



Internal Audit Report
The Environment Service
Roads Maintenance Partnership
Improvement Plan Follow Up
Assignment No.15-50
March 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

An Audit Scotland report regarding an investigation of the Roads Maintenance Partnership (15/374), and a related Improvement Plan by the Executive Director (Environment) (15/394), was presented to the Audit Committee meeting of 16 September 2015. The meeting resolved that “A report be submitted to this committee in six months on the progress made on the elements of the Improvement Plan submitted by The Environment Service.”

This assignment reviewed the progress made with the implementation of the above Improvement Plan.

Scope and Limitations

As stated above this follow up review reports on progress made on the elements of the Roads Maintenance Partnership – Improvement Plan as submitted by The Environment Service to the Audit Committee on the 16 September 2015.

This assignment was not a complete Internal Audit review of the Roads Maintenance Partnership nor did it review all issues raised within Audit Scotland’s report where these were not included within the Improvement Plan.

For completeness, an Internal Audit review relating to the activities of the Roads Maintenance Partnership has been recommended for inclusion in the financial year 2016/17 audit plan presented as a separate paper to this Audit Committee meeting.

Control Objectives and Opinions

This section describes the purpose of the review 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. Responsibility for the maintenance of adequate and effective internal controls rests with management.

Control Objective: To provide an update to the Audit Committee on progress made on the elements of the Roads Maintenance Partnership – Improvement Plan as submitted by The Environment Service to the Audit Committee on the 16 September 2015.
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Auditor’s Comments:

Progress has been made to varying degrees on the Roads Maintenance Partnership (RMP) – Improvement Plan as submitted by The Environment Service to the Audit Committee on the 16 September 2015.(Report 15/394 refers). For

ease of reporting to Audit Committee, the improvement actions have been grouped into three main categories:

Checklist

A checklist has been introduced by the Service and is used to ensure that the file documentation provides a trail which supports decision making and ensures consistency in managing projects throughout their life cycle. This checklist is in use in both North and South Area Teams of the RMP and is evolving. Internal Audit's review highlighted scope to further improve the document in the following areas:

- by the inclusion of a sign off declaration which confirms that the file documentation is in order and authorises payment;
- by noting the boxes that don't require completion as N/A;
- by adding an additional note in the 'award letter issued' section prompting the required action if an award offer is declined by a contractor;
- by including the procedural requirement of "or over £500" to the 'costs differ +/- 10%' box; and
- by introducing a system of version control.

There is further benefit in the checklist being categorised and prioritised in order of activity and risk. Such categorisation may help with the associated filing of supporting paperwork and the ease of retrieval as the Auditor noted that it was somewhat difficult for an independent person to find items. It was noted that the Service had drafted an amended checklist for 2016/17 projects which reflect improvements in this regard.

Independent monitoring

In order to ensure that there have been improvements in the documentation held by the RMP, following investigations in April and June 2015, ad hoc, unannounced checking of files has been carried out since October 2015. The findings in relation to these file checks indicate a tightening up of file recording and makes the recommendation that these independent checks continue. The most recent report states that as staff continue to use the system then further improvements will occur. The Depute Manager, RMP advised that the improvement is mainly around the order and ease of finding documents in files. Correspondence within the Service also confirms a significant overall improvement in the records since last year, whilst acknowledging that there is still room for improvement.

There is scope to formalise the documentation and circulation of the findings from the results of the above checking, including a process that ensures that appropriate actions have been taken in respect of previous findings, with these items followed up at the next check. There is also benefit in making clear the scope and expected outcomes from these checks, in particular clarifying if these are specifically file reviews or a review of the overall Improvement Plan.

There is scope for further improvement by producing a system generated report which details works that have been awarded. This report could assist with future in house testing and give management the assurance that files are held for all relevant contracts. The Service advised that work needs to be electronically approved by one of two officers which in some way mitigates this risk.

Other Improvement Plan Actions and Next Steps

The Auditor noted that the Improvement Plan includes areas not recorded by the above checklist and independent monitoring, such as electronic filing; benchmarking with other local authorities; the outcome from the Best Value review; and recycling. Evidence was provided that the Improvement Plan actions have been progressed to varying degrees although there is a scope to formalise the documentation that evidences progress such as recording what has been done and the outcomes. The Depute Manager, RMP advised that he had met with the Director (Environment) to review progress with the Improvement Plan and provided evidence of this meeting/discussion.

The Improvement Plan includes an action to formally document the threshold in place to restrict the competitive element of all works going out to competition. The Service provided evidence that the Enterprise and Infrastructure Committee had approved this threshold as £150,000. Whilst some procedural guidance refers to this limit, the internal awarded work procedures document has yet to be updated in this regard.

As previously stated this assignment was not a full internal audit review of the RMP and as such there are no Management Action Plans arising. However, the Service has given an undertaking that they will progress the above areas as appropriate and evidence the actions taken.

It is evident that good progress is being made on delivery of the Improvement Plan. To ensure that Audit Committee are kept informed of developments in this regard, it is proposed that a more traditional internal audit review of the arrangements within the RMP which incorporates elements of the Improvement Plan is included in the Internal Audit Plan for the financial year 2016/17 which will be presented as a separate paper to this Committee.

Acknowledgements

Internal Audit acknowledges with thanks the co-operation of Stuart D'All. Depute Manager of the Roads Maintenance Partnership during this review.

Feedback

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

Distribution

This report will be distributed to:

B Malone, Chief Executive

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

J Walker, Depute Chief Executive, Corporate and Community Development Services

B. Renton, Director (The Environment Service)

W Young, Head of Environmental and Consumer Services

S MacKenzie, Head of Performance and Resources

Internal Audit Report

S D'All Depute Manager, Roads Maintenance Partnership

K McNamara, Head of Strategic Commissioning & Development

L Simpson, Head of Legal and Governance Services

G. Taylor, Head of Democratic Services

J Symon, Head of Finance

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:

Jacqueline Clark
Chief Internal Auditor
Date: 14 March 2016

