



Internal Audit Report
The Environment Service
Roads Management
Inspection & Maintenance 13-05
September 2013

Final Report

Chief Executive's Service
Finance Division
Perth & Kinross Council
2 High Street
Perth PH1 5PH

Background and Introduction

This assignment forms part of the Internal Audit plan for 2013/2014, as approved by the Audit Committee on 27th March 2013. Audit testing took place in June 2013.

The Roads (Scotland) Act 1984 and Road Traffic Act 1988 place duties on Councils to manage and maintain all public roads in their area. The Council is responsible for looking after all public roads in Perth and Kinross with the exception of motorways and trunk roads.

On the 1st April 2012 the Council entered into a Roads Maintenance Partnership agreement with Tayside Contracts for a three year trial period.

An Audit Scotland report dated August 2012 entitled "Maintaining Scotland's roads: follow up" detailed a road maintenance backlog for Perth and Kinross in 2011 of £62.8million which represents a 4.9% increase from 2010. This compares with a national increase in the same period of 12.3%. The report stated that 35% of Perth and Kinross roads should be considered for maintenance treatment and that this figure compared favourably with other comparable authorities.

The assignment reviewed how the Council discharges its obligation relating to the inspection and maintenance of local roads. The Council's relationship with Tayside Contracts, matters of flood mitigation, street lighting, budgetary expenditure and best value were outwith the scope of the assignment as these matters are separate assignments within the audit universe. Similarly, related agreed audit actions arising from External Audit work were also excluded from the scope of the audit.

Acknowledgements

Internal Audit acknowledges with thanks the co-operation of the Perth and Kinross Roads Maintenance Partnership staff during this audit.

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.

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Control Objective: To ensure the Council is adequately discharging its responsibility to inspect roads that are under its jurisdiction.	
<p>Auditor's Comments: The roads inspection manual, although in need of some review, adequately details the inspection requirements for relevant roads.</p> <p>The Council website states the Council maintains roads according to a policy for inspection and repair, but there is no such policy. The Service advised the above manual details their inspection routines and that a strategy was being developed which will include a policy statement.</p> <p>The Enterprise and Infrastructure Committee remit includes exercising the functions of the Council as Roads Authority. Whilst the Audit Scotland Statutory Performance Indicator relating to the road network is reported to the Committee, progress with the road repairs and the roads inspection programmes are not. Reporting of such performance would help evidence the adequacy of how the Council is discharging its responsibility to inspect roads.</p> <p>The Council entered into a Roads Maintenance Partnership with Tayside Contracts in April 2012. Whilst road defect performance information, which is part of the roads inspection manual approved by the Service, is presented at partnership meetings, the performance measures have not been approved by the Enterprise and Infrastructure Committee. No performance information is presented regarding the roads inspection programme.</p>	
Strength of Internal Controls:	Moderately Strong

Control Objective: To ensure the adequacy of the Council's arrangements in relation to the maintenance and fixing of defects to roads under its jurisdiction.	
<p>Auditor's Comments: The roads inspection manual, although in need of some review, adequately details the arrangements relating to the maintenance and fixing of road defects.</p> <p>There is a delay of two years in newly adopted roads information being uploaded to the Roads Management System used by the Service. Whilst manual information can be used to identify the maintenance and fixing of such roads, there are risks associated with manual workarounds.</p> <p>Ongoing upgrade work also prevented the Service from being able to interrogate their systems to provide information regarding completed maintenance and road defect work.</p> <p>An overall summary of carriageway defect insurance claims is not routinely analysed by the Service.</p>	
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 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.

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, Executive Director (Environment)

B Renton, Depute Director (Environment)

S MacKenzie, Head of Performance and Resources (Environment)

J Symon, Head of Finance

C Haggart, Roads Manager (Environment)

S D'All, Deputy Roads Maintenance Partnership Manager

G Taylor, Head of Democratic Services

P Dickson, Complaints & Governance Officer

External Audit

Authorisation

The auditor for this assignment was D McCreadie. The supervising auditors were D Farquhar and J Clark.

This report is authorised for issue:

Jacqueline Clark
Chief Internal Auditor
Date: 2 September 2013

Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Enterprise and Infrastructure Committee	Medium
2	Roads Inspection Policy and Manual	Medium
3	Roads Management System	Low
4	Management Information	Medium
5	Carriageway Defect Insurance Claims	Medium

Appendix 2: Action Plan

Action Point 1 - Enterprise and Infrastructure Committee

The Council's Scheme of Administration authorises the Enterprise and Infrastructure Committee (E&I) to exercise the Council's function as a local Roads Authority under the Roads (Scotland) Act 1984. This legislation states that local authorities shall manage and maintain local roads which are their responsibility.

The relevant Audit Scotland Statutory Performance Indicator/Road Condition Indicator relating to the road network is reported to Committee. However, in the last 3 years only the 26th May 2010 and 8th June 2011 papers reported on the condition of roads or roads maintenance.

The E&I receive no performance data relating to the Council's roads safety inspection programme or roads defect repair programme, although limited performance data regarding the latter is reported to the Roads Maintenance Partnership Board.

As referred to earlier in the report, the Council entered into a Roads Maintenance Partnership for a 3 year trial period with Tayside Contracts on 1st April 2012. The minutes of the relevant E&I meeting of 21st March 2012 stated that a progress report on the Partnership was to be submitted to the E&I in six months time, however this did not occur.

Management Action Plan

1) The road defect categories performance measures currently reported to the Road Maintenance Partnership Board will be reviewed and expanded to quantify the "on time" measure. Key performance indicators will also be introduced for the actual roads inspection programme.

2) The above will be collated for inclusion in future years' annual reports to the Enterprise and Infrastructure Committee.

Importance:	Medium
Responsible Officer:	S D'All, Deputy Roads Partnership Manager
Lead Service:	The Environment Service
Date for Completion (Month / Year):	1) October 2013 & (2) November 2014
Required Evidence of Completion:	1) Performance measure reports from RMS system (2) Subsequent inclusion of measures in Committee annual report

Auditor's Comments

Satisfactory

Action Point 2 - Roads Inspection Policy and Manual

The PKC website states that “The Council maintains the roads according to a policy for inspection and repair that reflects national best practice and which has been approved by the Council” but there is no such policy.

The Roads Inspection Manual defines the standards for inspecting roads but has an overdue stated review date of February 2009. The manual is in need of review and updating, for example to reflect current working practices and the Roads Maintenance Partnership entered into on 1st April 2012 with Tayside Contracts.

Also, EIC reports state that an appropriate Roads Maintenance Strategy will be developed but at the date of audit testing this Strategy had not been finalised and reported back to EIC. The Service advised the Strategy was mostly complete and the Strategy will encompass a policy statement.

Management Action Plan

- 1) A Roads Maintenance Strategy including a Policy statement will be presented for approval to the Enterprise and Infrastructure Committee in November 2013.
- 2) The Roads Inspection Manual will thereafter be reviewed and updated to reflect the Strategy and the Roads Maintenance Partnership with Tayside Contracts.

Importance:	Medium
Responsible Officer:	S D'All, Deputy Roads Partnership Manager
Lead Service:	The Environment Service
Date for Completion (Month / Year):	1) November 2013 2) March 2014
Required Evidence of Completion:	Approved Roads Maintenance Strategy and Updated Roads Inspection Manual

Auditor's Comments

Satisfactory

Action Point 3 - Roads Management System

Audit testing of 10 randomly selected new roads approved by the EIC as amendments to the List of Public Roads on 13th June 2012 and 30th January 2013 revealed the Roads Management System electronic database had not been updated to reflect 6 of these new roads. The Service thereafter advised the database was 2 years out of date.

Whilst the Service advised roads inspectors have the ability to use manual information to identify inspections for new roads, there are efficiency risks associated with manual workarounds. Also, the roads superintendent cannot effectively oversee this process until the Roads Management System is updated.

There is also the risk that a member of the public may report a road defect but that this may be declined as the electronic record was not updated and the roads inspector may incorrectly believe the road has not yet been adopted by the Council.

Management Action Plan

The Road Maintenance Partnership will liaise with Asset Management (who manage the Roads Management System) to ensure that the software provider enables the system to be updated quarterly thereby ensuring the accuracy and timeliness of the information held

Importance:	Low
Responsible Officer:	S D'All, Deputy Roads Partnership Manager
Lead Service:	The Environment Service
Date for Completion (Month / Year):	March 2014
Required Evidence of Completion:	Extract from RMS evidencing it is up to date

Auditor's Comments

Satisfactory

Action Point 4 - Management Information

Audit testing of records relating to 15 randomly selected roads revealed 2 roads were inspected a few weeks outwith the frequency in the Roads Inspection Manual. The Service advising this was as a result of long term sickness absence of a member of the supervisory team, and requirements on others to cover the Winter Service.

No performance data is measured regarding the roads inspections to help management demonstrate that they are discharging their responsibilities with the delivery of the roads safety inspection programme.

Ongoing system problems prevented the Service from interrogating the computer systems to provide the Auditor with a sample of recent road defect repair work. Whilst the Auditor was able to manually check such records, the lack of working functionality is inefficient and hinders the ability of management to oversee progress with the road inspection and repairs programme. The Service advised the problems were caused by ongoing development work to their systems.

Management Action Plan

A “crystal report” will be set up within the Roads Management System to report on compliance with roads inspection requirements and this will be reported to the Road Maintenance Partnership Board at each meeting. It is noted, however, that there will always be the risk that other operational priorities such as winter/flooding will result in inspections being late.

The implementation of Purchase to Pay, which is built into Roads Management System, will present difficulties whilst it beds in. The Road Maintenance Partnership will liaise with and request colleagues in Asset Management (who manage the computerised system) to ensure the software returns to full functionality in respect of inspection information as soon as possible.

Importance:	Medium
Responsible Officer:	S D'All, Deputy Roads Partnership Manager
Lead Service:	The Environment Service
Date for Completion (Month / Year):	October 2013
Required Evidence of Completion:	Extract from RMP Board reporting roads inspection requirements compliance.

Auditor's Comments

Satisfactory

Action Point 5 - Carriageway Defect Insurance Claims

Audit testing revealed 289 carriageway defect insurance claims were made against the Council in the last two financial years. At the date of audit testing 102 such claims were current and ongoing, 176 rejected and 11 totalling £2,408.51 finalised.

The Council's Insurance Team hold the above data and information regarding individual claims is requested by them from the Roads Service as the claims are received. However, an overall analysis of all claims is not routinely shared between the Services. Sharing of such information may help the Roads Service analyse claims against their inspection and maintenance programmes for common trends and to inform the process.

The failure to adequately analyse carriageway defects claims may give rise to financial and/or reputational damage and risk adverse publicity against the Council.

Management Action Plan

The Road Maintenance Partnership will liaise with the Insurance Team and set up a quarterly update relating to insurance claims submitted/settled in respect of all public roads which the Council are responsible for. This information will be reported to the Roads Maintenance Partnership Board at the next meeting following the quarterly report and consider this information in planning future road maintenance works.

Importance:	Medium
Responsible Officer:	S D'All, Deputy Roads Partnership Manager
Lead Service:	The Environment Service
Date for Completion (Month / Year):	October 2013
Required Evidence of Completion:	Extract from RMP Board Report detailing insurance claims

Auditor's Comments

Satisfactory

