



Internal Audit Report  
The Environment Service  
Roads Maintenance Partnership  
Assignment No 16-22  
March 2017

## Final Report

Finance Division  
Corporate and Democratic Services  
Perth & Kinross Council  
Council Offices  
2 High Street  
Perth  
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### 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

Internal Audit Report -The Environment Service - Roads Maintenance Partnership (RMP) Improvement Plan - Follow-Up Report 15-50 reported that for completeness, an Internal Audit review relating to the activities of the RMP was recommended for inclusion in the 2016/17 audit plan. This audit has subsequently been carried out as part of the audit plan, as approved by the Audit Committee on 30 March 2016. Audit testing was carried out in January and February 2017.

The RMP is a shared service arrangement comprising elements of Perth & Kinross Council (PKC) and Tayside Contracts (TC) and is the body which commissions maintenance works and has responsibility for maintaining over 1,500 miles (2,400 kilometres) of public road network (including footways) in a safe condition, thus maintaining its value as a vital asset and providing best value to the Council.

The RMP is managed by an employee of TC with a PKC employee the deputy manager. The partnership also carries out routine inspection of the road network and cyclical maintenance such as line refreshing and cleaning out gullies. The partnership provides the Council's winter maintenance service to preserve essential services and economic activities throughout the winter and its reactive response to flooding events.

Works are awarded to TC based upon an agreed best value evaluation which states that, by providing 75% of such works to TC, this allows the facility for PKC to draw upon the workforce to assist in difficult scenarios such as maintaining the road network during periods of challenging weather conditions.

The RMP is based in the Ruthvenfield Depot, Perth, and the Blairgowrie Depot. Each office contains employees of both PKC and TC. This includes open plan office spaces.

### Scope and Limitations

As stated above, the Road Maintenance Partnership is operated in conjunction with Tayside Contracts. This assignment was not a wholesale review of the workings of the partnership but focussed on Perth and Kinross Council aspects of the partnership workings.

Interviews took place during the audit with the Deputy Manager, Roads Maintenance Partnership based at Ruthvenfield Depot.

### 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

## Internal Audit Report

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: To ensure the adequacy of the ongoing monitoring and delivery of the Roads Maintenance Partnership Improvement Plan and the relevant files.

### Audit Comments:

A Roads Maintenance Partnership (RMP) Improvement Plan was presented to the Audit Committee on 16 September 2015. This Plan was prepared in response to a previous Audit Scotland report and previous Internal Audit reports.

The Environment Service's Business Management and Improvement Plan also include performance information relating to the RMP, with the Roads Asset Annual Status Report comparing the Perth and Kinross network road conditions against the Scottish average.

Sample testing carried out during this audit can give the assurance that progress has been made with the delivery of the Roads Maintenance Partnership Improvement Plan (the "Plan") and that the examined files contained evidence such as site measurements, contract order information and tender process sheets which supported the file. However, there is scope to further improve the files and checklist in use.

There is scope to review the current Plan to ensure that it remains relevant as an improvement tool as many of the actions are recorded as complete or ongoing, indicating that this is now business as usual.

Testing of ten files confirmed that checklists were held in respect of these records. Five checklists were assessed by the Auditor as fully completed with the remaining checklists mostly completed. There is also the need to ensure that only the up to date checklist is in use as different versions were found to have been used. Furthermore, there would be benefit in implementing best practice regarding the consistency and uniformity of the supporting file records, as some records were individually numbered and filed in the same order as the checklist whilst others were not.

There is a need to review the offer of contract letter as the "accept /do not accept" section of the letter was routinely not completed. Similarly, there would be benefit in reviewing controls in relation to accessing the spreadsheet detailing the contractors' prices and ensuring files are held in a secure area.

The Service has sought independent monitoring of the files from an officer out-with The Environment Service. There is scope to improve the communication of the outcomes from these reviews in order to drive forward improvements on a timely basis. A 21 January 2015 Enterprise and Infrastructure Committee meeting approved an extension to the RMP agreement for a further year as the initial document was for a three year trial period, expiring 31 March 2015. The agreement is therefore in need of review.

The partnering arrangements are supported by an Obtaining Best Value in Works Contracts procedure which is also in need of review as the procedure is dated

## Internal Audit Report

2005.

The Environment Service Risk Profile includes an example which refers to road maintenance but the risks relating to the RMP are not documented within a risk profile.

Strength of Internal Controls:

Moderate

### 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 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 S D A'll, Deputy Manager, Roads Maintenance Partnership during this audit.

### Feedback

Internal Audit welcomes feedback, 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, Environment (Sustainability, Strategic and Entrepreneurial Development)

B Renton, Director (Environment)

W Young, Head of Environmental & Consumer Services

S D A'll, Deputy Manager, Roads Maintenance Partnership

W Mahoney, Senior Engineer, Blairgowrie Depot

F Easton, Change and Improvement Team Leader, ECS - Change and Improvement

## Internal Audit Report

L Simpson, Head of Legal and Governance Services

J Symon, Head of Finance

K McNamara, Head of Strategic Commissioning and Organisational Development

G. Taylor, Head of Democratic Services

P Dickson, Complaints & Governance Officer

External Audit

### Authorisation

The auditor for this assignment was D McCreadie. The supervising auditor was M Morrison.

This report is authorised for issue:

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Jacqueline Clark  
Chief Internal Auditor  
Date: 30 March 2017

## Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	<a href="#">Partnership Improvement Plan</a>	Medium
2	<a href="#">File Checklist</a>	Low
3	<a href="#">Monitoring of Files</a>	Low
4	<a href="#">Supporting File Documentation</a>	Low
5	<a href="#">Access to Information</a>	Medium
6	<a href="#">Offer of Contract Letter</a>	Medium
7	<a href="#">Road Maintenance Partnership Agreement</a>	Medium
8	<a href="#">Risk Profile</a>	Medium
9	<a href="#">Condition of Roads</a>	Low

## Appendix 2: Action Plan

### Action Point 1 - Partnership Improvement Plan

The Roads Maintenance Partnership Improvement Plan dated August 2015 was presented to the Audit Committee (Report 15/394 refers) on 16 September 2015.

Monitoring of the plan is carried out by the Deputy Partnership Manager who advised that progress had been discussed with the Director (Environment) although there is no formal documentation to evidence this review.

There is scope for the Service to review and update the plan to ensure that it is up to date and continues to meet business needs. There would also be benefit in reviewing the layout of the document to record greater evidence which supports completed actions and/or records progress made. Similarly, there would be benefit in introducing a system of version control which evidences the approval of any changes to the plan.

### Management Action Plan

The Deputy Partnership Manager will review the Roads Maintenance Partnership Improvement Plan to ensure that the plan is up to date and continues to meet business needs. The Plan layout will also be updated to record evidence which supports completed actions and records progress made.

A system of version control will also be introduced which evidences the approval of any changes to above Plan.

Importance:	Medium
Responsible Officer:	S D A'll, Deputy Manager, RMP
Lead Service:	The Environment Service
Date for Completion (Month / Year):	May 2017
Required Evidence of Completion:	Updated RMP improvement Plan and system of version control

### Auditor's Comments

Satisfactory

## Action Point 2 - File Checklist

Whilst most of the areas highlighted for review in the Internal Audit Report 15-50 (Report 16/154 refers) have been implemented, there is scope to further improve the file checklist by including a sign off authorisation which confirms documentation is in order and thereby authorises payments. There would also be benefit in making the checklist clearer by stating that an explanation is required where costs differ by +/- 10% or over £500.

Audit testing of ten files revealed five checklists were fully completed with the other checklists being mostly completed. The mostly completed checklists related to one ongoing checklist with hand written queries and the other cases relating to one or two incomplete sections per checklist. Whilst a system of version control over the checklist is in place, there is a need to ensure that the up to date checklist is being used as different versions were found to be in use.

## Management Action Plan

For completeness, the Deputy Partnership Manager will update the file checklist to include an authorisation section which confirms the documentation is in order.

The checklist will be made clearer by prompting that an explanation is required where costs differ by +/- 10% or over £500.

A version control log will be introduced for the checklist and staff reminded of the need to use the correct version.

Importance:	Low
Responsible Officer:	S D A'll, Deputy Manager, RMP
Lead Service:	The Environment Service
Date for Completion (Month / Year):	April 2017
Required Evidence of Completion:	Updated checklist and version control log and staff reminder regarding use of correct version.

## Auditor's Comments

Satisfactory



### Action Point 3 - Monitoring of Files

The Improvement Plan referred to in Action Point 1 includes an ongoing action relating to the independent monitoring of files from out-with the Service. At the time on the audit, the RMP Deputy Manager was unaware of the detailed outcome of the most recent independent monitoring and advised that feedback was verbal.

Items selected for the above review are manually extracted from a list of projects. The Service advised that a working group was being set up with the aim of producing management information via their Road Management System (RMS) which may assist in the production of such information.

### Management Action Plan

a) Feedback has now been provided for the most recent independent monitoring visit. The Deputy Partnership Manager will liaise with the Head of Service to ensure that timely feedback is provided in future.

b) A request will be submitted to the Road Management System working group regarding the system producing RMP management information.

Importance:	Low
Responsible Officer:	S D A'll, Deputy Manager, RMP
Lead Service:	The Environment Service
Date for Completion (Month / Year):	May 2017
Required Evidence of Completion:	<p>a) Timely feedback from independent monitoring.</p> <p>b) Outcome of submission to the RMS working group re management information</p>

### Auditor's Comments

Satisfactory

## Action Point 4 - Supporting File Documentation

Sample testing confirmed that the examined files contained supporting evidence such as site measurements, contract order information and tender process sheets.

The files would benefit from consistent implementation of best practice as not all files contained “percentage difference” sheets which explained the reasons for any differences between the estimated and actual costs. Similarly some sheets were numbered and filed in the same order as the checklist whilst others were not.

## Management Action Plan

- a) The Deputy Manager RMP will arrange for “percentage difference” sheets to be stored in files that explain the detail behind any differences between estimated and actual costs.
- b) Staff will be advised of the need to number sheets and file in the same order as the checklist.

Importance:	Low
Responsible Officer:	S D A'll, Deputy Manager, RMP
Lead Service:	The Environment Service
Date for Completion (Month / Year):	a) April 2017 b) April 2017
Required Evidence of Completion:	a) Percentage difference sheet and evidence staff made aware of requirement to use. b) Staff reminder to number sheets and file items in the same order as the checklist.

## Auditor's Comments

Satisfactory

## Action Point 5 - Access to Information

Internal Audit Report 13-10/13-27 (Report 14/284 refers) issued in April 2014 stated that procedures had been introduced by the Service to restrict access to the spreadsheet which details contractors' prices. However, the password which controls access to the above has not been changed.

Due to one case of historic long term sickness the password has also been issued to a member of staff that no longer requires access. There would be benefit in the spreadsheet being transferred to a dedicated SharePoint site as systems would require staff to regularly change passwords in line with the Council's Information Security Standards.

The RMP staff share office space with non PKC staff. The files containing measurements and prices are held in an unlocked cabinet. Whilst it is appreciated that access to such information is after the award of contracts, there is the risk that sensitive information which could be used to inform future tendering or the refreshing of prices could be available to non PKC staff.

## Management Action Plan

- a) The files containing relevant measurements and prices will be held in a locked cabinet.
- b) The Deputy Manager RMP will arrange for the spreadsheet which details contractors' prices to be transferred to a dedicated SharePoint site that can only be accessed by nominated staff.

Importance:	Medium
Responsible Officer:	S D A'll, Deputy Manager, RMP
Lead Service:	The Environment Service
Date for Completion (Month / Year):	a) April 2017 b) June 2017
Required Evidence of Completion:	a) Confirmation files in secure location. b) Extract from SharePoint site.

## Auditor's Comments

Satisfactory

## Action Point 6 - Offer of Contract Letter

The offer of contract letter issued to contractors includes an “I hereby accept/do not accept” section which requires the appropriate option to be deleted by the contractor. Of the ten tested letters only one contractor had deleted this accept/delete section.

The letter also states that Perth and Kinross Council would like to offer you (the contract), however, the one offer of contract letter with an “accept/do not accept” option deleted was not signed by a PKC employee, but by a Tayside Contracts employee, the contractor to whom the contract was also awarded.

Whilst the above letter details the works to be undertaken, it does not include the estimated price of the contract. One letter was also found to be unsigned.

## Management Action Plan

The Deputy Manager RMP will review and update the offer of contract letter to clarify and emphasise the “I hereby accept/do not accept” sections and also detail the estimated price of the contract.

The offer of contract letter template will be updated to detail PKC staff names. Staff will also be reminded that only PKC staff can sign the offer of contract letters.

Importance:	Medium
Responsible Officer:	S D A'll, Deputy Manager, RMP
Lead Service:	The Environment Service
Date for Completion (Month / Year):	April 2017
Required Evidence of Completion:	a) Updated contract letter. b) Reminder that only PKC staff can sign offer of contract letter.

## Auditor's Comments

Satisfactory

## Action Point 7 - Road Maintenance Partnership Agreement

An Enterprise and Infrastructure Committee (EIC) report of 21 January 2015 reported that the initial Road Maintenance Partnership (RMP) agreement was for a three year period expiring 31 March 2015. The relevant minutes contain a resolution for an extension for a further year and also that the agreement be subject to an ongoing review to ensure it continues to be fit for purpose. The agreement also seeks to develop systems and procedures that ensure compliance with BS EN ISO 9001/9002. At the date of audit testing no update report had been presented to the EIC and the partnership agreement had expired.

The partnering arrangements are supported by the "Obtaining Best Value in Works Contracts" procedures that do not refer to BS EN ISO 9001/9002. The procedures are also in need of review as the document is dated 2005 and stipulate a review period of 12 months and the approval section states "await SMT authorisation".

## Management Action Plan

a) The Partnership continues to operate under the Memorandum Of Understanding in relation to Tayside Contracts operation and the authorised delegated powers of PKC officers within the Partnership. There is currently a Scottish Government drive towards collaborative working and this may change the way the Partnerships (PKC, Angus and Dundee City) move forward hence no further agreement has been put in place. When the output of the collaborative working group is reported to Committee the status of the Partnership will be clarified.

b) Once the above RMP plan has been clarified the Deputy Manager, RMP will review and update the "Obtaining Best Value in Works Contracts" procedure taking cognisance of agreed way forward in providing the service. Any reference to BS EN ISO 9001/9002 and/or the quality principles will be dependent on the outcome of the review by the collaborative working group.

Importance:	Medium
Responsible Officer:	a) B Renton – Director (Environment) b) S D A'Il, Deputy Manager, RMP
Lead Service:	The Environment Service
Date for Completion (Month / Year):	a) January 2018 & (b) April 2018
Required Evidence of Completion:	a) Updated RMP agreement. b) Updated Best Value procedure.

## Auditor's Comments

Satisfactory

## Action Point 8 - Risk Profile

The Environment Service Risk Profile includes an example which refers to road maintenance and an improvement action of asset management plans for roads and fleet. The risks relating to the Roads Maintenance Partnership (RMP) are not documented within a risk profile.

The documentation, assessment and review of the risks and associated controls in relation to the delivery of the RMP in a risk profile would allow the Service to evidence the effectiveness of their controls and the actions taken to mitigate risks.

## Management Action Plan

The Deputy Manager RMP will discuss the aspects of a risk profile that require consideration with the Head of Service and draft the risk profile to ensure controls are in place and regularly monitored. The risk profile will be presented to TES SMT for consideration for inclusion in the overall TES risk profile.

Importance:	Medium
Responsible Officer:	S D'All, Deputy Manager, RMP
Lead Service:	The Environment Service
Date for Completion (Month / Year):	September 2017
Required Evidence of Completion:	RMP Risk Profile in place

## Auditor's Comments

Satisfactory

## Action Point 9 - Condition of Roads

An Enterprise and Infrastructure Committee (EIC) Roads Asset Annual Status Report of 9 November 2016 described the condition of the roads asset versus the Scottish Average.

In respect of 2015, the report stated that 37% of “A” and 36% of “B” roads in Perth and Kinross require attention. The report also stated that the corresponding Scottish Average figures were 29% and 35%.

However, audit testing revealed that the Scottish Average figures were 27% and 32%.

The Service advised that the figures used in the Committee report are external unverified figures as the Scotland wide verification timescale is later than the required submission date of the Committee report.

## Management Action Plan

The Deputy Manager RMP will arrange for the next Roads Asset Annual Status Report presented to Enterprise and Infrastructure Committee to report that the Scottish Average of A and B class roads that required attention in 2015 were 27% and 32% and not 29% and 35% as reported in 9 November 2016.

The Service will also consider deferring the above EIC report from November to January, or for the report to state that the national figures contained therein in November are at that time unverified.

Importance:	Low
Responsible Officer:	S D A'Il, Deputy Manager, RMP
Lead Service:	The Environment Service
Date for Completion (Month / Year):	January 2018
Required Evidence of Completion:	Extract from EIC 2017 Status Report

## Auditor's Comments

Satisfactory