

# Transport and Environment Committee

10.00am, Thursday, 5 December 2019

## Internal Audit – The Council’s Roads Service Improvement Plan – referral from the Governance, Risk and Best Value Committee

Executive/routine  
Wards  
Council Commitments

### 1. For Decision/Action

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- 1.1 The Governance, Risk and Best Value Committee has referred the attached Audit of the Council’s Roads Service Improvement Plan to the Transport and Environment Committee for consideration.

**Andrew Kerr**

Chief Executive

Contact: Jamie Macrae, Committee Officer

E-mail: [jamie.macrae@edinburgh.gov.uk](mailto:jamie.macrae@edinburgh.gov.uk) | Tel: 0131 553 8242

# Referral Report

## Internal Audit – The Council’s Roads Service Improvement Plan – referral from the Governance, Risk and Best Value Committee

### 2. Terms of Referral

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- 2.1 The Governance, Risk and Best Value Committee on 13 August 2019 considered a report by the Chief Internal Auditor, [Internal Audit Annual Opinion for the year ended 31 March](#), which detailed the outcome of the audits carried out as part of the Council’s 2018/19 Internal Audit annual plan and the status of open Internal Audit findings as at 31 March 2019.
- 2.2 The Governance, Risk and Best Value Committee agreed:
- 2.2.1 To note the Internal Audit opinion for the year ended 31 March 2019.
- 2.2.2 To request that the Chief Executive, Executive Directors and Chief Officer of the Edinburgh Health and Social Care Partnership, supported by the Chief Internal Auditor, report to the relevant Executive Committee at the earliest opportunity and the subsequent Governance, Risk and Best Value Committee setting out clear plans to ensure the closure of all historic and overdue internal audit management actions to enable an improvement to the overall Internal Audit Opinion for 2019/20.
- 2.2.3 To refer all audits with a red finding to the next meeting of the appropriate Executive Committee for their consideration and that action plans would be reported back to the Governance, Risk and Best Value Committee.
- 2.3 This report therefore refers the Audit of the Council’s Roads Service Improvement Plan to the Transport and Environment Committee for consideration.

### 3. Background Reading/ External References

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- 3.1 [Internal Audit Annual Opinion 2018/19](#) – report by the Chief Internal Auditor
- 3.2 [Governance, Risk and Best Value Committee – 13 August 2019 – Webcast](#)

## 4. Appendices

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Appendix 1 – Internal Audit – The Council's Roads Service Improvement Plan

# ***The City of Edinburgh Council***

## **Internal Audit**

### **The Council's Roads Service Improvement Plan**

Final Report

8 August 2019

PL1808

**Significant  
improvement  
required**

Significant control weaknesses were identified, in the design and effectiveness of the control environment and governance and risk management frameworks. Consequently, only limited assurance can be provided that risks are being managed and that the Council's objectives should be achieved.

# Contents

1. Background and Scope	1
2. Executive summary	3
3. Detailed findings	5
Appendix 1 - Basis of our classifications	16
Appendix 2 – Areas of Audit Focus	17

This internal audit review is conducted for the City of Edinburgh Council under the auspices of the 2018/19 internal audit plan approved by the Governance, Risk, and Best Value Committee in March 2018. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and as a result is not designed or intended to comply with any other auditing standards.

Although there are a number of specific recommendations included in this report to strengthen internal control, it is management's responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the City of Edinburgh Council. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and Critical risk findings will be raised with senior management and elected members as appropriate.

# 1. Background and Scope

## Background

The performance of the Council's roads maintenance function continues to be a matter of ongoing concern to both elected members and the public.

An Internal Audit (IA) Contract Management audit presented to the Governance Risk and Best Value (GRBV) committee on 23 June 2016 focused on works commissioned by either the North West Locality or the Transport Design & Delivery (TDD) team, for which Edinburgh Roads Service (ERS) was the contractor.

An IA follow-up review to assess service progress towards addressing the outstanding findings raised in the Contract Management review, and confirm whether agreed actions previously implemented had been sustained, resulted in a number of previously closed findings being reopened.

These outcomes were presented to GRBV on 9 March 2017 and IA highlighted that the volume and significance of the outstanding and reopened findings were indicators of fundamental issues with delivery of Roads services across the Council that related to people; culture and relationship management; systems integration; financial and quality management; and concluded that the service was not operating effectively.

The follow up review established that whilst the Internal Audit recommendations and agreed management actions in the original Contract Management audit report were appropriate at that time, overall Roads service performance had continued to decline to the extent where a comprehensive service redesign was required. Management had recognised the need to improve service performance were developing a Roads Service Improvement Plan (the Plan)

GRBV therefore accepted an IA recommendation that the outstanding Contract Management Internal Audit findings should be closed, on the basis that the Plan would result in the design and implementation of a new service delivery model.

The Plan was presented to and approved by the Council's Transport & Environment Committee on 10 August 2017. The Plan comprised two interdependent workstreams: the Roads and Transport Organisational Review (the new service delivery model); and a range of roads service improvement initiatives. The scope of the plan included:

- Simplifying organisational structure to create a single combined roads service;
- Improving customer service and customer interaction;
- An improved system of road safety inspections and defect repairs;
- Enhancing the capability of the workforce through investment in training and equipment;
- Reviewing the fleet and depot arrangements within the service;
- Streamlining business processes through the removal of internal trading;
- Improved asset management; and
- Improved capital delivery and contract management

The Plan contained 32 actions. Of these, 31 actions had target implementation dates of April 2018 or earlier.

Regular updates on the Plan have been provided to the Council's Transport and Environment Committee (TEC), with the most recent (6 December 2018) subsequently referred to the Council's Governance, Risk and Best Value Committee on 15 January 2019. The report indicated that 50% of the

actions in the plan were complete, with the implementation of the new Roads Service organisational structure by 1 April 2019 a critical dependency for implementation of the remainder of the Plan.

## **Scope**

This review assessed the design adequacy and operating effectiveness of the key project governance controls established to support effective implementation of the Improvement Plan (including establishing appropriate finance and budget arrangements); defect reporting; inspection and repairs; delivery of capital projects; and alignment of the Asset Management Plan with the Local Improvement Plans owned by the four Localities

We also provided assurance in relation to the following risks included in the Corporate Leadership Team and Place Directorate risk registers:

- CLT - The Council is unable to ensure the effective management and successful delivery, on time and budget, of major programmes and projects. This risk also outlines the need for the Council to prioritise and deploy project delivery resource effectively, according to business needs, ensuring that benefits are realised

Place - Asset Management - The deterioration of an asset through an insufficient/ineffective repairs and maintenance may cause health and safety risks to users, alongside service outages and resultant reparation/substitution expenditure

Testing was performed on a sample basis across the period from January 2018 to April 2019.

A copy of our agreed Terms of Reference is attached at Appendix 2

## **Limitations of Scope**

The scope of our review is outlined above. There are no specific scope limitations.

Further details on the scope of our review are included at Appendix 2 – Areas of Audit Focus.

## **Reporting Date**

Our audit work concluded on 12 April 2019, and our findings and opinion are based on the conclusion of our work as at that date.

## 2. Executive summary

Total number of findings: 5

Summary of findings raised	
High	1. Roads improvement plan financial operating model and project governance
High	2. Roads services performance monitoring and quality assurance
Medium	3. Inspection, defect categorisation, and repairs
Low	4. Management of public liability claims
Advisory	5. Management or roads asset and capital data

Further detail on the basis of the classifications applied to our findings is included at Appendix 1.

### Opinion

#### Significant Improvement Required

Our review identified significant control weaknesses in both the design adequacy and operating effectiveness of key project governance controls established to support implementation of the Roads Services Improvement Plan (the Plan); and operational controls established to monitor effective ongoing maintenance and repair of the Council's roads.

Our review of progress with implementation of the Plan highlighted the need to ensure that it is reviewed and rebased following completion of the Roads Services organisational review and implementation of the new service delivery model (expected to be completed by December 2019) to ensure that both completed and remaining plan actions remain relevant and are aligned to the revised organisational structure and service delivery objectives.

We also established the need to progress plans to replace the existing Roads internal trading mechanism with a new financial model, as this complex Plan action is only at the early stages of planning. In the interim, it is important to ensure that the new Roads organisational structure is appropriately reflected in the Council's general ledger and financial accounting systems.

Management has advised that success of the Plan will be measured by improvements in the annual Scottish Roads Maintenance Condition Survey and Road Condition Index that identifies the percentage of the Council's roads in need of maintenance; and improved responses from customer satisfaction surveys.

Whilst Plan progress reports to the Council's Transport and Environment Committee have included some performance information (for example in relation to roads defect repairs), more granular performance measures are required to confirm that implementation of both organisational changes and Plan actions have delivered the expected service delivery enhancements and performance outcomes.

It is also essential to ensure that appropriate first line risk based quality assurance checks are designed and implemented in relation to categorisation of defects; quality defect repairs; and quality of capital works to confirm the accuracy of performance reporting and support ongoing service delivery improvements.

We also identified the need to improve operational controls and training supporting the roads inspection; defect categorisation; and repairs processes, and established that security controls supporting remote

Confirm system access via an application on mobile devices require to be changed from single sign on to dual authentication to ensure that personal sensitive data in relation to public liability claims held in Confirm is appropriately secured in line with General Data Protection Regulation (GDPR) requirements. Consequently, two High; one Medium; and one Low rated findings have been raised. One Advisory finding has also been raised reflecting opportunities to improve ongoing management of roads asset and other capital data.

### **Areas of good practice**

We also noted the following areas of good practice

- the design of the new Roads and Transport organisational structure and service delivery model has been effectively planned and has the potential to deliver significant roads service improvements if implemented and operated as designed;
- implemented Plan actions (for example, a mandatory requirement to capture and store before and after photographs of all defect repairs) are already generating service delivery improvements in some areas, such as defect classification and repair performance;
- the capital budget for carriageways; footways; street lighting; traffic signals; and structures was rebased and presented to the Transport and Environment Committee in February 2019 and includes capital projects carried forward from previous years in addition to projects scheduled for delivery in 2019/20;

Appropriate governance frameworks and management oversight have been established to monitor progress with delivery of the plan, and identify (at an early stage), any emerging issues that could impact its delivery; and

- The revised approach to roads capital maintenance is delivering the expected service delivery improvements that should soon be reflected in the annual Scottish Roads Maintenance Condition Survey and Road Condition Index.

### **Management response**

The Roads Service Improvement Plan was not established as a formal (Prince 2) project and was instead managed as an amalgam of improvement actions. Whilst it is acknowledged that there has been drift in timescales, this is mainly attributable to ongoing focus on organisational change and implementation of the new service restructure.

Considering this, the oversight, governance, and engagement (whilst informal) has been good during the past nine to twelve months, with approximately 50% of Plan actions now implemented and evidence of improved performance in some areas, in particular defect repairs within timescale; the reduction of the road defect backlog; the reduction in the street lighting defect backlog; an increase in the number of capital schemes; and an improvement in the Road Condition Index (RCI) score.

As of the 1<sup>st</sup> of August, a third tier manager has been appointed to the new role of Roads and Transport Infrastructure Manager and recruitment/assignment to subsequent posts is due to commence imminently. It is expected that the restructure will conclude by the end of December 2019, which is essential to support the refresh and successful implementation of the Roads Improvement Plan.

## 3. Detailed findings

### 1. Roads Improvement Plan financial operating model and project governance

High

#### Roads Services budget alignment and financial operating model

Implementation of the new roads organisational structure and service delivery model will also require review and realignment of existing budgets with the new model, to ensure that anticipated cost savings and benefits can be effectively monitored.

Another key financial Plan deliverable is removal of the established roads internal trading mechanism that recharges costed repairs to internal Council client cost centres. Successful implementation of this action will involve significant re-configuration of existing Roads procurement; costing; and recharge arrangements, and the systems that support these processes (the Axim procurement and costing system; the Confirm asset and workflow management system; the Telford system used to cost capital works; and establishing interfaces with the Oracle general ledger system).

Management has advised that the Telford system is now unsupported and that a replacement is currently being considered.

We confirmed that whilst discussions were ongoing between the Roads Services Commercial Team and Finance colleagues regarding budget structures and future costing arrangements, the financial operating model and supporting systems requirements have not yet been designed, and there were no established plans to support completion of their design and subsequent implementation.

We also note that the plan includes use of a schedule of rates for roads works, however, it is not clear whether this will be required until the design of the new financial operating model has been agreed.

#### Roads Improvement Plan implementation timeframes

Regular Roads Improvement Plan (Plan) updates have been provided to the Council's Transport and Environment Committee (TEC), with the most recent (6 December 2018) subsequently referred to the Council's Governance, Risk and Best Value Committee on 15 January 2019.

This report indicated that 50% of the actions in the plan were complete, and that the implementation of the new Roads Service organisational structure and service delivery model by 1 April 2019 is a critical dependency for implementation of the remainder of the Plan.

Implementation of the new organisational structure and service delivery model is currently in progress, and management has advised that it is now expected to complete by the end of the 2019 calendar year.

At the time of our review, there were no clear plans or revised timeframes for the delivery of the remaining Plan actions following implementation of the new structure and service delivery model, or for the development of new roads services processes designed to align with the new structure.

Management has advised that whilst slippage with plan deliverables is evident, service performance is improving, as is evidenced by a number of key performance indicators.

#### Risks

The potential risks associated with our findings are:

- Optimism bias reported to Committee may lead to a lack of Elected Member and Citizen trust in the Council's ability to deliver on commitments;
- If the development of systems, procedures and processes going forward is not managed as a

portfolio of interdependent projects, initiatives may stall or conflict, leading to failure to achieve the desired improvements in service delivery;

- If the transition to revised integrated financial systems is not effectively project managed, operational service delivery may be impacted, and effective cost management and control may not be achieved; and
- Without a formal post-implementation review of the revised structure, required adjustments to resourcing may not be captured and implemented;

### 1.1 Recommendation – Roads Service Improvement Plan review (including financial operating model)

Following implementation of the new Roads Service organisational structure and service delivery mode, the Roads Service Improvement Plan (the Plan) should be reviewed. The review should include:

- consideration as to whether previously implemented and remaining Plan actions remain appropriate and aligned with the new Roads organisational structure and service delivery model;
- whether any new plan actions are required;
- inclusion of a financial operating model workstream that will support design of a new financial model that includes appropriate procurement; costing; recharge; and budget processes that is supported by appropriate technology systems;
- consideration of any additional funding requirements;
- consideration of risks; issues; and dependencies associated with Plan delivery;
- allocation of responsibility for delivery of Plan actions across the Roads senior management and Finance teams; and Digital Services;
- revision of completion timeframes, with revised timeframes that are realistic and achievable.

Following completion of the review, a full business plan will be developed to support implementation of the remaining and any newly identified Plan actions.

### 1.1 Agreed Management Action - Roads Service Improvement Plan review (including financial operating model)

Accepted. The Roads Service Improvement Plan (the Plan) will be reviewed following completion of the organisational restructure, and will consider the points noted in the recommendation. A review of the financial operating model will also be undertaken with the aim of embedding a new budget structure for the service. Once completed the Plan business case will be refreshed to reflect any significant changes.

**Owner:** Paul Lawrence, Executive Director of Place

**Contributors:** Gareth Barwell, Head of Place Management; Cliff Hutt, Roads and Transport Infrastructure Manager; Alison Coburn, Operations Manager; Nicole Fraser, Executive Assistant

**Implementation Date:**

30 April 2020

### 1.2 Recommendation – Roads Service Improvement Plan approval

Following review and refresh of the Roads Service Improvement Plan, the revised business plan should be presented to both the Council's Change Board and the Transport and Environment Committee for review and approval, with regular ongoing updates provided to both forums in line with the reporting requirements detailed in the Council's [Project Management Toolkit for Major Projects](#).

### 1.2 Agreed Management Action - Roads Service Improvement Plan approval

On appointment of the tier 3 and 4 management team, a re-base of the improvement plan will take place and the revised plan will be submitted to the Council's Change Board and the Transport and Environment Committee for approval, with ongoing progress updates provided to both forums.

**Owner:** Paul Lawrence, Executive Director of Place

**Contributors:** Gareth Barwell, Head of Place Management; Cliff Hutt, Roads and Transport Infrastructure Manager; Alison Coburn, Operations Manager; Nicole Fraser, Executive Assistant

**Implementation Date:**

31 July 2020

### 1.3 Recommendation – Roads Service Improvement Plan project governance

Delivery and implementation of the Roads Service Improvement Plan should be managed and governed in line with the requirements specified in the Council's [Project Management Toolkit for Major Projects](#).

### 1.3 Agreed Management Action - Roads Service Improvement Plan project governance

Accepted. The re-based plan will be managed in line with the Project Management Toolkit for Major Projects. The plan will be managed by the Roads service Performance Coordinator once appointed in the revised structure.

**Owner:** Paul Lawrence, Executive Director of Place

**Contributors:** Gareth Barwell, Head of Place Management; Cliff Hutt, Roads and Transport Infrastructure Manager; Alison Coburn, Operations Manager; Nicole Fraser, Executive Assistant

**Implementation Date:**

20 December 2020

### 1.4 Recommendation - Post implementation reviews

- A post implementation review of the new Roads organisational structure and service delivery model should be performed at an appropriate point in time to assess whether the new model is operating as expected and consider whether any further adjustments to the structure is required; and
- A post implementation review should also be scheduled at an appropriate point in time following final implementation of all Roads Service Improvement Plan actions to consider whether anticipated service delivery benefits have been realised.

### 1.4 Agreed Management Action - Post implementation reviews

A post implementation review of both the new organisational structure (31 March 2020) and completed Roads Service Improvement Plan (the Plan) actions (March 2021) will take place to assess the effectiveness of the new service and any requirements for change, and the impact of the changes delivered through the Plan.

**Owner:** Paul Lawrence, Executive Director of Place

**Contributors:** Gareth Barwell, Head of Place Management; Cliff Hutt, Roads and Transport Infrastructure Manager; Alison Coburn, Operations Manager; Nicole Fraser, Executive Assistant

**Implementation Date:**

31 March 2021

### Service delivery performance monitoring

Management has advised that the key measures of successful implementation of the Roads Service Improvement Plan (the Plan) are improvements in both the Road Condition Index; improved delivery of inspection and defect repairs as measured by key performance indicators; and feedback obtained from customer satisfaction surveys.

These broad measures of success are relevant but require to be supported by more granular performance measures to assess whether the expected benefits from the restructured Roads service delivery model (which involves significant service delivery operational changes, particularly in relation to inspections) and implemented Plan actions are being realised and service delivery improvements achieved on an ongoing basis.

Whilst Plan progress reports provided to the Transport and Environment Committee have included some performance information on (for example) Roads defect repairs, there is currently no established ongoing performance reporting that details performance outcomes in comparison to clearly defined key performance indicators, as has recently introduced in Waste and Cleansing.

### Roads services quality assurance

To confirm the completeness and accuracy of ongoing service delivery performance monitoring and reporting, it is essential that appropriate (risk based) quality assurance processes are established and maintained.

Our review confirmed that there are currently no established quality assurance checks in relation to:

- the categorisation of road and footway defects by inspectors
- the quality of routine reactive repairs of carriageway and footway defects

Additionally, the quality assurance process applied by the Technical Design and Delivery Team has not been subject to recent review.

## Risks

The potential risks associated with our findings are:

- Lack of detailed improvement measures may lead to a failure to take timely corrective action if desired service improvements are not being realised as and when anticipated;
- Without regular service performance reporting at Committee level, timely information on progress with delivery of anticipated service improvements will not be available to Elected Members and Citizens; and
- Lack of effective quality assurance processes could potentially result failure to remedy inaccurate categorisation of defects and poor quality repairs, and potential loss of external quality accreditation

### 2.1 Recommendation – Service Delivery Performance Monitoring

- a set of SMARTER (specific; measurable; achievable; relevant; timely; explainable; and readjusted when appropriate) Roads key performance measures should be defined and implemented to support ongoing monitoring of the effectiveness and quality of service delivery, and confirm whether expected financial and service delivery benefits are being realised;

- a roads dashboard should be developed (potentially (similar to that recently developed for Waste and Cleansing) and implemented that details actual service delivery performance in comparison to key performance measures;
- the Roads dashboard should be used by the Roads management team to determine the necessary actions required to improve service delivery where performance targets are not being achieved
- the Roads dashboard and supporting service delivery improvement actions should be provided to the Council's Corporate Leadership Team, and Transport and Environment Committee for review and scrutiny at an appropriate frequency;

## 2.1 Agreed Management Action - Service Delivery Performance Monitoring

One of the roles included in the new Roads structure is a Roads Service Performance Coordinator. The team member appointed to this role will be responsible for designing; implementing; and maintaining a performance and quality assurance framework that will incorporate the recommendations made to support ongoing monitoring and management of the Roads service.

This will involve ensuring that all Roads teams develop team plans that include key performance measures; outline their respective roles and responsibilities for delivery; and are aligned with overall Council's commitments that are relevant to Roads.

**Owner:** Paul Lawrence, Executive Director of Place

**Contributors:** Gareth Barwell, Head of Place Management; Cliff Hutt, Roads and Transport Infrastructure Manager; Alison Coburn, Operations Manager; Nicole Fraser, Executive Assistant

**Implementation Date:**

31 July 2020

## 2.2 Recommendation – Roads services quality assurance framework

1. An appropriate risk based Roads services quality assurance framework should be designed; implemented; and maintained to confirm that the quality of services delivered remains acceptable. This should include (but not be restricted to):
  - ongoing review of a sample of defect categorisations across the population of inspectors to confirm that defects have been appropriately categorised. This could be performed as a desktop review, using photographic information recorded on the Confirm asset and workflow management system. Management should consider whether these checks should be performed before or after the defect has been repaired, based on the risks associated with incorrect categorisation;
  - ongoing review of a sample of defect repairs. This review could include a combination of site inspections and / or review of photographic evidence recorded on Confirm; and
  - The Transport Design & Delivery Team quality assurance process should be reviewed and refreshed to align with the new Roads organisational structure and service delivery model.
2. quality assurance key performance measures should be defined, and quality assurance outcomes reported in the Roads performance dashboard (refer recommendation 2.1);
3. quality assurance key performance measures should be included in the objectives set as part of annual looking forward conversations; and
4. themes emerging from quality assurance reviews should be shared with Roads team members and used to determine and address both individual and team training needs (refer recommendation 3.2 below).

## 2.2 Agreed Management Action - Roads services quality assurance framework

1. The existing Transport Design and Delivery quality framework will be revised to reflect the new Roads and Transport Infrastructure Service and rolled out across the service. As part of this review, the recommendations highlighted above will be considered and incorporated where appropriate. The Design, Structures and Flood Prevention Manager will be responsible for refreshing the quality framework once appointed.

**Owner:** Paul Lawrence, Executive Director of Place

**Contributors:** Gareth Barwell, Head of Place Management; Cliff Hutt, Roads and Transport Infrastructure Manager; Alison Coburn, Operations Manager; Nicole Fraser, Executive Assistant

**Implementation Date:**

30 June 2020

2. A sampling regime will be designed and embedded for safety inspections to ensure that defects are being categorised properly. This process will be designed and implemented by the Team Leader for Safety Inspections to be appointed as part of the ongoing restructure.

**Owner:** Paul Lawrence, Executive Director of Place

**Contributors:** Gareth Barwell, Head of Place Management; Cliff Hutt, Roads and Transport Infrastructure Manager; Sean Gilchrist, Asset and Performance Manager; Alison Coburn, Operations Manager; Nicole Fraser, Executive Assistant

**Implementation Date:**

30 June 2020

3. A sampling regime will be designed and embedded for road defect repairs to ensure that repairs are fit for purpose and effective.

**Owner:** Paul Lawrence, Executive Director of Place

**Contributors:** Gareth Barwell, Head of Place Management; Cliff Hutt, Roads and Transport Infrastructure Manager; Sean Gilchrist, Asset and Performance Manager; Alison Coburn, Operations Manager; Nicole Fraser, Executive Assistant

**Implementation Date:**

30 June 2020

4. Key performance indicators for each team will be included in the target setting for each 4<sup>th</sup> tier manager and their direct reports to ensure focus on these measures.

Emerging themes from Team Plans and quality assurance reviews will also be shared with Roads teams, and individual and team training needs will be considered based on the themes identified.

This process will be designed and implemented by the Service Performance Coordinator to be appointed as part of the ongoing restructure.

**Owner:** Paul Lawrence, Executive Director of Place

**Contributors:** Gareth Barwell, Head of Place Management; Cliff Hutt, Roads and Transport Infrastructure Manager; Sean Gilchrist, Asset and Performance Manager; Alison Coburn, Operations Manager; Nicole Fraser, Executive Assistant

**Implementation Date:**

30 June 2020

### 3. Inspection, defect categorisation, and repairs

**Medium**

#### Operational Guide - Roads Safety Inspection and Defect Categorisation

The “Operational Guide - Roads Safety Inspection and Defect Categorisation Procedure”, introduced 1 March 2016, sets out the Council’s service standards for planned and reactive roads defect inspections, defect categorisation and repair timescales.

We were unable to find a record of the guide being submitted either to full Council or the Transport and Environment Committee for approval, in line with standard practice across Scottish Local Authorities

The Council has recently altered its service standard to include separate timescales for defect inspection and defect repairs, and the Operational Guide has not been updated to reflect this.

### **Inspector training and qualifications**

One of the Roads Service Improvement Plan actions involved delivery of training to Inspectors across the Localities on defect categorisation and use of the Confirm asset and workflow management System. This training has contributed to a significant reduction in the volume of 'category 1' emergency road repairs.

Additionally, four inspectors have attended training provided by an Institute of Highway Engineers approved trainer, which results in official registration.

Our review confirmed that there were no further internal or external training plans for inspectors following implementation of the new centralised organisational structure and service delivery model in addition to the training previously delivered and / or attended.

### **Confirm asset management and workflow system**

The Confirm Connect application is used by inspectors and repair squads to access the Confirm system remotely on mobile devices. Whilst the application has a dual user authentication process (user name & password), there are some handsets currently in use where single sign on is required to access data held on the Confirm system, which does include personal sensitive data in relation to claims.

Management has advised that this is a known legacy issue affecting a limited number of handsets.

The Operational Guide includes an annual programme of planned Roads asset safety inspections that follow pre-defined routes. The routes have been created and the inspection results are recorded in the Confirm system. It is currently not possible to monitor progress of completed inspections in comparison to plan as Confirm cannot provide completed and accurate management information due to technical issues in relation to inspection dates generated by the system.

## **Risk**

The potential risks associated with our findings are:

- If the Safety Inspection and Defect Categorisation Procedure is not aligned with current processes and has not been approved by either the relevant Council Executive Committee or full Council, it may lack robustness as a defence against potential liability claims;
- If inspectors do not have up to date qualifications and registration the robustness of compliance with inspection regimes as a defence when repudiating liability claims may be undermined;
- Without reliable management information management do not have assurance that adequate progress is being made with the programme of planned inspections; and
- Without two-stage authentication to access the Confirm Connect Application there is a risk of potential non compliance with General Data Protection Regulations (GDPR) Article 5(1)(f) and Article 32 in relation to information security and security of processing.

### **3.1 Recommendation – review and approval of the Operational Guide**

The “Operational Guide - Roads Safety Inspection and Defect Categorisation Procedure” should be updated to reflect current Roads service standards for inspection and repair times and presented to either the Transport and Environment Committee or full Council for review and approval.

### 3.1 Agreed Management Action - review and approval of the Operational Guide

The Transport and Environment Committee will be asked to consider and approved the revised inspection defect categorisation procedure developed by Roads in September 2019. This is already included in the Committee forward plan.

**Owner:** Paul Lawrence, Executive Director of Place

**Contributors:** Gareth Barwell, Head of Place Management; Cliff Hutt, Roads and Transport Infrastructure Manager; Sean Gilchrist, Asset and Performance Manager; Alison Coburn, Operations Manager; Nicole Fraser, Executive Assistant

**Implementation Date:**

31 October 2019

### 3.2 Recommendation – Inspector training and qualifications

A formal training plan should be designed and established for all inspection team members. This should include (but not be restricted to):

- ongoing training in defect categorisation and use of the Confirm asset management and workflow system;
- delivery of training on an ‘as needs’ basis based on the outcomes of ongoing quality assurance reviews (refer finding 2); and
- ongoing training and certification with the Institute of Highway Engineers, or another relevant professional body.

### 3.2 Agreed Management Action - Inspector training and qualifications

1. Design and implement a training framework for all relevant Inspectors in line with the newly adopted ‘Road Safety Inspection and Defect Categorisation Procedure’

**Owner:** Paul Lawrence, Executive Director of Place

**Contributors:** Gareth Barwell, Head of Place Management; Cliff Hutt, Roads and Transport Infrastructure Manager; Sean Gilchrist, Asset and Performance Manager; Alison Coburn, Operations Manager; Nicole Fraser, Executive Assistant

**Implementation Date:**

31 January 2020

2. Ensure all relevant Inspectors are accredited by an appropriately accredited professional body.

**Owner:** Paul Lawrence, Executive Director of Place

**Contributors:** Gareth Barwell, Head of Place Management; Cliff Hutt, Roads and Transport Infrastructure Manager; Sean Gilchrist, Asset and Performance Manager; Alison Coburn, Operations Manager; Nicole Fraser, Executive Assistant

**Implementation Date:**

31 August 2020

### 3.3 Recommendation– Management information for planned inspections

The supplier of the Confirm system should be contacted to determine whether a system change can be implemented to enable a more realistic system based inspection due date allocation to be provided by the system for allocation of future inspection dates.

Where this cannot be provided, management should design and implement an alternative process to monitor progress with planned inspections and include these outcomes in the Roads service performance dashboard (refer finding 2).

### 3.3 Agreed Management Action - Management information for planned inspections

On appointment, the new Service Performance Coordinator and Team Leader – Safety Inspections will work with Pitney Bowes (the supplier of the Confirm system) to develop a new process to plan and monitor safety inspection performance

**Owner:** Paul Lawrence, Executive Director of Place

**Contributors:** Gareth Barwell, Head of Place Management; Cliff Hutt, Roads and Transport Infrastructure Manager; Sean Gilchrist, Asset and Performance Manager; Alison Coburn, Operations Manager; Nicole Fraser, Executive Assistant

**Implementation Date:**

31 March 2020

### 3.4 Recommendation - authentication protocol for the Confirm Connect application

Roads should identify users with mobile devices where only single sign on is required to access the Confirm Connect application and data held on the Confirm system.

These devices should be replaced with devices that include dual factor authentication to access the application.

### 3.4 Agreed Management Action

An audit of all handsets will be undertaken, and any non-complaint handsets will be removed and replaced

**Owner:** Paul Lawrence, Executive Director of Place

**Contributors:** Gareth Barwell, Head of Place Management; Cliff Hutt, Roads and Transport Infrastructure Manager; Sean Gilchrist, Asset and Performance Manager; Jordan Walker, Senior Systems Development Officer; Alison Coburn, Operations Manager; Nicole Fraser, Executive Assistant

**Implementation Date:**

31 January 2020

## 4. Management of public liability claims

Low

Public liability claims are initially registered on the Confirm system, investigated by the Locality Roads and Environment teams, and then assigned to the Council's Insurance Services team for registration on the Local Authority Claims Handling System (LACHS) and onward transmission to the Council's claims handlers.

There is currently no reconciliation performed between the volume of claims recorded on LACHS and Confirm.

Additionally, Insurance Services can provide detailed management information which would be useful in helping Roads Services manage its claims experience by understanding the systemic themes and root causes of the claims received. At present there is no established agreement between Roads and Insurance Services in relation to provision of claims management information.

**Risk**

The potential risks associated with our findings are:

- Claims received but not reported to Insurance Services are not identified;
- Without appropriate claims management information reporting processes, the Council will be unable to review the nature of the claims and identify and address any systemic causes.

#### 4.1 Recommendation – Management of public liability claims

A spreadsheet should be designed; implemented; and maintained; that records all claims received and monitors their progress from receipt through transfer to the Local Authority Claims Handling System (LACHS) system; and onward transmission to the claims handlers.

#### 4.1 Agreed Management Action– Management of public liability claims

A new process will be developed within the Confirm system which requires reconciliation between accident claim enquiries and those logged on the Local Authority Claims Handling System (LACHS) system.

**Owner:** Paul Lawrence, Executive Director of Place

**Contributors:** Gareth Barwell, Head of Place Management; Cliff Hutt, Roads and Transport Infrastructure Manager; Sean Gilchrist, Asset and Performance Manager; Jordan Walker, Senior Systems Development Officer; Alison Coburn, Operations Manager; Nicole Fraser, Executive Assistant

**Implementation Date:**

28 May 2020

#### 4.2 Recommendation– Management of public liability claims

Roads management should meet with the Insurance Services team to determine the availability of management information in relation to public liability claims.

Where reports are available that detail the root cause of public liability claims, these should be provided to Roads senior management at an appropriate frequency (for example, monthly or quarterly) for review, so that the main root causes can be determined, and (where possible) appropriate preventative action taken to reduce volumes of future claims.

#### 4.2 Agreed Management Action – Management of public liability claims

Quarterly meetings will be arranged between the Safety Inspection team and the Insurance team to identify trends and areas of focus.

This process will be designed and implemented by the Team Leader, Safety Inspections to be appointed as part of the ongoing restructure.

**Owner:** Paul Lawrence, Executive Director of Place

**Contributors:** Gareth Barwell, Head of Place Management; Cliff Hutt, Roads and Transport Infrastructure Manager; Sean Gilchrist, Asset and Performance Manager; Alison Coburn, Operations Manager; Nicole Fraser, Executive Assistant

**Implementation Date:**

30 April 2020

### 5. Management of roads asset and capital data

**Advisory**

The Confirm asset and workflow management system is the core asset management system used for road assets. At present this does not include data on structures; capital works; gullies; and road signs

(though information may be held elsewhere), and does not contain the Road Condition Index information, which is entered separately on the Geographical Information System (GIS).

### **Opportunity**

There is an opportunity to better optimise repair strategies if all the information relating to a particular road asset is consolidated and maintained in one central database

#### **5.1 Recommendation – consolidated asset management data**

An action should be included in the Roads Service Improvement Plan (refer finding 1) to assess the feasibility of consolidating all relevant Roads information including capital works; structures; gullies; road signs and Road Condition Index information on one centralised asset management system (potentially Confirm).

#### **5.1 Agreed Management Action - consolidated asset management data**

The Asset and Performance team will work with Pitney Bowes to scope the potential to consolidate these systems, and the financial costs involved. Once the costs and benefits have been considered, a management decision will be made as to whether to undertake this consolidation.

# Appendix 1 - Basis of our classifications

Finding rating	Assessment rationale
<b>Critical</b>	A finding that could have a: <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on the operational performance; or</li> <li>• <b>Critical</b> monetary or financial statement impact; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences; or</li> <li>• <b>Critical</b> impact on the reputation of the organisation which could threaten its future viability.</li> </ul>
<b>High</b>	A finding that could have a: <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance; or</li> <li>• <b>Significant</b> monetary or financial statement impact; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences; or</li> <li>• <b>Significant</b> impact on the reputation of the organisation.</li> </ul>
<b>Medium</b>	A finding that could have a: <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance; or</li> <li>• <b>Moderate</b> monetary or financial statement impact; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences; or</li> <li>• <b>Moderate</b> impact on the reputation of the organisation.</li> </ul>
<b>Low</b>	A finding that could have a: <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on operational performance; or</li> <li>• <b>Minor</b> monetary or financial statement impact; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation.</li> </ul>
<b>Advisory</b>	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Include link to audit charter for overall report ratings.

## Appendix 2 – Areas of Audit Focus

The audit areas and related control objectives that were tested in detail were:

Audit Area	Control Objectives
Roads Service Improvement Plan	<ul style="list-style-type: none"> <li>• An effective overall approach has been adopted to manage the development and implementation of The Roads Service Improvement Plan;</li> <li>• The revised structure and delivery model has been effectively designed to meet the objectives of the Improvement Plan;</li> <li>• Effective arrangements are in place (or planned) to manage the remaining actions required to fully realise the expected benefits of the Improvement Plan, once the revised organisational structure is in place; and</li> <li>• A clear benefits realisation monitoring plan is in place to track the effectiveness of the plan.</li> </ul>
Defect Reporting Inspection & Repairs	<ul style="list-style-type: none"> <li>• Effective and comprehensive arrangements are in place to enable citizens to report road defects;</li> <li>• The Council has adopted an appropriate and realistic categorisation system for road defects, and this is being applied in a reasonable and consistent manner, which enables the method of repairs to be optimised from an asset management perspective;</li> <li>• An effective and comprehensive process is in place to ensure that all roads are routinely surveyed for defects with a frequency appropriate to the category of road;</li> <li>• An effective and responsive process is in place to ensure that all reported roads defects are inspected and appropriate repairs are initiated promptly in accordance with stated policy;</li> <li>• Those responsible for carrying out and managing road surveys and inspections have received appropriate training;</li> <li>• Those responsible for road surveys and inspections are equipped with appropriate technology to enable the results of inspections to be recorded and evidenced as far as possible in real time;</li> <li>• An effective process is in place for the scheduling and performance of reactive defect repairs;</li> <li>• An effective quality control process operates over the completed repair work;</li> <li>• Realistic and accurate performance indicators are in place which measure and report road condition and defect repair performance in a way which is meaningful and consistent with industry practice;</li> </ul>

Audit Area	Control Objectives
	<ul style="list-style-type: none"> <li>• A Transport Asset Management Plan ensures that the Council is pro-actively reducing the level of reactive defect repairs needed through effective planned maintenance; and</li> <li>• The Council has an effective regime in place for dealing with liability claims arising from road defects.</li> </ul>
Delivery of Capital Projects	<ul style="list-style-type: none"> <li>• The proposed integrated roads service structure and processes have been designed to facilitate effective delivery of capital projects;</li> <li>• These arrangements ensure proper linkages between the defect reporting, inspection and repairs process and the capital planning process;</li> <li>• Contracting arrangements which will provide certainty in terms of the delivery of future capital projects have been secured;</li> <li>• Plans are in place to rebase the capital plan from 1 April 2019 in order that clear measurement of delivery against plan may be made; and</li> <li>• For 2019-20 and future years, arrangements are in place to ensure that the capital plan and budget is accurately phased throughout the year and accurate up to date costing/measurement information will be available to track delivery against plans.</li> </ul>
Finance and budget arrangements	<ul style="list-style-type: none"> <li>• Adequate finance and budgetary control arrangements have been developed and are ready to operate from the inception of the integrated service;</li> <li>• There is a clear plan going forward for the further development of finance and budgetary control arrangements after the inception of the new service;</li> <li>• Proposed arrangements for the integrated service clearly identify budgetary responsibility within the service and there are clear lines of delegation for budgetary responsibility, and related upward reporting;</li> <li>• Costing and reporting arrangements for the new service ensure that individual officers have adequate information and systems support to enable them to manage their budgets; and</li> <li>• Proposed costing arrangements for the integrated service ensure that costing information used to manage budgets is reconcilable to the finance reports generated from the Council's main accounting system.</li> </ul>
Alignment with Local Improvement Plans	<ul style="list-style-type: none"> <li>• Adequate arrangements are in place to ensure that the Transport Asset Management and Local Improvement Plans owned by the Council are consistent.</li> </ul>