

**TAY ROAD BRIDGE JOINT BOARD**

**MONDAY, 17TH JUNE, 2013**

**THE TRAINING ROOM, COUNTY HALL, COUNTY BUILDINGS, ST CATHERINE STREET, CUPAR**  
**AT 10.00 AM**

**AGENDA OF BUSINESS**

**PART I - OPEN MEETING**

**1 MEMBERSHIP**

It is reported that Councillor David Bowes has intimated his resignation from the Tay Road Bridge Joint Board, and has been replaced by Councillor Jimmy Black.

**2 APPOINTMENT OF CHAIR**

In terms of paragraph 10 of Schedule 1 to the Tay Road Bridge Order 1991, the Board is required to appoint a Chairman.

**3 MINUTE OF MEETING OF 4TH MARCH, 2013 – Page 5**

(Copy enclosed).

**4 ENGINEERING WORKS – Page 7**

(Report No TRB12-2013 enclosed).

**5 OPERATIONAL RESTRICTIONS AND CLOSURES – Page 11**

(Report No TRB6-2013 enclosed).

**6 2013/14 INSURANCE PROGRAMME – Page 15**

(Report No TRB9-2013 enclosed).

**7 UNAUDITED ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2013**

(a) TREASURER'S REPORT ON THE UNAUDITED STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2013

(Report No TRB12-2013 enclosed) – Page 19

(b) UNAUDITED STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2013

(Copy enclosed) – Page 23.

**8 EXTERNAL AUDIT-ANNUAL AUDIT PLAN 2012/13 – Page 47**

(Report No TRB10-2013 enclosed. KPMG's Annual Strategy Overview and Plan is appended at the end of the agenda papers).

**9 INTERNAL AUDITOR'S ANNUAL REPORT**

(a) INTERNAL AUDITOR'S ANNUAL REPORT 2013/06

(Copy enclosed) – **Page 49.**

(b) RESPONSE TO INTERNAL AUDITOR'S ANNUAL REPORT TO MEMBERS

(Report No TRB8-2013 enclosed) – **Page 123.**

**10 ADDITIONAL STAFFING POLICIES – Page 127**

(Report No TRB7-2013 enclosed).

**11 DATE OF NEXT MEETING**

Monday, 16th September at 10.00 am in Dundee.

**PART II - CONFIDENTIAL ITEM**

The Committee may resolve under Section 50(A)(4) of the Local Government (Scotland) Act 1973 that the press and public be excluded from the meeting for the undernoted items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 6 and 9 of Part I of Schedule 7A of the Act.

**12 DUNDEE CENTRAL WATERFRONT - LAND TRANSFER – Page 129**

(Report No TRB13-2013 enclosed).

**REPORT TO:** TAY ROAD BRIDGE JOINT BOARD – 17 JUNE 2013

**REPORT ON:** ENGINEERING WORKS

**REPORT BY:** ENGINEER TO THE BOARD

**REPORT NO:** TRB 12-2013

ITEM No:..... 4

## **1 PURPOSE OF REPORT**

- 1.1 To advise the Joint Board on the current situation regarding Engineering works on the bridge.

## **2 RECOMMENDATIONS**

- 2.1 It is recommended that the Joint Board:

- note the position on current progress;
- approve the appointment of Sir Robert McAlpine to carry out remedial works to the North Approach Viaducts up to the value of £160,000.

## **3 FINANCIAL IMPLICATIONS**

- 3.1 The Treasurer advises that the above expenditure can be met from allowances within the capital budget for 2013/14.

## **4 SUSTAINABILITY POLICY IMPLICATIONS**

- 4.1 There are no Sustainability Policy implications of relevance to this report.

## **5 EQUAL OPPORTUNITIES IMPLICATIONS**

- 5.1 There are no equal opportunities implications of relevance to this report.

## **6 IMPLICATIONS TO BRIDGE USERS**

- 6.1 There are no major implications for bridge users arising from this report.

## **7 BACKGROUND**

### **7.1 Pier Collision Protection Works**

As noted at the 10 December 2012 Tay Road Bridge Joint Board meeting, these works were completed ahead of time, below budget and to high quality and safety standards. In total, 264 jobs were created on the project and 191 of these jobs were filled by local labour (72%).

The finalised outturn costs are £17.74 million compared to an approved budget of £19.1 million, a saving of approximately £1.36 million.

In March 2013, the project was entered for a British Construction Industry (BCI) award and we have been advised that the project has been shortlisted. The project has also just been entered for a Saltire Award for Civil Engineering.

A site visit for members of the Board will be arranged in the near future.

## **7.2 Carriageway Resurfacing/Replacement of Expansion Joints**

Reference is made to Article III of the Tay Road Bridge Joint Board meeting of 4 March 2013 where it was advised that the existing carriageway surfacing is the original asphalt surfacing laid in 1966 with a surface dressing applied in 1993/94. The expansion joints at the end of each span of the bridge were replaced in the early 1990's and they are now reaching the end of their design life.

Investigatory works are currently underway to determine the condition of the surface dressing and the underlying asphalt surfacing with a view to identifying the appropriate surfacing works required. A Ground Penetrating Radar Survey has been commissioned to ascertain the current condition of the surfacing and concrete bridge deck. This will be supplemented by coring and testing of the asphalt surfacing.

Allowances of approximately £3.925 million have been made in the capital plan over 2013/14 to 2015/16 to investigate, procure and carry out these works.

Further reports will be brought to the Board in due course detailing progress with this project.

## **7.3 North Approach Viaduct Remedial Works**

This item of the capital budget relates to the existing element of the North Approach Viaducts that is not being renewed as part of the Dundee Waterfront works. Inspection works continue to be carried out to determine the repairs required to bring the reinforced concrete deck, road surface and bridge expansion joints up to an appropriate standard such that minimal works will be required for the foreseeable future. Concrete repairs and protective coatings are required along with new bridge deck waterproofing, expansion joints and road surfacing.

An allowance of £160,000 has been made in the capital plan in 2013/14 to carry out these works to coincide with completion of the Dundee Waterfront works to the ramps. It is recommended that these works are procured through the existing contract with Sir Robert McAlpine as they are integral with the works currently being carried out on the bridge ramps and utilising the existing contract which was won in tender is the best value approach. The Board's approval to proceed on this basis is sought.

## **7.4 Inspection Programme**

Principal Inspections of the bridge are a statutory requirement and permit the efficient planning of future maintenance requirements to ensure the continuing good condition of the structure. Principal inspections are carried out every 6 years and require a detailed close up inspection of all elements of the bridge. General inspections are carried out every 2 years.

As part of the Asset Management Plan approved by the Board at the meeting of 10 September 2012, a programme of such inspections was prepared and these are currently underway utilising existing Tay Road Bridge staff and Dundee City Council civil engineering staff as appropriate, with specialist input as required.

As noted in Article III of the Tay Road Bridge Joint Board meeting of 4 March 2013, the principal inspection of the bridge columns and piers was completed by specialist abseilers in February 2013 with no major issues identified. A scour regular scour survey of the river bed was carried out in November 2012 which confirmed no significant variation from previous surveys and no action required.

Any issues that may arise from the inspection programme will be reported to the Board as appropriate.

#### **7.5 Dundee Waterfront - Removal and Reconstruction of Bridge Ramps**

Dundee City Council awarded the contract for this stage of the works to Sir Robert MacAlpine Ltd in August 2011 at a cost of £8.2 million. This stage involves the phased removal and replacement of the remainder of the approach ramps to the Tay Road Bridge including the construction of temporary diversion routes necessary for the removal of the ramps. The works also include the construction of elements of roads, drainage and services within the Waterfront Development.

The works to the remainder of the bridge ramps are to be carried out in a number of phases over a two year period with completion by December 2013. Works started in January 2012 on the widening of the southbound on ramp at Customs House to accommodate two wide lanes of traffic. These works were completed and opened in late April 2012 with this being the only route onto the southbound carriageway of the Tay Road Bridge for traffic.

These traffic management arrangements for access to and egress from the bridge are those generally in place until the new ramps open in December 2013. These new long term temporary arrangements continue to work well.

The new traffic arrangements enabled the on ramp at Tayside House to be closed and demolition of the remaining bridge ramps started in early June 2012 and was completed ahead of programme by the end of July 2012. The demolition material from the ramps was crushed and graded for recycling as fill material in the embankment of the new realigned bridge approach ramps. The new on ramps are of reinforced earth construction with a granite clad facing to match the new westbound off ramp.

Construction of the new realigned ramp is well underway, re-using the crushed material within the vibro stone column piles and ground improvements structure and in the embankment itself. The western side of the new approach ramps and new South Marketgait Bridge at South Victoria Dock Road is now nearly complete and ready to open to traffic.

In late June 2013, the existing southbound on ramp at Customs House is to be demolished and the new traffic route onto the Tay Road Bridge will be via the newly constructed western section of the realigned ramp. This will allow the eastern side of the new approach ramps and new South Marketgait Bridge to be built. This element of work is programmed for completion by November 2013 thus completing the works to the Tay Road Bridge approach ramps.

The works continue to progress well and are currently ahead of schedule.

Further regular reports will be brought to the Board detailing progress with this important project.

The Bridge Manager will continue to provide the Board with a monthly update on progress.

**8        CONSULTATIONS**

- 8.1        The Clerk, Treasurer and Bridge Manager have been consulted in the preparation of this report.

**9        BACKGROUND PAPERS**

- 9.1        None.

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Fergus Wilson  
Engineer to the Board

FW/EH

Dundee City Council  
Dundee House  
Dundee

4 June 2013

REPORT TO: TAY ROAD BRIDGE JOINT BOARD – 17 June 2013  
 REPORT ON: REPORT ON OPERATIONAL RESTRICTIONS AND CLOSURES  
 REPORT BY: THE BRIDGE MANAGER  
 REPORT NO: TRB 06- 2013

ITEM No:.....5

**1 PURPOSE OF REPORT**

- 1.1 To appraise the Joint Board of the number and nature of operational restrictions and closures applied between 1 February and 30 April 2013.

**2 RECOMMENDATIONS**

The Board are asked to note the contents of this Report as at 30 April 2013.

**3 FINANCIAL IMPLICATIONS**

There are no financial implications as a result of this report.

**4 POLICY IMPLICATIONS**

- 4.1 None.

**5. COMMENTARY ON OPERATIONAL RESTRICTIONS AND CLOSURES**

- 5.1 Restrictions are applied to the traffic on the bridge for a number of reasons including recovering debris, breakdowns, high winds and other operational requirements.

A summary of the restrictions applied between February and April 2013 are given below:-

i) Single carriageway closures

Reason	Total Duration (Minutes)	No of Occasions	Average Duration (Minutes)
Operational	883	299	2.8
Breakdown	147	16	9

## ii) Traffic Restrictions

Reason	Single Carriageway /Both	Total Duration (Minutes)	No of Occasions	Average Duration (Minutes)
High Winds				
No Double Deck Buses Allowed	Both	9465	21	450
Cars Only	Both	665	5	133
Roadworks				
TRBJB	Single	0	0	0
External Contractor	Single	0	0	0

## iii) Closures on both carriageways

Reason	Full Closure	Total Duration (Minutes)	No of Occasions	Average Duration (Minutes)
Operational (Night Closures)	Yes	0	0	0
High Winds	Yes	300	1	300
Other Incidents	Yes	238	10	24

## iii) Availability of Bridge

Based on the above figures the various levels of availability of the bridge to users is as follows:-

Full availability (No restrictions)	90.9%
Partial Availability (Some restrictions)	8.7%
No Availability (Full Closure)	0.4%



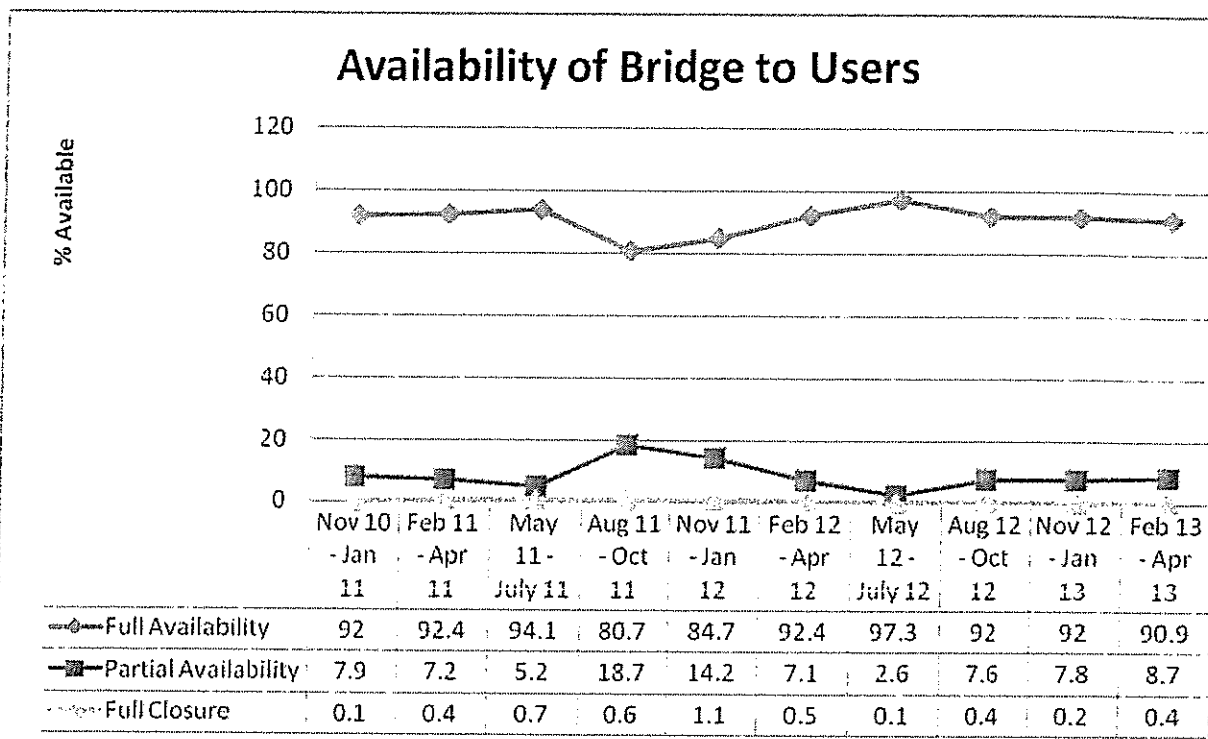


Figure 1 – Comparison of Availability of Bridge to Users

As can be seen from Figure 1 the level of availability has remained constant over the period from the previous quarter's figures. Overall availability has remained in excess of 99%.

## 6 CONSULTATIONS

- 6.1 The Treasurer, Clerk and Engineer to the Board have been consulted in the preparation of this report.

## 7 BACKGROUND PAPERS

- 7.1 None

IAIN MACKINNON  
BRIDGE MANAGER  
13 May 2013



REPORT TO: TAY ROAD BRIDGE JOINT BOARD - 17 JUNE 2013  
 REPORT ON: 2013/2014 INSURANCE PROGRAMME  
 REPORT BY: TREASURER  
 REPORT NO: TRB 9-2013

## 1 PURPOSE OF REPORT

This report provides an overview of the insurance arrangements for the financial year 2013/2014.

## 2 RECOMMENDATIONS

It is recommended that the Board notes the details contained within this report.

## 3 FINANCIAL IMPLICATIONS

The financial implications of the 2013/2014 insurance programme, as detailed in Appendix A, are that the covers have been negotiated within the provision contained in the approved 2013/2014 Revenue Budget of £122,335, with the exception of the increase in the premium for the Marine policy which is still the subject of negotiations. Once these negotiations are finalised the outturn will be reported to the Board.

## 4 MAIN TEXT

All policies are negotiated by Dundee City Council's Risk and Business Continuity Manager under the Service Level Agreement with the Corporate Services (Finance) Department. All policies are arranged through the insurance brokers Marsh with the exception of Directors & Officers and Death in Service policies which are arranged directly with the insurers.

### 4.1 Property / Material Damage / Business Interruption:

Covers property damage to the bridge assets, buildings and contents, and increased cost of working following insured damage. The first loss limit for damage to the bridge is £13m. The premium for 2013/2014 has reduced due to this cover renewal being the subject of a tender exercise by the brokers, particularly with the recent completion of the Pier Collision Protection Works.

### 4.2 Combined Liability Policies:

These policies cover the Board's legal liabilities to its employees and to members of the public. The premium for 2013/2014 has reduced due to this cover renewal being the subject of a tender exercise by the brokers.

### 4.3 Directors & Officers:

This policy is a traditional liability policy covering the individual and collective legal liabilities of Board Members and officers.

### 4.4 Fidelity Guarantee:

This policy relates to fraud / misappropriation of materials by Board employees.

### 4.5 Personal Accident:

This policy covers personal accident and travel exposures. Variable injury benefits cover lump sum payments for death, permanent disablement, and permanent disfigurement. The travel insurance is applicable for any travel undertaken primarily for business purposes and includes cover for medical expenses, personal belongings, business equipment, cash, travel documents, travel disruption, and personal liability.

4.6 Hired in Plant:

This policy responds to loss of or damage to small plant hired in by the Board.

4.7 Engineering Combined:

The principal cover afforded by this policy relates to inspection of gantries, associated infrastructure and other owned plant in compliance with statutory requirements.

The premiums increased in 2012/2013. This was due to the fact that prior to the recent modifications to the runway beam and the gantries the insurers were satisfied that an annual inspection was sufficient. However, following the modification work the insurers considered it necessary to undertake six monthly inspections in accordance with Lifting Operations and Lifting Equipment Regulations (LOLER) until such time that they are confident that the inspection frequency can revert to being carried out annually. This resulted in increased visits to site from insurance inspectors and subsequent increased premiums.

The inspectors are now satisfied that annual inspections are again sufficient and therefore the premium has reduced in 2013/2014.

4.8 Motor Fleet:

Covers any employee of the Board for vehicles that are the property of the Bridge Board and any that are on hire, loaned or leased to the Board. An excess of £100 is applicable on each claim.

4.9 Marine:

Provides cover for damage to Board owned vessels and any liabilities resulting from their use. This premium is anticipated to increase for 2013/2014 due to several claims in recent months. An estimated figure has been included in Appendix A as negotiations between DCC's Risk and Business Continuity Manager and the insurers are on-going.

4.10 Death in Service:

Provides additional life cover to employees over and above that provided by the Local Government Pension Scheme (LGPS). At present this is a contractual benefit for all current employees who were in post at 31 December 2011 but was closed to new employees after 31 December 2011 (see Report TRB26-2011 at Board Meeting on 12 December 2011). This will result in a gradual reduction in premiums as the number of employees covered reduces over time.

5 **SUSTAINABILITY POLICY IMPLICATIONS**

None.

6 **EQUAL OPPORTUNITIES IMPLICATIONS**

None.

7 **BACKGROUND**

There are no significant insurance renewal issues to report on for the Board. All covers have been renewed with existing Insurers.

**MARJORY M STEWART**  
**TREASURER**

**4 JUNE 2013**

**TAY ROAD BRIDGE JOINT BOARD****APPENDIX A****PREMIUM SUMMARY 2013/2014**

<b>CLASS</b>	<b>2009/10</b> <b>£</b>	<b>2010/11</b> <b>£</b>	<b>2011/12</b> <b>£</b>	<b>2012/13</b> <b>£</b>	<b>2013/14</b> <b>£</b>
Property	69,170	65,723	65,811	65,992	54,060
Combined Liability	18,480	17,591	17,864	18,804	16,960
Excess Public Liability	3,969	3,969	4,007	4,007	4,007
Directors & Officers	1,587	1,620	1,357	1,357	1,357
Fidelity	827	800	848	869	869
Personal Accident	983	983	993	943	943
Hired in Plant	788	812	819	819	819
Engineering Combined	6,264	6,328	5,386	15,166	13,148
Motor Fleet	3,367	3,605	3,896	3,628	3,700
Marine	7,381	7,500	7,500	7,078	10,000
Death in Service	4,335	4,335	4,335	4,346	4,305
Business Continuity Planning	3,000	-	-	-	-
<b>TOTAL</b>	<b>120,161</b>	<b>113,266</b>	<b>112,816</b>	<b>123,009</b>	<b>110,168</b>

Premiums include HM Government's Insurance Premium Tax (6% from 2011, previously 5%).

The 2013/2014 premium for Marine Insurance is an estimate as negotiations between DCC's Risk and Business Continuity Manager and the insurers are on-going. Insurance cover remains in place.



REPORT TO: TAY ROAD BRIDGE JOINT BOARD - 17 JUNE 2013  
 REPORT ON: UNAUDITED STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013  
 REPORT BY: TREASURER  
 REPORT NO: TRB 12-2013

ITEM No: 7(a)

## 1 PURPOSE OF REPORT

To provide some additional commentary on the unaudited Statement of Accounts for the year ended 31 March 2013 which is being submitted to the Tay Road Bridge Joint Board along with this report.

## 2 RECOMMENDATIONS

It is recommended that the Board:

- i notes the contents of this covering report;
- ii notes the unaudited Statement of Accounts which has been submitted along with report;
- iii instructs the Treasurer to submit this Statement of Accounts to the Controller of Audit, Accounts Commission for Scotland;
- iv notes that the key assumptions underpinning the independent actuaries calculation of the Board's IAS 19 liability have been reviewed and accepted by Dundee City Council as administering authority for the Pension Fund.

## 3 FINANCIAL IMPLICATIONS

The Board's 2012/2013 Movement in Reserves Statement shows that there was a break-even position during the year. This gives a total General Reserve Balance of £1,160,591 as at 31 March 2013.

## 4 BACKGROUND

- 4.1 The relevant statutory provisions regarding the preparation of the Board's Accounts are contained in the Local Authority Accounts (Scotland) Regulations 1985, as amended by the Local Authority Accounts (Scotland) Amendment Regulations 1997. Section 4 of these regulations requires that "... all the accounts of the local authority are made up and balanced as soon as practicable after the year end of each financial year and that sufficient copies of an abstract of the said accounts for each financial year are prepared ... and submitted to the authority and the Controller of Audit not later than 30 June in the next financial year...".
- 4.2 As in previous years the Statement of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code). There are no significant changes included within the 2012/2013 Code, that impact upon the Board's Accounts.
- 4.3 The Statement of Accounts already includes a detailed commentary on the figures contained therein and it is not intended to repeat this in this covering report. It is however, worth reiterating a few of the more salient points.
- 4.4 During the financial year the Board received quarterly revenue monitoring reports to keep the members fully apprised as to actual spend-to-date and the projected revenue

outturn position. The Board's 2012/2013 Movement in Reserves Statement shows that there was a balanced budget during the year. The main variances were as follows:

	<b>£000</b>
Staff Costs underspend	(40)
Property Costs underspend	(18)
Third Party Payments underspend	(81)
Increased Financing and Investment income	(13)
Non-Specific Grant Income shortfall	177
Other minor budget heads overspend	(25)
<b>TOTAL</b>	<u><u>—</u></u>

Further details of the other areas of under and overspend together with reasons for these variances are included on page 8 of the Statement of Accounts. The overall effect of the above resulted in a closing General Reserve Balance of £1,160,591 as at 31 March 2013.

- 4.5 On 12 December 2011, the Board approved a 2012/2013 Capital Expenditure Programme (Report TRB 33-2011) for various works on the bridge and other miscellaneous capital purchases. The programme totalled expenditure of £8,556,000 in 2012/2013, which would be funded by capital grant from the Scottish Government. The Board received quarterly capital monitoring reports to keep members fully apprised as to the actual spend-to-date and the projected capital expenditure outturn position. The last projected outturn on the capital programme of £10,493,000 was reported to the Board on 4 March 2013, (report TRB 4-2013 refers).

During the financial year 2012/2013, the Board incurred capital expenditure of £10,490,000, i.e. an overspend of £1,934,000 against the approved capital budget. The variance against the original budget relates to slippage from 2011/2012 of £4.5m, offset by net budget savings during the year of £2.1m and slippage into 2013/2014 of £0.5m. In effect, the £0.5m underspends that have occurred due to slippage against the Capital Budget will flow through and cause equivalent overspends in the current year's Capital Budget (i.e. in 2013/2014). It should be noted that unspent capital grant will be carried forward to 2013/2014 to offset any additional expenditure.

- 4.6 Copies of the enclosed Accounts will now be sent to the Controller of Audit at the Accounts Commission for Scotland. He will then instruct the Board's appointed external auditor (Mr Stephen Reid, Engagement Director, KPMG) to commence his audit of the Accounts. The outcome of the audit will be reported back to the Board in due course.

## 5 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environment Assessment, Anti-Poverty and Equality Impact Assessment and Risk Management. There are no major issues identified.



**6 CONSULTATIONS**

The Bridge Manager and Clerk to the Board have been consulted on the content of this report.

**7 BACKGROUND PAPERS**

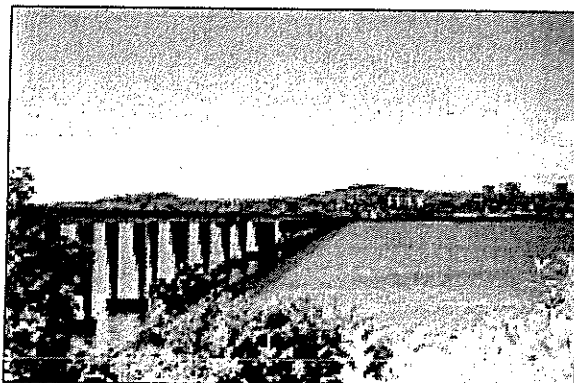
None.

**MARJORY M STEWART  
TREASURER**

**5 JUNE 2013**



ITEM No: 7(6)



**TAY ROAD BRIDGE JOINT BOARD**

**STATEMENT OF ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2013**

**UNAUDITED**

**JUNE 2013**

**TAY ROAD BRIDGE JOINT BOARD**  
**STATEMENT OF ACCOUNTS 2012/2013**

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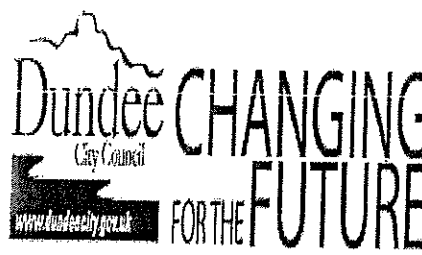
# TAY ROAD BRIDGE JOINT BOARD

## MEMBERS AND OFFICIALS

The Board comprises 12 elected members who are appointed by the three constituent local authorities to serve on the Board. Dundee City Council nominates 6 members, Angus Council have 1 member and Fife Council nominate the remaining 5 members. Following the previous Scottish Local Government Elections that were held in May 2013 it was agreed by the Board that Dundee City Council would continue to act as lead authority to the Board, and consequently, the Council are required to appoint officers to serve as officials of the Board. At the end of financial year 2012/2013, the Members and Officials of the Board were:

### Representing Dundee City Council

Councillor David Bowes (Chair)  
Councillor Will Dawson  
Councillor Ken Lynn  
Councillor Bill Campbell  
Councillor Tom Ferguson  
Councillor Fraser McPherson



### Representing Angus Council

Councillor Sheila Hands



### Representing Fife Council

Councillor Margaret Taylor (Vice Chair)  
Councillor Jim Young  
Councillor Brian Thomson  
Councillor Bill Connor  
Councillor Andy Heer



### Bridge Manager

Mr Iain MacKinnon BSc, C Eng, MICE

### Engineer

Mr Fergus Wilson BSc, MBA, C Eng, MICE, MCiHT, MAPS, Dundee City Council

### Clerk

Mr Roger Mennie LLB (Hons), DipLP, Dundee City Council

### Treasurer

Mrs Marjory M Stewart FCCA, CPFA, Dundee City Council

### Contact details:

Tay Road Bridge Joint Board website: [www.tayroadbridge.co.uk](http://www.tayroadbridge.co.uk)

#### Bridge Manager

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#### Engineer

c/o Dundee City Council  
City Development Dept  
50 North Lindsay Street  
Dundee  
01382-433711  
[fergus.wilson@dundeecity.gov.uk](mailto:fergus.wilson@dundeecity.gov.uk)

#### Clerk

c/o Dundee City Council  
Corporate Services Dept  
21 City Square  
Dundee  
01382-434202  
[roger.mennie@dundeecity.gov.uk](mailto:roger.mennie@dundeecity.gov.uk)

#### Treasurer

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50 North Lindsay Street  
Dundee  
01382-433555  
[marjory.stewart@dundeecity.gov.uk](mailto:marjory.stewart@dundeecity.gov.uk)

## TAY ROAD BRIDGE JOINT BOARD

### Bridge Manager's Report

#### Organisational Changes

Following the Scottish Local Authority Elections on 3 May 2012, the membership of the Board at June 2012 was that shown below:

Position	Name	Council
Chair	Clr David Bowes	Dundee City Council
Vice Chair	Clr Margaret Taylor	Fife Council
Member	Clr Bill Campbell	Dundee City Council
Member	Clr Will Dawson	Dundee City Council
Member	Clr Tom Ferguson	Dundee City Council
Member	Clr Ken Lynn	Dundee City Council
Member	Baillie Ian Borthwick	Dundee City Council
Member	Clr Bill Connor	Fife Council
Member	Clr Andy Heer	Fife Council
Member	Clr Brian Thomson	Fife Council
Member	Clr Jim Young	Fife Council
Member	Clr Sheila Hands	Angus Council

Councillor David Bowes was elected Chair of the Board and Councillor Margaret Taylor was elected Vice Chair of the Board at the Board meeting in June 2012.

The Chair, Councillor David Bowes, has intimated that he will resign from his position of Chair and Member of the Board and a new Chair will be elected and a new Member of the Board will be appointed at the Board Meeting of June 2013.

In addition to this, Baillie Ian Borthwick resigned from the Board in February 2013 and was replaced by Councillor Fraser Macpherson, Dundee City Council.

The Bridge Manager would like to extend his thanks to the outgoing Chair of the Board for his support and assistance during his time in post.

#### Management Arrangements with Scottish Government

During this period, the main point of contact with the Scottish Government continued to be the Trunk Road and Bus Operations Team of Transport Scotland. Meetings have been held on a regular basis between Board Officers and officers from the Trunk Road and Bus Operations Team to discuss financial matters etc.

## Contracts

### Pier Collision Protection Works

The Bridge Manager and bridge staff have been extensively involved in the construction process for the Pier Collision Protection Works contract, which was awarded to Volker Stevin in January 2011, primarily regarding navigation issues associated with the works. This involved changing the navigation lights on the existing structure to tie in with the Contractors planned programme of work and where necessary at short notice when operations were affected by bad weather etc.

The Bridge Manager, in conjunction with the Engineer to the Board, was involved in discussions with designer Jacobs finalising issues relating to on-going operational and maintenance needs once works were completed.

### Inspections to Columns and Piers

The Board's two self propelled maintenance gantries were used to provide access for the Inspections to Columns and Piers Contract awarded to Pendrich Ltd. In addition to the gantries the Board provided safety boat cover using the Board's safety boat. The gantries and boat were manned by the Board's Maintenance personnel. By providing these services to the Contractor efficiency savings were made, reducing the overall capital cost of the work.

## Dundee Central Waterfront Development

Contract 3 for the demolition and reconstruction of the remaining ramps was awarded to Sir Robert McAlpine in 2012. The Bridge Manager has been involved throughout the works in planning meetings involving traffic management affecting bridge users.

To date the bulk of the works have had little or no effect on bridge users.

## SESTRAN Park & Ride Proposal

The Bridge Manager has been in discussions with SESTRAN regarding acquisition of land owned by the Board at the Fife landfall for use as a Park & Ride facility. Approval has been given by the Board for the Clerk to enter into negotiations for the sale of the land to SESTRAN.

## Traffic

Due to the on-going work to reconfigure the bridge approach spans as part of the Dundee City Waterfront Development there have been prolonged periods where the traffic counters have been unavailable for use therefore there has been insufficient data collected to provide meaningful comparison of traffic flows. On completion of the reconfiguration of the bridge approaches the traffic counters will be reinstated and full traffic figures collected for future reports.

One or both lanes on the bridge were closed on a number of occasions over the past twelve months. The table below summarises the reasons and number of occurrences:-

Wind speed > 80mph Closed to all Vehicles	Wind speed > 60mph Cars Only	Wind speed > 45mph No Double Deck buses	Works Full Closures	Breakdowns and Minor Accidents	Operational closures Debris collection etc
0	12	47	2	82	1,111

Over the period there had been no full closures due to winds exceeding 80mph and the number of wind related restrictions had reduced over this time compared to 2011/2012.

**Staffing Issues**Staff Establishment

There has been no change to the number of permanent posts within the staff establishment which stands as follows:-

Administration	5
Operational	15
Maintenance	14
Cleaner (P/T)	<u>1</u>
Total	<u>35</u>

**Iain Mackinnon**  
**Bridge Manager**  
**Tay Road Bridge Joint Board**  
**XX June 2013**



## TAY ROAD BRIDGE JOINT BOARD

## TREASURER'S REPORT

**Introduction**

This report is intended as a commentary on the Tay Road Bridge Joint Board's financial position, as presented within the Statement of Accounts for the financial year 2012/2013.

**Annual Governance Statement (see page 10)**

This statement sets out the Board's Corporate Governance arrangements, explaining how the Board conducts its business, both internally and in its dealings with others. The main components of the system are listed, together with any significant weaknesses that have been identified and the remedial action taken.

**Remuneration Report (see page 12)**

This statement sets out the remuneration and accrued pension benefits of the senior employee of the Board and the policy context, in accordance with Scottish Government regulations.

**Statement of Responsibilities for the Statement of Accounts (see page 15)**

This statement sets out the main financial responsibilities of the Board and the Treasurer.

**The Accounting Statements (see pages 16 to 46)***Movement in Reserves Statement:*

This statement shows the movement in the year on the different reserves held by the Board, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and 'unusable reserves'.

*Comprehensive Income & Expenditure Account:*

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

*Balance Sheet:*

Shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Board.

*Cash Flow Statement:*

Shows the changes in cash and cash equivalents of the Board during the reporting period.

*Notes to the Financial Statements:*

These are intended to give the reader further information which is not separately detailed in the financial statements. They also include the Accounting Policies which set out the basis upon which the financial statements have been prepared and explains the accounting treatment of both general and specific items.

**Revenue Expenditure**

The Tay Road Bridge Joint Board, at its meeting on 12 December 2011, approved the 2012/2013 Revenue Budget. The final budget showed a break-even position. The projected General Reserve balance as at 31 March 2013 would be £1,225,591. However, subsequent overspends totalling £65,000 occurred in 2011/2012 (after the budget for 2012/2013 was set) which had the effect that the projected General Reserve balance as at 31 March 2013 decreased to £1,160,591.

The Board received quarterly Revenue Monitoring reports during 2012/2013 in order to keep the members fully apprised as to the projected revenue outturn position.

The following table reconciles the Revenue Budget approved by the Board on 12 December 2011 (as adjusted) to the revised budget figures that are included in the Comprehensive Income and Expenditure Statement shown on page 17. The actual outturn for 2012/2013 was a net overspend against budget of £19,000 before the application of accounting adjustments and the detailed variance analysis is set out on page 8.

	Approved Budget £000	Corp & Democratic Core Re-allocation £000	Net Depreciation & Impairment Allocation £000	Re-allocate Investment Property Inc & Exp £000	Employee Benefits £000	Net (Gain) or Loss on Disposal of Assets £000	Recognised Capital Grant £000	Revaluation of PIPE Assets £000	IAS 19 Adjs £000	Revised Budget £000	Actual Expend/ (Income) £000	Over/ (Under) Spend £000
Staff Costs	1,124	-	-	-	(10)	-	-	-	45	1,159	1,119	(40)
Property Costs	72	-	-	(3)	-	-	-	-	-	69	51	(18)
Supplies and Services	333	(14)	-	-	-	-	-	-	-	320	321	1
Transport Costs	38	-	-	-	-	-	-	-	-	38	35	(3)
Third Party Payments	154	(10)	-	-	-	-	-	-	-	144	63	(81)
Depreciation & Impairment	-	-	1,559	-	-	-	-	-	-	1,559	1,559	-
Corporate & Democratic Core	-	24	-	-	-	-	-	-	-	24	21	(3)
Non Distributed Costs	-	-	-	-	-	-	-	-	-	-	-	-
<b>Cost of Expenditure</b>	<b>1,721</b>	<b>-</b>	<b>1,559</b>	<b>(3)</b>	<b>(10)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45</b>	<b>3,313</b>	<b>3,169</b>	<b>(144)</b>
Other Operating Income & Expenditure	(10)	-	-	10	-	96	-	-	-	96	95	(1)
Financing & Investment Income & Expenditure	(11)	-	-	(7)	-	-	-	23	7	12	(1)	(13)
Non-Specific Grant Income	(1,700)	-	-	-	-	-	(11,279)	-	-	(12,979)	(12,802)	177
<b>(Surplus) / Deficit on Provision of Service</b>	<b>-</b>	<b>-</b>	<b>1,559</b>	<b>-</b>	<b>(10)</b>	<b>96</b>	<b>(11,279)</b>	<b>23</b>	<b>52</b>	<b>(9,558)</b>	<b>(9,539)</b>	<b>19</b>
(Surplus) / Deficit on Revaluation of Fixed Assets	-	-	-	-	-	4	-	-	-	4	4	-
Actuarial Gains / Losses on Pension Assets / Liabilities	-	-	-	-	-	-	-	-	72	72	72	-
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>-</b>	<b>-</b>	<b>1,559</b>	<b>-</b>	<b>(10)</b>	<b>100</b>	<b>(11,279)</b>	<b>23</b>	<b>124</b>	<b>(9,482)</b>	<b>(9,463)</b>	<b>19</b>
IAS 19 Adjustments	-	-	-	-	-	-	-	-	(124)	(124)	(141)	(17)
Other IFRS Code Accounting Adjustments	-	-	(1,559)	-	10	(100)	11,279	(23)	-	9,606	9,604	(2)
<b>Total (Surplus)/ Deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
General Reserve Balance b/fwd	(1,161)	-	-	-	-	-	-	-	-	(1,161)	(1,161)	-
General Reserve Balance c/fwd	(1,161)	-	-	-	-	-	-	-	-	(1,161)	(1,161)	-

*Staff Costs (Underspend £40,000)*

Mainly reflects posts that have been held vacant during the year. In addition, expenditure on overtime has been lower than budgeted following a reduction in the level of overtime worked as there were relatively few contracts requiring bridge maintenance staff.

*Property Costs (Underspend £18,000)*

Reflects lower expenditure relating to electricity costs due to a new contract being negotiated at the start of the year. In addition, expenditure on alterations and repairs within the administration building was lower than anticipated.

*Supplies & Services (Overspend £1,000)*

There were overspends on de-icing materials due to adverse weather conditions, as well as the engineering combined insurance premium as a result of a requirement for more regular inspections due to recent modifications to the runway beam and the gantries. These variances were partly offset by the fact that on-going capital contracts meant a reduction in the amount of bridge maintenance work carried out during the year which has resulted in lower than anticipated expenditure on the purchase of equipment and materials, plant hire and other miscellaneous supplies and services.

*Transport Costs (Underspend £3,000)*

Reflects minor underspends in a number of budget headings including travel and subsistence, and business mileage as more training has been brought on-site. Additionally, there have also been underspends relating to fuel costs for the gantries and safety boat as the amount of bridge maintenance work carried out during the year was reduced.

*Third Party Payments (Underspend £81,000)*

Reflects savings relating to structural inspections which could not be conducted as the gantries have been in use by a contractor. Further underspends have resulted from the carriageway joints not requiring repairs, allowances for professional fees relating to the cathodic protection system not being spent as repairs are required to be completed before this is fully operational, and expenditure on charges for human resource services being less than anticipated. These variances were partly offset by increased expenditure on principal inspections of the gantries as a result of the formal insurance inspections.

*Corporate and Democratic Core Costs (Underspend £3,000)*

Reflects a reduction in external audit fees.

*Other Operating Income and Expenditure (Income Surplus £1,000)*

Reflects a refund for bank charges.

*Financing and Investment Income and Expenditure (Income Surplus £13,000)*

Reflects increase in interest received on bank balances due to higher than anticipated average balances due to large amounts of Capital Grant income.

*Non-Specific Grant Income (Income Shortfall £177,000)*

Reflects the fact that any unused Revenue Grant (with conditions) is to be held in creditors so that it can be applied to match expenditure in future years.

**General Reserve**

There was a break-even position for the financial year 2012/2013. This gives a total General Reserve balance of £1,160,591 at 31 March 2013.

### Capital Expenditure and Financing

During 2012/2013, the Board incurred capital expenditure of £10,490,000 on the following projects:-

	<u>£000</u>
Inspection to Columns and Piers	87
Carriageway Resurfacing	5
Gantry	1
Ice Detection	13
Pier Collision Protection	10,301
Other Projects	<u>83</u>
	<u>10,490</u>

Capital expenditure was funded as follows:

	<u>£000</u>
Capital Grant from the Scottish Government	10,489
Capital Receipts	<u>1</u>
	<u>10,490</u>

In addition to the above, an asset of £0.36m has been recognised in the Balance Sheet (2011/2012: £2.55m). This relates to the western off-ramp which had been constructed by Dundee City Council as part of the Central Waterfront development and subsequently transferred to the Board. In addition, £4.942m has been included within assets under construction at 31 March 2013 for the remaining new on-off ramps.

### Control of Revenue and Capital Expenditure

The control of both the revenue and capital expenditure of the Board is an on-going and substantial exercise which requires a positive contribution from staff and elected members to ensure that the Board's financial objectives are achieved and that financial resources are fully utilised.

### Pension Liability (IAS 19)

Under IAS 19 (Employee Benefits) the Board is required to include figures in its Statement of Accounts relating to the assets, liabilities, income and expenditure of the pension schemes for its employees. It has been estimated that the Board had a net pension liability of £2,213,000 as at 31 March 2013. The estimated net pension liability at 31 March 2012 was £2,072,000. A decrease in the real interest rate and changes in the underlying assumptions used to calculate scheme liabilities have caused an increase in liabilities. This was partly offset by an increase in the value of scheme assets, resulting in the overall net liability increasing by £141,000.

### Acknowledgements

During the 2012/2013 financial year the Board's financial position has required continuous scrutiny and strict budgetary control. I would like to thank the Bridge Manager, Bridge Engineer and their staff in controlling the Board's expenditure and income. In addition, I wish to mention my appreciation of the help and co-operation provided during the financial year by the elected members and by Roger Mennie, Clerk to the Board.

I would also like to extend my appreciation for the contribution made by the current chair, Councillor David Bowes, who will stand down as chair with effect from the Board meeting on 17 June 2013.

Finally, I would conclude my report by thanking all staff who contributed to the preparation of the Board's 2012/2013 Statement of Accounts.

**Marjory M Stewart, FCCA, CPFA**  
 Treasurer  
 Tay Road Bridge Joint Board  
 XX June 2013

## TAY ROAD BRIDGE JOINT BOARD

### ANNUAL GOVERNANCE STATEMENT

#### Scope of Responsibility

Tay Road Bridge Joint Board is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards. This is to ensure that public funds and assets at its disposal are safeguarded, properly accounted for and used economically, efficiently, effectively, and ethically. The Board also has a duty to make arrangements to secure continuous improvement in the way its functions are carried out.

In discharging these responsibilities elected members and senior officers are responsible for implementing effective arrangements for governing the Board's affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

To this end the Board has approved and adopted a local Code of Corporate Governance that is consistent with the principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*. This statement explains how Tay Road Bridge Joint Board delivers good governance and reviews the effectiveness of these arrangements.

#### The Board's Governance Framework

The governance framework comprises the systems, processes, cultures and values by which the Board is directed and controlled. It also describes the way it engages with and accounts to stakeholders. It enables the Board to monitor the achievement of its strategic objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The framework reflects the arrangements in place to meet the six supporting principles of effective corporate governance. These are as follows:

- focusing on the purpose of the Board and on outcomes for the community and creating and implementing a vision for the local area;
- members and officers working together to achieve a common purpose with clearly defined functions and roles;
- promoting values for the Board and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- developing the capacity and capabilities of members and officers to be effective; and
- engaging with local people and other stakeholders to ensure robust public accountability.

Within the overall control arrangements the system of internal financial control is intended to ensure that assets are safeguarded, transactions are authorised and properly recorded, and material errors or irregularities are either prevented or would be detected within a timely period. It is based on a framework of regular management information, financial regulations, administrative procedures and management supervision.

The overall control arrangements include:

- identifying the Board's objectives in the Service Plan;
- monitoring of objectives by the Board and senior officers;
- reporting performance regularly to Board meetings;
- clearly defined Standing Orders and Schemes of Administration covering Financial Regulations, Tender Procedures and Delegation of Powers;
- approved Fraud Guidelines which include anti-fraud and corruption strategies, and "whistle-blowing" arrangements;
- setting targets to measure financial and service performance; and
- formal revenue and capital budgetary control systems and procedures.

Additionally, in order to support Chief Financial Officers in the fulfilment of their duties and to ensure that local authority organisations have access to effective financial advice of the highest level, CIPFA's *Role of the Chief Financial Officer* has introduced a "comply or explain" requirement in the Annual Statement of Accounts.

## Review of Effectiveness

Members and officers of the Board are committed to the concept of sound governance and the effective delivery of Board services and take into account comments made by internal and external auditors.

In addition the Board have made a self-assessment of their own arrangements. This involved the completion, by the Bridge Manager, of a 56-point checklist covering the six supporting principles defined in CIPFA/SOLACE's *Delivering Good Governance in Local Government*. This indicated a high level of compliance.

The Board's Internal Audit Service operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom and reports to the Board. Internal Audit undertakes an annual programme of work, which is reported to the Board. The Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control.

The Treasurer complies with the principles set out in CIPFA's *Role of the Chief Financial Officer*.

## Continuous Improvement Agenda

In 2011/2012 the following area was identified by both the Bridge Manager in the self-assessment checklists completed as part of the Board's assurance gathering process, and by Internal Audit, where further improvement could be made:

- Develop a formal complaints procedure (taking account of updated guidance still to be issued by the Scottish Ombudsman's Office).

A formal complaints procedure was implemented from 30 September 2012. This can be found on the board's website at [www.tayroadbridge.co.uk/board\\_misc.php](http://www.tayroadbridge.co.uk/board_misc.php)

During 2012/2013, Internal Audit conducted their programme of audits, including a review of Data Protection and Freedom of Information arrangements in place at the Board. This identified the following areas where further improvements could be made:

- Develop a Data Protection Policy; and
- Develop a Freedom of Information Policy.

It is proposed that during 2013/2014 steps are taken to address the items identified in the Continuous Improvement Agenda to further enhance the Board's governance arrangements.

The annual review demonstrates sufficient evidence that the code's principles of delivering good governance in local government operated effectively and the Board complies with the Local Code of Corporate Governance in all significant respects.

**Marjory Stewart FCCA, CPFA**  
Treasurer  
Tay Road Bridge Joint Board  
XX June 2013

**Iain MacKinnon**  
Bridge Manager  
Tay Road Bridge Joint Board  
XX June 2013

## TAY ROAD BRIDGE JOINT BOARD

## ANNUAL REMUNERATION REPORT

## INTRODUCTION

The Board is required to prepare and publish within its Statement of Accounts an annual Remuneration Report under the Local Authority Accounts (Scotland) Amendment Regulations 2011 (Scottish Statutory Instrument No. 2011/64), which came into force on 31 March 2011. The report sets out the remuneration of the Chair and Vice-Chair and Senior Employees of the Board and accrued pension benefits of the Senior Employees of the Board. The report also provides information on the number of Board employees (including Senior Employees) whose total actual remuneration was £50,000 or more, this information being disclosed in salary bandings of £5,000 above £50,000. The following report has been prepared in accordance with the aforementioned Regulations and also in accordance with the non-statutory guidance set out in Scottish Government Finance Circular 8/2011, issued on 13 May 2011.

The Board's External Auditor is required to audit certain parts of the Remuneration Report and give a separate opinion in his report on the Statement of Accounts as to whether the Remuneration Report has been properly prepared in accordance with the Regulations. Tables 1, 2 and 3 are subject to audit, and the remainder of the report is subject to review.

## REMUNERATION ARRANGEMENTS

**Senior Board Members**

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations set out the remuneration payable to Councillors with the responsibility of a Chair or Vice-Chair of a Joint Board. The Regulations require the remuneration to be paid by the Council of which the Chair or Vice-Chair is a member.

The Board has an arrangement with each Council who remunerates the Chair and Vice-Chair to reimburse the Council for the additional costs of that councillor arising from them being a Chair or Vice-Chair of the Board. The disclosures made in this report are limited to the amounts paid to the Council by the Board for remuneration and does not reflect the full value of the remuneration that may be paid to the councillor.

The Chair did not receive any remuneration during 2012/2013. (2011/2012: Nil remuneration). The remuneration details for the Vice-Chair of Tay Road Bridge Joint Board are set out in Table 1.

**Senior Employees**

The salary of Senior Employees is set by reference to national agreements. The salaries of senior employees of the Board take into account the duties and responsibilities of their posts. The Board is responsible for agreeing the salaries of senior employees. All Board employees are entitled to participate in Dundee City Council's Contract Car Hire Scheme, subject to meeting certain criteria. The Council's Policy & Resources Committee is responsible for agreeing the terms of the Contract Car Hire Scheme.

For the purposes of the Remuneration Report, the Regulations set out the following criteria for designation as a Senior Employee of the Board:

- (i) has responsibility for management of the Board to the extent that the person has power to direct or control the major activities of the Board (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other persons;
- (ii) holds a post that is politically restricted by reason of section 2(1)(a), (b) or (c) of the Local Government and Housing Act 1989; or
- (iii) annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.

The Board has determined that one employee met the criteria for designation as a Senior Employee in 2012/2013, with the employee falling into category (i) above. The remuneration details for the Senior Employees of the Board are set out in Table 2.

The Regulations also require information to be published on the total number of Board employees (including Senior Employees) whose total actual remuneration was £50,000 or more. This information is to be disclosed in salary bandings of £5,000 above £50,000 and is shown in the following table.

Remuneration Bands	No of Employees	No of Employees
	2012/2013	2011/2012
£55,000 - £59,999	1	1
<b>Total</b>	<b>1</b>	<b>1</b>

### EXIT PACKAGES

There were no exit packages agreed during 2012/2013 (2011/2012: No exit packages agreed).

### ACCRUED PENSION BENEFITS

Pension benefits for Local Government Employees are provided through the Local Government Pension Scheme (LGPS). Local Government Employees pension benefits are a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number years that the person has been a member of the scheme. The scheme's normal retirement age for Local Government Employees is 65.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009, contribution rates were set at 6% for all non-manual employees. The tiers and members' contribution rates for 2012/2013 remain at the 2009/2010 rates and are as follows:

Whole Time Pay	Contribution Rate 2012/2013	Contribution Rate 2011/2012
On earnings up to and including £18,000	5.5%	5.5%
On earnings above £18,000 and up to £22,000	7.25%	7.25%
On earnings above £22,000 and up to £30,000	8.5%	8.5%
On earnings above £30,000 and up to £40,000	9.5%	9.5%
On earnings above £40,000	12%	12%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60<sup>th</sup> of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> of final pensionable salary and years of pensionable service.

### Senior Employees

The accrued pension benefits for Senior Employees are set out in Table 3, together with the pension contributions made by the Board.

### Assumptions and Contextual Information

The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government service and not just their current appointment.

In considering the accrued pension benefits figures the following contextual information should be taken into account:

- (i) the figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.
- (ii) the accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time. In 2012/2013, the scheme member contribution rate for Senior Employees of the Board was 8.5% of pensionable pay. In 2012/2013, the employer contribution rate was 18% of pensionable pay for Senior Employees.

**Marjory M Stewart, FCCA, CPFA**  
**Treasurer**  
**Tay Road Bridge Joint Board**  
**XX June 2013**



TABLE 1 – REMUNERATION OF COUNCILLOR WHO IS VICE-CHAIR OF TAY ROAD BRIDGE JOINT BOARD

Councillor Name	Responsibility	Salary, Fees & Allowances	Taxable Expenses	Non-cash Expenses & Benefits-in-kind	Total Remuneration 2012/2013	Total Remuneration 2011/2012
Margaret Taylor	Vice-Chair, Tay Road Bridge Joint Board (from 18 June 2012)	£ 2,950	£ 32	£ 0	£ 2,982	£ 0
<b>Total</b>		£ 2,950	£ 32	£ 0	£ 2,982	£ 0

TABLE 2 – REMUNERATION OF SENIOR EMPLOYEES

Employee Name	Post Title	Salary, Fees & Allowances	Bonuses	Taxable Expenses	Compensation for Loss of Employment	Benefits Other Than in Cash	Total Remuneration 2012/2013	Total Remuneration 2011/2012
J.I. MacKinnon	Bridge Manager	£ 57,845	£ 0	£ 0	£ 0	£ 0	£ 57,845	£ 57,845
<b>Total</b>		£ 57,845	£ 0	£ 0	£ 0	£ 0	£ 57,845	£ 57,845

TABLE 3 – SENIOR EMPLOYEES ACCRUED PENSION BENEFITS

Employee Name	Post Title	Pension as at 31 March 2013	Pension Difference from 31 March 2012	Lump Sum as at 31 March 2013	Lump Sum Difference from 31 March 2012	Pension Contribution 2012/2013	Pension Contribution 2011/2012
J.I. Mackinnon	Bridge Manager	£25	£1	£62	£0	£10,460	£10,701
<b>Total</b>		£25	£1	£62	£0	£10,460	£10,701

**TAY ROAD BRIDGE JOINT BOARD****STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS****The Joint Board's responsibilities**

The Joint Board is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Joint Board, that officer is the Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Audited Statement of Accounts.

**The Treasurer's responsibilities**

The Treasurer is responsible for the preparation of the Joint Board's statement of accounts in accordance with proper practices set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this statement of accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Treasurer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts presents a true and fair view of the financial position of the Joint Board at the accounting date and its income and expenditure for the year ended 31 March 2013.

**Marjory M Stewart, FCCA, CPFA**  
**Treasurer**  
**Tay Road Bridge Joint Board**  
**XX June 2013**

## TAY ROAD BRIDGE JOINT BOARD

## MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Board, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and 'unusable reserves.' The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Board's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Reserve Balance. The Net Increase / (Decrease) before Transfers to Earmarked Reserves line shows the statutory General Reserve balance before any discretionary transfers to or from earmarked reserves undertaken by the Board.

	General Fund Balance £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Board Reserves £000
<b>Balance at 31 March 2011</b>	<b>(1,161)</b>	<b>(2,539)</b>	<b>(3,700)</b>	<b>(50,512)</b>	<b>(54,212)</b>
<b><u>Movement in Reserves during 2011/12</u></b>					
Surplus or (deficit) on provision of services	(9,940)	-	(9,940)	-	(9,940)
Other Comprehensive Expenditure and Income	-	-	-	355	355
<b>Total Comprehensive Expenditure and Income</b>	<b>(9,940)</b>	<b>-</b>	<b>(9,940)</b>	<b>355</b>	<b>(9,585)</b>
Adjustments between accounting basis & funding basis under regulations (note 4)	9,940	(2,681)	7,259	(7,259)	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>-</b>	<b>(2,681)</b>	<b>(2,681)</b>	<b>(6,904)</b>	<b>(9,585)</b>
Transfers to / (from) Earmarked Reserves	-	-	-	-	-
<b>(Increase) / Decrease in 2011/12</b>	<b>-</b>	<b>(2,681)</b>	<b>(2,681)</b>	<b>(6,904)</b>	<b>(9,585)</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>(1,161)</b>	<b>(5,220)</b>	<b>(6,381)</b>	<b>(57,416)</b>	<b>(63,797)</b>
<b><u>Movement in Reserves during 2012/13</u></b>					
Surplus or (deficit) on provision of services	(9,539)	-	(9,539)	-	(9,539)
Other Comprehensive Expenditure and Income	-	-	-	76	76
<b>Total Comprehensive Expenditure and Income</b>	<b>(9,539)</b>	<b>-</b>	<b>(9,539)</b>	<b>76</b>	<b>(9,463)</b>
Adjustments between accounting basis & funding basis under regulations (note 4)	9,539	4,189	13,728	(13,728)	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>-</b>	<b>4,189</b>	<b>4,189</b>	<b>(13,652)</b>	<b>(9,463)</b>
Transfers to / (from) Earmarked Reserves	-	-	-	-	-
<b>(Increase) / Decrease in Year</b>	<b>-</b>	<b>4,189</b>	<b>4,189</b>	<b>(13,652)</b>	<b>(9,463)</b>
<b>Balance at 31 March 2013 carried forward</b>	<b>(1,161)</b>	<b>(1,031)</b>	<b>(2,192)</b>	<b>(71,068)</b>	<b>(73,260)</b>



## TAY ROAD BRIDGE JOINT BOARD

## BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Board. The net assets of the Board (assets less liabilities) are matched by the reserves held by the Board. Reserves are reported in two categories. The first category is usable reserves, i.e. those that the Board may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure). The second category is unusable reserves i.e. those that the Board is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2012 £000		Note	31 March 2013 £000
59,368	Property, Plant & Equipment	20	73,175
85	Investment Property	19	<u>62</u>
<b>59,453</b>	<b>Total Long Term Assets</b>		<b>73,237</b>
47	Inventories	22	47
581	Short Term Debtors	23	35
8,155	Cash and Cash Equivalents	12	<u>3,404</u>
<b>8,783</b>	<b>Total Current Assets</b>		<b>3,486</b>
<u>(2,367)</u>	Short Term Creditors	24	<u>(1,250)</u>
<b>(2,367)</b>	<b>Total Current Liabilities</b>		<b>(1,250)</b>
<u>(2,072)</u>	Net Pension Liabilities		<u>(2,213)</u>
<b>(2,072)</b>	<b>Total Long Term Liabilities</b>		<b>(2,213)</b>
<u><b>63,797</b></u>	<b>Net Assets</b>		<u><b>73,260</b></u>
6,381	Usable reserves	8	2,192
57,416	Unusable Reserves	9	<u>71,068</u>
<u><b>63,797</b></u>	<b>Total Reserves</b>		<u><b>73,260</b></u>

Marjory Stewart FCCA, CPFA  
Treasurer  
Tay Road Bridge Joint Board  
XX June 2013

## TAY ROAD BRIDGE JOINT BOARD

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Board during the reporting period. The statement shows how the Board generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Board are funded by way of grant income or from the recipients of services provided by the Board. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Board's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Board.

2011/12 £000		2012/13 £000
(9,940)	Net (surplus) or deficit on the provision of services	(9,539)
(954)	Adjust net surplus or deficit on the provision of services for non cash movements	(3,037)
11,273	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	11,203
<u>379</u>	<b>Net cash flows from Operating Activities</b>	<u>(1,373)</u>
(4,445)	Investing Activities (note 10)	6,150
(13)	Financing Activities (note 11)	(26)
<u>(4,079)</u>	<b>Net (Increase) or Decrease in cash and cash equivalents</b>	<u>4,751</u>
4,076	Cash and cash equivalents at the beginning of the reporting period	8,155
<u>8,155</u>	<b>Cash and cash equivalents at the end of the reporting period (note 12)</b>	<u>3,404</u>

**TAY ROAD BRIDGE JOINT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**

**1. ACCOUNTING POLICIES**

**A General Principles**

The Statement of Accounts summarises the Board's transactions for the 2012/2013 financial year and its position at the year-end of 31 March 2013. The Board is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985. Section 12 of the Local Government in Scotland Act 2003 requires that they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/2013 and the Service Reporting Code of Practice 2012/2013, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets.

**B Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Board transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Board.
- Revenue from the provision of services is recognised when the Board can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Board.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Board's employees) are recorded as expenditure when the services are received, rather than when payments are made.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

**C Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents comprise short term lending that is repayable on demand or within 3 months of the Balance Sheet date and that is readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Board's cash management.

**D Changes in Accounting Policies and Estimates and Errors**

Changes in accounting policies are only made when required by proper accounting practices or when the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Board's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## **E Charges to Revenue for Non-Current Assets**

The Comprehensive Income and Expenditure Statement is debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

The Board is not required to apply revenue grant receipts to fund depreciation, revaluation and impairment losses. Depreciation, revaluation and impairment losses are therefore reversed by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

## **F Employee Benefits**

### Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees render service to the Board. An accrual is made against Staff Costs in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Reserve by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Board to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Account when the Board is demonstrably committed to either terminating the employment of an employee or group of employees or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Reserve balance to be charged with the amount payable by the Board to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### Post Employment Benefits

Employees of the Board are members of a separate pension scheme being the Local Government Superannuation Scheme (Tayside Superannuation Fund), a defined benefits scheme which is administered by Dundee City Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Board.

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Tayside Superannuation Fund attributable to the Board are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond, iBoxx AA rated over 15 year corporate bond index.
- The assets of the Tayside Superannuation Fund attributable to the Board are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price



- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to Staff Costs
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Board, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains/losses on settlements and curtailments – the result of actions to relieve the Board of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not co-incided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - contributions paid to the Tayside Superannuation Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Reserve balance to be charged with the amount payable by the Board to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Reserve of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.



REPORT TO: TAY ROAD BRIDGE JOINT BOARD - 17 JUNE 2013

REPORT ON: EXTERNAL AUDIT ANNUAL AUDIT PLAN 2012/2013

REPORT BY: TREASURER

REPORT NO: TRB 10-2013

ITEM No:..... 8 .....

## 1 PURPOSE OF REPORT

To present to the Board the External Audit Annual Audit Plan, attached as an Appendix to this report.

## 2 RECOMMENDATIONS

It is recommended that the Board notes the content of the External Audit Annual Audit Plan for 2012/2013.

## 3 FINANCIAL IMPLICATIONS

The cost of External Audit Services is included in the approved 2013/2014 Revenue Budget.

## 4 MAIN TEXT

### Introduction

- 4.1 The external audit of the Board for the financial year 2012/2013 will be carried out by Mr Stephen Reid, Engagement Director, KPMG. The Joint Board's External Auditors are appointed for a five year period and the financial year 2012/2013 marks the second year of KPMG's appointment to the Board.

### External Auditor's Annual Audit Plan

- 4.2 The External Auditor's annual audit plan summarises the key challenges and risks facing the Board and sets out the proposed audit work to be undertaken in 2012/2013. The plan reflects:
- the risks and priorities facing the Board
  - current national risks relevant to local circumstances
  - the impact of changing international auditing and accounting standards
  - External Audit's responsibilities under the Code of Practice as approved by the Auditor General and the Accounts Commission
  - issues brought forward from previous audit reports.

### 4.3 External Auditor's Responsibilities

External Audit's responsibilities as independent auditor, are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.

In carrying out their audit, External Audit seek to gain assurance that the Board:

- has good corporate governance arrangements in place which reflect the three fundamental principles of openness, integrity and accountability

- has systems of recording and processing transactions which provide a sound basis for the preparation of financial statements and the effective management of its assets and interests
- prepares financial statements which give a true and fair view of the financial position at 31 March 2013 and the income and expenditure for the year then ended, in accordance with the Local Government (Scotland) Act 1973 and other applicable laws and regulations, including the 2012/2013 Accounting Code of Practice
- has systems of internal control which provide an adequate means of preventing or detecting material misstatement, error, fraud or corruption
- complies with established policies, procedures, laws and regulations
- has made proper arrangements for securing best value in its use of resources.

#### 4.5 Reporting Arrangements

Under the Local Government (Scotland) Act 1973, there is a requirement for unaudited financial statements to be presented to the Board and the Controller of Audit within 3 months of the financial year end i.e. 30th June. The non-statutory target for audit completion is 30th September.

In addition to the report and audit opinion on the financial statements, an annual report to members and the Controller of Audit will be produced to summarise all significant matters arising from the audit. This will be presented to the Board at the meeting in December 2013.

#### 5 **POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues identified.

#### 6 **CONSULTATIONS**

The Bridge Manager and the Clerk to the Board have been consulted on the content of this report.

#### 7 **BACKGROUND PAPERS**

None

**MARJORY M STEWART**  
**TREASURER**

**4 JUNE 2013**

ITEM No: ..... 9(a)



HENDERSON LOGGIE  
Chartered Accountants

## Tay Road Bridge Joint Board

Follow Up  
2012/13

Internal Audit Report No: 2013/06

Draft Issued: 9 May 2013

Final Issued: 10 May 2013



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## 1. Management Summary

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### Introduction and Background

We have been appointed as Internal Auditors to the Tay Road Bridge Joint Board ('the Board') for the period 1 April 2010 to 31 March 2013. The Internal Audit Plan for 2012/2013 includes time for follow-up work on the recommendations made in our Internal Audit reports issued during 2011/2012. These were:

2012/02 – Employment Legislation and Policies, Recruitment and Staff Performance & Development;  
 2012/03 – Corporate Governance and Planning; and  
 2012/04 – IT Network Arrangements.

There were also two outstanding actions from 2010/11 and one outstanding action from 2009/10 that required to be followed up again this year.

### Audit Scope and Objectives

The objective of our follow-up review is to assess whether recommendations made in internal audit reports from 2011/12 have been appropriately implemented and to ensure that, where little or no progress has been made towards implementation, that plans are in place to progress them.

### Audit Approach

The audit approach taken was as follows:

- to request from responsible officers for each report listed above an update on the status of implementation of the recommendations made;
- to ascertain by review of supporting documentation, for any significant recommendations within the reports listed above, whether action undertaken has been adequate; and
- preparation of a summary of the current status of the recommendations for the Board.

### Overall Conclusion

The Board has made good progress in fully implementing 10 of the 15 recommendations contained within the internal audit reports listed above, including the three outstanding action points from the Risk Management report issued in 2010/11 and the Corporate Governance report issued in 2009/10

The remaining five recommendations have been assessed as 'little or no progress made'. Revised implementation dates have been agreed for these recommendations and they will be followed up again next year.



## 1. Management Summary

<i>From Original Reports</i>			<i>From Follow-Up Work Performed</i>			
Area	Recommendation Grades	Number Agreed	Fully Implemented	Partially Implemented	Little or No Progress Made	Considered but not Implemented
Employment Legislation and Policies, Recruitment and Staff Performance & Development	Critical	-	-	-	-	-
	Significant	2	1	-	1	-
	Routine	3	2	-	1	-
Corporate Governance and Planning	Critical	-	-	-	-	-
	Significant	3	1	-	2	-
	Routine	-	-	-	-	-
IT Network Arrangements	Critical	-	-	-	-	-
	Significant	2	2	-	-	-
	Routine	2	1	-	1	-
<b>From 2010/11</b>						
Risk Management	Critical	-	-	-	-	-
	Significant	2	2	-	-	-
	Routine	-	-	-	-	-
<b>From 2009/10</b>						
Corporate Governance	Critical	-	-	-	-	-
	Significant	1	1	-	-	-
	Routine	-	-	-	-	-
<b>Total</b>		<b>15</b>	<b>10</b>	<b>-</b>	<b>5</b>	<b>-</b>

Two actions with 'little or no progress made' in the Employment Legislation and Policies, Recruitment and Staff Performance & Development report are to be implemented during the 2013 annual staff reviews.

The Corporate Governance and Planning actions that have 'little or no progress made' are to be implemented when the local Code of Corporate Governance is updated. It is expected that this will be completed by 30 June 2013.

The recommendation with 'little or no progress made' in the IT Network Arrangements report is to be implemented at the next staff handbook review, which is scheduled to be completed by the end of 2013.

### Acknowledgements

We would like to thank all staff at the Board who assisted us during our review.





2. Updated Action Plan – 2011/12

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at April 2013
<p><b>Employment Legislation and Policies, Recruitment and Staff Performance &amp; Development 2012~02</b></p> <p><b>Staff Access to Policies</b></p> <p>R1 To ensure that the amendments to employment policies within staff handbooks are being made, staff should be asked to bring their handbook to their annual staff review so that the Administration Manager can review and revise handbooks where relevant.</p>	C	To be notified to staff prior to next review	Y	Administration Officer	<p><i>Original</i> 31/12/2012</p> <p><i>Revised</i> 31/12/2013</p>	<p>To be implemented during 2013 reviews.</p> <p><i>Little or No Progress Made</i></p>
<p>R2 The staff review process should be formally incorporated into the staff handbook.</p>	B	To be incorporated in the next review of the Staff Handbook or by December 2012 whichever sooner.	Y	Administration Officer	<p><i>Original</i> 31/12/2012</p> <p><i>Revised</i> 31/12/2013</p>	<p>To be implemented during 2013 reviews.</p> <p><i>Little or No Progress Made</i></p>
<p><b>Recruitment Process</b></p> <p>R3 The application form should be reviewed to ensure that all sections have been updated and adapted so that it is relevant to the Board.</p>	C	To be incorporated in the next review of the Application Form or by December 2012 whichever sooner.	Y	Administration Officer	31/12/2012	<p>Done.</p> <p><i>Fully Implemented</i></p>



HENDERSON LOGGIE

## 2. Updated Action Plan – 2011/12

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at April 2013
<p><i>Employment Legislation and Policies, Recruitment and Staff Performance &amp; Development 2012-02 (cont'd)</i></p> <p><b>Staff Development</b></p> <p>R6 Consideration should be given as to whether the Bridge Manager should be incorporated into the staff review process. A relevant member of the Board's management (Treasurer, Clerk or Engineer to the Board) could conduct the review and this would enable the management to consider its input to areas which it feels should be addressed or implemented.</p>	B	Agreed following discussions between Clerk, Treasurer and Engineer to the Board.	Y	Engineer to the Board/ Bridge Manager	31/12/2012	Review of Bridge Manager undertaken by Engineer to the Board in September 2012. <b>Fully Implemented</b>
<p>R8 The staff training database should be developed to provide a central location for all training information. When training courses are agreed following staff reviews and approval by the Bridge Management Team, these should be input into the database on completion of training. Where relevant, the dates that training requires to be re-taken should also be input.</p>	C	Database to be used for recording training. Planning of training requirements to be as part of Review and Process discussion by Management Team.	Y	Administrative Officer	31/12/2012	Completed within timescale agreed. <b>Fully Implemented</b>



2. Updated Action Plan – 2011/12

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at April 2013
<p><b>Corporate Governance and Planning 2012-03</b></p> <p><b>Corporate Governance</b></p> <p>R3 The Board should include within the Code of Corporate Governance (or Service Plan) a section which identifies the key partnerships and relationships that the Board has with other bodies.</p>	B		Y	Bridge Manager	<p><i>Original</i> 31 December 2012</p> <p><i>Revised</i> 30 June 2013</p>	<p>Key partnerships and relationships not included at present.</p> <p><i>Little or No Progress Made</i></p>
<p>R4 The Board should monitor the outcome of updated guidance in relation to complaints procedures and develop its own procedures which reflect up to date recommended best practice.</p>	B	Complaints procedure will be developed when new Guidance becomes available from the Scottish Ombudsman's Office	Y	Bridge Manager	1 September 2012	<p>Complaints procedure prepared, endorsed by the SPSO and adopted by the Board in September 2012.</p> <p><i>Fully Implemented</i></p>
<p>R5 The local Code of Corporate Governance should be updated to reflect the changes made since the introduction of the Business Continuity Plan and changes in both the external and internal auditors.</p>	B	Agreed	Y	Bridge Manager	<p><i>Original</i> 31 December 2012</p> <p><i>Revised</i> 30 June 2013</p>	<p>Local Code of Corporate Governance has yet to be updated.</p> <p><i>Little or No Progress Made</i></p>



HENDERSON LOGGIE

2. Updated Action Plan – 2011/12

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at April 2013
<p><i>IT Network Arrangements 2012-04</i></p> <p><i>Physical and Environmental Controls</i></p> <p>R1 The Board should consider installing a suitable entry system for gaining access to the server room which can be easily controlled. Options include code locks and electronic access cards. Whichever system is put into place, controls over access need to be implemented to handle staff changes and the monitoring of access.</p>	<p>C</p>	<p>Internal door to Admin Office will be locked using Code Lock to prevent unauthorised access to corridor leading to Server Area. It is not practicable to lock the Server Room door due to temperature control issues and also the fact that the room is used for other parts of the Admin function. Outwith normal office hours the Admin Office is locked and alarmed so no unauthorised access to this area is possible despite the building being occupied 24 hours a day.</p>	<p>Y</p>	<p>Bridge Manager</p>	<p>6/4/2012</p>	<p>Completed by agreed date.</p> <p>Access to Admin Area controlled by combination door lock.</p> <p>No unaccompanied access allowed by visitors to the Server Room, as agreed,</p> <p><b>Fully Implemented</b></p>



2. Updated Action Plan – 2011/12

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at April 2013
<p><i>IT Network Arrangements 2012-04 (cont'd)</i></p> <p><b>Network Infrastructure</b></p> <p>R2 The Service Level Agreement (SLA) with Exactive should be updated to ensure it includes all IT equipment and operating systems in use by the Board. The SLA should be updated whenever new equipment is purchased.</p>	B	SLA will be updated in consultation with Exactive	Y	Bridge Manager	30/9/2012	New SLA agreed and came into being on 1 April 2013. <b>Fully Implemented</b>
<p><b>Acceptable Use Policy</b></p> <p>R4 The Use of Computing Facilities policy should be reviewed to ensure it properly reflects the Board's current IT operation, in particular its adoption of mobile computing. This should cover:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Security of the devices;</li> <li><input type="checkbox"/> Connection to third party networks; and</li> <li><input type="checkbox"/> Data encryption.</li> </ul>	C	Agreed – this will be updated at next review of Staff Handbook	Y	Bridge Manager	Original 31/12/2012 Revised 31/12/2013	New policies forthcoming and a major review of handbook will be complete by 31/12/2013. <b>Little or No Progress Made</b>
<p><b>General</b></p> <p>R5 The Disaster Recovery Plan should be updated to include the contact details of all third parties which would require to be contacted during implementation of the plan</p>	B	Agreed	Y	Bridge Manager	30/4/2012	Done. <b>Fully Implemented</b>



3. Updated Action Plan – 2010/11

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at March 2012	Progress at April 2013
<p><i>Risk Management 2011-07 Business Continuity Plan</i></p> <p>R2 Management includes within the annual review and update of the Business Continuity Plan further consideration of appropriate alternative accommodation in the event that the Board's own property becomes unavailable. (For inclusion in the Disaster Recovery Plan at Appendix C in the Business Continuity Plan, albeit that it may be temporary and require updating when circumstances change).</p>	B		Y	Bridge Manager	<i>Original</i> 31/12/2011	<p>No progress on identifying alternative accommodation. Propose to carry this out in time for next review by end of 2012.</p> <p><b>Little or No Progress Made</b></p>	<p>Agreement reached with Dundee City Council regarding short term office space.</p> <p><b>Fully Implemented</b></p>
<p><i>Insurance</i></p> <p>R4 Management should consider including more detail about the insurance cover in place in the Annual Insurance Report to the Board; details of the cover for damage to the bridge infrastructure should be detailed within the report.</p>	B		Y	Treasurer	<i>Original</i> 31/8/2011	<p>Report on Insurances to go to the June 2012 Board will address.</p> <p><b>Partially Implemented</b></p>	<p>Done</p> <p><b>Fully Implemented</b></p>



HENDERSON LOGGIE

4. Updated Action Plan – 2009/10

Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress at March 2012	Progress at April 2013
R2 In order to ensure that the corporate governance arrangements operated by the Board are in line with best practice, staff should ensure that the areas of partial compliance are addressed. Measures to be taken should include completion of the draft business continuity plan and reviewing and revising, where applicable, out of date documentation. Documents should be annotated with the date when reviews are carried out. The Board should also set up a formal complaints procedure to address the area of non compliance and consider posting minutes of meetings on the website.	B	Any actions relating to the findings of Appendix A for items identified as partially compliant will be subject to further examination of current practices and procedures, in conjunction with the development of a Local Code of Corporate Governance.	Yes	Bridge Manager	Original 31 March 2011  Revised 31 March 2012	Business Continuity Plan approved by the Board on 13 September 2010.  Work has yet to commence on the implementation of a formal complaints procedure due to management awaiting the release of updated guidance in this area due April 2012.  Posting of minutes of Board meetings on the web site has been in place since December 2011 and will be continued as part of the on-going development of the Board web site.  <i>Partially Implemented</i>	Formal complaints procedure adopted September 2012.  Minutes of Board Meetings and papers discussed and posted on website since June 2012.  <i>Fully Implemented</i>



**HENDERSON LOGGIE**  
Chartered Accountants

**Tay Road Bridge Joint Board**

**Delivery of Major Project – Pier Protection Works  
2012/13**

**Internal Audit Report No: 2013/05**

**Draft Issued: 10 May 2013**

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## 1. Management Summary

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### Introduction

As part of the Internal Audit programme at the Tay Road Bridge Joint Board ('the Board') for 2012/13, we carried out a review of the arrangements in place in relation to the delivery of the major project, Pier Collision Protection Works. Our Audit Needs Assessment, finalised in April 2011, identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Board and management that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

In March 2012 the Board commissioned VolkerStevin Marine to begin work on the second phase of the £15 million Tay Road Bridge Pier Collision Protection Scheme to ensure the bridge is not at risk of lengthy closure due to a serious ship impact at the navigation spans. During its 45 year life span the Tay Road Bridge has been hit three times by shipping, each time causing superficial damage. These works will protect the bridge from a full impact, which could result in long term bridge closure and in turn cost the local economy an estimated £680 million.

### Scope of the Audit

The Pier Protection project is a major capital project of considerable size and material investment for the Board. We agreed with the Bridge Manager and the Proper officer to undertake a 'Gateway' type review of how well this project has been managed to date compared to 'best practice'.

This audit used key questions included in the OGC's Operations Review and Benefits Realisation to assess whether this project has been effectively managed and delivered on time and within budget and has achieved the stated benefits set out in the initial business case. The scope also included a review of the project's governance arrangements in place at the Board.

The systems and controls were reviewed as part of the mitigating actions identified for the following risks noted in the Board's register:

- 4 - Risk associated with loss of structure/operational capacity through ship impact. Inherent risk: Moderate, Residual risk: Moderate.

### Objective of the Audit

The overall objective was to review delivery of this project to date compared with 'best practice' as defined in OGC's Operations Review and Benefits Realisation and provide assurance to the Board that the governance arrangements in place are effective and adequate.

### Audit Approach

The project's business case, plans and tender process together with other relevant documentation, including progress monitoring reports and reports to the Board were reviewed and benchmarked against current best practice using the OGC's Operations Review and Benefits Realisation as a guide. From discussion with management we assessed progress with the project to date and assessed reasonableness of completion targets. We examined the estimated project costs against actual costs to date and reviewed estimated costs to completion. We sought to undertake this through review of specific project plans and budgets, other documents and discussion with key staff, including the Engineer to the Board to ensure that they covered all aspects currently recommended by best practice.



## 1. Management Summary

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### Action Plan

This report sets out one improvement action, which we consider necessary to ensure efficient delivery of the objective which is discussed within the text for clarity. An action plan for implementation of the recommendation can be found at Section 2 of this report.

To aid the use of the action plan, our recommendation has been graded to denote the level of importance that should be given to each one. These gradings are as follows:

- A Issues which require the consideration of the Joint Board or one of its committees.
- B Significant matters that the Bridge Manager can resolve.
- C Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

### Overall Conclusion

The evidence provided demonstrates that this project was effectively managed and delivered on time and within budget and has achieved the stated benefits set out in the initial business case. We also concluded that good project governance arrangements were in place at the Board.

The results of the assessment of the tailored OGC Gateway questions are contained within Appendix I. Three areas have been highlighted for which we have raised a single recommendation that has been included in our action plan on page four. Although we have concluded that overall the project was effectively managed there is a need for the Board to conduct a formal post project review to:

- implement an effective process for embedding improvements based on lessons learned from the project;
- reflect and assess how well the project was managed from an internal perspective; and
- identify any major issues with the Contractor that could affect the Board's approach to competition for future projects.

### Summary of Main Findings and Recommendations

Stakeholder commitment which was essential to the viability of the project was obtained prior to the commencement of the construction phase. This included buy-in from; Transport Scotland; local authorities; Scottish Natural Heritage; Dundee Port; and River Tay Pilots Association.

Continuous improvement was identified as a core objective of the project to identify and implement measures to improve the efficiency and effectiveness of the way in which the scheme was designed and constructed. Central to this concept was a process of analysis and review against targets and the use of benchmarking to compare current performance against best practice both within the project and the wider industry. Our discussions with the Bridge Manager and staff from the Engineer to the Board's department noted that they are happy with the overall performance of the Contractor and outcome of the project with initial objectives being satisfactorily met and in some cases exceeded.



## 1. Management Summary

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### Summary of Main Findings and Recommendations (continued)

The project was completed two months ahead of schedule and approximately £1.3m below budget. Early Contractor involvement in the project has been viewed by Board staff as a significant factor in obtaining value for money as this enabled the Contractor to make procurement and programme arrangements in order to take maximum advantage of discounts or offers available. It also allowed the Contractor the opportunity to plan its business well in advance when compared to a conventional tendering process.

Involvement of the Contractor during the design development also assisted in the 'buildability' of the project. A number of examples were highlighted during the course of the project which demonstrated that the Contractor utilised cost effective construction methods and the design changes needed to accommodate them. For instance, the Contractor was able to determine that much shorter piles could be incorporated into the design of the build resulting in significant cost savings.

The partnering environment of the project was influential in creating an atmosphere of ownership for both the Board and Contractor alike. This positive environment assisted in the problem solving process making the development of solutions less confrontational, minimising conflict and so reducing inefficient and wasteful actions.

The project was completed in December 2012 and a formal post project review has yet to be conducted. However, the Engineer to the Board, assisted by the Bridge Manager plan to undertake this review later in 2013.

### Acknowledgements

We would like to thank staff from the Board and Engineer to the Board's department for the co-operation and assistance we received during the course of our review.



## HENDERSON LOGGIE

### 2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
5.1, 5.2 & 6.1	<p><b>R1</b> A formal post project review of the Pier Collision Protection Works should be conducted as soon as time and resources allow. The review should include:</p> <ul style="list-style-type: none"> <li>• an internal evaluation of lessons learned;</li> <li>• mechanisms and a policy for making information available within and outside the Board;</li> <li>• a process for feeding back to Contractor and consultancy teams as well as the various stakeholder groups; and</li> <li>• appropriate help and expertise from external sources where the required skills to undertake such a review are not available within the Board.</li> </ul>	B		Y	Engineer/Bridge Manager	30 September 2013



## Appendix I - Operations Review and Benefits Realisation

HENDERSON LOGGIE

No	Item	Comment
<b>1. Review of Operating Phase</b>		
1.1	Is the facility operating to defined parameters?	<p>Yes. The contract put in place for the construction of the Pier Collision Protection Works contained a number of measures to address poor performance including monthly reporting to the Contract Management Group (CMG). Key performance indicators (KPIs) in the contract were put in place to penalise any reduction in quality and provide incentives for the Contractor to maintain quality. The total cost of the project included a £380k retention to be held for two years after completion of the project.</p> <p>Information on how the asset is to be satisfactorily maintained in future years is included within a maintenance pack which has been prepared by the Bridge Manager and includes all information passed by the design team and Contractor responsible for the build. Details include; design and material specifications; inspection requirements; and maintenance timeframes. To ensure that the Pier Collision Protection Works are regularly maintained the Bridge Manager has updated the Bridge Maintenance Plan to reflect the inspection and maintenance requirements.</p> <p>Stakeholder satisfaction experiences have yet to be assessed, however this is planned to be included as part of the post project review which is due to be conducted later in 2013.</p>
1.2	Was the project documentation delivered on time and kept up to date?	<p>A comprehensive record of project documentation has been maintained by both the Bridge Manager and Engineer to the Board. This includes a record of all discussions and meetings held between all parties directly involved in the project such as the Bridge Manager and Engineer to the Board, the external consultants assigned as project managers, the Contractor and reports presented to the Joint Board. A record of the project objectives, tender submissions and the Contractor selection process has been maintained and our review noted that the records relating to the project appear both comprehensive and detailed.</p>



## Appendix I - Operations Review and Benefits Realisation

HENDERSON LOGGIE

No	Item	Comment
1.3	Were the governance and contractual relationships satisfactory?	<p>A two-level management structure was developed, consisting of a Contract Project Board, and a Contract Management Group (CMG).</p> <p>The Contract Project Board was the key decision making body for the project with responsibility for ensuring that the project was run effectively. The Contract Project Board comprised the design consultant, Engineer to the Board, Bridge Manager, Supervisor, key suppliers when required and representatives from the Contractor. To achieve this aim, the Contract Project Board monitored overall performance of the project, established policies and strategies and provided second stage problem resolution. The Contract Project Board met at intervals of approximately eight weeks.</p> <p>The CMG was established to oversee the execution of the project with particular emphasis on the allocation of appropriate resources, achieving programme and budget, implementing value and risk management processes, identifying and resolving problems impacting on the achievement of the agreed objectives. The CMG was also responsible for the development of the partnering relationship, the project of continuous improvement, monitoring of performance and met at an interval of four weeks. The CMG was attended by the Contract Manager and other key staff from the Contractor as well as stakeholders as necessary.</p> <p>Over the lifetime of the project minutes of the CMG were recorded, an action plan was documented and kept up to date as a live plan, weekly bulletin reports were produced by the design consultants and monthly progress reports were produced by the Contractor.</p>
1.4	Were plans for, and on-going risk management kept up-to-date?	<p>As part of the project agreement the Contractor was required to establish a risk register which identified the major risks of the construction phase, the probability of the risk occurring and the estimated cost to mitigate the risk. The risk register was maintained as a live document throughout the project and regularly reviewed by the CMG.</p> <p>The main risk faced during the project stemmed from project delays and inadequate communication and management in the construction phase. None of the major risks identified materialised during the project.</p> <p>There was no separate Business Continuity Plan for the project however risk analysis was performed throughout by the Engineer to the Board in conjunction with Dundee City Council's Risk and Business Continuity Manager to ensure that risk was monitored and suitable action taken to minimise critical risk impact.</p> <p>A project plan was used to monitor progress and contingency time was built into this.</p>



## Appendix I - Operations Review and Benefits Realisation

HENDERSON LOGGIE

No	Item	Comment
1.5	Was relationship management effective?	<p>There was significant interaction between the Board's staff, the design consultants, Contractor and other stakeholders throughout the project.</p> <p>As previously noted at 1.3 above, the Contract Project Board monitored overall performance of the project, established policies and strategies and provided second stage problem resolution. The Contract Project Board met at intervals of approximately eight weeks. The CMG was also responsible for the development of the partnering relationship, the project of continuous improvement, monitoring of performance and met at an interval of four weeks. The CMG was attended by the Contract Manager and other key staff from the Contractor as well as stakeholders as necessary.</p>
1.6	Was training and support adequate?	<p>The initial project tender outlined the minimum personnel, roles, skills and qualifications requirement which both the Contractor and design consultants were able to demonstrate and which was a significant factor in the award determination.</p>





## Appendix I - Operations Review and Benefits Realisation

HENDERSON LOGGIE

No	Item	Comment
<b>2. Business Case and Benefits Management</b>		
2.1	Does the Business Case remain valid?	<p>Yes. A report on the initial risk assessment of loss of structure/operational capacity through ship impact was reported to the Joint Board in December 2002. Plans to protect the bridge piers were then explored as part of an initial feasibility study which was completed and reported to the Joint Board in June 2008. Since that time there have been no changes in the business needs or other developments within the Board and accordingly the project was still required.</p> <p>Stakeholder commitment which was essential to the viability of the project was obtained prior to the commencement of the construction phase. This included buy in from; Transport Scotland; local authorities; Scottish Natural Heritage; Dundee Port; and River Tay Pilots Association.</p>



## Appendix I - Operations Review and Benefits Realisation

HENDERSON LOGGIE

No	Item	Comment
2.2	Were the business benefits realised as set out in the Business Case? Did the organisation achieve more or less than expected?	<p>The project was completed in December 2012 and a formal post project review has yet to be conducted. The Engineer to the Board, assisted by the Bridge Manager plan to undertake this review later in 2013.</p> <p>One of the core objectives of the project was to identify and implement measures to improve the efficiency and effectiveness of the way in which the scheme was designed and constructed, thus achieving increased value to stakeholders. Central to this concept of continuous improvement was a process of analysis and review against targets and the use of benchmarking to compare current performance against best practice both within the project and the wider industry.</p> <p>Indicators were directed at measuring the achievement of the objectives of the Contractor and measuring performance at project level during the construction phase. They focused on safety, cost, programme and quality and were developed through the partnering relationship during the project. Indicators used included:</p> <ul style="list-style-type: none"> <li>• Health &amp; Safety: Number of accidents, tool box talks, safety inductions, safety meetings, etc.</li> <li>• Environmental: contamination incidents.</li> <li>• Predictability of Programme: percentage complete against project plan.</li> <li>• Quality</li> <li>• Labour: number of jobs created and filled on the project.</li> <li>• Employment Opportunities: number of vacancies advertised and filled locally.</li> <li>• Public Relations: complaints received and actioned.</li> <li>• Financial</li> </ul> <p>Our discussions with the Bridge Manager and staff from the Engineer to the Board's department noted that the Board are happy with the overall performance of the Contractor and outcome of the project with initial objectives being satisfactorily met and in some cases exceeded.</p>



## Appendix I - Operations Review and Benefits Realisation

HENDERSON LOGGIE

No	Item	Comment
2.3	Were all governance and stakeholder issues addressed in a timely and satisfactory manner? These include: the statutory process; external communications; environmental issues; personnel.	<p>The governance structure of the project included representatives of key stakeholders which was reciprocated in both the Board and the Contractor. CMG meetings were held four weekly or more frequently if required with minutes from these meetings distributed to representatives of all parties to confirm that these were an accurate record. An Action Plan was kept up to date of all issues to be resolved with evidence to show that issues were escalated to the appropriate level in both the Board and Contractor to ensure resolution.</p> <p>The Contractor ensured that all parties were kept up to date with developments by producing monthly progress updates as required under the terms of the project agreement. The design consultants, assigned by the Engineer to the Board as the day to day project management team, ensured that the Engineer to the Board and Bridge Manager were kept up to date with progress through the issue of weekly bulletins.</p> <p>Members of the Joint Board were kept up to date through updates contained in the Bridge Manager's and Engineer to the Board's reports to the Joint Board.</p>
2.4	Are the users satisfied with the operational service?	As previously stated, our discussions with the Bridge Manager and staff from the Engineer to the Board's department noted that the Board are happy with the overall performance of the Contractor and outcome of the project with the project being completed two months ahead of schedule and approximately £1.3m below budget.



HENDERSON LOGGIE

## Appendix I - Operations Review and Benefits Realisation

No	Item	Comment
3.1	<p><b>3. Plans for On-going Improvements in Value for Money</b></p> <p>What is the scope for improved value for more, considering these issues:</p> <ul style="list-style-type: none"> <li>• Could more be done for less?</li> <li>• Could the provider deliver better service quality at the same price?</li> <li>• Can maintenance costs be driven down?</li> </ul>	<p>The main benefits of the project arrangements can be split into three areas - time, cost and general efficiencies.</p> <ul style="list-style-type: none"> <li>• Early Contractor Involvement (ECI) in the project enabled the Contractor to make procurement and programme arrangements in order to take maximum advantage of discounts or offers available. It also allowed the Contractor the opportunity to plan its business well in advance when compared to a conventional tendering process.</li> <li>• A benefit enjoyed by both the Board and the Contractor was that a single identity was established to the Public. In a conventional contract, agreements reached by the Client during design are passed to the Contractor for execution during construction. Inevitably communications sometimes break down leaving a member of the public upset and/or let down. As part of ECI the Contractor was available to take part in negotiations affecting the works and hence a single united approach was presented to the public.</li> <li>• Involvement of the Contractor during design development also assisted in the buildability of the project. A number of examples were highlighted during the course of the project which demonstrated that the Contractor utilised cost effective construction methods and the design changes needed to accommodate them. For instance, the Contractor was able to determine that much shorter piles could be incorporated into the design of the build resulting in significant cost savings.</li> <li>• The partnering environment of the project was influential in creating an atmosphere of ownership for both the Board and Contractor alike. This positive environment assisted in the problem solving process making the development of solutions less confrontational, minimising conflict and so reducing inefficient and wasteful actions.</li> </ul>



## Appendix I - Operations Review and Benefits Realisation

No	Item	Comment
3.2	Did commercial mechanisms provide appropriate incentives?	<p>The project agreement included an incentive scheme to motivate the performance of the Contractor and to ensure that the objectives of the project were met. A combination of value for money, improved delivery times and care for the environment were the aim.</p> <p>The project agreement considered that the Contractor could assist with the achievement of the project objectives by becoming involved in the preparation process at an early stage and it was recognised that an appropriate financial incentive scheme would contribute to the effectiveness of the early involvement.</p> <p>During the design phase the Contractor worked with the Board to arrive at an efficient solution and to determine the total of the Prices at the Approval to Construct stage.</p> <p>Construction efficiencies identified at any time during the contract were encouraged through a share scheme where the scheme was targeted to concentrate the Contractor on maximising on site efficiencies to arrive at a Price for Work Done to Date (PWDD) below the total of the Prices at Approval to Construct (as determined at the end of the design phase).</p> <p>All savings which effectively resulted from the Contractor optimising his construction methods and maximising programming advantages to reduce the construction period were considered construction efficiencies. The percentages of share between the Board and the Contractor in the case of the PWDD exceeding or falling below the total of the Prices at Approval to Construct varied depending on the variance.</p> <p>The aim of the share distribution was to encourage savings below the total of the Prices at Approval to Construct in the region of 0 to 10%. The Contractor's share reduced to zero on savings greater than 10% to further encourage identification of savings in the design phase rather than the 'saving' of value engineering for construction. The project was completed £1.3m below budget. At the time of our review the latest estimate of the Contractor's gain was £120,000. This figure is included in the contract cost and is not directly related to the budget saving of £1.3m.</p>



**Appendix I - Operations Review and Benefits Realisation**

HENDERSON LOGGIE

No	Item	Comment
3.3	Are the client's plans for the next five years affordable?	<p>Yes. The project was completed £1.3m below budget with the unspent funds being carried forward into future capital projects which have been identified in the Board's 20 year capital programme. The inspection and maintenance timeframes have been considered and factored into the Board's Maintenance Plan, the costs of which will be met from the Revenue budget for the year in which they are incurred.</p> <p>The Board's activities continue to be funded by the Scottish Government through Transport Scotland. From our review of the Board's 20 year capital programme, three year capital plan approved by the Joint Board and the Board minutes we noted that the Board faces an approximate shortfall of £2m in funding in order to complete the proposed capital works for the period up to 2014/15. The Board requires estimated funding of £20m with Transport Scotland having approved an initial allocation of £18m, of which the Pier Collision Protection works is the most significant component. The Board has made Transport Scotland aware of the additional funding requirement and the Engineer to the Board and Bridge Manager have been in regular contact to discuss with them an increase in future capital grants.</p>



## Appendix I - Operations Review and Benefits Realisation

HENDERSON LOGGIE

No	Item	Comment
<b>4. Plans for On-going Improvements in Performance and Innovation</b>		
4.1	Did the organisation track its progression to improved performance and the flow of results through key milestones and the business planning cycle?	The project agreement contained clear links to outcomes with performance information linked to planned outcomes which enabled ready assessment of performance in terms of effectiveness, efficiency and service quality – see comments in earlier sections. A core set of performance information such as KPIs was established at the outset of the project to enable on-going assessment of Contractor performance. Responsibilities for performance management were also clearly defined in the project agreement.
4.2	Did the organisation have performance measures to cover all aspects of the contract?	A number of performance measures relating to cost and value, delivery improvement and added value were identified and reported over the life of the project, particularly during the construction phase. See section 2.2 above for details.
4.3	Did the selected performance measures offer clear and demonstrable evidence of the success (or otherwise) of the contract?	Performance measures chosen to evaluate Contractor performance appear meaningful and were visible to the CMG throughout in the form of KPIs reported in the Contractor's monthly progress reports. From a review of CMG minutes the performance measures appear to reflect the expectations of stakeholders. These measures were used as means of identifying any remedial action required by the CMG.  Although the KPI's were not explicitly reported as such to the Joint Board, the Engineer to the Board's reports contained narrative on areas associated with the KPIs, including; completion progress of the various stages of the project; details of projected spend compared to approved budget; and labour and employment opportunities.
4.4	Were performance measures that related to delivery or capability improvement tracked against an existing baseline?	The KPIs used to measure the performance of the Contractor on the project were clearly outlined in the tender document. Over the course of the project these measures were reported to the CMG in the Contractor's monthly progress updates.



HENDERSON LOGGIE

## Appendix I - Operations Review and Benefits Realisation

No	Item	Comment
<b>5. Review of Organisational Learning and Maturity Targets</b>		
5.1	Does the organisation have a well-defined, implemented and effective process for embedding improvements based on the lessons learned from the project?	The project was completed in December 2012 and at the end of January 2013 a formal post project review had yet to be conducted. The Bridge Manager, assisted by the Engineer to the Board, plan to undertake this review later in 2013.





## Appendix I - Operations Review and Benefits Realisation

HENDERSON LOGGIE

No	Item	Comment
5.2	Has there been a review of how well the project was managed?	The project was completed in December 2012 and at the end of January 2013 a formal post project review had yet to be conducted. The Engineer to the Board, assisted by the Bridge Manager plan to undertake this review later in 2013.



**Appendix I - Operations Review and Benefits Realisation**

HENDERSON LOGGIE

No	Item	Comment
6.1	<p><b>6. Readiness for the Future: Plans for Future Service Provision</b></p> <p>Were there any major issues with the contract that could affect the approach to re-competition where relevant? Factors to consider include:</p> <ul style="list-style-type: none"> <li>• Flexibility of contract – how adaptable was the relationship to both foreseen and unexpected changes in the nature and level of demand?</li> <li>• Customer's reaction and adjustment to outsourcing – how well did users adapt to services provided by a third party? Was management confident that the provider could be trusted to provide the service? Is the organisation now ready for a greater dependence upon resourcing?</li> </ul>	<p>The project was completed in December 2012 and at the end of January 2013 a formal post project review had yet to be conducted. The Engineer to the Board, assisted by the Bridge Manager, plan to undertake this review later in 2013.</p>



**HENDERSON LOGGIE**  
Chartered Accountants

## **Tay Road Bridge Joint Board**

**Physical Security and Asset Management  
2012/13**

**Internal Audit Report No: 2013/04**

**Draft Issued: 17 January 2013**

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## 1. Management Summary

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### Introduction

As part of the Internal Audit programme at the Tay Road Bridge Joint Board ('the Board') for 2012/13, we carried out a review of the arrangements in place in relation to Physical Security of Assets and Asset Management. Our Audit Needs Assessment, finalised in April 2011, identified these as areas where risk can arise and where Internal Audit can assist in providing assurances to the Board and management that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

The Bridge Manager is responsible for maintaining proper security at all times for all buildings, stock, stores, furniture, equipment, cash and records under his control. The Bridge Manager shall consult with the Treasurer in any case where security is thought to be defective or where it is considered that special security arrangements are needed.

The Board's asset requirements for the forthcoming year are identified during the development and review of the 20 year capital programme. This process is informed largely by the results of on-going asset inspections and condition surveys. The Board's Financial Regulations stipulate that capital expenditure proposals must be discussed with the Treasurer prior to the submission to the Board.

The Board's financial statements for the year ended 31 March 2012 include fixed assets with a total net book value of £59,368k, which includes; Land & Buildings of £1,216k; Vehicles, Plant and Equipment of £455k; Infrastructure Assets of £57,228k; and Assets Under Construction of £469k. The financial statements also include an additional £47k of maintenance materials held as stock.

### Scope of the Audit

We reviewed the processes and controls in place for the purchase, disposal and maintenance of fixed assets. This included property and plant and equipment. ICT assets were also covered by this review. As we plan to carry out a separate review of major capital projects later this year the pier protection works have not been covered.

The systems and controls reviewed are part of the mitigating actions identified for the following risks noted in the Board's register:

- 5 - Risk associated with loss of structure/operational capacity through effects of Dundee City Waterfront Development Works. Inherent risk: Moderate, Residual risk: Moderate;
- 6 - Risk associated with loss of operational capability through loss of bridge/buildings. Inherent risk: Moderate, Residual risk: Minor;

Risk 4 on the register associated with loss of structure/operational capacity through ship impact has not been considered during this review as this will be covered by a separate review conducted as part of the 2012/13 audit programme.

### Objectives of the Audit

#### *Physical Security*

The objective of our audit was to obtain reasonable assurance that systems are in place to ensure that responsibilities for controlling the physical security of assets are clearly defined and adequate precautions exist to ensure that assets are held securely.



## 1. Management Summary

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### Objectives of the Audit (continued)

#### *Management of Fixed Assets*

The main objectives of this audit were to ensure that:

- management has an accurate record of its capitalised assets;
- asset registers and inventories are kept up-to-date through regular, accurate and timely reporting of acquisitions, transfers and disposals;
- there is a periodic exercise to verify the accuracy of the registers;
- relevant assets can be identified through use of security tags and correct asset numbering;
- there is adequate scrutiny of plans for the acquisition of new assets and the decision to purchase or lease;
- maintenance contracts in place for plant and equipment offer value for money;
- plant and equipment is subject to regular health and safety testing and, where appropriate, is risk assessed by a suitably competent person; and
- IT assets are disposed of securely.

### Audit Approach

Interviews were held with relevant Tay Road Bridge staff to assist in documenting the systems and processes in place. A detailed assessment of the key internal controls was performed and an audit testing programme devised thereon. Detailed compliance and substantive tests were then carried out.

### Action Plan

This report sets out detailed improvement actions, which we consider necessary to ensure efficient delivery of each objective and these are discussed within the text for clarity. An action plan for implementation of these recommendations can be found at Section 2 of this report.

To aid the use of the action plan, our recommendations have been graded to denote the level of importance that should be given to each one. These gradings are as follows:

- A Issues which require the consideration of the Joint Board or one of its committees.
- B Significant matters that the Bridge Manager can resolve.
- C Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.



## 1. Management Summary

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### Overall Conclusion

In relation to our specific audit objectives we found that:

#### *Physical Security*

- responsibilities for controlling the physical security of assets are clearly defined and precautions exist to ensure that assets are held securely.

#### *Management of Fixed Assets*

- the Board has an accurate record of its capitalised assets although a decision needs to be made on the protocol for assets to be included on the portable assets inventory;
- asset registers and inventories are kept up-to-date through regular, accurate and timely reporting of acquisitions, however duplication of inventories records was identified and action is required to rationalise these and processes can be improved in relation to the authorisation and recording of disposals;
- there is a periodic exercise to verify the accuracy of the fixed asset register although consideration should be given to implementing a procedure for recording asset transfers;
- with the exception of large plant and vehicles, assets, specifically inventory items, cannot be identified through use of security tags and asset numbering. A standard method of tagging assets and inventory items should be adopted to enable the identification of Board assets and prevent loss from theft;
- there is adequate scrutiny of plans for the acquisition of new assets;
- there is sufficient information available to confirm that maintenance contracts in place for plant and equipment offer value for money although due to the specialist nature of the Board's operations sometimes the Board is tied into a maintenance contract with the supplier they originally purchased the asset from, or there may be a limited number of suppliers. Whilst this makes it difficult for the Board to receive competitive tenders or quotes for all maintenance, wherever possible quotes or tenders are obtained for maintenance services thereby ensuring value for money is achieved;
- plant and equipment is subject to regular health and safety testing and, where appropriate, is risk assessed by a suitably competent person; and
- IT assets are disposed of securely.

### Summary of Main Findings and Recommendations

In order to mitigate the risks faced by the redevelopment of the waterfront area the Board has ensured that insurance cover is adequate by entering into an Asset Protection Agreement with Dundee City Council which provides additional insurance cover over the bridge approaches should they be damaged during the development works. In relation to the responsibilities of ensuring that the Board's assets are adequately protected we consider this to be an example of good practice in this area.

The Maintenance Supervisor is responsible for maintaining and updating the record of plant and equipment used by maintenance staff, however from discussion with staff we identified that the Admin Assistant also has access to a separate Plant and Equipment register which she updates with acquisitions and disposals. Our review noted that these registers vary in composition and size which appears to have resulted from confusion as to who should assume responsibility for updating the register. An additional inventory of minor furniture and equipment assets is also maintained which our review noted contains many items which are insignificant in terms of monetary value and which appear to be consumables rather than assets.



## 1. Management Summary

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### Summary of Main Findings and Recommendations (continued)

The Maintenance Supervisor should undertake an exercise to reconcile both Plant and Equipment registers that are in use. Consideration should also be given to rationalising existing inventories further by combining the Plant and Equipment register with the minor furniture and equipment inventory. Once completed both the Admin Assistant and Maintenance Supervisor should ensure that a final register is agreed and determine responsibility for maintaining it going forward.

Procedures and controls for disposing of assets were discussed with staff and we noted that there are no records kept of the approval of asset disposals or where assets are scrapped as approval is given verbally. Controls in this area could be strengthened by implementing an 'Authority for Disposal / Scrap' form.

As part of the testing we checked a sample of assets to ensure that each had been tagged with a unique asset number in line with the Board's procedures and which correlated to the Board's asset records. In all cases tested we did not identify any evidence that assets had been tagged. Assets subject to regular PAT testing are tagged with evidence of testing which is clearly visible in the form of "passed" and "tested for electrical safety" labels affixed to various parts of the electrical equipment used. Other than items subject to PAT testing there is no method for tagging assets in use and consideration should be given to introducing a standard method of tagging assets.

We reviewed all maintenance contracts in place and identified that the contract for the maintenance of the lift on the bridge had expired by one week and had not yet been renewed. At the time of our review the Bridge Manager acknowledged that this had been an oversight but had taken action to address the issue and had requested quotations from suppliers in order that a new agreement could be put in place as soon as possible. The breakdown of key assets not covered by maintenance contracts may result in disruption to Board operations and expensive repair bills. We recommend that a register of maintenance contracts, including their renewal date, should be maintained. This should be reviewed regularly to identify contracts approaching their expiry date so that renewal can be considered and take place if required.

As part of the Board's Asset management planning process a new Asset Management Plan and Lifecycle Plan was developed by management and approved by the Joint Board in September 2012. Asset Management is the process whereby an organisation sets out the procedures and programmes by which it intends to prioritise maintenance and manage its collective assets. By adopting the principle of Asset Management the Board aims to demonstrate best value in maintaining its assets, principally the Tay Road Bridge.

The Asset Management Plan has been prepared in accordance with the guidance issued by the Society of Chief Officers on Transportation in Scotland (SCOTS) which has been adopted by all 32 of Scotland's Local Authorities.

### Acknowledgements

We would like to thank Board staff for the co-operation and assistance we received during the course of our review.





## 2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
2.3	<p><b>Asset Records</b></p> <p><b>R1</b> The Maintenance Supervisor should undertake an exercise to reconcile both Plant and Equipment registers that are in use. Consideration should also be given to rationalising existing inventories further by combining the Plant and Equipment register with the minor furniture and equipment inventory. Once completed both the Admin Assistant and Maintenance Supervisor should ensure that a final register is agreed and determine responsibility for maintaining it going forward.</p>	C		Y	Maintenance Supervisor	31 July 2013
2.3	<p><b>R2</b> As part of the rationalisation of inventories detailed at R1 the Board should determine a protocol for items to be included on the inventory. For example, furniture and equipment in excess of £250 plus all items &gt;£250 where a) the item will be used outside the Board's premises; or b) the item is portable e.g. camera; or c) the item will require to be Portable Appliance Tested (PAT). Any items identified below this level should be deemed consumables and removed.</p>	C		Y	Bridge Manager/ Maintenance Supervisor	31 July 2013



## HENDERSON LOGGIE

### 2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
3.2	<p><b>Timely Reporting of Acquisitions, Transfers and Disposals</b></p> <p><b>R3</b> Controls could be further improved by implementing an 'Authority for Disposal / Scrap' form which could be completed and authorised by the Bridge Manager / Maintenance Supervisor. The form should record details of the asset disposed / scrapped, including asset reference and the reason for this. Copies of authorised forms should then be passed to DCC to ensure that the FAR for major fixed assets is also updated and to calculate any gain / loss on disposal. Details of disposals should also be used to update the PAT database where necessary.</p>	C		Y	Bridge Manager / Maintenance Supervisor	31 July 2013
4.2	<p><b>Verification Exercises</b></p> <p><b>R4</b> Consideration should be given to implementing a procedure for asset movements to ensure movements are authorised appropriately and the individuals responsible for maintaining asset records are notified as soon as practicable to ensure that the asset location is updated.</p>	C		Y	Bridge Manager / Maintenance Supervisor	31 July 2013



## HENDERSON LOGGIE

### 2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
5.2	<p><b>Asset Identification</b></p> <p>R5 Consideration should be given to introducing a standard method of tagging assets. Further consideration should also be given to the assets on the new combined asset register/inventory recommended at R1 when deciding which assets require to be tagged.</p>	B		Y	Maintenance Supervisor	31 July 2013
7.6	<p><b>Maintenance Contracts</b></p> <p>R6 A register of maintenance contracts, including their renewal date, should be maintained. This should be reviewed regularly to identify contracts approaching their expiry date so that renewal can be considered and take place if required.</p>	B		Y	Maintenance Supervisor	31 July 2013
8.2	<p><b>Health &amp; Safety Testing and Risk Assessment</b></p> <p>R7 In order that the Board complies with legislation the PAT database should be extended to include fields for recording the dates that devices were last tested, how often the device should be tested and the date that devices are due to be re-tested.</p>	C		Y	Maintenance Supervisor	31 July 2013



### 3. Main Report

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#### 1. *Physical Security*

- 1.1 We visited the Board's Office and maintenance facilities situated at the Tay Road Bridge in Dundee and also the bridge and considered the security of each site. We considered aspects of security such as ease of access to site, controls within the site and arrangements for monitoring the site out of normal office hours.
- 1.2 Assets not in use tend to be held within locked rooms and buildings, staff areas are generally secured by access codes and there is CCTV in operation at the head office, on the bridge and its approaches. We therefore concluded that physical security at the bridge appears adequate.
- 1.3 The bridge approaches and surrounding areas are currently undergoing major redevelopment as part of Dundee City Council's (DCC) Waterfront Development Works with work scheduled to continue for several years. This level of activity and the associated disruption that it brings increases the risk to the security of the Board's assets. Our review noted that various procedures are in place to ensure assets are secure.
- 1.4 As detailed in the Board's Financial Regulations the Bridge Manager, in conjunction with the Treasurer, shall ensure that the risks faced by the Board are identified and effective measures are taken to insure against them, including protection from theft, loss or damage. Due to the scale of the Waterfront Development Works the risk of damage to the bridge ramps resulting in a loss of structure or operational capacity has been identified as a major risk on the Board's risk register. In order to mitigate the risks faced by the redevelopment of the waterfront area the Board has ensured that insurance cover is adequate. In addition the Board has entered into an Asset Protection Agreement with DCC which provides additional insurance cover over the bridge approaches should they be damaged during the development works.
- 1.5 The Bridge Manager is in regular discussions with the City Engineer and contractors involved in the Waterfront Development Works and is involved in the decision making process regarding construction work on the bridge approaches and surrounding areas.

#### 2. *Asset Records*

- Assets*
- 2.1 A list of major capitalised fixed assets is detailed within the Board's Fixed Asset Register (FAR), which is held by and updated by Dundee City Council (DCC) on a monthly basis under a Service Level Agreement (SLA). The Board's FAR is maintained in accordance with DCC's Financial Regulations with assets costing £6,000 or more, inclusive of irrecoverable value added tax, capitalised. When such assets are purchased they will be coded to a fixed asset account in the General Ledger by a member of DCC's Finance Team.
- Inventory*
- 2.2 The Board's Admin Assistant maintains an asset inventory detailing all of the Board's portable furniture and equipment assets which cost less than £6,000 that are not included on the FAR maintained by DCC. This includes Information Technology (IT) equipment. A separate record of plant and equipment used by maintenance staff is also maintained by the Board's Maintenance Supervisor. The Maintenance Supervisor also maintains a record of all portable electrical appliances which are subject to regular portable appliance testing (PAT) as required by Health & Safety legislation.



### 3. Main Report

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#### 2. *Asset Records (continued)*

##### 2.3 *Observations*

The Maintenance Supervisor is responsible for maintaining and updating the record of plant and equipment used by maintenance staff, however from discussion with staff we identified that the Admin Assistant also has access to a separate Plant and Equipment register which she updates with acquisitions and disposals. Our review noted that these registers vary in composition and size which appears to have resulted from confusion as to who should assume responsibility for updating the register.

An additional inventory of minor furniture and equipment assets is also maintained which our review noted contains many items which are insignificant in terms of monetary value and which appear to be consumables rather than assets, e.g. items noted as having a cost of less than five pounds such as cutlery sets and clocks.

##### *Risk*

Adequate control is not being made over the Board's record of assets held, increasing the risk that items may be lost or stolen.

##### *Recommendations*

**R1** The Maintenance Supervisor should undertake an exercise to reconcile both Plant and Equipment registers that are in use. Consideration should also be given to rationalising existing inventories further by combining the Plant and Equipment register with the minor furniture and equipment inventory. Once completed both the Admin Assistant and Maintenance Supervisor should ensure that a final register is agreed and determine responsibility for maintaining it going forward.

**R2** As part of the rationalisation of inventories detailed at **R1** the Board should determine a protocol for items to be included on the inventory. For example, furniture and equipment in excess of £250 plus all items >£0 where a) the item will be used outside the Board's premises; or b) the item is portable e.g. camera; or c) the item will require to be Portable Appliance Tested (PAT). Any items identified below this level should be deemed consumables and removed.

##### *Benefit*

There will be improved control over the Board's assets.

#### 3. *Timely Reporting of Acquisitions, Transfers and Disposals*

3.1 As part of our audit testing we identified that only four asset acquisitions were made in the year. We selected all four items and successfully traced to the Board's asset records.

##### 3.2 *Observation*

During interviews held with the Bridge Manager it was noted that there had been no capitalised assets disposed of in the current financial year. As a result we did not perform any detailed testing of asset disposals although procedures were documented where we noted that there are no records kept of the approval of asset disposals or where assets are scrapped. Assets which are disposed of or scrapped are approved verbally by the Bridge Manager or Maintenance Supervisor. The Admin Assistant is then notified to update the asset records.

##### *Risk*

Assets are disposed / scrapped without proper authorisation.



### 3. Main Report

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#### 3. *Timely Reporting of Acquisitions, Transfers and Disposals (continued)*

3.2 (continued)

*Recommendation*

**R3** Controls could be further improved by implementing an 'Authority for Disposal / Scrap' form which could be completed and authorised by the Bridge Manager / Maintenance Supervisor. The form should record details of the asset disposed / scrapped, including asset reference and the reason for this. Copies of authorised forms should then be passed to DCC to ensure that the FAR for major fixed assets is also updated and to calculate any gain / loss on disposal. Details of disposals should also be used to update the PAT database where necessary.

*Benefit*

There will be improved control over the Board's assets.

#### 4. *Verification Exercises*

4.1 Board employees physically verify assets on a periodic basis. Once a year the Admin Assistant and Maintenance Technician select a sample of assets from asset records and confirm that the assets are still in use and at the location as stated on the records. In addition, a member of the DCC finance team will undertake physical verification of major fixed assets as held on the FAR maintained by DCC.

4.2 *Observation*

As part of our audit testing we selected 10 assets from the Board's asset records and physically verified these, then selected a further 10 from observation and traced to asset records. During our physical verification testing one asset was selected from the asset records, which could not be traced to the location where the records noted the asset as being held. Further discussion with staff identified that the asset had been relocated from the workshop to the Board's safety boat without asset records being updated.

*Risk*

Asset records maintained are not up-to-date.

*Recommendation*

**R4** Consideration should be given to implementing a procedure for asset movements to ensure movements are authorised appropriately and the individuals responsible for maintaining asset records are notified as soon as practicable to ensure that the asset location is updated.

*Benefit*

Asset records will be up-to-date.

#### 5. *Asset Identification*

5.1 There are several methods used by the Board for identifying assets. The Board's procedures require that assets are tagged to show that they are the property of the Board with a unique asset number which correlates with the asset records. Motor vehicles are easily identified by their registration number.



### 3. Main Report

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#### 5. Asset Identification (continued)

##### 5.2 Observation

As part of the testing carried out to physically verify a sample of 20 assets we also checked each asset to ensure that it had been tagged with its unique asset number in line with the Board's procedures and which correlated to the Board's asset records. In all cases tested we did not identify any evidence that assets had been tagged.

Portable appliance testing (PAT) is a statutory requirement in the United Kingdom by which electrical appliances are routinely checked for safety. Evidence of testing is clearly visible in the form of "passed" and "tested for electrical safety" labels affixed to various parts of the electrical equipment used. Whilst some assets can be identified by their PAT number there may be no means of identifying assets which are not subject to PAT, other than by the description of the asset. Other than items subject to PAT testing there is no method for tagging assets in use.

##### *Risk*

The Board's procedures for identifying assets are not being applied.

##### *Recommendation*

**R5** Consideration should be given to introducing a standard method of tagging assets. Further consideration should also be given to the assets on the new combined asset register/ inventory recommended at **R1** when deciding which assets require to be tagged.

##### *Benefit*

A standard procedure is adopted for identifying assets which allow assets to be easily recognised.

#### 6. Acquisitions

- 6.1 The Board's asset requirements for the forthcoming year are identified during the annual development and review of the 20 year capital programme. This process is informed largely by the results of on-going asset inspections and condition surveys. The Board's Financial Regulations stipulate that capital expenditure proposals must be discussed with the Treasurer prior to submission to the Board.
- 6.2 There are authorisation levels set for Board purchases. Purchases up to £500 can be authorised by the Admin Assistant and Maintenance Technician. In the Bridge Manager's absence the Maintenance Supervisor and Admin Officer can authorise purchases up to £5,000. The Bridge Manager has an unlimited authorisation level however purchases in excess of £10,000 must be notified to the Clerk to the Board for Board approval.
- 6.3 Although not part of recognised procurement consortia the Board generally achieves value for money by making use of discounts which are available to DCC.
- 6.4 The option to lease assets was discussed during our meetings with staff. At present the Board does not lease any assets as it has cash available through capital grant funding to purchase assets outright.



### 3. Main Report

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#### 7. *Maintenance Contracts*

- 7.1 As part of the Board's Asset management planning process a new Asset Management Plan and Lifecycle Plan was developed by management and approved by the Joint Board in September 2012. Asset Management is the process whereby an organisation sets out the procedures and programmes by which it intends to prioritise maintenance and manage its collective assets. By adopting the principle of Asset Management the Board aims to demonstrate best value in maintaining its assets, principally the Tay Road Bridge.
- 7.2 The Asset Management Plan has been prepared in accordance with the guidance issued by the Society of Chief Officers on Transportation in Scotland (SCOTS) which has been adopted by all 32 of Scotland's Local Authorities.
- 7.3 The Board has a five year inspection programme for planned maintenance which it reviews and updates annually. The programme details work that is required to be carried out, when it will be carried out and whether the work shall be conducted by the Board's in-house team or contracted out to an external organisation.
- 7.4 Maintenance contracts are entered into to manage the risk of deterioration and breakdown of some assets. The Bridge Manager and Maintenance Supervisor negotiate and co-ordinate external service contracts for major items of equipment and systems such as air conditioning, lifts, IT equipment and short range radios. Maintenance work is also performed in-house. The Board maintains a record of the plant and equipment it is responsible for maintaining. The records note the frequency of inspection and whether this is carried out in-house or by a contractor.
- 7.5 Sometimes the Board is tied into a maintenance contract with the supplier they originally purchased the asset from, or there may be a limited number of suppliers. Whilst this makes it difficult for the Board to receive competitive tenders or quotes for all maintenance, wherever possible quotes or tenders are obtained for maintenance services thereby ensuring value for money is achieved.

#### 7.6 *Observation*

We reviewed all maintenance contracts in place at the Board and identified that the contract for the maintenance of the lift on the bridge had expired by one week and had not yet been renewed. At the time of our review the Bridge Manager acknowledged that this had been an oversight but had taken action to address the issue and had requested quotations from suppliers in order that a new agreement could be put in place as soon as possible.

#### *Risk*

Breakdown of key assets which could result in disruption to operations and expensive repair bills.

#### *Recommendations*

**R6** A register of maintenance contracts, including their renewal date, should be maintained. This should be reviewed regularly to identify contracts approaching their expiry date so that renewal can be considered and take place if required.

#### *Benefits*

Assets will be properly maintained reducing the chances of breakdown.





### 3. Main Report

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#### 8. *Health & Safety Testing and Risk Assessment*

8.1 A list of the Board's portable appliances is stored within the portable appliance testing (PAT) database, which is periodically updated by the Maintenance Supervisor.

##### 8.2 *Observation*

The PAT database lists all portable appliances by location and whether they are a class one or class two appliances in terms of their electrical protection which determines the protocol to be followed for PAT testing. Not all devices are required to be PAT tested annually with PAT testing requirements assessed on a risk basis. Low risk devices can be PAT tested biennially or less frequently if required. The PAT database does not include details of the date when each device was last tested or the date that each device is due to be re-tested.

##### *Risk*

Electrical devices may not be PAT tested in accordance with legislation.

##### *Recommendation*

**R7** In order that the Board complies with legislation the PAT database should be extended to include fields for recording the dates that devices were last tested, how often the device should be tested and the date that devices are due to be re-tested.

##### *Benefit*

Additional assurance will be obtained that the Board is complying with legislation.

8.3 All potentially hazardous assets or activities undergo a risk assessment by suitably competent members of staff. The Maintenance Supervisor and Maintenance Technician are responsible for ensuring that risk assessments are in place for all work activities undertaken in order to deal with the significant risks that the Board has identified surrounding its operations.

8.4 An overall risk assessment is in place for the Board which is supported by further risk assessments for each specific activity. The intranet contains a database with links to completed risk assessments. Risk assessments are reviewed, where applicable, annually by the Maintenance Supervisor. Our previous review of Health and Safety reported in June 2011 found Risk Assessments to be in place, up to date and comprehensive, covering areas such as hazard identification, existing controls, and risk rated according to likelihood and severity, and further actions to be taken to mitigate the risk. For the areas covered during this review, such as the maintenance workshop, we again found Risk Assessments to be in place and up to date.

#### 9. *Disposal of IT Assets*

9.1 Due to the size and extent of the operations at the Board, management do not feel that it is necessary or cost effective to have a planned programme for the replacement of IT equipment. Where possible the life of IT equipment is prolonged through refurbishment and redeployment to other areas of the organisation.

9.2 On the few occasions where an IT asset is required to be scrapped, the Maintenance Supervisor is responsible for securely disposing of equipment. The computer hard drive circuitry is removed from the machine and physically destroyed with the pieces bagged, sealed and securely stored in one of the Board's safes. The monitor and other peripheral devices are scrapped in an environmentally safe manner for nil proceeds if no longer required. The Board's inventory is then updated to reflect the disposed or scrapped asset.



HENDERSON LOGGIE  
Chartered Accountants

**Tay Road Bridge Joint Board**

**Budget Setting and Budgetary Control  
2012/13**

**Internal Audit Report No: 2013/03**

**Draft Issued: 04 February 2013**

**Final Issued: 08 February 2013**



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## 1. Management Summary

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### Introduction

As part of the Internal Audit programme at the Tay Road Bridge Joint Board ('the Board'), for 2012/13, we carried out a review of the budget setting and budgetary control processes in place. Our Audit Needs Assessment, finalised in April 2011, identified these as areas where risk can arise and where Internal Audit can assist in providing assurances to the Board and management that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

The Board's budgeted revenue income for 2012/13 totals £1,721,213; £1,700,000 Scottish Government Resource Grant; £11,000 interest on revenue balances; and £10,213 kiosk rent. Budgeted expenditure for 2012/13 amounts to £1,721,213; £448,704 administration costs; £499,232 operation costs; £193,617 plant and equipment costs; and £579,660 bridge maintenance costs. The revenue monitoring report issued to the Board at its meeting on 10 December 2012 projected a budget overspend of £10,000 in relation to administration costs.

The Board's capital plan 2012/13 to 2014/15 budgeted £8,556,000 for capital expenditure during 2012/13. Budgeted capital income for the year was £7,638,000 financed through a £6,300,000 Scottish Government Capital Grant and £1,338,000 Capital Grant carried forward from previous years. This 2012/13 budget gave rise to a £918,000 funding deficit which was to be discussed with the Scottish Government. The capital monitoring report issued to the Board at its meeting on 10 December 2012 projected a budget overspend of £2,149,000; to be funded from a £6,300,000 Scottish Government Capital Grant and £4,405,000 Capital Grant carried forward from previous years.

The Board has a service level agreement with Dundee City Council (DCC) for a number of financial services, including budgetary control. The agreed service includes assistance with the preparation of annual revenue / capital budgets; the regular monitoring of revenue expenditure and preparation of budgetary control statements; and the monthly monitoring of capital expenditure and preparation of capital monitoring statements.

### Scope of the Audit

This review covered the processes and controls in place for budget setting and budgetary control within the Board.

### Objectives of the Audit

The objectives of the audit were to ensure that:

- budgets are set and approved in accordance with the Financial Regulations;
- budgets are controlled and monitored in accordance with the Financial Regulations;
- information is available to management which is up-to-date and in a format that can be easily understood;
- budget holders have the necessary skills for managing budgets;
- budget variations are reported and acted upon; and
- Board Officers and the Board regularly review the organisation's overall financial position.



## 1. Management Summary

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### Audit Approach

We assessed whether the above objectives are being met by documenting the systems and controls through interviews with the Bridge Manager and accountant at DCC and by review of the Financial Regulations. We reviewed the information provided to the Bridge Manager, Engineer to the Board and Board. We also established whether the expected key controls are in place by reference to standard control risk assessment templates and completion of a budgetary control assessment 'pro-forma'.

Finally, we performed compliance testing where necessary to determine whether these controls are working effectively.

### Action Plan

This report sets out one improvement action which is discussed within the text for clarity. An action plan for implementation of this recommendation can be found at Section 2 of this report.

To aid the use of the action plan, our recommendations are graded to denote the level of importance that should be given to each one. These gradings are as follows:

- A Issues which require the consideration of the Board.
- B Significant matters which the Bridge Manager can resolve.
- C Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

### Overall Conclusion

On the basis of the work done, we obtained reasonable assurance that:

- budgets are set and approved in accordance with the Financial Regulations;
- budgets are controlled and monitored in accordance with the Financial Regulations;
- information is available to management which is up-to-date and in a format that can be easily understood;
- budget holders have the necessary skills for managing budgets;
- budget variations are reported and acted upon; and
- Board Officers and the Board regularly review the organisation's overall financial position.

### Summary of Main Findings and Recommendations

Monthly management reports highlight for each revenue budget head the monthly and cumulative actual spend; full year budget; balance available; and percentage spent. Whilst these reports include columns for recording month and cumulative committed spend such spend is not recorded; as the Board does not process purchase orders (POs) through the finance system. The Administration Assistant maintains a PO spreadsheet that highlights red all the POs that have been raised but not invoiced; however the spreadsheet does not record the PO value making it difficult to quantify committed spend. We recommend that consideration is given to recording PO values within the PO spreadsheet.



## 1. Management Summary

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### Summary of Main Findings and Recommendations (continued)

Our review found that revenue and capital monitoring information was provided in a user friendly format and issued to budget holders on a timely basis. Although the Bridge Manager has not received budget training whilst at the Board he does not consider this necessary. The Bridge Manager advised that budget training was provided during his previous employment where he was responsible for managing budgets. The Bridge Manager also highlighted that support with managing a budget and interpreting revenue and capital monitoring reports was available from the accountant at DCC and Treasurer if required.

Our testing confirmed that revenue and capital monitoring reports are issued to the September, December and March Board meetings. These reports highlight actual expenditure, variances between budget and projected outturn and the reasons for variances. The reports also highlight how overspends shall be funded. Such monitoring reports are not issued to the June Board meeting; however a report is submitted from the Treasurer, accompanying the unaudited statement of accounts, which comments on the main budget variances. Budget variances are also highlighted, in detail, within the unaudited statement of accounts. Monitoring reports are discussed at Officers' and Chairman pre agenda meetings prior to being submitted to the Board.

### Acknowledgements

We would like to take this opportunity to thank all staff at the Board and the accountant at DCC for the co-operation and assistance we received during the course of our review.



## HENDERSON LOGGIE

### 2. Action Plan

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
2.2.1	<i>Information Available to Budget Holders</i> <i>Procedures in Place</i> R1 Consideration should be given to recording on the PO spreadsheet, maintained by the Administration Assistant, the value of each PO raised.	C		Y	Bridge Manager	31/3/2013



### 3. Main Report

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#### 1. Financial Regulations

##### 1.1 Revenue Budget

- 1.1.1 In accordance with section 2.2 of the Financial Regulations *'The Bridge Manager shall prepare annual estimates of income and expenditure on revenue accounts and shall provide the Treasurer with all necessary information regarding requirements on a timeous basis'*.

##### 1.2 Capital Budget

- 1.2.1 Responsibility for the preparation of the capital budget is set out within section 3.2 of the Financial Regulations, which states: *'The Engineer and Bridge Manager shall jointly prepare 3 yearly estimates of capital expenditure and income and shall provide the Treasurer with all necessary information regarding requirements on a timeous basis'*.

##### 1.3 Expenditure Monitoring

- 1.3.1 In line with section 4 of the Financial Regulations *'The primary responsibility for detailed monitoring and control of the Board's revenue and capital expenditure lies with the Bridge Manager'. 'The Treasurer shall report periodically to the Board on its actual and projected revenue and capital expenditure for each financial year'*.

##### 1.4 Procedures in Place

- 1.4.1 The Bridge Manager drafts the proposed revenue budget for the forthcoming financial year in September / October. During this time the Bridge Manager also meets with the Engineer to the Board to prepare the proposed 3 year capital plan. The revenue budget and capital plan are discussed with the Board's accountant at DCC in November each year prior to being submitted to the Board in December for formal approval.
- 1.4.2 Regular revenue and capital monitoring reports are issued to Board Officers and the Board (refer to sections 2 and 4 below for further details).

#### 2. Information Available to Budget Holders

##### 2.1 Good Practice Prompts

- 2.1.1 *'Each budget holder should receive regular monitoring reports (probably using a monthly or 4-weekly reporting period) showing:*

- *Committed expenditure and, where relevant, income to date;*
- *Variance against projected spend / income to date using, where appropriate, budget profiling; and*
- *Projected outturn (expected and, where relevant, income).'*

- 2.1.2 *'Budget monitoring reports should be available:*

- *In a form that is 'user friendly' and*
- *Within a time period that allows effective corrective action to be taken where necessary (e.g. within 3 weeks of the end of the month).'*





### 3. Main Report

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#### 2. Information Available to Budget Holders (Continued)

##### 2.1 Good Practice Prompts (Continued)

- 2.1.3 *'Reports should automatically highlight major variances (both under and over spends) to direct budget holder's attention to where action may be required.'*

##### 2.2 Procedures in Place

###### 2.2.1 Observation

Monthly management reports, issued by DCC to the Bridge Manager, highlight for each revenue budget head the monthly and cumulative actual spend; full year budget; balance available; and percentage spent. The reports contain columns for month and cumulative committed spend; however such spend is not recorded within the reports as the Board does not process purchase orders (POs) through the finance system. Discussion with the Bridge Manager and accountant at DCC highlighted that the PO processing facility within the system was not considered necessary for the Board's circumstances. Our review highlighted that the Administration Assistant at the Board maintains a PO spreadsheet which records all POs raised and invoices received. POs which have been raised but for which no invoice has been received are highlighted red; however whilst the spreadsheet records the PO number it does not record the PO value, making it difficult to quantify committed spend.

###### *Risk*

Budget overspends may arise as a result of committed spend not being recorded.

###### *Recommendation*

**R1** Consideration should be given to recording on the PO spreadsheet, maintained by the Administration Assistant, the value of each PO raised.

###### *Benefit*

Potential reduction in overspends due to committed spend being recorded.

- 2.2.2 The full year budget, cumulative actual spend, balance available and percentage spent details are taken from the monthly management reports and input into a spreadsheet by the Bridge Manager. Whilst this may appear to be an unnecessary duplication of work the Bridge Manager finds that this exercise ensures each budget head is examined closely. In addition, the spreadsheet highlights overspends red, which draws attention to areas where action may be required.
- 2.2.3 Whilst the monthly management reports include full year budget figures they do not include projected spend / income to date. The Bridge Manager advised that expenditure at the Board tends to be recurring. The accountant at DCC runs reports which compare the current month's spend against that of last year's. Where significant and unexpected variances arise the accountant will investigate these further. Income outwith the Scottish Government Resource Grant is minimal. Projected outturn figures are reported within the revenue and capital monitoring reports issued to the Board in September, December and March and this is considered sufficient.
- 2.2.4 The Bridge Manager is the budget holder for the Board; however responsibility for the 'works' element of the capital budget has been delegated to the Engineer to the Board. Both the Bridge Manager and Engineer to the Board receive monthly capital monitoring spreadsheets from the accountant at DCC. Such spreadsheets highlight the expenditure attributed each month to the projects within the capital plan on a cash and accruals basis. In addition a summary spreadsheet reports for each project the approved budget; the amount carried forward from previous year; budget adjustments; slippage in to the next year; revised capital budget; actual expenditure and projected outturn.



### 3. Main Report

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#### 2. *Information Available to Budget Holders (Continued)*

##### 2.2 Procedures in Place

- 2.2.5 The monthly management reports and capital monitoring spreadsheets received by the Bridge Manager are forwarded to the Administrative Officer and Maintenance Supervisor to inform them of the Board's performance. Our review found that Board staff considered the reports / spreadsheets received to be user-friendly and that such reports / spreadsheets were issued within a week of being produced.

#### 3. *Budget Holder Skills and Support*

##### 3.1 Good Practice Prompt

- 3.1.1 *'Budget holders have the necessary skills for managing budgets. Support should be given by way of training and manuals for budget holders with a non-financial background.'*

##### 3.2 Procedures in Place

- 3.2.1 The Bridge Manager and Engineer to the Board have the necessary skills for managing budgets. The Bridge Manager highlighted that part of the training to become a Chartered Engineer involves managing contracts, which includes dealing with financial data. In addition, the Bridge Manager was responsible for managing budgets in his previous employment and received budget training during this time. Although the Bridge Manager has not received budget training whilst at the Board he does not consider this necessary. Discussion with the Bridge Manager highlighted that support with managing a budget and interpreting revenue and capital monitoring reports was available from the accountant at DCC and Treasurer if required.

#### 4. *Budget Variations are Reported and Acted Upon*

##### 4.1 Good Practice Prompts

- 4.1.1 *'Each budget holder is clear about what action should be taken in the event of over / under spends.'*
- 4.1.2 *'Where appropriate action is not taken on major variances, the matter is automatically brought to the attention of the budget holder's line manager.'*
- 4.1.3 *'At functional level, the relevant senior management team reviews the financial position at least each reporting period.'*

##### 4.2 Procedures in Place

- 4.2.1 Section 4.2 of the Financial Regulations states that *'Revenue and Capital expenditure shall be restricted to that included in the appropriate Budget, unless proposals for additional expenditure have been approved by the Board'*.



### 3. Main Report

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#### 4. *Budget Variations are Reported and Acted Upon (Continued)*

##### 4.2 Procedures in Place

4.2.2 Revenue and capital monitoring reports are issued to the September, December and March Board meetings. These reports highlight actual expenditure, variances between budget and projected outturn and the reasons for variances. The reports also highlight how overspends shall be funded and how any unspent grant shall be carried forward to the next financial year, with the agreement of the Scottish Government. Such monitoring reports are not issued to the June Board meeting; however a report is submitted from the Treasurer, accompanying the unaudited statement of accounts, which comments upon the main budget variances. Budget variances are also highlighted, in detail, within the unaudited statement of accounts.

4.2.3 The Bridge Manager and Engineer to the Board meet with the accountant at DCC each quarter to discuss actual and anticipated over / under spends which are to be included within the monitoring reports issued to the Board. Reports to the Board include actual spend; however the Bridge Manager advised that where committed expenditure was likely to result in a significant overspend then this would be discussed with the accountant and highlighted within the projected outturn figures submitted to the Board. Revenue and capital monitoring reports are discussed at the Officers' and Chairman pre agenda meetings prior to being submitted to the Board.

#### 5. *Board Officers / Board Review of the Organisation's Overall Financial Position*

##### 5.1 Good Practice Prompt

5.1.1 *'The corporate management team reviews the organisation's overall financial position at least each reporting period.'*

##### 5.2 Procedures in Place

5.2.1 As noted at paragraphs 4.2.2 and 4.2.3 above, Board Officers and the Board regularly review revenue and capital monitoring reports throughout the year.

5.2.2 Monthly management reports, highlighting the current revenue budget position, and capital monitoring spreadsheets are also discussed at the monthly management team meetings.



**HENDERSON LOGGIE**  
Chartered Accountants

**Tay Road Bridge Joint Board**

**Data Protection / Freedom of Information  
2012/13**

**Internal Audit Report No: 2013~02**

**Draft Issued: 06 December 2012**

**Final Issued: 19 December 2012**



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## 1. Management Summary

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### Introduction and Background

As part of the Internal Audit programme at the Tay Road Bridge Joint Board ('the Board') for 2012/13, we carried out a review of the arrangements in place in relation to Data Protection and Freedom of Information (Fol). Our Audit Needs Assessment, finalised in April 2011, identified these as areas where risk can arise and where Internal Audit can assist in providing assurances to the Board and management that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

There are eight Data Protection principles and compliance with these principles is fundamental to the purpose of the Data Protection Act. These principles state that data is to be fairly and lawfully processed; processed for the stated purposes only; adequate, relevant and not excessive; accurate; kept for no longer than necessary; processed in accordance with the individual's rights; secure and not transmitted outwith the European Economic Area (EEA) without adequate protection.

In accordance with the Data Protection Act 1998, the organisation, as a data controller, should set appropriate security safeguards for the personal information it processes. All data, sources of data and disclosure which relate to an individual, must be registered under the Act. The organisation currently has an entry on the Data Protection Register (expiring 25 October 2013) in respect of personal data held for relevant purposes.

The Freedom of Information (Scotland) Act 2002 (Fol(S)A) came into effect on 1 January 2005, entitling individuals to see information held by public authorities as defined by the Scottish Information Commissioner. This includes information recorded on paper, computer files (including e-mails), video and microfiche. Under the Fol(S)A, all Scottish public authorities have a statutory obligation to respond to Fol requests within 20 working days; however authorities have the right to withhold information if it falls under one of the exemptions listed in the Fol(S)A. Where information is withheld, the reasons for non disclosure must be notified to the individual making the request.

In accordance with the Fol(S)A the Board has developed a Publication Scheme which acts as a guide to the information available at the Board; where it can be found; and whether or not it is available free of charge. The Publication Scheme is available on the Board's and Dundee City Council's website.

### Scope of the Audit

The audit focussed on the arrangements in place within the Board to ensure compliance with the Data Protection Act 1998 and the Freedom of Information (Scotland) Act 2002.

### Objectives of the Audit

The main objectives of the audit were to ensure that:

- members of staff have been formally appointed with overall responsibility for implementation of the Data Protection Act 1998 and the Fol(S) Act 2002;
- responsibilities for these members of staff have been clearly documented and communicated to all staff;
- sufficient time has been made available for key individuals to meet their responsibilities;



## 1. Management Summary

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### Objectives of the Audit (Continued)

- Data Protection and FoI policies and procedures exist within the Board and that they comply with legislation, are revisited and revised regularly and are effectively communicated to all staff;
- the Board has developed an awareness and training programme for all staff, including sufficient awareness training during the induction process and that all staff have received this training; and
- systems are in place to capture, record and monitor the number and types of FoI requests received, including the number of exempt requests and number of requests responded to within / outwith 20 working days.

### Audit Approach

A Data Protection and FoI questionnaire was compiled and discussed with the Bridge Manager to determine current working practices and systems in place within the Board in relation to Data Protection and FoI. A copy of the completed questionnaire is included at Section 3.

Data Protection and FoI policies and procedures, where available, were reviewed to ensure compliance with legislation. We also established through discussion with the Bridge Manager and documentary review, whether there is an adequate system in place to ensure policies and procedures are revisited and revised regularly and effectively communicated to staff. We also used good practice checklists to assess the procedures in place.

The current training programme, including induction training for new starts, was reviewed to ensure adequate coverage of Data Protection and FoI.

The systems in place to capture, record, and monitor the numbers and types of FoI requests received were also reviewed.

### Action Plan

This report sets out 6 improvement actions, which we consider necessary to ensure efficient delivery of each objective and these are discussed within the text for clarity. An action plan for implementation of these recommendations can be found at Section 2 of this report.

To aid the use of the action plan, our recommendations have been graded to denote the level of importance that should be given to each one. The gradings are as follows:

- A Issues which require the consideration of the Board.
- B Significant matters which the Bridge Manager can resolve.
- C Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.



## 1. Management Summary

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### Overall Conclusion

On the basis of the work done reasonable assurance was obtained that:

- The Clerk to the Board has been formally appointed with overall responsibility for the implementation of the Data Protection Act 1998. However it is currently unclear who has overall responsibility for the implementation of the Fol(S)A 2002.
- Data Protection and Fol responsibilities of staff members have not been clearly documented or communicated to all staff, and recommendations have been raised in relation to these matters.
- The Bridge Manager has made sufficient time available to respond to Police CCTV footage and Fol requests.
- Procedures for dealing with subject access requests from current and former employees are documented within the staff handbook and the Board's 'Code of Practice for Operation of CCTV Equipment' is reviewed annually and is available on the Board's network and in the Board's Control Room. However there is no formally documented Data Protection Policy or Fol Policy and procedures. Furthermore, there are no procedures relating to the retention, archiving and destruction of employees' personal details. Recommendations have been raised to deal with these matters.
- The Board has not developed an awareness and training programme for staff in relation to Data Protection and Fol. It is appreciated that ongoing training may not be appropriate for the majority of staff, however consideration should be given to incorporating awareness training into the induction process for all staff.
- There are systems in place to capture, record and monitor the number and types of Fol requests received, including the number of exempt requests and the number of requests responded to within / outwith the statutory timescales. Testing in this area was satisfactory with the exception of one instance during 2011/12 where a response to a Fol request excluded details of the right to ask for a review, and about the rights of the application Commissioner's publication 'Dealing with Requests'. However our review found all responses to Fol requests in 2012/13 included the above information as standard and as such no recommendation has been raised.

### Summary of Main Findings and Recommendations

The Board's Scheme of Delegation states that the Clerk to the Board has authority to deal with all matters relevant to the Data Protection Act, however no reference is made to the Fol(S)A. We recommend that the Board's Scheme of Delegation documents the individual(s) responsible for implementing the Fol(S)A at the Board.

Our review found that Data Protection and Fol responsibilities are not documented within the employment contracts and job descriptions of Board staff members. We recommend that such responsibilities are documented within employment contracts and job descriptions, where appropriate.





## 1. Management Summary

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### Summary of Main Findings and Recommendations (continued)

The Board's induction check sheet requires employees to confirm they have been issued with a staff handbook. The handbook states that *"any information stored about individuals must be in accordance with the Data Protection Act"* and refers to the procedures in place for dealing with subject access requests from current and former employees. However there is no reference to the FoI(S)A or FoI requests within the staff handbook and no formal Data Protection or FoI training is provided to Board staff; although the Clerk to the Board has received such training. We recommend that the Bridge Manager considers developing a handout to be issued during induction, which refers to the Board's overall Data Protection and FoI responsibilities. The handout could potentially refer to the Board's Data Protection and FoI policies and procedures.

Discussion with the Bridge Manager confirmed there are no documented Data Protection or FoI policies in place at the Board, nor are there documented FoI procedures. Although the Board's Publication Scheme refers to the organisation's Records Management Policy our review found that no such Policy was in place. We recommend that consideration is given to incorporating the Board's subject access request procedures and 'Code of Practice for Operation of CCTV Equipment' into a Data Protection Policy, which outlines the Board's policies for the retention, archiving and destruction of staffs' personal details. Such a Policy should be formally approved by the Board. We also recommend that consideration is given to preparing and having the Board formally approve a FoI Policy which summarises the Board's approach and responsibilities under the FoI(S)A. Included within the FoI Policy or supporting FoI procedures should be the reporting structure and processes in place for dealing with information requests. If these recommendations are implemented then a timetable should be established to regularly revisit and review the policies and procedures.

Testing of FoI requests received during 2012/13 and 2011/12 was undertaken and all were found to have been responded to within the statutory 20 working days. All requests were fulfilled with the exception of one, due to the individual's live reparation claim intimated against the Board. This refusal should have included advice on the right of appeal; however given that all responses to FoI requests in 2012/13 included right of appeal information as standard no recommendation has been raised within this report.

### Acknowledgements

We would like to thank the staff, in particular the Bridge Manager, for the co-operation and assistance we received during the course of our review.



## HENDERSON LOGGIE

### 2. Action Plan

Question Number	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
1	<p><b>Roles and Responsibilities</b></p> <p>R1 The Board's Scheme of Delegation should document the individual(s) responsible for implementing the Fol(S)A at the Board.</p>	B	Agreed. The Scheme of Delegation will be updated to include the roles and responsibilities of the Clerk to the Board and the Bridge Manager	Y	Clerk	30/6/2013
2	<p>R2 Where appropriate, Data Protection and Fol responsibilities should be clearly documented within the employment contracts and job descriptions of Board staff members.</p>	B	Agreed	Y	Clerk/Bridge Manager	30/6/2013
4	<p><b>Training</b></p> <p>R3 The Bridge Manager should consider developing a handout to be issued during induction, which refers to the Board's overall Data Protection and Fol responsibilities. The handout could potentially refer to the Board's Data Protection and Fol policies and procedures (refer to R4 and R5 at question 7 for further details).</p>	C	Agreed	Y	Clerk/Bridge Manager	30/9/2013



HENDERSON LOGGIE

2. Action Plan

Question Number	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
7	<p><b>Policies and Procedures</b></p> <p>R4 Consideration should be given to preparing, and having the Board formally approve, a Data Protection Policy which summarises the main principles of the Data Protection Act; incorporates the 'Code of Practice for Operation of CCTV equipment' and the subject access request procedures; and outlines the Board's policies for the retention, archiving and destruction of employees' personal details.</p>	B	Agreed	Y	Clerk/Bridge Manager	30/6/2013
7	<p>R5 Consideration should be given to preparing, and having the Board formally approve, a FoI Policy which summarises the Board's approach and responsibilities under the FoI(S)A. Included within the Policy or supporting FoI procedures should be the reporting structure and processes in place for dealing with information requests.</p>	B	Agreed	Y	Clerk/Bridge Manager	30/6/2013



HENDERSON LOGGIE

2. Action Plan

Question Number	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date
8	R6 Should recommendations 4 and 5 be implemented, a timetable should be established to regularly revisit and review the policies and procedures. Good practice suggests that this should be undertaken on an annual basis.	C	Agreed	Y	Clerk/Bridge Manager	30/6/2013



HENDERSON LOGGIE

### 3. Main Report

## Data Protection Act 1998 and Freedom of Information (Scotland) Act 2002 – Questionnaire

	Current Position
<p><b>Roles and Responsibilities</b></p> <p>1. Has a member of staff been formally appointed with overall responsibility for implementation of the Data Protection Act 1998 and the Fol(S)A?</p>	<p>Partially.</p> <p>In accordance with the Board's Scheme of Delegation the Clerk to the Board has authority to deal with all matters relevant to the Data Protection Act.</p> <p>The Board has prepared a Publication Scheme in accordance with the Fol(S)A and the Scheme states that the Clerk to the Board and the Bridge Manager are responsible for the Scheme. However overall responsibility for the implementation of the Fol(S)A, including responsibility for responding to information requests within 20 working days, has not been formally documented.</p> <p><b>Recommendation</b>  <b>R1</b> The Board's Scheme of Delegation should document the individual(s) responsible for implementing the Fol(S)A at the Board.</p>



HENDERSON LOGGIE

3. Main Report

Data Protection Act 1998 and Freedom of Information (Scotland) Act 2002 – Questionnaire

Current Position	
<p>2. Have staff members Data Protection and FoI responsibilities been clearly documented (e.g. included in job descriptions / employment contracts) and communicated?</p>	<p>No. Data Protection and FoI responsibilities are not documented within the employment contracts or job descriptions of Board staff members.  The Clerk to the Board is not an employee of the Board; however his job description includes responsibility for advising on the formulation and implementation of legal policy at the Board.</p> <p><b>Recommendation</b> <b>R2</b> Where appropriate, Data Protection and FoI responsibilities should be clearly documented within the employment contracts and job descriptions of Board staff members.</p>
<p>3. Has sufficient time been made available for staff to meet their Data Protection and FoI responsibilities?</p>	<p>Yes. On occasion the Police request CCTV footage from the Board. The Board maintains a register of the footage issued and in all instances footage is released within 48 hours, which is within the 40 calendar days timeframe required by the Data Protection Act. Discussion with the Bridge Manager highlighted that other than CCTV footage requests from the Police the Board have not received any subject access requests to date.  Due to the small number of FoI requests received by the Board, the Bridge Manager has had sufficient time available to deal with these requests. This statement was supported by the testing undertaken on FoI requests received during 2012/13 and 2011/12, which revealed that all responses had been provided within the statutory timeframe (refer to question 11 for further details).</p>



### 3. Main Report

## Data Protection Act 1998 and Freedom of Information (Scotland) Act 2002 – Questionnaire

	Current Position
<p><i>Training</i></p> <p>4. Does the induction training include Data Protection and Fof?</p>	<p>Partially.</p> <p>Induction check sheets require employees to confirm they have been issued with a staff handbook. The 'general guidelines for use of computer facilities' section of the handbook states that "any information stored about individuals must be in accordance with the Data Protection Act", whilst the 'personal files' section refers to the Board's procedures for dealing with subject access requests from current and former employees. Discussion with the Bridge Manager confirmed that no further Data Protection guidance or training was provided.</p> <p>A review of the staff handbook and discussions with the Bridge Manager confirmed no Fof guidance or training was given at the induction stage.</p> <p><b>Recommendation</b>  <b>R3</b> The Bridge Manager should consider developing a handout to be issued during induction, which refers to the Board's overall Data Protection and Fof responsibilities. The handout could potentially refer to the Board's Data Protection and Fof policies and procedures (refer to <b>R4</b> and <b>R5</b> at question 7 for further details).</p>



3. Main Report

Data Protection Act 1998 and Freedom of Information (Scotland) Act 2002 – Questionnaire

	Current Position
<p>5. Has an awareness and training programme for Data Protection and FoI been developed for all staff?</p>	<p>No.</p> <p>The Clerk to the Board, as Head of Legal Services at Dundee City Council, has undertaken Data Protection and FoI training; however no formal training has been arranged for Board staff members.</p> <p>The Bridge Manager receives regular Data Protection and FoI updates from the Scottish Information Commissioner, which he believes adequately informs him of any changes in legislation and good practice. During our review the Bridge Manager confirmed that, where relevant, staff have been informed, informally, of the importance of identifying and forwarding information requests on to the Bridge Manager. The Bridge Manager does not consider further training necessary.</p>
<p><i>Policies and Procedures</i></p> <p>6. Are any of the committees responsible for Data Protection and FoI?</p>	<p>No.</p> <p>As mentioned previously at question 3, other than CCTV footage requests from the Police the Board have not received any subject access requests to date.</p> <p>Due to the small number of FoI requests received this is not considered necessary. Where appropriate, FoI requests will be discussed at monthly management team meetings.</p>





### 3. Main Report

## Data Protection Act 1998 and Freedom of Information (Scotland) Act 2002 – Questionnaire

	Current Position
<p><b>Policies and Procedures</b></p> <p>7. Have Data Protection and FoI policies and procedures been compiled and approved? Do these include the reporting structure in place and procedures for dealing with information requests? Are arrangements for document retention, archive and destruction included in the policies / procedures?</p>	<p>Partially.</p> <p>CCTV footage and staff members' details are the only personal information held by the Board. The Bridge Manager has compiled a 'Code of Practice for Operation of CCTV Equipment' which states: "it is a requirement of the Data Protection Act that anyone registered to operate a CCTV system must do so strictly in accordance with the legislation and guidelines set out in the Data Protection Act 1998 and the CCTV Code of Practice 2008". Included within the Code of Practice are procedures for the retention and disposal of CCTV footage. In addition to this Code of Practice the Board has procedures for dealing with subject access requests from current and former employees. Neither the Code of Practice or subject access request procedures have been formally approved by the Board.</p> <p>Discussion with the Bridge Manager confirmed there are no documented Data Protection or FoI policies in place at the Board, nor are there documented FoI procedures. The Board's Publication Scheme refers to the organisation's Records Management Policy, however there is no such Policy in place at the Board.</p> <p><b>R4</b> Consideration should be given to preparing, and having the Board formally approve, a Data Protection Policy which summarises the main principles of the Data Protection Act; incorporates the 'Code of Practice for Operation of CCTV equipment' and the subject access request procedures; and outlines the Board's policies for the retention, archiving and destruction of employees' personal details.</p> <p><b>R5</b> Consideration should be given to preparing, and having the Board formally approve, a FoI Policy which summarises the Board's approach and responsibilities under the FoI(S)A. Included within the Policy or supporting FoI procedures should be the reporting structure and processes in place for dealing with information requests.</p>



HENDERSON LOGGIE

### 3. Main Report

## Data Protection Act 1998 and Freedom of Information (Scotland) Act 2002 – Questionnaire

	Current Position
8. Are the Data Protection and FoI Policies and procedures regularly revisited and revised?	<p>Partially.</p> <p>The 'Code of Practice for Operation of CCTV Equipment' was reviewed by the Bridge Manager in November 2011 and was due to be revisited in November 2012.</p> <p><b>Recommendation</b></p> <p>R6 Should recommendations 4 and 5 be implemented, a timetable should be established to regularly revisit and review the policies and procedures. Good practice suggests that this should be undertaken on an annual basis.</p>
9. Is the Organisation's Publication Scheme regularly revisited and revised?	<p>Yes.</p> <p>The Board's Publication Scheme was approved by the Scottish Information Commissioner on 24 May 2011 and is due to expire in May 2013.</p> <p>The FoI(S)A requires organisations to review their Publication Scheme from 'time to time'. Documented within the Board's Publication Scheme is a commitment to reviewing the Scheme on an annual basis; however such reviews are not formally documented.</p> <p>The Publication Scheme currently refers to the previous Clerk to the Board, bridge tolls and a Records Management Policy which are not in place. The Bridge Manager is aware that changes are required to the Publication Scheme and will make these changes prior to submitting the Scheme for approval by the Scottish Information Commissioner in 2013.</p>



HENDERSON LOGGIE

### 3. Main Report

## Data Protection Act 1998 and Freedom of Information (Scotland) Act 2002 – Questionnaire

	Current Position
10. How are the policies and procedures noted above circulated to organisation staff?	<p>The 'Code of Practice for Operation of CCTV Equipment' is available on the Board's network and in hardcopy format in the Control Room. Whilst procedures for dealing with subject access requests from current and former employees form part of the staff handbook.</p> <p>The Board's Publication Scheme is available on the Board and Dundee City Council's website.</p> <p>Question 4 above highlights that induction training should be introduced and a recommendation has been raised to address this. It is likely that for the majority of staff within the organisation, guidance issued at induction training would be sufficient to communicate policies and procedures to all staff.</p>



HENDERSON LOGGIE

### 3. Main Report

## Data Protection Act 1998 and Freedom of Information (Scotland) Act 2002 – Questionnaire

	Current Position
<p><b>FoI Monitoring Arrangements</b></p> <p>11. Has a system been implemented to capture the number of FoI requests received (valid or exempt per the FoI(S)A) and how many of these were successfully responded to within 20 working days?</p>	<p>Yes.</p> <p>The Bridge Manager maintains a database of FoI requests which records the reference number allocated to each request, date of enquiry, name of enquirer, nature of enquiry and date of response to enquiry.</p> <p>At the time our audit was conducted three FoI requests had been made during 2012/13 and in all instances the information requested was disclosed within 20 working days. During our audit we also reviewed the four FoI requests made during 2011/12 and all were found to have been responded to within the statutory timescale. All information was provided, except from one instance where the information requested was exempt due to the individual's live reparation claim intimated against the Board. In this instance the response to the individual did not contain details of the right to ask for a review, and about the rights of the application to the Scottish Information Commissioner as outlined within the Information Commissioner's publication 'Dealing with Requests'. Since the appointment of a new Clerk to the Board in 2012/13 all FoI responses include details of the right to ask for a review and the rights of application to the Scottish Information Commissioner. As a result no recommendation has been made within this report.</p>



HENDERSON LOGGIE

### 3. Main Report

## Data Protection Act 1998 and Freedom of Information (Scotland) Act 2002 – Questionnaire

	Current Position
<p><b>Notification Process</b></p> <p>12. In accordance with the Data Protection Act 1998 does the Tay Road Bridge Joint Board, on an annual basis, notify the Office of the Information Commissioner that personal data is being processed and provide the classes of personal data processed by the organisation and the purposes for which the data is processed?</p>	<p>Yes.</p> <p>The Board, as a Data Controller, currently has an entry on the Data Protection Register (expiring 25 October 2013) in respect of personal data held for relevant purposes.</p>



REPORT TO: TAY ROAD BRIDGE JOINT BOARD – 17 JUNE 2013  
 REPORT ON: RESPONSE TO INTERNAL AUDITOR'S ANNUAL REPORT TO MEMBERS  
 REPORT BY: THE BRIDGE MANAGER  
 REPORT NO: TRB 08 - 2013

ITEM No:.....

9(b)

## 1 PURPOSE OF REPORT

- 1.1 This report is in response to the Annual Report, ref 2013/07, prepared by the Board's Internal Auditor, Henderson Loggie, on Data Protection and Freedom of Information, Budget Setting and Budgetary Control, Physical Security and Asset Management, Delivery of Major Projects and previous Audit follow ups. A copy of the Internal Auditor's report is included on the Agenda as a separate Item.

## 2 RECOMMENDATIONS

- 2.1 It is recommended that the Board:-
- i) Endorse this report as the formal response to the Internal Auditor's report.
  - ii) Instruct the Bridge Manager to implement the Internal Auditor's recommendations as set out in paragraphs 6.2 to 6.7 inclusive.

## 3 FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications associated with this report.

## 4 POLICY IMPLICATIONS

- 4.1 None

## 5. BACKGROUND

### Introduction

- 5.1 The Board's Internal Audit Needs Assessment and Strategic Plan, issued in April 2011, identified Data Protection and Freedom of Information, Budget Setting and Budgetary Control, Physical Security and Asset Management, Delivery of Major Projects as areas where risk can arise and as part of the planned internal audit work, a high level review of the arrangements in place at the Board was carried out in March / April 2013.

## 6. REPORT

- 6.1 Internal Auditor's Annual Report

i) The Internal Auditor's Annual Report, Ref 2013/07, describes the scope of the audit work undertaken, the specific objectives of the audit and the principal conclusions drawn from the review.

ii) The report is based on the findings of the individual reports below:-

2013/01	Annual Plan 2011/12
2013/02	Data Protection and Freedom of Information
2013/03	Budget Setting and Budgetary Control
2013/04	Physical Security and Asset Management
2013/05	Delivery of Major Project – Pier Protection Works
2013/06	Follow Up reviews

Overall no significant issues identifying major internal control weaknesses were identified. It was found that procedures were operating adequately and the following issues raised from the individual reports were identified for the opportunity of further strengthening existing procedures.

In total 15 Action points identified by the Audit were categorised as follows:-

Class A – Critical issues which require consideration by the Board  
Number of Actions – Nil

Class B – Significant matters which the Bridge Manager can resolve  
Number of Actions – 7

Class C – Routine, less significant actions not requiring urgent action  
Number of Actions - 8

## 6.2 Report 2013/02 – Data Protection and Freedom of Information – Main Recommendations

i) The following actions were agreed as a result of the recommendations of the report:-

- Scheme of delegation to be updated clarifying roles and responsibilities under FOISA
- Formal policies on Freedom of Information and Data Protection to be produced
- Staff induction training to include Data Protection and Freedom of Information

## 6.3 Report 2013/03 – Budget Setting and Budgetary Control – Main Recommendations

i) The following actions was agreed as a result of the recommendations of the report:-

- A Purchase Order spreadsheet be developed to track Orders



6.4 Report 2013/04 – Physical Security and Asset Management – Main Recommendations

- i) The following actions were agreed as a result of the recommendations of the report:-
- Development of standard method of tagging assets
  - Develop a register of Maintenance Contracts
  - Rationalisation of asset inventories and expand to include Portable Appliance testing records

6.5 Report 2013/05 – Delivery of Major Project – Pier Protection Works

- i) The following action was agreed as a result of the recommendations of the report:-
- Undertake a formal post project review

6.6 Report 2013/06 – Follow Up report

From the previous Audits there were 15 items requiring follow up actions. Of these 15, 10 have been fully implemented, with the remaining 5 items due for completion by the end of 2013.

## 7 CONSULTATION

- 7.1 The Clerk, Treasurer and the Engineer have been consulted in the preparation of this report.

## 8 BACKGROUND PAPERS

### 8.1 Internal Audit Reports

- i)
- |         |   |
|---------|---|
| 2013/01 | Annual Plan 2011/12                               |
| 2013/02 | Data Protection and Freedom of Information        |
| 2013/03 | Budget Setting and Budgetary Control              |
| 2013/04 | Physical Security and Asset Management            |
| 2013/05 | Delivery of Major Project – Pier Protection Works |
| 2013/06 | Follow Up reviews                                 |
| 2013/07 | Annual report to the Joint Board                  |

IAIN MACKINNON  
BRIDGE MANAGER  
14 May 2013



REPORT TO: TAY ROAD BRIDGE JOINT BOARD – 17 June 2013

REPORT ON: ADDITIONAL STAFFING POLICIES

REPORT BY: THE BRIDGE MANAGER

ITEM No:.....10.....

REPORT NO: TRB 07- 2013

## 1 PURPOSE OF REPORT

- 1.1 To obtain the Board's approval of additional policies to be added to the Staff Handbook.

## 2 RECOMMENDATIONS

The Board are asked to approve the following Policies to be added to the Staff Handbook:-

- i) Special Leave Policy – Near Relative Illness

## 3 FINANCIAL IMPLICATIONS

There are no financial implications associated with this report.

## 4 POLICY IMPLICATIONS

- 4.1 None.

## 5. COMMENTARY

- 5.1 Special Leave – Near Relative Illness

This policy gives the Bridge Manager discretion to grant staff up to two paid days leave of absence to deal with emergency situations where illness of a near relative requires them to take time off work to provide or arrange care. The policy does not cover for time off for planned medical appointments etc.

This policy is in line with that already in place for employees of Dundee City Council and by adopting this policy the Board will provide the same level of discretionary Special Leave to its employees as other comparable organisations.

## 6 CONSULTATIONS

- 6.1 The Treasurer, Clerk and Engineer to the Board, and Trade Unions have been consulted in the preparation of this report.

## 7 BACKGROUND PAPERS

- 7.1 None

IAIN MACKINNON  
BRIDGE MANAGER  
2 February 2011

**Appendix A****Special Leave – Near Relative Illness****Special leave – Near relative illness**

This policy is to cover absence where unexpected/emergency situations result in a member of staff having to request time off deal with the immediate care arrangements caused by the illness of a near relative. Situations such as planned hospital visits by near relatives are not covered by this policy.

Near relative (Spouse, partner, daughter, son, mother, father, brother, sister) : Up to 2 days paid leave per rolling 12 month period, at discretion of Bridge Manager.

ITEM No: 8 (6)



cutting through complexity™

# Tay Road Bridge Joint Board

Audit strategy overview and plan  
Year ending 31 March 2013

19 March 2013



## Contents

The contacts at KPMG  
in connection with this  
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### About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ("the Code").

This report is for the benefit of only Tay Road Bridge Joint Board and is made available to the Accounts Commission for Scotland and Audit Scotland (all together "the beneficiaries"), and has been released to the beneficiaries on the basis that wider disclosure is permitted for information purposes but that we have not taken account of the wider requirements or circumstances of anyone other than the beneficiaries.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the scope and objectives section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the beneficiaries) for any purpose or in any context. Any party other than the beneficiaries that obtains access to this report or a copy and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the beneficiaries.

### Complaints

If at any time you would like to discuss with us how our services can be improved or if you have a complaint about them, you are invited to contact Stephen Reid, who is the engagement leader for our services to Tay Road Bridge Joint Board, telephone 0131 527 6795 email: stephen.reid@kpmg.co.uk who will try to resolve your complaint. If your problem is not resolved, you should contact Alex Sanderson, our Head of Audit in Scotland, either by writing to him at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG or by telephoning 0131 527 6720 or email to alex.sanderson@kpmg.co.uk. We will investigate any complaint promptly and do what we can to resolve the difficulties. After this, if you are still dissatisfied with how your complaint has been handled you can refer the matter to Russell Frith, Assistant Auditor General, Audit Scotland, 110 George Street, Edinburgh, EH2 4LH.





## Overview

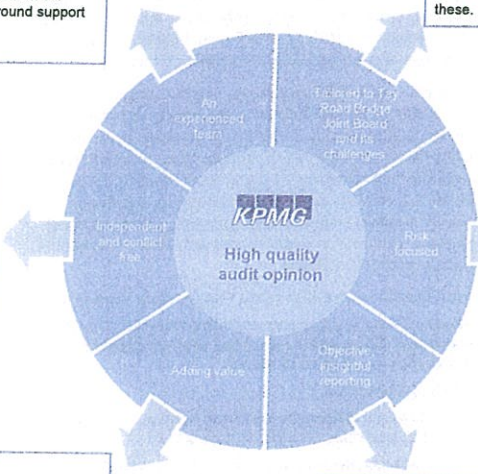
This document describes how we will deliver our audit for Tay Road Bridge Joint Board ("the Joint Board") for the year ending 31 March 2013.

This includes the opinions on the financial statements in accordance with relevant legal and accounting requirements.

**Experience** *Page 13*  
 Our senior management team from 2012 remains unchanged so you retain strong continuity. As previously, we will use specialists from our pensions teams to provide on the ground support to our core audit team.

**Tailored approach** *Pages 4 to 7*  
 We continue to invest the time to understand the key challenges and drivers affecting your operations. Our audit approach is carefully designed to align with these.

**Independence** *Appendix 1*  
 Independence and quality are at the foundation of our approach. We have systems and processes to ensure our ongoing independence and will report formally on this, together with any non-audit fees received. We are satisfied that we are independent.



**Risk based approach** *Pages 4 to 7*  
 We continue to work with management to inform our understanding of the business and its challenges to ensure our audit responds to changes in the business.

**Adding value**  
 The knowledge gained from our previous audit means we understand your business issues and how they impact the financial statements. We keep you advised of new accounting standards and accounting issues as they arise.  
 We will report on identified material control weaknesses and other performance improvement observations as well as unadjusted audit differences.

**Insightful reporting**  
 You expect us to form independent views on the key issues. We will express these clearly and concisely in a way that is understandable to accountants and non-accountants alike.  
 Our audit gives us an independent view on your business. We use this knowledge to challenge the key messages delivered by your internal reporting systems.  
 We will discuss these areas with the Joint Board.



## Audit strategy and planning Introduction

Our audit work is undertaken in accordance with Audit Scotland's *Code of Audit Practice*. This specifies a number of objectives for our audit.

The Accounts Commission for Scotland has appointed KPMG LLP as auditors of Tay Road Bridge Joint Board ("the Joint Board") under the Local Government (Scotland) Act 1973 ("the Act"). The period of appointment is 2011-12 to 2015-16, inclusive. This document summarises our responsibilities as external auditors for the year ending 31 March 2013 and our intended approach to issues impacting the Joint Board's activities in that year.

We carry out our audit in accordance with our statutory responsibilities under the Act and in accordance with the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board ("APB") and the wider responsibilities embodied in Audit Scotland's *Code of Audit Practice*. Under this *Code of Audit Practice* auditors address and comment upon a number of objectives, together with complying with a number of obligations. The *Code of Audit Practice* also places a number of obligations on the Joint Board.

Auditors' objectives in relation to the *Code of Audit Practice* are to:

- audit the financial statements and place a certificate on the statements stating that the audit has been conducted in accordance with Part VII of the Act;
- satisfy ourselves that:
  - the financial statements have been prepared in accordance with all applicable statutory requirements;
  - proper accounting practices have been observed in the preparation of the financial statements;
  - the body has made proper arrangements for securing Best Value and is complying with its community duties; and
  - the body has made adequate arrangements for collecting, recording and publishing prescribed performance information;
- hear any objection to the financial statements lodged by an interested person.

We conduct our audit of the financial statements in line with International Standards on Auditing (UK and Ireland), taking into account the UK Auditing Practices Board's Practice Note 10 (revised). We have a professional responsibility to report if the financial statements do not comply, in any material respect, with the IFRS-based *Code of Practice on Local Authority Accounting in the United Kingdom 2012-13* ("the Code"), taking account of the international financial reporting standards issued by the International Accounting Standards Board and relevant guidance issued by the Chartered Institute of Public Finance and Accountability ("CIPFA") / Local Authorities (Scotland) Accounts Advisory Board ("LASAAC").

As part of our audit we also review the financial information contained in the foreword to ensure that it is consistent with the financial statements. We also review the annual governance statement to ensure it has been prepared in accordance with the Code and other relevant guidance, taking account of the financial statements and other information gained by us as auditors.

International Standard on Auditing (UK and Ireland) 240: *The auditor's responsibility to consider fraud in an audit of financial statements* applies to our work. In particular, this Standard requires us to consider directly the possibility that management may choose to override the system of internal controls that otherwise may appear to be operating effectively. The Standard requires the auditor to maintain an attitude of professional scepticism, recognising the possibility that a material misstatement due to fraud could exist – notwithstanding the auditor's experience with regard to the honesty and integrity of management and those charged with governance.

In accordance with International Standard on Auditing (UK and Ireland) 260: *Communication with those charged with governance* we will report to you all non-material, non-trivial errors, which have not been adjusted.





## Audit strategy and planning

### Audit focus areas

Our audit approach is risk-based, and focuses on the areas most likely to lead to material misstatement in the Joint Board's financial statements.

Through meetings with management, we have performed initial risk assessment procedures to identify focus areas for the 2012-13 audit.

Areas of audit focus are:

- financial position; and
- capital programme.

We have developed an understanding of your key audit risk areas based on our initial risk assessment procedures, including discussions with management. The key areas identified are detailed below. Our risk assessment procedures are ongoing throughout the audit, and we will update you in respect of any emerging risks as we become aware of them.

Issue	Key risk and implications	Our planned audit approach
Financial position	<p>The budget monitoring position reported to the Joint Board in March 2013 identified a projected underspend for 2012-13 of £66,000, based on the results to 31 January 2013. The Joint Board had a £160,000 revenue support grant underspend in 2011-12 which was agreed to be carried forward into 2012-13. Taken together, and subject to agreement with Transport Scotland, a carry forward of £226,000 is now projected for 2013-14.</p> <p>The resulting projected general fund reserve is £1.16 million, which is subject to negotiation with the Scottish Government.</p>	<p>Our audit procedures during the year will consist of:</p> <ul style="list-style-type: none"> <li>■ updating our understanding of the 2012-13 budget setting process;</li> <li>■ consideration of the key budget pressures, and the action taken by management to address these; and</li> <li>■ reviewing the reported forecast outturn during the year against the final audited position, to allow us to comment on the accuracy of budget monitoring during the year.</li> </ul> <p>We will also consider the 2013-14 budget position, which was based on assumed Scottish Government resource grant of £1.7 million.</p>
Capital programme	<p>The Joint Board's approved capital programme for 2012-13 totalled £8.6 million, and is financed principally through Scottish Government capital grant funding. Due partly to slippage in the 2011-12 capital programme arising after approval of the budget, the forecast capital programme arising after approval of the budget, the forecast capital programme outturn for 2012-13 is currently £10.5 million. A further £1 million of available capital grant will be carried forward into 2013-14 and applied to the capital programme then, again subject to agreement by Transport Scotland.</p>	<p>We will review the capital projects comprising the approved capital programme, and link this work to our audit of property, plant and equipment during the year.</p> <p>We will also consider the recognition of associated grant funding to ensure this is appropriately recorded within the correct financial year.</p>

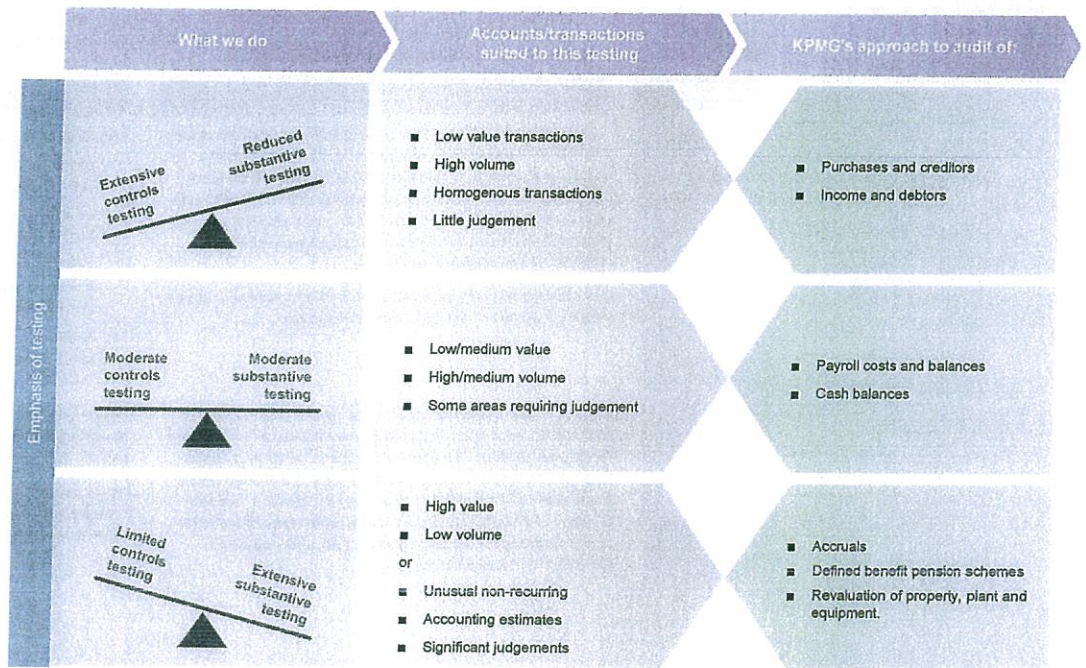


## Audit strategy and planning Audit methodology

In respect of the financial statements, we identify the constituent account balances and significant classes of transaction and focus our work on identified risks over completeness, existence, accuracy, valuation, ownership and presentation.

Determining the most effective balance of internal controls and substantive audit testing enables us to ensure the audit process runs smoothly and with the minimum disruption to your team.

The graphic opposite outlines how we apply that to the audit of the Joint Board's financial statements.



Note: Assuming controls are found to operate as designed.





## Audit strategy and planning

### Financial statements – comprehensive income and expenditure statement

Our audit approach in relation to the financial statements and testing of systems of internal control is driven by our assessment of the inherent risk of misstatement of the captions in the financial statements.

We use our experience from the 2011-12 audit to inform our assessment.

On this page we link the captions with significant inherent risks to the relevant processes for the Joint Board's comprehensive income and expenditure statement.

Caption	2011-12 balance (£'000)	Planning risk assessment	Process				Inherent risk areas
			Income	Expenditure	Payroll	Other	
Cost of services	3,049	●		✓	✓		
Non-specific grant income	(12,890)	●	✓			<ul style="list-style-type: none"> <li>Income is recognised in the correct year</li> <li>Income is not deferred as appropriate</li> </ul>	
Other operating income & expenditure	(3)	●	✓	✓			
Financing and investment income and expenditure	(96)	●				✓	
Other comprehensive income and expenditure	355	●			✓		

#### Inherent risk assessment:

●	Higher
●	Moderate
●	Lower



## Audit strategy and planning Financial statements – balance sheet

On this page we link the captions with significant risks to the relevant processes for the Joint Board's balance sheet.

Caption	2011-12 balance (£'000)	Planning risk assessment	Process				Inherent risk areas
			Income	Expenditure	Payroll	Other	
Property, plant and equipment	59,368					✓	<ul style="list-style-type: none"> <li>Revaluation gains and impairment losses not recognised appropriately</li> <li>Additions to infrastructure asset not recognised in the correct year</li> </ul>
Other long term assets	85					✓	
Short term debtors	581		✓				
Cash and cash equivalents	8,155					✓	
Inventories	47					✓	
Short term creditors	(2,367)			✓	✓		
Pension asset / liability	(2,072)					✓	<ul style="list-style-type: none"> <li>Actuarial assumptions are overly prudent / optimistic</li> <li>Data underlying actuarial calculations is inaccurate</li> <li>Actuarial calculations are not accurately reflected in the financial statements</li> </ul>
Useable reserves	(6,381)					✓	
Unuseable reserves	(57,416)					✓	





## Audit strategy and planning

### Presentation of financial statements

There are no significant changes in the content of the *Code of Practice on Local Authority Accounting in the United Kingdom 2012-13* ("the Code"), we will update our understanding of this position around the year end.

The Joint Board is required to prepare financial statements in accordance with the Code. KPMG is committed to working with management to enhance the clarity and impact of the financial statements.

<p><b>Code of practice on Local Authority Accounting in the United Kingdom 2012-13 ("the Code")</b></p>	<p>The 2012-13 financial statements will be prepared in accordance with the <i>Code of practice on local authority accounting in the United Kingdom 2012-13</i> ("the Code") which is based on International Financial Reporting Standards ("IFRS").</p> <p>The 2012-13 Code has a number of amendments from the 2011-12 version and management should reflect these changes to the reporting requirements in the draft financial statements. The amendments include:</p> <ul style="list-style-type: none"> <li>■ changes in relation to the objective of the financial statements and the qualitative characteristics of financial information;</li> <li>■ encouragement for local authority bodies to prepare the Explanatory Forward taking into consideration the requirements of the Government's Financial Reporting Manual (FRM);</li> <li>■ a requirement to recognise as an asset allowances under the carbon reduction commitment scheme;</li> <li>■ amendments in relation to IFRS 7 Financial Instruments: Disclosures (transfer of financial assets).</li> </ul>
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#### Presentation of financial statements

The current version of the Code was first applicable in respect of the year ended 31 March 2011 and typically had the effect of increasing the length and complexity of financial statements. The Audit Commission issued a briefing for those that prepare IFRS-based financial statements in local government, *Let's be clear* in January 2012. The briefing notes that the financial statements of those applying the Code are, on average, 113 pages long and while this supports transparency, there is a risk that the users of the financial statements are daunted by their complexity and find them difficult to interpret and understand.

Much of this complexity comes from the need to reconcile financial statements, prepared in accordance with IFRS, with the control framework imposed by government. This includes a series of adjustments necessary to reconcile the accounting cost of services, with the cost which is charged to the general fund on a statutory basis.

This briefing, and CIPFA's publication, *IFRS: how to tell the story* suggest a number of ways in which accessibility and clarity of financial statements could be improved including:

- the use of summaries and extracts which provide key elements of information;
- reducing and / or eliminating unnecessary disclosures; and
- critically reviewing the financial statement template to reduce the length and focus of reporting.

It is likely that there will be continued focus on the presentation of information and we will work with management to consider the implications of any updated guidance and support management to enhance the clarity and impact of the financial statements.



## Audit strategy and planning

### Mandatory communications

Mandatory communications required by Auditing Standards are set out opposite.

Area	Issue	KPMG response
Fraud risks	<ul style="list-style-type: none"> <li>It is the responsibility of management to implement accounting and internal control systems which are designed to prevent and detect fraud and error. Such systems reduce but do not eliminate the risk of misstatements caused by fraud or error.</li> <li>Those charged with governance must ensure, through oversight of management, the integrity of these systems and that appropriate controls are in place, including those for monitoring risk, financial control and compliance with laws. This is in the context of preparing financial statements that give a true and fair view and that do not contain material misstatements arising from fraudulent reporting (intentional misstatements / omissions to deceive the financial statement user) or from the misappropriation of assets.</li> </ul>	<ul style="list-style-type: none"> <li>Our audit procedures are designed to have a reasonable chance of detecting misstatements as a result of fraud or error. The audit team will review and discuss fraud related risks and controls with the treasurer and senior management, and consider the work of internal audit.</li> <li>Our risk assessment procedures will include a number of interviews with senior personnel concerning processes to identify and respond to risks of fraud.</li> </ul>
Related party transactions	<ul style="list-style-type: none"> <li>Management has processes in place to identify related party transactions and a number were disclosed in the 2011-12 financial statements. All material related party transactions must be disclosed in the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>We will ensure that there continues to be appropriate processes in place as part of the financial statements preparation process to identify any related party transactions.</li> </ul>
Independence	<ul style="list-style-type: none"> <li>Auditing Standards require us to consider our independence and related matters in our dealings with the Joint Board.</li> </ul>	<ul style="list-style-type: none"> <li>We have provided our formal independence communication in appendix one. In respect of any non-audit services provided to the Joint Board we have completed internal conflict checks to confirm that the services may be provided with no threat to our audit independence.</li> </ul>





## Audit approach and planning Materiality

Our audit is geared to identify material errors in the financial statements.

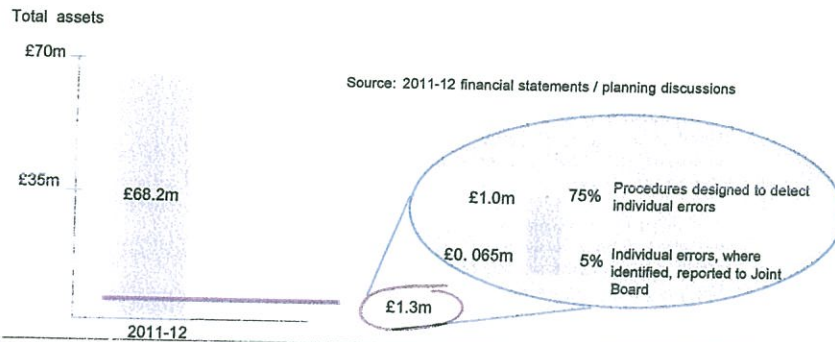
We are required by Auditing Standards to report to the Joint Board unadjusted audit differences other than non-trivial items.

In accordance with International Standard on Auditing (UK and Ireland) 320 *Materiality in planning and performing an audit*, we plan and perform our audit to be able to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view. The assessment of what is material is a matter of professional judgment and includes consideration of both the amount (quantity) and nature (quality) of misstatements.

Audit materiality is both a quantitative and qualitative measure and the figures below are a guide only and are based on prior year total income. We realise that the tolerance for error in certain disclosures in the financial statements is lower and therefore, we will report to the Joint Board smaller errors in areas such as senior officer's remuneration and related party transactions. The overriding objective is to preserve the true and fair view presented by the financial statements and we will consider any audit differences, individually and cumulatively, in that context.

Our planning materiality has been calculated on the basis of total assets for the Joint Board per the 2011-12 financial statements as detailed below. On this basis, our procedures will be designed to detect individual errors over £1 million and we will report all errors over £65,000 to the Joint Board.

Our final materiality will be based on the draft financial statements and we will inform you of any changes to our planning materiality.



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## Other audit areas

### Fraud versus error

We distinguish between fraud and error and use our sector knowledge to inform specific control testing.

#### Fraud versus error

The term 'error' refers to an unintentional misstatement in the reporting of an entity. The term 'fraud' refers to an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception or misconduct to obtain an unjust or illegal advantage.

There are two types of misstatements relevant to an auditor's consideration of fraud:

- misstatements resulting from fraudulent financial reporting, which involves intentional misstatements or omissions of amounts or disclosures in financial reporting to ultimately deceive financial statement users; and
- misstatements resulting from misappropriation of assets, which typically involve theft of an entity's assets and is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing.

#### Legality and propriety

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements but also providing a view, where appropriate, on matters such as the legality, propriety, performance and the use of resources in accordance with the principles of Best Value.

The Joint Board is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of its arrangements. This includes involving those charged with governance in the monitoring of arrangements.

#### Best Value

Under the Local Government in Scotland Act 2003 ("the 2003 Act"), auditors have a duty to be satisfied that councils have made proper arrangements to secure best value. In response to these duties, the Accounts Commission introduced specific arrangements for the audit of best value and community planning under section 52 of the 2003 Act.

We will seek to understand the arrangements which management has established internally to ensure Best Value in its use of the resources made available to it.





## Other audit areas Internal audit; performance management

We will liaise with your internal auditors to minimise duplication of effort.

Audit Scotland and the Accounts Commission periodically undertakes national studies on topics relevant to the performance of local government bodies.

We will review the Joint Board's response to those reports relevant to its activities.

### Internal audit arrangements

International Standard on Auditing (UK and Ireland) 610: *Considering the work of internal audit* requires us to:

- consider the activities of internal audit and their effect, if any, on external audit procedures;
- obtain a sufficient understanding of internal audit activities to assist in planning the audit and developing an effective audit approach;
- perform a preliminary assessment of internal audit when it appears that internal audit is relevant to our audit of the financial statements in specific audit areas; and
- evaluate and test the work of internal audit, where use is made of that work, in order to confirm its adequacy for our purposes.

We will review the internal audit work proposed or completed during our interim audit visit to determine the extent of assurance that can be taken from the work performed.

The general programme of work for 2012-13 will be reviewed for significant issues to support our general work in assessing the Joint Board's statement of internal control. In particular, we will consider the findings of the budget setting and budgetary control review.

### Local response to national studies

Audit Scotland and the Accounts Commission periodically undertakes national studies on topics relevant to the performance of local government bodies. While the recommendations from some of the studies may have a national application, elements of the recommendations are also capable of implementation at individual organisation level, as appropriate. In order to ensure that added value is secured through the role of the Accounts Commission, Audit Scotland and its appointed auditors, auditors will continue to ensure that audited bodies respond appropriately to reports from the Accounts Commission and Audit Scotland's programme of national performance audits.

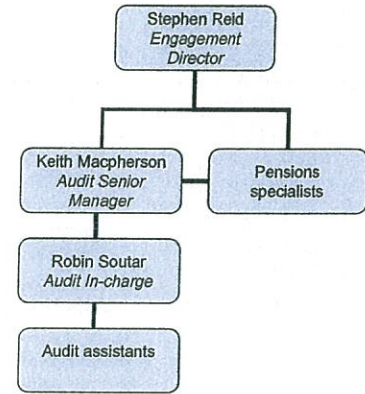
We will therefore be required to have consideration as to whether relevant national performance reports have been considered by the Joint Board and that action has been planned in response.



## Delivery of the audit KPMG team; reporting

The team benefits from strong continuity at senior level, building on Stephen and Keith's involvement in the audit of the Joint Board in 2011-12.

Team member	Role
<b>Stephen Reid – Engagement Director</b> Tel: 0131 527 6795 Email: stephen.reid@kpmg.co.uk	Stephen has overall authority and responsibility for the audit engagement, including reporting on the financial statements, and will review key conclusions reached by the engagement team on all accounting and auditing matters.
<b>Keith Macpherson – Audit Senior Manager</b> Tel: 0141 300 5806 Email: keith.macpherson@kpmg.co.uk	Keith serves as the day-to-day audit liaison between management and KPMG and a first point of contact. He also provides technical accounting, regulatory and other advice in the first instance.
<b>Robin Souter – Audit In-charge</b> Tel: 0131 527 6862 Email: robin.soutar@kpmg.co.uk	Robin coordinates the onsite audit fieldwork, liaising directly with the key finance staff in respect of the preparation for, and conduct of the financial statements audit work.



### Reporting

Through regular meetings at appropriate levels, there will be open and regular discussion between management, auditors and management. As a result, accounting and control issues can be identified and reported to allow you to manage them throughout the year.

Audit Scotland's *Code of Audit Practice* requires us to communicate to management findings arising as a result of the audit work completed. Reports to management will be submitted throughout the course of the year, with draft reports discussed and agreed with management and action plans developed to include the recommendations, target dates for implementation and the member of staff responsible for implementation.

We envisage submission of the following report in respect of 2012-13:

- by 31 September 2013, our annual audit report to the Joint Board and the Controller of Audit, including those matters which we are required to report to those charged with governance.

Our report will be prepared in draft for the Joint Board meeting on 9 September 2013, when the financial statements are considered.



## Delivery of the audit Fee proposals

Our audit fees are set according to the fee ranges set by Audit Scotland.

### Fee proposals

Audit Scotland requires that the fee for our work is set within an indicative range, depending on the assessment of risk and other factors facing the Joint Board. Audit Scotland has notified us, and the Joint Board, that the fee range for 2012-13 is £9,528 to £14,292 based on a mid-point of £11,910.

We have proposed a fee with management of £11,910, which represents the mid-point on the indicative range.

As with other audits, our fee proposals are based on the following assumptions to ensure an efficient audit process:

- draft report, financial statements and full electronic files of supporting work papers available at the start date of our on site visit agreed with officers preferably in electronic format;
- reliance on your internal controls;
- availability of key members of staff during the audit fieldwork; and
- completion within the agreed timetable.

Should we be required to undertake significant additional audit work in respect of any of the areas of audit focus, or should other matters arise, we will discuss with management the impact of this on our proposed fee.

Audit fee summary	Total £
Mid-point on the fee range for 2011-12	12,470
2011-12 agreed fee	13,015
Mid-point on the fee range for 2012-13	11,910
<b>Proposed audit fee for 2012-13</b>	<b>11,910</b>

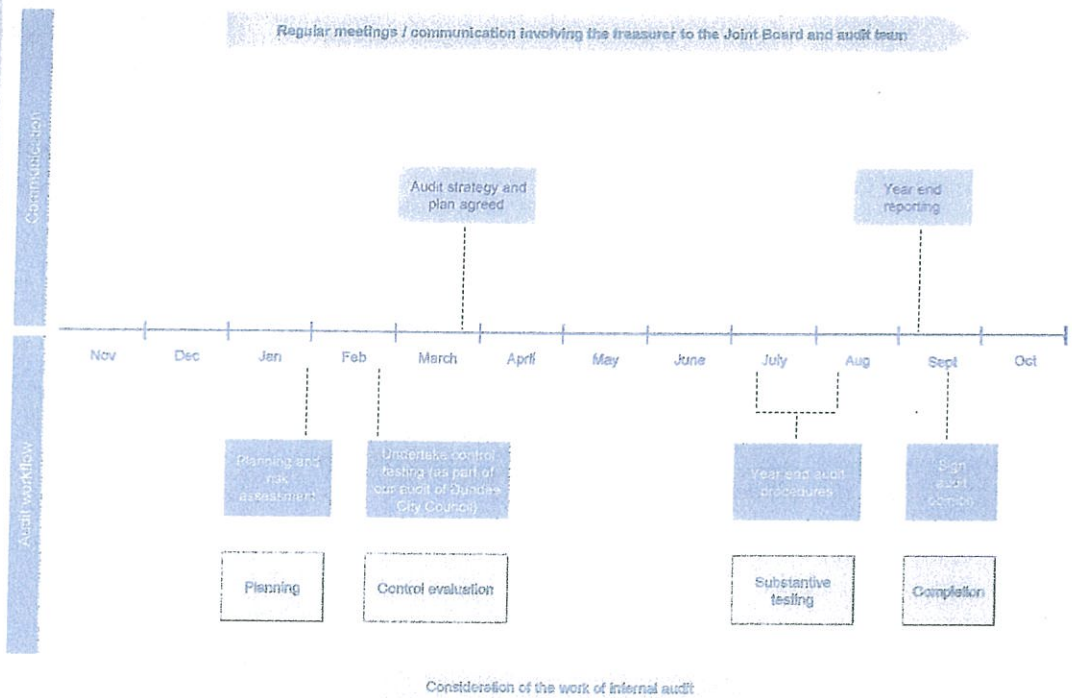




## Delivery of the audit Audit timeline

We have developed a proposed timetable to discharge our responsibilities based on initial discussions with management.

We will consider judgements in key areas before the audit fieldwork begins.





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# Appendices



## Appendix one Independence

Auditing Standards require us to communicate to the members of the Joint Board in writing at least annually on any matters which may reasonably be thought to bear on our independence and set out the safeguards in place in relation to these matters and confirm that we are independent.

Professional ethical standards require us to communicate to you as part of planning all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Audit Director and the audit team. This letter is intended to comply with this requirement although we will communicate any significant judgements made about threats to objectivity and independence and the appropriateness of safeguards put in place.

We are satisfied that our general procedures support our independence and objectivity, except for those detailed below where additional safeguards are in place.

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

Please inform us if you would like to discuss any of these aspects of our procedures in more detail.

### Confirmation of audit independence

We confirm that as of 19 March 2013, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the members of the Joint Board and should not be used for any other purposes.

Yours faithfully

KPMG LLP





## Appendix two Audit Scotland code of audit practice – responsibilities of the Joint Board

### Financial statements

Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources. Audited bodies are responsible for:

- ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority;
- maintaining proper accounting records;
- preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the relevant financial reporting framework (eg, the Financial Reporting Manual or an Accounting Code of Practice);
- preparing and publishing with their financial statements an annual governance statement, statement on internal control or statement on internal financial control and a remuneration report; and
- preparing consolidation packs and, in larger bodies, preparing a Whole of Government Accounts return.

### Systems of internal control

Audited bodies are responsible for developing and implementing systems of internal control, including risk management, financial, operational and compliance controls. They are required to conduct annual reviews of the effectiveness of their governance, systems of internal control, or internal financial control, and report publicly that they have done so. Such reviews should take account of the work of internal audit and be carried out by those charged with governance, usually through bodies' audit committees.

### Prevention and detection of fraud and irregularities

Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. This includes:

- developing, promoting and monitoring compliance with standing orders and financial instructions;
- developing and implementing strategies to prevent and detect fraud and other irregularity;
- receiving and investigating alleged breaches of proper standards of financial conduct or fraud and irregularity; and
- participating, when required, in data matching exercises carried out by Audit Scotland.

### Standards of conduct and arrangements for the prevention and detection of bribery and corruption

Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and should put proper arrangements in place for:

- implementing and monitoring compliance with appropriate guidance on standards of conduct and codes of conduct for members and officers;
- promoting appropriate values and standards; and
- developing, promoting and monitoring compliance with standing orders and financial instructions.



### Appendix three

## Audit Scotland code of audit practice – responsibilities of the Joint Board (continued)

#### Financial position

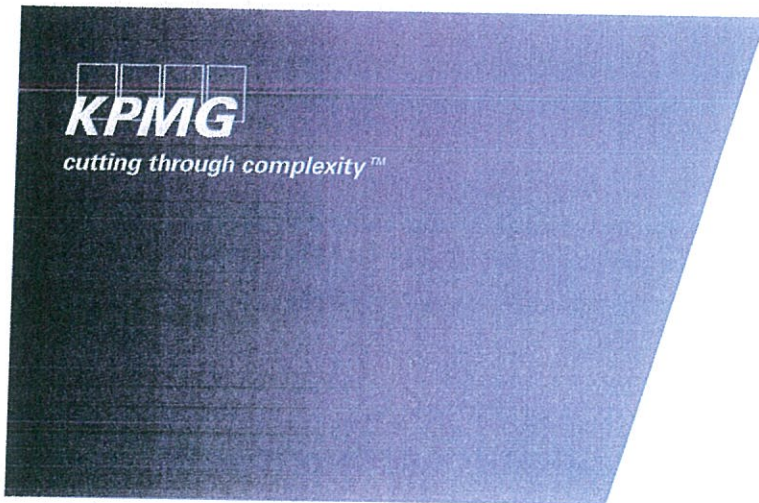
Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- such financial monitoring and reporting arrangements as may be specified;
- compliance with any statutory financial requirements and achievement of financial targets;
- balances and reserves, including strategies about levels and future use; and
- the impact of planned future policies and foreseeable developments on their financial position.

#### Best Value

Achievement of Best Value or value for money depends on the existence of sound management arrangements for services, including procedures for planning, appraisal, authorisation and control, accountability and evaluation of the use of resources. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.





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