

Final Internal Audit Report

Bridges and Infrastructure

September 2017

Distribution:

- Executive Director Place (Final only)
- Director of Streets
- Network Maintenance Manager
- Senior Engineer – Network Maintenance

Assurance Level	Recommendations Made	
Substantial Assurance	Priority 1	0
	Priority 2	2
	Priority 3	1

Status of Our Reports

This report ("Report") was prepared by Mazars Public Sector Internal Audit Ltd at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of London Borough of Croydon and to the fullest extent permitted by law Mazars Public Sector Internal Audit Ltd. accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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1. Introduction

- 1.1 The Council's Highway Asset Management Plan states that 'The Council is responsible for the managing and maintaining of the highway assets falling within its 725km of public road network. It is responsible to ensure the highway assets are fit for purpose and able to fulfil the required function in an efficient and sustainable manner.'
- 1.2 The Council is required to complete these tasks in accordance with the Highways Act 1980, the New Roads and Street Works Act 1991, the Transport Act 2000 and the Flood and Water Management Act 2010.
- 1.3 The Council's Statement of Accounts 2015/16 states that the year-end value of Infrastructure was £134m.
- 1.4 The objectives, methodology and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

Priority 2 Issues

Sample testing identified a number of inspection reports by the external contractor loaded onto the BridgeStation web portal that had not been evidenced as reviewed and approved by the Structural Engineer Consultant (**Issue 1**).

Records on the KaarbonTech web portal detailed that over 1,000 drains had not been cleaned in the last four years (**Issue 2**).

The priority 3 issue is included under item 4 below.

3. **Actions and Key Findings/Rationale**

Control Area 3: Inspections	
Priority	Action Proposed by Management
2	<p>All 9 inspections have been approved as of July 2017.</p> <p>Detailed Finding/Rational – Issue 1</p> <p>The responsibility of general, principal and special inspections lies with an external contractor. The inspection report is input on BridgeStation, a web portal that holds the Council's bridges and infrastructure register. These reports are then reviewed and approved by the Structural Engineer Consultant.</p> <p>The records for ten structures were examined, and it was identified that there were:</p> <ul style="list-style-type: none"> • three general inspections that had not been approved; • four principal inspections that had not been approved; and • two special inspections that had not yet been approved by the Structural Engineer Consultant. <p>It was also noted that one structure had not had an inspection since 27 August 2008. However, discussion with the Structural Engineer Consultant established that this structure was no longer the responsibility of the Network Maintenance Team but was archived on BridgeStation due to a previous inspection that had been undertaken.</p> <p>Where inspection reports are not approved by an appropriate officer, there is a risk that identified problems may be missed or substandard checks may have been conducted.</p>
Responsible officer	Deadline
Senior Engineer	N/A

Control Area 4: Drainage Systems

Priority	Action Proposed by Management	Detailed Finding/Rational – Issue 2
2	<p>As part of the Transforming Highways Maintenance Contract (THMC) with the current supplier, the Council has a cyclical gully cleansing programme in place where all roadside/footway gullies are inspected/cleaned at least once every year. However, considering there are approx. 32,000 gullies in the borough, there would always be a small number which would not be cleaned each year due to extenuating circumstances (i.e. parked vehicles, traffic management or repairs required etc).</p> <p>The current THMC does not require the contractor to make all means possible to inspect/clean these missed gullies or provide photographic evidence. All that is required is that the contractor plan a re-visit, erect advanced warning signs and deliver a notification letter to residents. However, over the years this process had been found to be ineffective as the strike rates are always very low (i.e. under 30%). It is also not cost effective due to the costs required to produce the advance warning signs and the resources required to erect the signs and hand deliver the notification letter.</p> <p>The re-visit process has been replaced with the ad-hoc blocked gully work packages. These are blocked gullies reported by residents, Cllrs, Council Inspectors etc, compiled on a weekly basis and forwarded to the contractor to action. The progress of these work packages is then monitored via the Kaarbontech application. The benefit of this process is that in addition to the cyclical gully cleansing programme in</p>	<p>Drainage systems data is held on the KaarbonTech web portal, which is updated by the contractor as works on drains are undertaken. It is expected that KaarbonTech is updated on a daily basis for all works completed for the previous day and that works not attended to be appropriately prioritised for follow up at a later date.</p> <p>Examination of the KaarbonTech web portal identified that:</p> <ul style="list-style-type: none"> • There were over 1,000 drains that had not been evidenced as cleaned since 25 May 2013. Discussions established that not all work completed is recorded on the system, with work sheets completed by the contractor in some cases, and FieldViewer reports generated in others, but there was no complete log containing all cases; • Where gullies could not be attended to as a result of extenuating circumstances (e.g. a vehicle parked over the gully), there was no evidence that these had been prioritised or completed afterwards in a timely manner, with some cases having repeated problems on an annual basis; and • The contractor does not currently upload any images to evidence that this information is correct, although there is the option to attach documents on the web portal. <p>Where information on the KaarbonTech web portal is not complete or easily accessible in an appropriate format, there is a risk that additional staff resource is required to analyse this data and that errors or omissions may arise when analysing the data, which may result in missed or incorrectly prioritised works.</p>

	<p>place, resources are targeted at those gullies posing flood risks.</p> <p>It should be noted that the contractor is only paid for gullies that are inspected/cleaned and recorded on Kaarbontech. Using the data we now have available, the gully cleansing arrangements are being reviewed with the aim of addressing all the issues currently being experienced when the THMC go out to tender in 2018. Some of the areas being reviewed include:</p> <ul style="list-style-type: none"> • the frequency of cleaning • a road-by-road gully cleansing programme with dates that could be published on the Council website and easy to monitor • a clearly defined process for dealing with and reporting missed gullies • a clearly defined penalty system for gullies not cleaned • improvements to the gully cleansing reporting system • improvements to the way enquiries are recorded and processed. 	
Responsible officer		
Senior Engineer – Network Maintenance	Retender in 2018	

4. Priority 3 Issue

Action Proposed by Management	Findings
<p>All drainage issues reported by members of the public via the 'Report it' feature are forwarded to the Highways Maintenance generic mailbox which is monitored constantly by a Technical Support Team. Telephone calls taken by Contact Centre staff are also forwarded to the Highways Maintenance generic mailbox.</p> <p>Currently, these enquiries are dealt with by either issuing a request (mainly for a clean) on the Kaarbontech application or a works order (mainly for a repair) on the ROCC system. The enquirer is then updated of the action taken by email, telephone or post. However as mentioned under issue 2 above, the current process of dealing with enquiries will be reviewed and improvement measures put in place.</p>	<p>The Council website offers a 'Report it' feature that allows members of the public to report any drainage issues. Issues can also be made via the telephone.</p> <p>Discussion established that a log of referrals for drainage systems was not retained and thus is difficult to monitor the completion of these referrals. Where a log of reported drainage issues is not maintained, there is a risk of issues being omitted or not being resolved in a timely manner, leading to complaints from the public.</p>

TERMS OF REFERENCE

Bridges and Infrastructure

1. INTRODUCTION

- 1.1 The Council's Highway Asset Management Plan states that 'The Council is responsible for the managing and maintaining of the highway assets falling within its 725km of public road network. It is responsible to ensure the highway assets are fit for purpose and able to fulfil their functions in an efficient and sustainable manner.'
- 1.2 The Council is required to complete these tasks in accordance with the Highways Act 1980, the New Roads and Street Works Act 1991, the Transport Act 2000 and the Flood and Water Management Act 2010.
- 1.3 The Council's Statement of Accounts 2015/16 states that the year-end value of Infrastructure was £134m.
- 1.4 As part of the agreed 2017/18 Internal Audit Plan, an internal audit in respect of Bridges and Infrastructure was identified to be undertaken.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will for each control / process being considered:
 - Walkthrough the process to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3. SCOPE





3.1 The audit included the following areas:

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Regulatory, Organisational and Management Requirements	0	0	0
Planning and Coordinating	0	0	0
Inspections	0	1	0
Drainage Systems	0	1	0
Repairs and Maintenance	0	0	1
Monitoring and Reporting	0	0	0
TOTAL	0	2	1

DEFINITIONS FOR AUDIT OPINIONS AND RECOMMENDATIONS

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are consistently applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to recommendations are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

STATEMENT OF RESPONSIBILITY

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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