

FINAL INTERNAL AUDIT REPORT

ENVIRONMENT & COMMUNITY SERVICES DEPARTMENT

REVIEW OF TRAFFIC & ROAD SAFETY PROCUREMENT AUDIT FOR 2018-19

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Report No: ECS/4/2018/AU

REVIEW OF TRAFFIC & ROAD SAFETY PROCUREMENT AUDIT 2018-19

INTRODUCTION

1. This report sets out the results of our systems based audit of Traffic & Road Safety Procurement Audit for 2018/19. The audit was carried out in quarter 4 as part of the programmed work specified in the 2018/19 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. An independent Road Safety Audit (RSA) is an evaluation to identify road safety hazards to suggest measures to eliminate or mitigate these which arise from planned changes to the road layout. The Road Safety Audits should consider the road safety issues for all road users.
4. In relation to budget monitoring the road safety audits are linked to a project code under the capital monitoring programme. All associated costs sampled for testing were verified.

AUDIT SCOPE

5. The scope of the audit was outlined in the Terms of Reference issued on 28/11/18 for completion in quarter 4.

AUDIT OPINION

6. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

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MANAGEMENT SUMMARY

7. Our testing identified the following issues which we would like to draw to management's attention:-
- Value for money should be reviewed periodically as the provision of road safety arrangements since July 2018 under the new arrangements with the new contractor, seem to have increased in cost. There are only a small number at present commissioned this way, which may mean it is too early to draw any meaningful conclusion.
 - The procedure note for the procurement of road safety audits was found to be undated did not reflect the new arrangements since July 2018 and there was no review date.
 - The value of the Change Control Notice (CCN2) should be clearly stated for each of the items included within the professional services element. It should be noted that the majority of CCN2 relates to other service areas and only a small proportion represents road safety audits and other small scale support services procured by the Traffic & Road Safety Team.

SIGNIFICANT FINDINGS (PRIORITY 1)

8. There are no significant findings.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

9. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

10. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p><u>Value for Money</u></p> <p>Road Safety Audits were sampled for the period June to September 2018.</p> <p>The Major Highway Works Contract commenced on 1/7/18. Road Safety Audits and other small scale support services were also requested under the new arrangements with Contractor A as part of their Professional Services offer.</p> <p>It was confirmed by the Transport Strategy & Projects Manager, that only one audit has been carried out under the new arrangements so far and there is no formal invoice as they will go through the Confirm system with each audit being charged to the respective cost codes.</p> <p>Email correspondence from officers; refer to the quoted cost of the audits under this arrangement being more expensive than the previous approach via ProContract. For example, a typical road safety audit of circa £500 is now being quoted as an average of £889. It is acknowledged that this is based on a very small sample, which may mean that a meaningful conclusion cannot be drawn at this time.</p>	<p>Value for money may not be achieved.</p>	<p>Management should periodically review value for money in respect of the new arrangements with colleagues in Procurement.</p> <p>[Priority 2]</p>

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
2	<p><u>Procedures</u></p> <p>A procedure note for the procurement of road safety audits was provided to the auditor. The document remains undated and has no review date.</p> <p>The procedures do not reflect the new arrangements which came into effect from January 2019.</p>	<p>Staff may be operating to different working practices.</p>	<p>Procedures should be dated, updated to reflect current arrangements and have a review date.</p> <p>[Priority 2]</p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3	<p><u>Change Control Notice (CCN2)</u></p> <p>CCN2 for Highways Engineering Consultancy Services included the effective date of 28/12/18 but does not clearly state the financial values of the change control within the completed form.</p> <p>CCN2 was completed partly in respect of the professional services which includes road safety audits.</p> <p>It was confirmed by the Highway Asset Manager ‘the volume of work ordered via the professional services element of the Major Works Contract 2018 will depend on available budgets over the remaining duration of the contract. It has therefore only been possible for an estimated total value of CCN2 to be calculated, which is £3m’.</p> <p>It should be noted that the majority of CCN2 relates to other service areas and only a small proportion represents road safety audits and other small scale support services procured by the Traffic & Road Safety Team.</p>	<p>Monitoring of the financial impact of the CCN may be problematic.</p>	<p>The value of the CCN should be clearly stated for each of the items included within the professional services element.</p> <p>[Priority 2]</p>

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**REVIEW OF TRAFFIC & ROAD SAFETY PROCUREMENT AUDIT 2018-19
MANAGEMENT ACTION PLAN**

APPENDIX B

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p><u>Value For Money</u></p> <p>Management should periodically review value for money in respect of the new arrangements with colleagues in Procurement.</p>	2	<p>It may be too early in the new contract to gauge the average cost of a RSA as costs vary with the complexity of each scheme. Also we must consider the whole cost including the opportunity cost in respect to staff time to procure RSAs. Current costs have already been taken up with the term contractor, and bundled RSAs may elicit cheaper average costs. Discussions will also take place with the term contractor about the use of SMEs, which may provide better value.</p> <p>The costs should be reviewed after a period of 18 months.</p>	Transport, Strategy & Projects Manager.	July 2020

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2	<p><u>Procedures</u></p> <p>Procedures should be dated, updated to reflect current arrangements and have a review date.</p>	2	<p>The team are now working alongside the Performance Management and Business Support team to ensure that all procedures are documented. Part of this work will include a review of all current procedures to ensure they are correctly dated and that version control is maintained via the new Contract Filing System, with access made available to all relevant officers (who will also be made aware of the protocols for the site). A Designated Site Administrator has been appointed in ECS who will ensure protocols are followed and that review dates are adhered to.</p>	<p>Transport, Strategy & Projects Manager, Head of Performance Management and Business Support.</p>	<p>May 2019</p>

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3	<p><u>Change Control Notice (CCN2)</u></p> <p>The value of the CCN should be clearly stated for each of the items included within the professional services element.</p>	2	In line with Contract Database requirements and the contract monitoring framework, the Highways contract manager will ensure that CCNs are appropriately documented.	Assistant Director, Highways.	June 2019

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OPINION DEFINITIONS

APPENDIX C

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level	Definition
Full Assurance	There is a sound system of control designed to achieve all the objectives tested.
Substantial Assurance	While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.
Limited Assurance	Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.
No Assurance	Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.