

Aberdeen City Council

Roads Construction Consent

Internal Audit Report –
Final

2014/2015 for Aberdeen
City Council

May 2015

Internal Audit KPI Targets	Target dates	Actual dates	Red/Amber/ Green	Commentary where applicable
Terms or reference agreed 4 weeks prior to fieldwork	16 February 2015	12 March 2015	Red	Delay in agreeing on scope
Planned fieldwork start date	16 March 2015	16 March 2015	Green	
Fieldwork completion date	27 March 2015	27 March 2015	Green	
Issuing draft reports for management comments	17 April 2015	17 April 2015	Green	Target date adjusted by one week for CIA annual leave
Receiving management comments	1 May 2015	30 April 2015	Green	
Issuing finalised reports	8 May 2015	8 May 2015	Green	
Final reports presented to the Audit, Risk and Scrutiny Committee	25 June 2015	25 June 2015	Green	

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This report has been prepared solely for Aberdeen City Council in accordance with the terms and conditions set out in our engagement letter 4th October 2010. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent.

Internal audit work will be performed in accordance with Public Sector Internal Audit Standards (PSIAS). As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

1. Executive Summary

Report classification	Total number of findings					
	Critical	High	Medium	Low	Advisory	
Low	← Section 3 →					
	Control design	-	-	-	2	2
	Operating effectiveness	-	-	-	2	-
	Total	-	-	-	4	2

Summary of findings

- 1.01 Section 21 of the Roads (Scotland) Act 1984 requires the construction of all new roads, footways and similar to be authorised by the local authority. Section 56 of the Act requires that any works executed in, or under, a public road require the local authority's consent in writing. Both provisions are referred to as Road Construction Consent (RCC). The RCC team at Aberdeen City Council is responsible for the process of managing and authorising these RCC applications to ensure they are compliant with the Roads (Scotland) Act 1984. In November 2014, the RCC team revised the requirements for RCC applications in order to help improve processes internally and drive efficiency in how applications were managed. We have been asked by management to evaluate the new process and assess whether the controls in place help the RCC team to achieve its objectives.
- 1.02 In general we found that the processes in place, and those being implemented, were designed to achieve the objectives of management and the RCC team. However, we have identified some areas for improvement in the controls implemented by the Aberdeen City Council Roads Department and have made the following four low risk findings:
- To ensure that internal processes are designed, operating and monitored for communication with applicants, a spreadsheet is maintained and updated by the RCC team to record completion of certain checkpoints in the RCC process. Whilst this is a good control we found that in practice it was not kept up to date, and that there were some instances where further correspondence was made that was not reflected on the spreadsheet.
 - There is currently a checklist devised and used to ensure that RCC applications are properly reviewed for compliance. However, this is used informally and is not uploaded onto the drive to show evidence of the checklist being completed by a relevant team member. This in turn provides no evidence that the basic roads construction requirements set by the Council have been met before referring to specialists.
 - Currently there is no process in place to respond to periods of high demand. In periods of high demand, RCC team resources may not be able to efficiently manage the workload of applications resulting in delays to the RCC process.

- Timelines for the processing of RCC applications have not been agreed internally or with external stakeholders. Management have indicated their desire is to set an agreed timeline for processing applications in order to foster transparency and to ensure efficiencies internally.

Management Comment

Management welcome the input from an internal audit perspective for this particular service area. The granting of consent can be seen by organisations outside the council as being a potential delay to starting works on site for construction of development and while it is accepted that processes and communication with developers can improve and be more efficient, the audit highlights a number of positive steps the service can take to improve its control of matters.

2. Background and scope

Background

Applications

- 2.03 We reviewed the process to ensure guidance is available and accessible for developers, or their appointed consultants, on the requirements for applications for roads construction consent. For all new applicants that have not previously submitted for consent, a letter is sent out with guidance on submission requirements for both Stage 1 and Stage 2 roads construction consent (RCC) on their first application. This letter details guidance for submission requirements for both Stage 1 and Stage 2 RCC if required.
- 2.04 The Aberdeen City Council RCC team review all applications on receipt, with an acknowledgement letter sent out to notify the applicant. We reviewed the controls in place to ensure all applicants receive an acknowledgement letter, that every application is provided a unique reference number and that once reviewed, correspondence is sent back to the applicant with comments regarding the application.
- 2.05 We reviewed the internal processes to ensure they were designed, operating and monitored for communication with applicants. A manual spreadsheet is maintained that details various checkpoints regarding stages of the application process and the communication that has been made.

Processing

- 2.06 We reviewed internal processes to identify controls that exist to ensure RCC applications are properly reviewed for compliance with relevant standards and technical requirements. A checklist is in place for internal reference to ensure that RCC applications are properly reviewed for compliance with relevant standards and technical requirements.
- 2.07 Once a revised application is received from the consultants, if satisfied that the geometry requirements are met, the relevant team member will review and approve the application via the checklist, which can then be passed onto various specialists within ACC to input to the process. Specialists include all teams that contribute to a specific area in the RCC process and include street lighting, signals, structures, flooding, street occupations and the traffic management team.
- 2.08 An email trail is retained of correspondence with specialists who will return the application to the RCC team with comments attached. These comments are sent onto the consultants by the RCC team with the comments for them to amend. At times, meetings are held with consultants or developers in order to go over the designs and make suggested amendments that are then signed off by the consultants or developers.
- 2.09 Currently there is no internal process in place to respond to periods of high demand in RCC applications.

Approval

- 2.10 We reviewed the approval process to ensure an appropriate timescale for approval of RCC applications has been communicated to developers and performance in achieving that timescale is monitored internally. An electronic database is maintained that can display when an application is received to when an application is approved.
- 2.11 Performance benchmarking to other comparable authorities is currently in its early stages, and as such there is no formal process benchmarking in place.

Scope and limitations of scope

- 2.12 The detailed scope of this review is set out in the Terms of Reference (within Appendix 2).

3. Detailed findings and recommendations

3.01 Workflow management – control operation

Finding		
<p>Checkpoint dates that track when applications are received, reviewed, returned to applicant etc. are maintained and logged onto a standard Microsoft Excel spreadsheet. This relies on manual input to maintain the spreadsheet, which leaves the data subject to human error. In practice we found that the spreadsheet is not kept up to date with correspondence to and from applicants. For three applications that we tested we found instances where the application was at a further stage than was reflected on the spreadsheet. Furthermore, there was a case where the application was received, and acknowledgement letter sent to the applicant, which was not logged onto the spreadsheet. This can lead to confusion as to what stage applications are currently at, as the only way to find out would be to review the correspondence with the applicants, which also relies on the user to physically save the emails onto the RCC team hard drive.</p>		
Risks		
<p>There is a risk that application data may be incomplete or inaccurate impacting the ability to monitor the progress of RCC applications and who is currently reviewing the applications. This increases the risk of missing or delayed applications and can lead to internal inefficiencies in how applications are progressed and managed.</p>		
Action plan		
Finding rating	Agreed action	Responsible person / title
Low	The Road Construction Consent team will implement a system that manages workflow for road construction consent applications.	Transportation Manager
		Target date:
		30 September 2015

3.02 Checklist not reviewed and approved – control operation

Finding		
<p>There is a checklist that should be used to ensure that roads construction consent applications are properly reviewed for compliance. However, this is used informally and is not being uploaded onto the drive to show evidence of the checklist being completed. Furthermore, there is no evidence of a relevant team member reviewing and signing these checklists, which in turn provides no indication that the basic requirements have been met before referring to specialists.</p>		
Risks		
<p>There is a risk that the application received may not have met all criteria, and that roads construction consent is given to applications without proper checks being completed.</p>		
Action plan		
Finding rating	Agreed action	Responsible person / title
Low	A checklist will be used formally to evidence that roads construction consent applications are in line with relevant standards and technical requirements. The checklist will also be used to record the review and comments of the relevant team member, and where necessary given the scale and complexity of the application, evidence of checking by a suitable qualified colleague.	Transportation Manager
		Target date:
		30 June 2015

3.03 No process to respond to periods of high demand – control design

Finding		
<p>There is no process in place to respond to periods of high demand. In periods of high demand, staff in the RCC team have more applications to deal with, which results in a higher likelihood of delays in the process. Furthermore, increased pressure would be placed on the RCC team from the developers to approve the applications as soon as possible, which would result in the need to review more applications in a short space of time. We acknowledge that a resource analysis has been performed and it was identified that more staff would be needed to be brought in to alleviate the workload issues.</p>		
Risks		
<p>Roads construction consent applications are delayed damaging the Council’s relationship with external stakeholders in the process.</p> <p>Internally, staff may feel under pressure to deliver to timelines and therefore may not follow proper procedures and processes in approving roads construction consent applications.</p>		
Action plan		
Finding rating	Agreed action	Responsible person / title
Low	<p>Management will implement monthly monitoring of KPIs to help identify periods of high demand in roads construction consent applications. Where periods of high demand become apparent, management will ensure that appropriate communication is maintained with external stakeholders as to the impact on timelines, and action will be taken internally to ensure that processes are maintained despite the increase workload.</p>	<p>Transportation Manager</p> <hr/> <p>Target date:</p> <hr/> <p>31 July 2015</p>

3.04 Communication with developers on consent approval timescales– control design

Finding		
<p>Timelines for the processing of roads construction consent (RCC) applications have not been agreed internally or with external stakeholders. This can lead to a lack of transparency as to what the expectation is in terms of deadlines for receiving approval for roads construction consent.</p> <p>Management have also discussed whether it may be beneficial to have a system that would act as an interface between the Council, developers and their consultants, which would act as a centralised relationship management system for RCC applications. This would promote transparency and allow all parties to easily observe what stage the application is at, and which party is currently required to provide more information in the process.</p>		
Risks		
Roads construction consent applications are delayed damaging the Council’s relationship with external stakeholders in the process.		
Action plan		
Finding rating	Agreed action	Responsible person / title
Low	<p>On initial acknowledgement of the application, if a <u>full and complete</u> roads construction consent submission is received from the consultant or developer, management have indicated that they will commit to providing a response to the application within four weeks.</p> <p>In delivering action 3.01, management will look to link the system for roads construction consent to the e-planning system currently used for planning applications by the Council.</p>	<p>Transportation Manager</p> <hr/> <p>Target date:</p> <hr/> <p>31 July 2015</p>

3.05 Guidance on requirements not on Aberdeen City Council website – control design

Finding		
<p>In all applications we inspected, we found, since the new guidance requirements were implemented, that first time applicants were sent over guidance on submission requirements for both Stage 1 and Stage 2 roads construction consent (RCC). However, to obtain the guidance the developer or consultant must have first submitted a query to the RCC team. The process could be made more efficient by making the RCC submission guidance available on Aberdeen City Council's website. This might help to reduce the need for the RCC team to send out the guidance packs themselves, and give greater transparency for applicants on the submission requirements and the RCC process.</p>		
Action plan		
Finding rating	Recommendation	Responsible person / title
Advisory	We recommend that guidance on submission requirements for both stage 1 and 2 roads construction consent be made available on the Aberdeen City Council website for developers or consultants.	Transportation Manager
		<hr/> Target date: <hr/> 30 June 2015

3.06 Benchmarking – control design

Finding		
<p>Performance benchmarking of the roads construction consent (RCC) process to other comparable authorities is still in early stages. Management have indicated it is their intention to, bi-annually, distribute a survey to developers and consultants to gauge how they view the RCC process at Aberdeen City Council compared with other local authorities. From the responses received an annual meeting will then be held with a peer network (consisting of representatives from the Council and other comparable authorities) to discuss the findings of the survey and to share good practice examples in RCC processing.</p>		
Action plan		
Finding rating	Recommendation	Responsible person / title
Advisory	We recommend that management consider how best to implement benchmarking against other local authorities in a cost-effective manner to help identify ways to improve the roads construction consent process. Management should also engage with other local authorities to share examples of good practice.	Transportation Manager
		<hr/> Target date:
		30 June 2015

Appendix 1 – Basis of our classifications

Individual finding ratings

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

Report classifications

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification	Points
Low risk	6 points or less
Medium risk	7– 15 points
High risk	16– 39 points
Critical risk	40 points and over

Appendix 2 – Terms of reference

Background

Section 21 of the Roads (Scotland) Act 1984 requires the construction of all new roads, footways and similar to be authorised by the local authority. Section 56 of the Act requires that any works executed in or under a public road require the local authority's consent in writing and in accordance with any reasonable conditions which the authority think fit to attach to the consent. Both provisions within the Act are referred to as Road Construction Consent (RCC). Aberdeen City Council is therefore responsible for ensuring that a process exists through which RCC can be applied for and authorised by the Council.

Scope

We will review the design and operating effectiveness of the key controls in place over Roads Construction Consent. The sub-processes included in this review are:

Sub-process	Control Objective
Applications	<ul style="list-style-type: none">• Guidance is available and accessible for developers or their appointed consultants on the requirements for applications for roads construction consent.• Applications are reviewed on receipt and incomplete applications returned or put on hold while awaiting further information.• Internal processes are designed, operating and monitored for communication with applicants.
Processing	<ul style="list-style-type: none">• Internal processes exist to ensure that roads construction consent applications are properly reviewed for compliance with relevant standards and technical requirements.• Resources are allocated efficiently to ensure that staff with specialist knowledge are contributing to the consent process at the right time.• Communication is made in a timely manner to developers or their appointed consultants when concerns or issues arise regarding roads construction consent applications.• Internal processes are designed to respond to periods of high demand in roads construction consent applications.
Approval	<ul style="list-style-type: none">• An appropriate timescale for approval of roads construction consent applications has been communicated to developers and performance in achieving that timescale is monitored internally.• Benchmarking is undertaken with comparable authorities on processes and timescales for approval of consents

Limitations of scope

The scope of our review is outlined above. This will be undertaken on a sample basis.

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Audit Approach

Our audit approach is as follows:

- Obtain an understanding of the procedures in place through discussion with key personnel, review of documentation and walkthrough tests where appropriate.
- Identify the key risks in respect of monitoring compliance with laws and regulations
- Evaluate the design of the controls in place to address the key risks.
- Test the operating effectiveness of the key controls on a sample basis.

Appendix 3 – Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken a review of the Roads Construction Consent process, subject to the limitations outlined below.

Internal control

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls relating to Roads Construction Consent is as at 27 March 2015. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

In the event that, pursuant to a request which Aberdeen City Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), Aberdeen City Council is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. Aberdeen City Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation. If, following consultation with PwC, Aberdeen City Council discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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