

The Highland Council

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| Agenda Item | 7 |
| Report No | AC/22/24 |

Committee: **Audit Committee**

Date: **26 September 2024**

Report Title: **Internal Audit Reviews and Progress Report – 13/06/2024 – 30/08/2024**

Report By: **Strategic Lead (Corporate Audit & Performance)**

1. Purpose/Executive Summary

1.1 This report provides details of the work undertaken by the Internal Audit section since the last report to Committee in June 2024.

2. Recommendations

2.1 Members are asked to:

- i. Consider the Final Reports referred to in Section 5.1 of the report.
- ii. Scrutinise the current work of the Internal Audit Section outlined at sections 6 and 7, and the status of work in progress detailed at **Appendix 1**.

3. Implications

3.1 Resources – as previously reported there has been a reduction in the available resources due to a vacant post within the team since December. This post subsequently deleted as part of an agreed budget saving for 2024/25. At the end of June 2024 resources reduced further when an Audit Assistant left the Council. This post will be replaced by a Graduate Trainee Auditor post which has been recently advertised.

3.2 Risk - the risks and any associated system or control weaknesses identified as a result of audit work or corporate fraud investigations will be reviewed and recommendations made for improvement.

3.3 There are no Legal, Climate Change / Carbon Clever, Community (Equality, Poverty, Rural and Island), Health and Safety or Gaelic implications.

4. Impacts

- 4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.
- 4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.
- 4.3 This is an update report and therefore an impact assessment is not required.

5. Internal Audit Reports

- 5.1 There have been three final reports issued during this period as detailed in the table below.

| Service Cluster | Subject | Opinion |
|-----------------|---|-----------------------|
| Corporate | Business Continuity Planning | Reasonable Assurance |
| Corporate | Procurement Arrangements and Governance | Substantial Assurance |
| Place | Review of Roads Maintenance | Limited Assurance |

Each report contains an audit opinion based upon the work performed in respect of the subject under review. The five audit opinions are set out as follows:

- (i) Full Assurance: There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
- (ii) Substantial Assurance: While there is a generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
- (iii) Reasonable Assurance: Whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
- (iv) Limited Assurance: Weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk.
- (v) No Assurance: Control is generally weak, leaving the system open to significant error or abuse, and/ or significant non-compliance with basic controls leaves the system open to error or abuse.

6. Internal Audit work in progress

- 6.1 Details of the current audits in progress and their status is provided at **Appendix 1**. The 2023/24 Internal Audit Plan was approved at the September Committee meeting. The Internal Audit Team has continued to make best efforts to ensure timely completion of audit work (noting resources at 3.1). A substantive proportion of the work is now complete or nearing completion with a view to being concluded by the

November Audit Committee. The review of financial arrangements in Primary Schools is now being progressed with the start of the new school term.

7. Other Work

7.1 The Section has been involved in a variety of other work during the period which is summarised below:

(i) Audits for other Boards, Committees and Organisations

Audit work is being undertaken during this period for the Valuation Joint Board and for High Life Highland which will be reported to the respective Committees in due course.

(ii) Attendance at People & Finance Systems Programme Board

Corporate Audit representation has been requested on the Board in an independent non-voting capacity. The role being carried out by the Corporate Audit Manager is to assist assurance around governance and risk management.

(iii) Global Internal Audit Standards

Members will be aware that the Council's Internal Audit Service must comply with the UK's Public Sector Internal Audit Standards (PSIAS) which are set jointly by CIPFA and the Institute of Internal Auditors. These are underpinned by the Global Internal Audit Standards (GIAS).

New Global Internal Audit Standards were released in January 2024 and become effective in January 2025. It has been agreed that these will be the basis for internal auditing for the UK Public Sector. The GIAS are a significant development from the previous standards being more prescriptive and requiring greater evidence to demonstrate conformance. Organisations are being encouraged to undertake preparatory work to allow them to implement the new requirements when they become effective. The Corporate Audit function has begun preparatory work.

A new version of the PSIAS is being prepared and whilst it has been stated that this will come into effect on 1st April 2025, this is presently going through a consultation process. Therefore, the date that the new PSIAS will be published is presently unknown. The Audit Committee will be kept updated as this progresses.

(iv) Work to support the preparation of the internal Audit Plan 2024-25

Planning is underway for the draft internal audit plan.

(v) Corporate Fraud, Whistleblowing concerns and other investigations activity

The Single Point of Contact (SPOC) work is an ongoing commitment providing information to Police Scotland, the Department of Work and Pensions and the UK Immigration Enforcement Office. This work assists these organisations in investigating potential crimes and in making our communities safer. An allowance of time for these commitments is made within the Internal Audit Plan each year.

We have closed one investigation resulting from an external body referral where having progressed enquiries with good cooperation from management, the external body provided insufficient information to enable further progression. As a result, management awareness has been raised with a greater understanding of the potential risks in this area.

We have a current commitment of 27 cases. This comprises of several active cases subject to investigation and those where the investigation has been concluded but there is ongoing recovery or further action by the Procurator Fiscal.

Ongoing investigations during this period include:

- Investigations resulting from whistleblowing reports:
 - One completed and an investigation report issued to management (no system weaknesses identified).
 - Six active ongoing investigations.
- Investigation of specific cases of overpayments from Payroll.
- Tenancy Fraud Investigations.
- One fraud investigation notified by NHS Investigators which has implications for the Council.

Where active fraud and whistleblowing investigations are in progress, no further information can be provided in order to prevent these being compromised. However, once the investigations have been completed including any associated disciplinary/ legal action where relevant, the system weaknesses reports will be provided to the Audit Committee to scrutinise.

Designation: Strategic Lead (Corporate Audit & Performance)

Date: 9 September 2024

Author: Jason Thurlbeck, Corporate Audit Manager

Background Papers: N/A

Appendices: Appendix 1 - Internal Audits in progress

Appendix 1 - Internal Audits in progress

| Service | Audit Subject | Priority | Planned Days | Current Status | Planned Committee Reporting Date |
|------------------|---|-----------------|---------------------|-----------------------------|---|
| Corporate | HDX03/004 - IT asset registers | Medium/High | 20 | Draft report in preparation | November 2024 |
| Corporate | HDX03/003 - Procurement of ICT cloud hosted systems | Medium/High | 20 | Draft report in preparation | November 2024 |
| Corporate | HCP22/001 - Efficiency of debt recovery arrangements | Medium/High | 20 | Substantially complete | November 2024 |
| Corporate | HRF30/006 - Workforce planning arrangements | High | 30 | Substantially complete | November 2024 |
| Corporate | HRF33/004 - Review of Health and Safety arrangements | Medium/High | 20 | Substantially complete | November 2024 |
| Corporate/ Place | HCP15/001 - Common Good Fund Asset Registers | Medium/High | 30 | Fieldwork in progress | November 2024 |
| People | HSC08/001 - Justice Service | Medium | 25 | Fieldwork in progress | November 2024 |
| People | HEL02/001 - Review of financial arrangements in Primary Schools | Medium/High | 30 | Fieldwork in progress | January 2025 |

Internal Audit Final Report

Corporate

Business Continuity Planning

| Description | Priority | No. |
|---|----------|-----|
| Major issues that managers need to address as a matter of urgency. | High | 3 |
| Important issues that managers should address and will benefit the Organisation if implemented. | Medium | 1 |
| Minor issues that are not critical but managers should address. | Low | 1 |

Distribution:

Chief Executive
 Assistant Chief Executive – People
 Assistant Chief Executive – Place
 Assistant Chief Executive – Corporate
 Communications and Resilience Manager, Corporate
 Performance and Information Governance Manager, Corporate
 Senior Resilience Manager, Corporate

Audit Opinion

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Reasonable Assurance** can be given in that whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Report Ref: HPG13/002
Draft Date: 15/07/24
Final Date: 10/09/24

1. Introduction

- 1.1 Business continuity provides a basis for planning to ensure an organisation's ability to continue operations at predefined levels following an unexpected event e.g., IT failure, loss of utilities or inability to access premises (due to fire, flood or local evacuation).
- 1.2 Recently, the Council's Insurers have also highlighted the need for business continuity planning in the event that the Insurance Department is unable to perform its functions.
- 1.3 The audit reviewed the Council's business continuity planning (BCP) arrangements. This included production of appropriate BCPs, testing of arrangements, and identification of interdependencies including where there was reliance upon other services and stakeholders.
- 1.4 The audit fieldwork was carried out prior to the implementation of the new service structure which combined 8 Services into 3 Service clusters. The BCP arrangements of all 8 Services were examined to assess their effectiveness:
 - Communities and Place
 - Education and Learning
 - Health and Social Care
 - Infrastructure, Environment and Economy
 - Performance and Governance
 - Housing and Property
 - Resources and Finance
 - Depute Chief Executive.

2. Main Findings

- 2.1 *The Council has BCP management policies and procedures in place which meet its needs and the requirements of the Civil Contingencies Act 2004.*

This audit objective has been substantially achieved. The Highland Council Business Continuity Policy Version 1.0 (March 2023) (the Policy) was examined, and it sets out the framework

within which all of the Council's duties as a category 1 responder, as defined in the legislation, could be met.

The Policy was stored on the Gold Group Emergencies HUB SharePoint site and had also been circulated by email to the Executive and Senior Leadership Teams for dissemination to relevant staff. However, a member of staff with delegated responsibility for updating a Service BCP had not been made aware of the Policy and did not have access to the SharePoint site (see action plan L1).

- 2.2 *There are detailed BCPs in place for all Council Services and these prioritise the recovery of critical functions in the event of a disruptive event. They identify interdependencies with other services and stakeholders.*

This audit objective was partially achieved. There were finalised BCPs in place for 5 out of 8 Services. For the remaining Services, the BCP for Health and Social Care was in the process of being drafted, the one for Housing and Property stated it was a draft even though it had been approved at a Service Management Team meeting and there was no BCP in place for Education and Learning (see action plan H1).

Where there was a Service BCP in place (final or draft), critical services had been identified and these included the critical corporate functions listed in Appendix 1 of the Policy. In all cases, impacts had been considered and plans drawn up to reduce risk and mitigate any potential impacts during disruption. Where applicable internal and external interdependencies had been identified and noted within the BCP.

- 2.3 *Plans are communicated, accessible, regularly reviewed and tested to ensure that they are fit for purpose.*

This audit objective was partially achieved. The Policy states that BCPs should be exercised (tested) annually with a focus on key risks. Workshops were facilitated by the Resilience Team (RT) in June 2023, September 2023, November 2023, and May

2024 to assist with this. The workshops had been attended by key staff from across all Services apart from in June 2023 when Education and Learning, Housing and Property and Resources and Finance had not been represented. There was no documented evidence to demonstrate Service BCPs had been tested (see action plan H2).

Corporate Risk CR2 (Security and Resilience – Cyber Security) records a mitigating action (CR2.15) relating to scenario testing of BCPs with a target completion date of June 2023. The action had been marked as complete in the Performance and Risk Management System (PRMS) by 3 Services even though they did not have either a finalised or up to date BCP in place (see action plan M1).

The Policy states that BCPs should be reviewed and updated every 2 years or as and when key circumstances change. However, only 5 out of 8 Service BCPs had been reviewed or updated in the preceding 2-year period (see action plan H1). Corporate Risk CR2 (Security and Resilience – Cyber Security) records a mitigating action (CR2.14) relating to the review of BCPs with a target completion date of Q1 23/24. The action had been marked as complete in PRMS by all Services, but this was not reflected in the audit findings above (see action plan M1).

The Policy also stated that BCPs should be stored centrally on SharePoint and held in hard copy within Services, but this was not the case for all Services (see action plan H1).

A sample of designated employees named within Service BCPs were contacted to establish if they were aware of the plan and whether they had been briefed and trained in the key activities they had designated responsibility for. Out of the 6 employees contacted, all were aware of the plan and their responsibilities within it. However, 1 employee said that some contact telephone numbers noted in the BCP needed updated and 1 said they had moved post and therefore needed to be removed from the BCP (see action plan H1).

A list of emergency contacts (Emergency Communications Directory), including those noted as designated contacts within Service BCPs, is maintained by the RT and updated at least every 6 months and issued to Assistant Chief Executives and their Senior Management Team for appropriate safe keeping/distribution within Services.

2.4 *Business Continuity processes are used to identify areas where Services can take preventative action to improve the Council's resilience against disruptive events.*

This audit objective was not achieved. The current BCP process does not include the identification and review of potential operational weaknesses so that Services can take appropriate preventative action and improve resilience. Whilst it may happen naturally as part of the BCP process, the Policy doesn't give Services guidance on how they would/should evidence any changes to business-as-usual processes that have arisen through preparing/reviewing their BCP (see action plan H3).

3. Conclusion

3.1 It is essential that the Council has robust BCP arrangements in place for all critical activities and functions in order to minimise disruption from an unexpected event and reduce the time needed to recover from such an event. Recent events such as the COVID-19 pandemic and a number of high-profile cyber-attacks have demonstrated how critical these arrangements are and also the need for improved resilience.

The existing policy and guidance should facilitate the development of effective BCP arrangements for all critical Council functions, but it had not been applied consistently across all Services. The introduction of the new Service structure provides an opportunity for BCPs to be updated to reflect the new structure while at the same time ensuring that they are up to date and cover all Council Services.

4. Action Plan

| Ref | Priority | Finding | Recommendation | Management Response | Implementation | |
|-----|----------|---|---|---|---|-------------|
| | | | | | Responsible Officer | Target Date |
| H1 | High | <p>There were finalised BCPs in place for 5 out of 8 Services, 2 in draft and 1 had not been completed.</p> <p>1 designated employee who had been contacted said that some contact telephone numbers noted in the BCP needed updated and 1 said they had moved post and therefore needed to be removed from the BCP.</p> <p>BCPs should be stored centrally on SharePoint and also held in hard copy within Services, but this was not the case for all Services.</p> | <p>(i) A BCP should be put in place for each of the 3 new service clusters (People, Place, Corporate):</p> <ul style="list-style-type: none"> Where existing Service BCP information is used to form these plans, it should be checked and updated where necessary. Services should ensure that contact information is up to date and regularly reviewed. <p>(ii) Once finalised, all BCPs should be stored centrally on the Gold Group Emergencies HUB SharePoint site and also held in hard copy within Services.</p> | <p>(i) As part of the reorganisation, the Resilience Team now sit within Corporate and the Assistant Chief Executive - Corporate has determined that under the new structure responsibility for preparing and testing BCPs should sit with Chief Officers (Heads of Service in the interim). Accordingly, Chief Officers will ensure that a BCP plan is put in place for their area of service delivery.</p> <p>(ii) The Resilience Team will ensure that the revised BCPs are stored centrally on SharePoint. Chief Officers will ensure hard copies are held within Services.</p> | Chief Officers | 31/12/24 |
| | | | | | Communications and Resilience Manager/ Chief Officers | 31/01/25 |
| H2 | High | <p>The Policy states that BCPs should be exercised (tested) annually with a focus on key risks. There was no documented evidence to demonstrate Service BCPs had been tested.</p> | <p>All BCPs should be exercised (tested) annually with a focus on key risks and documented evidence held of completion.</p> | <p>See H1(i) above. Chief Officers will ensure that BCPs are exercised (tested) annually and documented evidence of completion will be retained.</p> | Chief Officers | 31/05/25 |

| Ref | Priority | Finding | Recommendation | Management Response | Implementation | |
|-----|----------|---|--|--|--|-------------|
| | | | | | Responsible Officer | Target Date |
| H3 | High | The current BCP process does not include the identification of potential operational weaknesses so that Services can take appropriate preventative action to improve resilience. | The Policy should be updated to provide guidance to Services on the need to identify and review potential operational weaknesses so that Services can take appropriate preventative action to improve resilience. The HC BCP – Service Plan Template should be updated so that this information can be recorded. | The Policy and BCP templates will be updated accordingly. | Communications and Resilience Manager | 31/10/24 |
| M1 | Medium | <p>Corporate Risk CR2 (Security and Resilience – Cyber Security) Mitigating action CR2.14 relating to the review of BCPs had been marked as complete in PRMS by all Services. However, BCPs for 3 Services (Education and Learning, Health and Social Care and Infrastructure, Environment and Economy) had not been reviewed or updated in the preceding 2-year period.</p> <p>Mitigating action CR2.15 relating to scenario testing of BCPs had been marked as complete in PRMS by 3 Services (Health and Social Care, Infrastructure, Environment and Economy and Property and Housing) even though they did not have either a finalised or up to date BCP in place.</p> | The relevant Performance Business Partners should review with these Services the evidence to demonstrate completion of mitigating actions CR2.14 and CR2.15. If necessary, these actions should then be opened until completion is verified. | Sample testing of completed actions in PRMS will be introduced to ensure there is evidence to support completion of actions. | Performance and Information Governance Manager | 31/03/25 |

| Ref | Priority | Finding | Recommendation | Management Response | Implementation | |
|-----|----------|---|--|---|---|-------------|
| | | | | | Responsible Officer | Target Date |
| L1 | Low | A member of staff with delegated responsibility for updating a Service BCP (Health and Social Care) had not been made aware of the Policy and did not have access to the SharePoint site on which it was saved. | <p>(i) Information relating to BCP, including the Policy, should be made more readily available to staff, perhaps on Staff Connections.</p> <p>(ii) Contact should be made with Services by the RT to check that all required officers have access to the Gold Group Emergencies HUB SharePoint Site and also how to inform them of any changes to access requirements e.g. new officers to be added or ones that should be removed. Going forward, access rights should be periodically reviewed.</p> | <p>(i) Chief Officers will put in place a communication plan which will ensure that the BCP policy and guidance provided by the Resilience Team is cascaded to relevant staff.</p> <p>(ii) Chief Officers will provide the Resilience Team with details of staff who require access to BCP information on the Gold Group Emergencies Hub and update permissions accordingly. Access rights will be periodically reviewed.</p> | Chief Officers | 30/11/24 |
| | | | | | Communications and Resilience Manager/ Chief Officers | 31/10/24 |

Internal Audit Final Report

Corporate

Procurement Arrangements and Governance

| Description | Priority | No. |
|---|----------|-----|
| Major issues that managers need to address as a matter of urgency. | High | 0 |
| Important issues that managers should address and will benefit the Organisation if implemented. | Medium | 3 |
| Minor issues that are not critical but managers should address. | Low | 5 |

Distribution:

Assistant Chief Executive - Corporate
Head of Corporate Finance, Corporate
Strategic Commercial Manager, Commercial and Procurement Shared Service (CPSS)

Audit Opinion

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Substantial Assurance** can be given in that while there is generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls at risk.

Report Ref: HRF40/005
Draft Date: 16/08/2024
Final Date: 11/09/2024

1. Introduction

- 1.1 Following consideration of a Business Case, in August 2016, the Council agreed to enter into a Procurement Shared Service (with Aberdeenshire and Aberdeen City Councils). The Commercial & Procurement Shared Service (CPSS) started to provide procurement leadership, expertise and support to the Council from January 2017.
- 1.2 The objective of the audit was to establish whether the CPSS was effective in terms of:
- Governance arrangements;
 - Scope of service provided; and
 - Costs, savings and other benefits.
- 1.3 The audit involved a review of the Strategic Procurement Board (SPB) to ensure that it effectively scrutinised the CPSS. It measured how the CPSS supported compliance with the Council's Contract Standing Orders (CSOs). The level of CPSS support was compared across partners and a sample of procurements were tested to ensure the CPSS provided the agreed level of support:

Table 1: Sample of Procurements: Spend 01/04/22 - 30/09/23.

| No. | Supplier Name | Value |
|-----|---------------------------------------|------------|
| 1 | Oilfast Ltd | £9,514,894 |
| 2 | Suez Recycling & Recovery UK Ltd | £6,173,620 |
| 3 | XMA Ltd | £4,834,467 |
| 4 | Kibble Education & Care Centre | £3,964,581 |
| 5 | Forthpoint Ltd | £3,622,095 |
| 6 | Locheil Logistics Ltd | £3,012,422 |
| 7 | Strath Civil Engineering Ltd | £2,714,101 |
| 8 | Gogar Services Ltd | £2,179,131 |
| 9 | Link Group Ltd | £2,000,000 |
| 10 | Culloden Ltd (Sneckie Taxi) | £1,902,151 |
| 11 | Donald Maciver T/A Maciver Properties | £1,717,056 |
| 12 | Viridor Dunbar Waste Services Ltd | £1,583,497 |
| 13 | Genesis Personnel Ltd | £1,460,709 |
| 14 | New Start Highland | £1,310,204 |
| 15 | Fairways (GM) Ltd | £1,185,322 |
| 16 | Daisy Corporate Services Trading Ltd | £1,145,781 |
| 17 | Highland Fuels Ltd | £1,085,054 |
| 18 | ILM Highland | £1,058,586 |
| 19 | Tripod Partners | £965,467 |
| 20 | Aarons Of Wick Ltd | £931,919 |

- 1.4 Relevant costs were identified to determine if the CPSS had (apart from the initial investment) had the same annual operational cost as the previous in-house arrangement. The process for identifying procurement savings was assessed to determine if the agreed targets were achieved. Evidence to support the realisation of other benefits was obtained. The audit did not assess the effectiveness of procurement support that was provided to other CPSS partners.

2. Main Findings

2.1 Governance arrangements

The audit objective was substantially achieved. The terms of reference (ToR) for the Procurement Approvals Group (PAG) states that it will be chaired by the Head of Corporate Finance and it must have at least 2 members to be quorate. CPSS responsibilities extend to procurement, legal, facilitation and management issues. Finance provides support on issues relating to the budget. The Chair stated that any governance concerns would be escalated to the Corporate Management Team but the ToR does not state if this would be reported directly or via another governance group. (see Action Plan Ref: L1)

Section 4.1.2 of the Council's Contract Standing Orders (CSOs) requires that for "Contract Value above £50,000 (supplies/services) £2,000,000 (works), or £4.5m (concessions) Contracts shall be listed on the annual procurement workplan to be submitted by the relevant Executive Chief Officer." It was identified that the completion, reporting and review of procurement plans was not being used by the PAG to control and manage procurement activity. (see Action Plan Ref: L2)

The terms of reference for the PAG requires that it review, scrutinise and approve expenditure where any contract funded by a revenue budget has an estimated value of above £50k (supplies and services) and £4.5m (concessions). 2 (10%) of procurements were not approved by the PAG or equivalent (sample 3 and 17). These were both supported by Framework Adoption Reports, which were approved by the CPSS Strategic Commercial Manager (and the Finance Manager where spend approval required); and 3 (15%) of procurements no evidence of PAG or equivalent approval was provided (sample 10, 11, and 20). (see Action Plan Ref: M1)

2 (10%) procurements were led by the Council's Transport Unit – CPSS should have more oversight of these procurements (at least PAG approval) (sample 10 and 20); and 1 (5%) there was a technical non-compliance with CSOs (sample 17) where due to price fluctuations within the fuel market the framework adoption report should have stated that any of the 4 framework suppliers with the best price at the time of purchase would be utilised. (see Action Plan Ref: M2)

2.2 *Scope of service provided*

The audit objective was substantially achieved. The CPSS Collaboration Agreement, which outlines the terms of the CPSS and the role of each participating local authority had not been signed by the Council. The failure to sign the agreement could weaken the Council's position if changes to the CPSS are sought. (see Action Plan Ref: L3)

The Roles and Responsibilities document states that the level of CPSS support will be dependent on the experience of the delegated procurer (DPA level) and the risk associated with the procurement: Testing identified: 1 (5%) CPSS led but there may have been sufficient in-house DPA experience (sample 11); and 2 (10%) were led by the Transport Unit when there was no evidence of DPA training. (sample 10 and 20). (see action Plan Ref: L4)

The SPB does not review and agree the CPSS "Joint Activity Costs" and no financial information on planned costs was provided to the Council's Chief Financial Officer (CFO) at the start of the financial year. CPSS invoices average at around £179k per quarter. Any minor variations were paid following discussion between the Council's CFO and CPSS officers. However, there was no process in place for discussing and agreeing major variations to the CPSS service. (see action Plan Ref: M3)

2.3 *Costs, savings and other benefits*

The audit objective was substantially achieved. There was evidence to indicate that a high-level review of the CPSS was undertaken in 2020/21 and a follow-on transformation project was proposed for completion in 2022. However, it will be important to ensure that the shared service continues to deliver best value for the Council. (see action Plan Ref: L5)

3. **Conclusion**

- 3.1 The delivery of the Commercial & Procurement Shared Service (CPSS) was substantially effective. The implementation of the audit recommendations in the attached action plan should further enhance the governance of the procurement service.

4. Action Plan

| Ref | Priority | Finding | Recommendation | Management Response | Implementation | |
|-----|----------|--|--|--|--|-------------|
| | | | | | Responsible Officer | Target Date |
| M1 | Medium | The terms of reference for the PAG require that it review, scrutinise and approve expenditure where any contract funded by a revenue budget has an estimated value of above £50k (supplies and services) and £4.5m concessions). 2 (10%) of procurements were not approved by the PAG or equivalent (sample 3 and 17). These were both supported by Framework Adoption Reports, which are approved by the CPSS Strategic Commercial Manager (and the Finance Manager where spend approval required); and 3 (15%) of procurements no evidence of PAG or equivalent approval was provided (sample 10, 11, and 20). | Management should ensure that the recommended option for procuring all goods and services valued over £50k (including framework adoption reports) are approved by PAG and evidence retained. | A communication will be issued to all Services (ACEs and Chief Officers/Heads of Service, Delegated Procurers and the Accounting Team, to remind of the requirements of the Contract Standing Orders and role of the PAG in relevant procurements. | Head of Corporate Finance / Strategic Commercial Manager, Commercial and Procurement Shared Service (CPSS) | 31/10/2024 |
| M2 | Medium | The terms of reference for the PAG require that it review, scrutinise and approve expenditure where any contract funded by a revenue budget has an estimated value of above £50k (supplies and services) and £4.5m (concessions). 2 (10%) procurements were led by the Council's Transport Unit – CPSS should have more oversight of these procurements (at least PAG approval) (sample 10 and 20); and | Management should instruct procuring officers that the use of suppliers not listed in framework adoption reports should be subject to PAG approval. | A communication will be issued to Transport senior management to instruct and confirm the need for PAG consideration of contracts above the £50k threshold. Added to the communication in M1 above will be instruction regarding the role of PAG in supplier approval outwith frameworks. | Head of Corporate Finance / Strategic Commercial Manager, Commercial and Procurement Shared Service (CPSS) | 31/10/2024 |

| Ref | Priority | Finding | Recommendation | Management Response | Implementation | |
|-----|----------|---|--|--|--|-------------|
| | | | | | Responsible Officer | Target Date |
| | | 1 (5%) there was a technical non-compliance with Contract Standing Orders (CSOs) (sample 17). It was not compliant with CSOs because the Council's Contract Adoption Report recommended that a different, single supplier should be used. Given the price fluctuations within the fuel market it should have stated that any of the 4 framework suppliers with the best price at the time of purchase would be utilised, which was the approach followed. It should be noted that the approval for this particular framework pre-dates the PAG group. | | | | |
| M3 | Medium | The Strategic Procurement Board does not review and agree the CPSS "Joint Activity Costs" and no financial information on planned costs was provided to the Council's CFO at the start of the financial year. CPSS invoices average at around £179k per quarter. Any minor variations are paid following discussion between the Council's CFO and CPSS officers. However, there was no process in place for discussing and agreeing major variations to the CPSS service. | Management should ensure that major variations to CPSS services (for example, the transfer of HSC commissioning support to CPSS from 1 April 2024) are subject to a formal costed change control process, which is agreed before the submission of invoices. | The CPSS team, and Chair of the Strategic Procurement Board, will be requested to put in place arrangements for Board consideration and approval of a financial plan for the CPSS team, communication of planned costs to each Council within the partnership, and a process of change control for variations to the services provided/share of joint costs allocated. | Head of Corporate Finance / Strategic Commercial Manager, Commercial and Procurement Shared Service (CPSS) | 31/12/2024 |
| L1 | Low | The terms of reference for the Procurement Approvals Group (version 3 dated January 2024) states that the PAG will be | Management should revise the terms of reference for the Procurement Approval Group (PAG) and consider: | Terms of Reference of the Group will be reviewed and updated. | Head of Corporate Finance / Strategic Commercial Manager, | 31/12/2024 |

| Ref | Priority | Finding | Recommendation | Management Response | Implementation | |
|-----|----------|--|--|---|--|-------------|
| | | | | | Responsible Officer | Target Date |
| | | <p>chaired by the Head of Corporate Finance with its membership including: Head of Revenues & Customer Services, Service Finance Manager, Head of ICT & Digital Transformation and 4 CPSS officers. The Group must have at least 2 members to be quorate. CPSS responsibilities extend to procurement issues, legal issues and facilitation and management. Finance representatives provide support on issues relating to the budget. The Chair stated that any governance concerns would be escalated to the Corporate Management Team but the ToR does not state if this would be reported directly or via another governance group.</p> | <ul style="list-style-type: none"> • Membership; • Chair; • Responsibilities; • Reporting Lines; and • Quorum | | Commercial and Procurement Shared Service (CPSS) | |
| L2 | Low | <p>Section 4.1.2 of the Council's CSOs requires that for "Contract Value above £50,000 (supplies/services) £2,000,000 (works), or £4.5m (concessions) Contracts with an estimated Contract Value of above these thresholds shall be listed on the annual procurement workplan to be submitted by the relevant Executive Chief Officer...". It was identified that the completion, reporting and review of procurement plans was not being used by the PAG to control and manage procurements.</p> | <p>Management should determine what information is required to drive future procurement activity and where necessary revise Contract Standing Orders to reflect that annual procurement work plans are not required but specify the alternative arrangements that will be used in their place.</p> | <p>The Contract Standing Orders will be revised to remove the requirement to submit annual work plans, in practice business cases are submitted via the Procurement Approval Group in sufficient time to ensure renewal of contract can be concluded prior to end date of existing contracts (whilst also providing sufficient time in relation to procurement of a new contract). Submission of business cases to the Procurement Approval Group ensures an even balance of business throughout the year. The Procurement Approval Group with support from the</p> | Head of Corporate Finance / Strategic Commercial Manager, Commercial and Procurement Shared Service (CPSS) | 31/03/2025 |

| Ref | Priority | Finding | Recommendation | Management Response | Implementation | |
|-----|----------|---|---|--|--|-------------|
| | | | | | Responsible Officer | Target Date |
| | | | | Commercial and Procurement Shared Service will look at arrangements for flagging of contracts for renewal at the appropriate time. | | |
| L3 | Low | The CPSS Collaboration Agreement, which outlines the terms of the CPSS and the role of each participating local authority had not been signed by the Council. The failure to sign the agreement could weaken the Council's position if changes to the CPSS are sought. | Management should review and sign the Collaboration Agreement to demonstrate its commitment to the CPSS and to protect the interests of the Council. | The collaboration agreement will be reviewed and signed. | Head of Corporate Finance | Completed |
| L4 | Low | The Roles and Responsibilities document states that the level of CPSS support will be dependent on the experience of the delegated procurer (DPA level) and the risk associated with the procurement: For the test sample: <ul style="list-style-type: none"> • 1 (5%) CPSS led but there may have been sufficient in-house DPA (sample 11; and • 2 (10%) Led by in-house staff (Transport Unit) but no evidence of DPA training and DPA approval (sample 10 and 20). | Management should record on the Procurement Approval Form (PAF) the level of procurement support that is required and will be provided in accordance with the Roles and Responsibilities document. Officers that fail to maintain their procurement training to have their delegated procurer approval (DPA) removed. | The Procurement Approval Form will be updated to include level of support required for each Procurement in accordance with the Roles & Responsibilities document, the link to the revised template will be included in a communication to be issued to all Services (ACEs and Chief Officers/Heads of Service, Delegated Procurers and the Accounting Team, to remind of the requirements of the Contract Standing Orders and role of the PAG in relevant procurements. The DPA Process will be reviewed to ensure that officers who do not maintain their procurement training will be removed from the register and an e-mail generated to confirm removal. Reminders will be issued to | Head of Corporate Finance / Strategic Commercial Manager, Commercial and Procurement Shared Service (CPSS) | 31/12/2024 |

| Ref | Priority | Finding | Recommendation | Management Response | Implementation | |
|-----|----------|---|--|---|---------------------------|-------------|
| | | | | | Responsible Officer | Target Date |
| | | | | officers (maximum of 3) on procurement training requirement prior to removal. | | |
| L5 | Low | There was evidence to indicate that a high-level review of the CPSS was undertaken in 2020/21 and a follow-on transformation project was proposed for completion in 2022. However, it is good practice to periodically review such arrangements to ensure that the shared service option continues to deliver best value for the Council. | Management should consider what steps may be appropriate to ensure the shared service continues to deliver best value. | Linked to M3 and action related to costs of the CPSS, and consideration alongside the regular monitoring of Delivery Plan Procurement Saving progress and delivery, management will monitor value for money of the shared service arrangements. | Head of Corporate Finance | 31/03/2025 |

Internal Audit Final Report

Place

Review of Roads Maintenance

| Description | Priority | No. |
|---|----------|-----|
| Major issues that managers need to address as a matter of urgency. | High | 4 |
| Important issues that managers should address and will benefit the Organisation if implemented. | Medium | 6 |
| Minor issues that are not critical but managers should address. | Low | 2 |

Distribution:

Assistant Chief Executive - Place
Head of Roads and Infrastructure, Place
Head of Community Operations & Logistics, Place

Audit Opinion

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Limited Assurance** can be given in that weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

Report Ref: HIE04/002
Draft Date: 17/07/2024
Final Date: 12/09/2024

1. Introduction

- 1.1 The objective of this audit review was to ensure that the arrangements for the area management of roads maintenance is effective in terms of the management of employees; control of raw materials; and control of plant, vehicles and equipment.
- 1.2 The Council's Roads Maintenance budget for 2023/24 amounted to £46.3m (£25.8m revenue and £20.5m capital). Road maintenance was delivered across 8 roads areas, which includes a roads budget capital allocation of £1.8m (8%) for the Caithness area and £1.3m (6%) for the Ross and Cromarty area.
- 1.3 The audit review considered the roads activities delivered from the Wick Airport Industrial Estate depot in the Caithness area and the Greenhill depot in the Ross and Cromarty area.
- 1.4 A previous audit report: Community Services Establishments – Control Weaknesses (Reference HCC01/001) was issued on 11/02/20. We provided a "limited assurance" opinion and concluded there were "a number of areas where controls have been weak which has resulted in unnecessary expenditure both for materials and overtime payments, missing stock, and misuse of materials, plant and equipment." The agreed actions were reported as complete in June 2021.

2. Main Findings

The findings have demonstrated that the existing approaches to the management of employees, the control of plant, vehicles & equipment and particularly the control of raw materials does vary between the two roads teams. A reliable, consistent and robust approach is required across all roads teams to increase transparency and ensure that Council resources and assets are effectively controlled and safeguarded. (see Action Plan ref: H1)

2.1 *Management of employees*

This audit objective was partially achieved. A "toolbox talk" on employee responsibility, which covered employee code of conduct issues was provided in October 2020 (Wick) and in April 2023 (Greenhill) attended by all staff. The talk iterated that employees should not take outside employment if this could create a conflict of interest or adversely affect their Council work. (see Action Plan ref: L1)

Following the previous review (Ref: HCC01/00) management stated that a copy of the code of conduct would be displayed on the staff noticeboard at the Caithness depots. It was identified that the Code was displayed on the staff noticeboard at Greenhill depot but not at the Wick depot. (see Action Plan ref: L1)

Alongside supervisory activities there was no evidence to demonstrate that management were periodically reviewing vehicle usage records to inform review of staff utilisation. Audit testing involved the comparison of times recorded on staff worksheets with records of vehicle movements on Masternaut, which identified: 8 (80%) at the Wick depot where differences could not be satisfactorily explained. (see Action Plan ref: M1)

The Council's Overtime Policy, Section 2.2.3 states "Where overtime is unavoidable for operational purposes this should only be approved by a Service Director or other delegated Manager/Supervisor with this authority, after all other alternative working practices have been considered. All overtime must be approved prior to it being worked". Testing of claims identified that the main reasons for incurring overtime were: capital works (58%); winter maintenance (28%) and emergency call outs (8%). None of these claims were supported by evidenced pre-approval. (see Action Plan ref: H2)

2.2 *Control of raw materials*

This audit objective was partially achieved. All costs for capital schemes in the Caithness area were charged to 2 capital codes (£2,856k in 2023/24) and there was no evidence to demonstrate that the actual costs incurred (including materials) were subject to review and assessment. In contrast the Ross and Cromarty area had a system in place where costs are charged to individual job codes for each of the schemes in the Area Roads Capital Programme. This approach provided greater transparency and control over the capital works and allows actual costs to be identified and compared to estimates. (see Action Plan ref: M2)

For each roads area, the Roads Engineer estimated the amount of materials that were required to undertake each scheme in the Area Roads Capital Programme. This tonnage was calculated using road length, road width and expected surface depth. Additional materials may be purchased for "regulating" purposes

where greater infilling depth was required for the road surface. It was not possible to determine if the amount of “regulating” materials was reasonable. (see Action Plan ref: M3)

A sample of materials purchase orders were traced to schemes in the Area Roads Capital Programme. For the Caithness purchases, 13 (20%) were for schemes not listed in the Programme. 10 were from 2022/23 when the expectation was that variations to the programme would be agreed at Area/Ward Business Meetings (ABM/WBM). A review of the ABM/WBM records did not provide any records of the schemes being agreed. 3 were from 2023/24 when meetings were held with Members and Officers only and were included in an Area Roads Capital Programme Update report presented to the Caithness Committee in January 2024. For the Ross and Cromarty purchases, all (100%) were for schemes in the Programme. (see Action Plan ref: H3)

The invoices paid against each purchase order were obtained and a sample of delivery tickets were checked to confirm that deliveries were to scheme locations in the Area Roads Capital Programme. For Caithness: 7 (28%) there was insufficient information on the delivery note to identify the delivery location or the delivery note was not available; 5 (20%) were delivered to a location in the proximity of a scheme address detailed on a different purchase order; and 4 (16%) the delivery location was not in proximity to any scheme. For Ross and Cromarty: the delivery records which were sample tested showed that all materials were delivered to scheme locations except for 1 (6%) case where no delivery ticket was provided. (see Action Plan ref: H4)

Across both areas, there was no stores system to control the receipt, issue and return of raw materials. However, (except for salt) limited stocks were held at each depot with most materials being delivered directly to site. Depot visits identified that both had appropriate security arrangements to prevent unauthorised access and the consequential loss of materials or equipment.

2.3 *Control of plant, vehicles and equipment*

This audit objective was partially achieved. There was no single inventory record for the Wick depot to show all the assets (plant

equipment and equipment) held. Whilst there was a local inventory record at the Greenhill depot showing all vehicles, plant and small equipment under its control it did not fully comply with Financial Regulation 19 because it did not show for each asset the date purchased, supplier/owner, value or inventory number. (see Action Plan ref: M4)

During the Greenhill depot site visit all (100%) assets selected from the local inventory record were physically verified and all were recorded on the inventory record. During the Wick depot visit 4 (40%) items (selected from TranMan – the Council’s fleet management system) were found at other depots and for the items physically located at the depot: 2 (20%) were recorded on the small plant maintenance servicing record only; and 2 (20%) were recorded on TranMan as belonging to a different roads area. Additionally, 1 small plant item at Greenhill and 2 small plant items at Wick were not securely marked. (see Action Plan ref: M4)

Both areas use the standard employee worksheets, which include a section for operatives to record the times that fleet and hired plant/vehicles have been used to support work activities. There was no evidence to indicate that this information is reported and that management review the hours to confirm that both fleet and hired items are being fully utilised. (see Action Plan ref: M5)

A review of vehicle utilisation identified three vehicles, which were extensively used by each of the Roads Area Manager, the Roads Officer and the Roads Foreman in the Caithness area. These vehicles were not secured at the depot but taken home each evening and weekend. (see Action Plan ref: M6)

Two Greenhill vehicles (hired pavement tractors) were stored at the Tullos Street depot in Dingwall, which was unoccupied, insecure and not well controlled. (see Action Plan ref: L2)

3. Conclusion

3.1 Since the previous audit in 2020, management have taken steps to improve the overall control environment. There have been physical control improvements through the relocation to a new Roads only depot at the Wick Airport industrial estate, that provides more secure storage facilities. Additionally there have been improvements in the management structure, which provides for a foreman and an assistant foreman at both Caithness depots

and better operational support. However, the arrangements for the management of roads maintenance could be further improved. A reliable and robust management approach is required across all roads teams to increase transparency and to ensure that the Council's resources and assets are effectively controlled and safeguarded. The implementation of the recommendations in section 4 should provide management with a sound basis to drive a consistently well-controlled approach to roads maintenance across all roads areas.

4. Action Plan

| Ref | Priority | Finding | Recommendation | Management Response | Implementation | |
|-----|----------|--|--|--|--------------------------------|-------------|
| | | | | | Responsible Officer | Target Date |
| H1 | High | The above findings have demonstrated that the existing approaches to the management of employees, the control of plant, vehicles & equipment and particularly the control of raw materials does vary between area roads teams. A reliable, consistent and robust approach is now required across all roads teams to ensure transparency and that Council resources are effectively controlled and Council assets are safeguarded. | Management must prepare, approve and distribute a suite of policies, procedures and guidance that will allow all roads teams to manage and control their activities in a transparent and consistently controlled manner. | We recognise a re-structure is required to enable greater consistency across the teams, and to facilitate more collaborative working and sharing of resources to deliver greater efficiencies. When the re-structure is complete the agreed approach to the management and control of roads activities will be documented and rolled out to all teams. | Head of Roads & Infrastructure | 30/06/2025 |
| H2 | High | The Council's Overtime Policy requires 'All overtime must be approved prior to it being worked.' However, this has not been complied with and so assurance cannot be provided that all overtime paid was assessed as necessary prior to being worked. <u>Wick</u> : 20 monthly overtime payments were selected that totalled 1,365.25 hours and £27,089.85. There were 92 separate reasons for the overtime being incurred – Capital: 2 codes only (68); Winter Maintenance (16); and Emergency (8). None of these claims were supported by evidenced pre-approval. <u>Greenhill</u> : 20 monthly overtime payments were selected that | In accordance with the Council's Overtime Policy, management must ensure that capital overtime is approved prior to the time being worked and maintain records that evidence their pre-approval of overtime. | Ross and Cromarty area have a fortnightly Roads Officer meeting at which the requirement for overtime is discussed and recorded. This approach will be adopted across all road's teams. | Roads Operations Managers | 31/10/2024 |

| Ref | Priority | Finding | Recommendation | Management Response | Implementation | |
|-----|----------|---|---|---|--------------------------------|-------------|
| | | | | | Responsible Officer | Target Date |
| | | totalled 1,397.5 hours and £28,847.05. There were 117 separate reasons for the overtime being incurred – Capital: 20+ codes (54), Winter Maintenance (42), Emergency (8), and Other (13). None of these claims were supported by evidenced pre-approval. | | | | |
| H3 | High | <p>Committee pre-approval of schemes in the Capital Programme provides assurance that capital allocations have been used only for roads that have been prioritised for network improvement.</p> <p><u>Wick:</u> A sample of 10 purchase orders (totalling 20,420 tonnes/£2.5m) and the associated paid invoices (totalling £2.2m) were traced to 66 capital schemes. It should be noted that these purchases included 13 (20%) schemes not included in the Roads Capital Programme approved by the Area Committee. 10 were from 2022/23 when the expectation was that variations to the approval programme would be agreed with members at area/ward business meetings (ABM/WBM). A review of the ABM/WBM records identified that none of the schemes had been agreed with ward members. 3 were from 2023/24 when separate un-minuted meetings were held with Members and</p> | For 2024/25 and future years management should ensure that the Area Committee approves any changes to the annual Capital Programme. | It is recognised that out of operational necessity, weather related impacts or other emerging conditions, there may need to be some variation / amendment to the approved programme. Such amendments are notified/ agreed by discussion with Local members, there should be an appropriate record of this and they should be included in the Annual Area Roads Capital Programme Update report that is presented to the Area Committee. A management instruction will be issued to the Roads Operations Manager to remind them of this requirement. | Head of Roads & Infrastructure | 31/10/2024 |

| Ref | Priority | Finding | Recommendation | Management Response | Implementation | |
|-----|----------|---|--|---|---------------------------|-------------|
| | | | | | Responsible Officer | Target Date |
| | | <p>Roads officers and an Annual Area Roads Capital Programme Update report was presented to the Caithness Committee in January 2024. This Update report showed that 2 schemes were listed as complete and the remaining 1 was listed but had no status recorded.</p> <p>Greenhill: A sample of 20 purchase orders (totalling 6,195 tonnes/£695k) and the associated paid invoices (totalling £629k) were traced to schemes in the Roads Capital Programme approved by the Area Committee.</p> | | | | |
| H4 | High | <p>The receipt and review of delivery tickets provides assurance that goods, materials and services have been received and are in accordance with the purchase order.</p> <p><u>Wick</u>: A sample of 25 delivery tickets from the associated paid invoices confirmed that 9 (36%) were delivered to locations in proximity to the capital scheme address; 7 (28%) there was insufficient information or the delivery notes were not available to identify the delivery location; 5 (20%) were delivered to a location in proximity to a capital scheme address on another purchase order; and 4 (16%) the location of the delivery was not in proximity to any capital scheme address.</p> | <p>Management must ensure that an effective management trail is maintained where all records (including purchase orders, supplier invoices and delivery tickets) can be identified as belonging to an approved capital scheme.</p> | <p>Roads Officers will ensure that delivery tickets are signed and dated as being received, with a legible name. Where such materials are for a dedicated project, this will be clearly identified.</p> | Roads Operations Managers | 30/04/2025 |

| Ref | Priority | Finding | Recommendation | Management Response | Implementation | |
|-----|----------|--|--|--|--|---|
| | | | | | Responsible Officer | Target Date |
| | | <u>Greenhill:</u> A sample of 18 delivery tickets was selected from the associated paid invoices and it was confirmed that 14 were delivered to the site of the capital scheme. Whilst ticket details gave confidence that 3 were delivered to the correct site the absence of Masternaut vehicle tracking for new/disposed vehicles meant that this could not be 100% confirmed. 1 (10%) was not provided. | | | | |
| M1 | Medium | <p>Measuring the utilisation of the Council's human resources demonstrates that employees are being effectively used on Council business.</p> <p><u>Wick:</u> The Roads Operation Manager (ROM) stated staff utilisation is measured through: (i) Improved Supervision; (ii) Vision driver cards; and (iii) Review of Masternaut vehicle tracking history. There was no evidence to demonstrate that Vision and Masternaut had been reviewed by Management. Audit testing identified: 1 (10%) where the time claimed agreed to within 1 hour of the vehicle tracking; 5 (50%) times recorded on worksheets could not be supported by Masternaut because tracking readers/individual driver fobs were not in operation; 3 (30%) showed a +2hour difference;</p> | <p>Management should ensure that tracking readers/ individual driver fobs are in use for all staff operating vehicles.</p> <p>Management should periodically review vehicle usage records to inform review of staff utilisation.</p> | <p>Roads Operations Managers will be instructed to ensure that all drivers have key fobs and that Toolbox Talks are repeated as needed.</p> <p>Roads Officers/Foremen/ Assistant Foremen will be instructed to scrutinise times claimed by workers (following comparison to vehicle usage and other records) to ensure that their productive activity is maximised.</p> <p>The Fleet Compliance Officer will deliver refresher training on Vison and Masternaut, where required.</p> | <p>Head of Roads & infrastructure</p> <p>Roads Operations Managers</p> <p>Service Lead - Transport & Logistics</p> | <p>31/10/2024</p> <p>31/10/2024</p> <p>31/10/2024</p> |

| Ref | Priority | Finding | Recommendation | Management Response | Implementation | |
|-----|----------|--|--|---|--|-------------|
| | | | | | Responsible Officer | Target Date |
| | | and 1 (10%) included home to work time. <u>Greenhill</u> : The ROM stated staff utilisation is measured through: (i) Weekly work programming; and (ii) review of Masternaut vehicle tracking history. There was no evidence to demonstrate that Masternaut had been reviewed by Management. Audit testing identified: 4(40%) where the time claimed agreed to within 1 hour of the vehicle tracking; 4 (40%) where trackers not fitted or tracking information no longer available (vehicle disposal); and 2 (20%) where appropriate explanations were provided for +1hour differences. | | | | |
| M2 | Medium | Recording of expenditure on individual capital projects (job costing) provides greater transparency and control over the capital works and allows actual costs to be identified and compared to estimates. <u>Wick</u> : All labour and raw materials for capital schemes were charged to 2 capital codes (YCHCS2152, YCHCS2139) with £782k and £7,274k respectively charged in 2023/24, which is not a transparent or effective approach to the control of raw materials. There was no evidence to demonstrate that the costs and materials used on | Management should use specific job costing to record and monitor staff time, raw materials and vehicle use on each individual scheme that has been approved in the Area Roads Capital Programme. | This is accepted, and it is proposed that the system in place at Greenhill will be replicated across all Roads Areas. | Head of Roads & Infrastructure/ Roads Operations Managers | 30/04/2025 |

| Ref | Priority | Finding | Recommendation | Management Response | Implementation | |
|-----|----------|---|--|---|--------------------------------|-------------|
| | | | | | Responsible Officer | Target Date |
| | | <p>each capital scheme was subject to review and assessment.</p> <p><u>Greenhill</u>: There was a system in place where costs (labour and materials but not plant/vehicles) are charged to individual schemes from the capital programme. This provides transparency and control over the capital works and allows most costs to be identified and compared to estimates. Audit testing demonstrated that actual costs for 6 (60%) of schemes were within 20% of estimate and 4 (40%) being more than 20% different. Satisfactory explanations were obtained but due to resource issues there was no evidence i.e. post inspection and/or reworking of the estimate to confirm that the actual spend was fully justifiable.</p> | | | | |
| M3 | Medium | <p>Roads engineers will estimate the amount of materials that are required to undertake each of the schemes in the Area Roads Capital Programme. This tonnage is calculated using road length, road width and expected surface depth. Additional materials are sometimes purchased by the Roads Officers for "regulating" purposes to provide greater depth to the road surface. It was difficult to confirm beyond doubt that all materials purchased have been used on each scheme.</p> | <p>Management should introduce on the job inspections and / or post-inspections of capital schemes by officers not involved in their management (even on a random sample basis) to confirm that the quantities used are justifiable.</p> | <p>Management will assess the resource and technical implications of this recommendation before introducing the most effective post-inspection programme.</p> | Head of Roads & Infrastructure | 31/03/2025 |

| Ref | Priority | Finding | Recommendation | Management Response | Implementation | |
|-----|----------|--|---|---|--------------------------------|-------------|
| | | | | | Responsible Officer | Target Date |
| M4 | Medium | <p>The Council's Financial Regulations (Section 19 and Appendices 16 – 18) outlines the responsibilities of senior officers to maintain a perpetual and continuous inventory for all assets under their control.</p> <p><u>Wick:</u> There is no single inventory record to show assets held. There was a Foreman's Plant Sheet and a Small Plant Maintenance and Servicing record but these did not comply with Financial Regulation 19: Inventories and Stores because they did not show all asset information – date purchased, supplier/owner, value or inventory number. For the 10 vehicle and plant items (selected from TranMan) identified as belonging to the depot:</p> <ul style="list-style-type: none"> • 4 (40%) were located elsewhere <p>For the 10 items physically located at the depot:</p> <ul style="list-style-type: none"> • 2 (20%) were recorded on the small plant maintenance and servicing record but were not securely marked; and • 2 (20%) were recorded on TranMan but as belonging to a different roads area. <p><u>Greenhill:</u> The Greenhill Roads Team maintains a single local inventory record (Greenhill Plant Master), which shows all vehicles, plant and small</p> | <p>In accordance with Financial Regulation 19 management should maintain an inventory record showing the assets (vehicles, plant, equipment and other related items) under their control and ensure that annual checks, by independent officers are undertaken to confirm that items exist and are securely marked.</p> | <p>Managers to obtain the approval from Fleet Managers ahead of moving any vehicle and/or trailers to a different base.</p> <p>There is currently not an inventory in place for smaller tools and equipment and this will be reviewed.</p> <p>The recommendation for inspection of inventories will be taken forward as part of the roads redesign project.</p> | Roads Operations Managers | 30/04/2025 |
| | | | | | Head of Roads & infrastructure | 30/04/2025 |
| | | | | | Head of Roads & infrastructure | 30/06/2025 |

| Ref | Priority | Finding | Recommendation | Management Response | Implementation | |
|-----|----------|--|--|--|---------------------------|-------------|
| | | | | | Responsible Officer | Target Date |
| | | <p>equipment under its control. It did not comply with Financial Regulation 19: Inventories and Stores because it did not show all asset information – date purchased, supplier/owner, value or inventory number.</p> <p>All 10 items selected from the local inventory record were physically verified at the recorded location which showed that 1 (10%) was not securely marked.</p> <p>All items physically located at the depot were found to be recorded on the local inventory record (Greenhill Plant Master) and were securely marked.</p> | | | | |
| M5 | Medium | <p>Measuring the utilisation of Council vehicles and plant demonstrates that assets are being effectively used on Council business.</p> <p><u>Wick & Greenhill</u>: The employee worksheets/claim forms include a section for operatives to record the times that fleet and hired plant/vehicles have been used to support work activities. Additionally, there was evidence to demonstrate that plant returns were completed and provided to Business Support on a weekly basis. There was no evidence to indicate that this information is reported via job costing (see above) and that management review the hours</p> | <p>Management should use the existing job costing, Masternaut and/or other systems to identify, investigate and review all vehicles and plant that are not being fully utilised.</p> <p>This should better inform decision making on whether existing owned/hired vehicle and plant is relocated to meet a business need, returned or disposed of.</p> | <p>The Ross and Cromarty area has a weekly specialist plant meeting, and this will be replicated across the other areas.</p> | Roads Operations Managers | 31/03/2025 |

| Ref | Priority | Finding | Recommendation | Management Response | Implementation | |
|-----|----------|---|--|--|--------------------------------|-------------|
| | | | | | Responsible Officer | Target Date |
| | | to confirm that both fleet and hired items are being fully utilised. | | | | |
| M6 | Medium | <p>The Council's Policy on the Private Use of Vans provides guidance on the acceptable and unacceptable private use of Council vans to comply with tax rules, ensure appropriate insurance cover and set a level of conduct acceptable for Council staff.</p> <p><u>Wick</u>: The review identified three vehicles, which were extensively used by each of the Roads Area Manager, the Roads Officer and the Roads Foreman and that these vehicles were not secured at the depot but taken home each evening and each weekend.</p> <p><u>Greenhill</u>: There was evidence to demonstrate that the potential use of vehicles/plant is discussed at the Areas Roads Officer meetings. There was no evidence to suggest that vehicles were extensively used by the Roads Area Manager and the Roads Officer nor did they take vehicles home. There was evidence to demonstrate that the Roads Foreman extensively used a specific vehicle, which was regularly taken home each evening and weekend.</p> | Management should ensure that all vehicle use is compliant with the Council's policy on the Private Use of Council Vans. | Head of Service to review, along with Roads Management staff, to determine when a vehicle should be taken home for operational purposes. | Head of Roads & Infrastructure | 31/03/2025 |
| L1 | Low | A "toolbox talk" on employee responsibility, which covered employee code of conduct issues | Management should regularly remind (minimum annually) all employees of their responsibility | A reminder will be issued to all Roads Operations Managers regarding this requirement. | Head of Roads & Infrastructure | 31/10/2024 |

| Ref | Priority | Finding | Recommendation | Management Response | Implementation | |
|-----|----------|---|--|--|---|------------------------------|
| | | | | | Responsible Officer | Target Date |
| | | was provided in October 2020 (Wick) and in April 2023 (Greenhill) attended by all staff. The talk iterated that employees should not take outside employment without permission. Following the previous review (Ref: HCC01/001) management stated that a copy of the code of conduct would be displayed on staff noticeboards. During the site visits it was identified that a copy of the Code was displayed on the staff noticeboard at Greenhill depot but not at the Airport Industrial Estate depot. | to declare any conflicts of interests and ensure that a copy of the Code of Conduct is prominently displayed in staff areas. | | | |
| L2 | Low | The Council's Financial Regulations (Section 29) outlines the responsibilities for the proper security at all times of property, cash, stock, stores, furniture, equipment, keys etc. <u>Greenhill</u> : It should be noted that two vehicles (hired pavement tractors for winter maintenance which was still ongoing at the time) were stored at the Tullos Street depot in Dingwall. At the time of visit (4pm on a weekday afternoon) this site was unoccupied, insecure and not well controlled. | Management should review the security and storage arrangements to ensure that the risk of loss is effectively mitigated. | Roads Operations Managers will be instructed to review security arrangements and replace padlocks, etc where necessary (with combination ones if needed). Staff to be reminded to lock gates, doors, etc and check if they are the last to leave. | Head of Roads & Infrastructure Roads Operations Managers | 31/10/2024 31/10/2024 |