding	Risk	Agreed Action	Responsibility / Due Date
High	1	Review of Documented Policy and Procedures Whilst the street lighting policy details maintenance standards and a number of documented procedures have been updated in the last three years to reflect the LED replacement programme further work is required to ensure policy and procedures reflect current working practices.	Failure to review policy/procedures and processes regularly may lead to inefficient service delivery.	Review of policy and procedures will be carried out.	Contracts Manager 30 September 2018
Medium	2	Inspections and Planned Maintenance Street lighting inspections and therefore planned maintenance was not been carried out for approximately four years prior to the commencement of the LED replacement programme. Electrical inspections and repairs were carried out as part of the programme and a future programme of planned maintenance needs to be agreed.	Failure to carry out regular inspections and planned maintenance may result in an increase in reactionary maintenance which tends to be less cost effective.	Going forward planned maintenance and column assessments will be carried out per industry standards.	Contracts Manager 31 July 2018
Low	3	Street Lighting Asset Register The street lighting asset register has been updated as part of the LED replacement programme however there are no documented procedure in place to ensure it is maintained in future.	Failure to document the process involved in maintaining the asset register may lead to the asset register not being complete and accurate.	A standard operation procedure will be prepared to reflect update of asset register.	Contracts Manager 30 June 2018
Low	4	Service Plan Not Aligned to Agreed Response Times The repair response target times in the Council's documented procedures are not consistent with the target times in the R&AS 2018/19 service plan.	Failure to have a service plan that reflects agreed targets may lead to incorrect performance reporting.	Service plan will be amended.	Contracts Manager 30 June 2018

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.

Appendix 2 – Audit Opinion

Level of Assurance	Definition
High	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
Substantial	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are a number of areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
Limited	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.