TAY ROAD BRIDGE JOINT BOARD

MONDAY, 20TH JUNE, 2016 AT 10.00 AM

COMMITTEE ROOM 2, 14 CITY SQUARE, DUNDEE

AGENDA OF BUSINESS

1   MINUTE OF MEETING OF TAY ROAD BRIDGE JOINT BOARD OF 7TH MARCH, 2016 – **Page 5**

(Copy enclosed).

2   ENGINEERING WORKS – **Page 7**

(Report No TRB18-2016 enclosed).

3   REPORT ON OPERATIONAL RESTRICTIONS AND CLOSURES – **Page 11**

(Report No TRB10 -2016 enclosed).

4   WHISTLE BLOWING POLICY – **Page 15**

(Report No TRB12-2016 enclosed).

5   RESPONSE TO INTERNAL AUDIT'S ANNUAL REPORT TO MEMBERS – **Page 25**

(Report No TRB13-2016 enclosed).

6   2016/2017 INSURANCE PROGRAMME – **Page 143**

(Report No TRB14-2016 enclosed).

7   EXTERNAL AUDIT - ANNUAL AUDIT PLAN 2015/2016 – **Page 147**

(Report No TRB15-2016 enclosed).

8   ANNUAL GOVERNANCE STATEMENT FOR THE YEAR TO 31ST MARCH, 2016 – **Page 171**

(Report No TRB16-2016 enclosed).

9   UNAUDITED ANNUAL ACCOUNTS FOR YEAR ENDED 31ST MARCH, 2016 – **Page 177**

(Report No TRB17-2016 enclosed).

10   A O C B

11   DATE OF NEXT MEETING

Monday, 12th September, 2016 at 10.00 am in Committee Room 3, 14 City Square, Dundee.

The Joint Board 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 item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 6 of Part I of Schedule 7A of the Act.

12   SESTRAN PARK AND RIDE PROPOSAL - NORTHFIELD FARM, NEWPORT-ON-TAY

At a MEETING of the **TAY ROAD BRIDGE JOINT BOARD** held at Dundee on 7th March, 2016.

Present:-

Councillors Margaret TAYLOR, Jimmy BLACK, Fraser MACPHERSON, Jim YOUNG, Andy HEER, Bill CONNOR, Ken LYNN, Bill CAMPBELL and Tom FERGUSON

Also Present (Officers):-

Alan Hutchison, Fergus Wilson, Kenny McKaig and Marjory Stewart

Apologies were intimated from Councillor Brian Thomson.

Councillor Margaret TAYLOR, Convener, in the Chair.

I   **MINUTE OF MEETING OF TAY ROAD BRIDGE JOINT BOARD OF 7TH DECEMBER, 2015**

The minute of the above meeting was submitted and noted.

II   **OPERATIONAL RESTRICTIONS AND CLOSURES**

There was submitted Report No TRB4-2016 by the Bridge Manager, advising the Joint Board of the number and nature of operational restrictions and closures applied between 1st November, 2015 and 31st January, 2016.

The Joint Board noted accordingly.

III   **REVENUE MONITORING - TEN MONTHS TO 31ST JANUARY, 2016**

There was submitted Report No TRB1-2016 by the Treasurer, advising the Joint Board of the current monitoring position of its 2015/2016 Revenue Budget.

The Joint Board agreed to note the content of this Revenue Monitoring Report as at 31st January, 2016.

IV   **CAPITAL MONITORING - TEN MONTHS TO 31ST JANUARY, 2016**

There was submitted Report No TRB2-2016, advising the Joint Board of the current monitoring position of its 2015/2016 Capital Budget.

The Joint Board agreed to note the content of this Capital Monitoring Report as at 31st January, 2016.

V   **OPERATIONAL CHANGES**

There was submitted Report No TRB5-2016 by the Bridge Manager seeking Joint Board approval of the proposals for a revised staffing structure and alternative method for how the Operations Team manage traffic on the bridge to ensure a more efficient and effective service.

The Joint Board approved the proposals outlined in the report and agreed that they be implemented by the Bridge Manager.

VI   **TAY ROAD BRIDGE – VOLUNTARY EARLY RETIREMENT/VOLUNTARY REDUNDANCY SCHEME**

There was submitted Report No TRB6-2016 by the Bridge Manager seeking approval of a proposed Voluntary Early Retirement/Voluntary Redundancy Scheme which would facilitate rationalisation and restructuring of the Board's services to achieve efficiencies and to enhance service delivery.

The Joint Board agreed to approve the proposed Voluntary Early Retirement/Voluntary Redundancy Scheme and that current arrangements for dealing with early retirements in the efficiency of the service or on the grounds of voluntary redundancy incorporate the sliding scale of added years relative to pensionable service, as detailed in the report.

VII   INTRODUCTION OF COMPUTER AND INTERNET GUIDELINES

There was submitted Report No TRB7-2016 by the Bridge Manager seeking approval of the Bridge Manager's recommendation to introduce Computer and Internet Guidelines into the Team and Conditions of all and future TRBJB employees in line with recommendations made by the Board's Internal Auditor.

The Joint Board agreed to implement the Bridge Manager's recommendation to introduce Computer and Internet Guidelines into the Terms and Conditions of all TRBJB employees, as detailed in the report.

VIII   FRAUD GUIDELINES

There was submitted Report No TRB3-2016 by the Treasurer submitting proposed revised Fraud Guidelines for approval.

The Joint Board approved the revised Fraud Guidelines detailed in the report which would complement the various guidance and procedure documents already in place for the employees and Members of the Tay Road Bridge Joint Board.

IX   AOCB

The Chair updated the Joint Board on arrangements for the Tay Road Bridge 50th Anniversary celebrations.

X   DATE OF NEXT MEETING

Monday, 20th June, 2016 at 10 am in Committee Room 2, 14 City Square, Dundee.

Margaret TAYLOR, Chairman.

REPORT TO:	TAY ROAD BRIDGE JOINT BOARD – 20 JUNE 2016
REPORT ON:	ENGINEERING WORKS
REPORT BY:	ENGINEER TO THE BOARD
REPORT NO:	TRB 18-2016

ITEM No: 2

1   PURPOSE OF REPORT

1.1   To advise the Joint Board on the current situation regarding Engineering works on the bridge and to authorise the appointment of Certus Inspection Services Ltd to carry out specialist paint inspection works to the box girders of the bridge.

2   RECOMMENDATIONS

2.1   It is recommended that:

- the Joint Board note the position on current progress.

- approve the appointment of Certus Inspection Services Ltd to carry out specialist paint inspection works to the box girders.

- the overall expenditure of £20,000.00 be authorised for the specialist paint inspection works which includes an allowance of £5,544.00 for contingencies and professional fees.

3   FINANCIAL IMPLICATIONS

3.1   The Treasurer advises that the above expenditure can be met from allowances within the Capital Budget for 2016/17.

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   Bridge Inspection Programme

As part of the Asset Management Plan approved by the Board at the meeting of 10 September 2012, a programme of general and principal bridge inspections was prepared.

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.

The ongoing cycle of inspections are currently underway utilising Tay Road Bridge inspection staff and this can be supplemented by Dundee City Council civil/structural engineering staff as appropriate, with further specialist input if required.

Inspection works are being carried out from the gantries with safety boat services provided by David Anderson Marine.

A report on the outcome of the inspections will be brought to the Board in due course.

7.2   Paintwork to Box Girders

Reference is made to Article II of the Tay Road Bridge Joint Board meeting of 7 December 2015 where it was noted that the Engineer proposed to carry out a full inspection in 2016/17 of the 20 year old paint system on the box girders of the bridge and seek specialist advice as to the appropriate way forward.

Tender documents were issued to three specialist paint inspection companies on 6 May 2016 and the following tenders were received on 27 May 2016:

Tenderer	Quality Ranking	Tender Amount
Certus Inspection Services, Falkirk	1	£14,456
Paint Inspection Ltd, Portchester	2	£26,475

It is recommended that the offer from Certus Inspection Services Ltd is accepted.

To this an allowance of £5,544.00 for contingencies and professional fees requires to be made giving an overall expenditure of £20,000.00.

The specialist paint inspection works are programmed to start on 1 August 2016 and take 2 weeks to complete.

A full report on the outcome of the paint inspection will be brought to the Board in due course.

8   CONSULTATIONS

8.1   The Clerk, Treasurer and Bridge Manager have been consulted in the preparation of this report and are in agreement with the contents.

9   BACKGROUND PAPERS

9.1   None.

Fergus Wilson
Engineer to the Board

FW/JM

Dundee City Council
Dundee House
Dundee

2 June 2016

REPORT TO: TAY ROAD BRIDGE JOINT BOARD – 20 JUNE 2016

REPORT ON: REPORT ON OPERATIONAL RESTRICTIONS AND CLOSURES

REPORT BY: THE BRIDGE MANAGER

REPORT NO: TRB 10- 2016

ITEM No: 3

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 2016 and 30 April 2016.

2   **RECOMMENDATIONS**

The Board are asked to note the contents of this Report as at 30 April 2016.

3   **FINANCIAL IMPLICATIONS**

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

4   **POLICY IMPLICATIONS**

4.1   None.

5.   **COMMENTARY ON 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, such as carriageway inspections. Miscellaneous incidents include escorting pedestrians from the carriageway.

A summary of the restrictions applied between 1 February 2016 and 30 April 2016 is given over:-

5.1.1 Single Carriageway Closure

Reason	Total Duration (Minutes)	No of Occasions	Average Duration (Minutes)
Operational	631	131	4.8
Breakdown	124	17	7.3
Misc. Incidents	26	10	2.6
Road works TRBJB	0	0	0
Road works Contractor Contra-flow	0	0	0
Police Incidents	14	2	7

5.1.2 Full Bridge Closure

Reason	Total Duration (Minutes)	No of Occasions	Average Duration (Minutes)
Operational (Night Closures)	0	0	0
Police Incidents	48	2	24
Wind	300	1	300

5.1.3   High Winds/Weather Restrictions

Traffic restricted	Total Duration (Minutes)	No of Occasions	Average Duration (Minutes)
Double Deck Buses	3578	12	298.2
High Sided	1780	4	445
All traffic	300	1	300

5.1.4   Availability of Bridge

AVAILABILITY TO BRIDGE USERS

■ Full Closure   ■ Partial Availability   ■ Full Availability
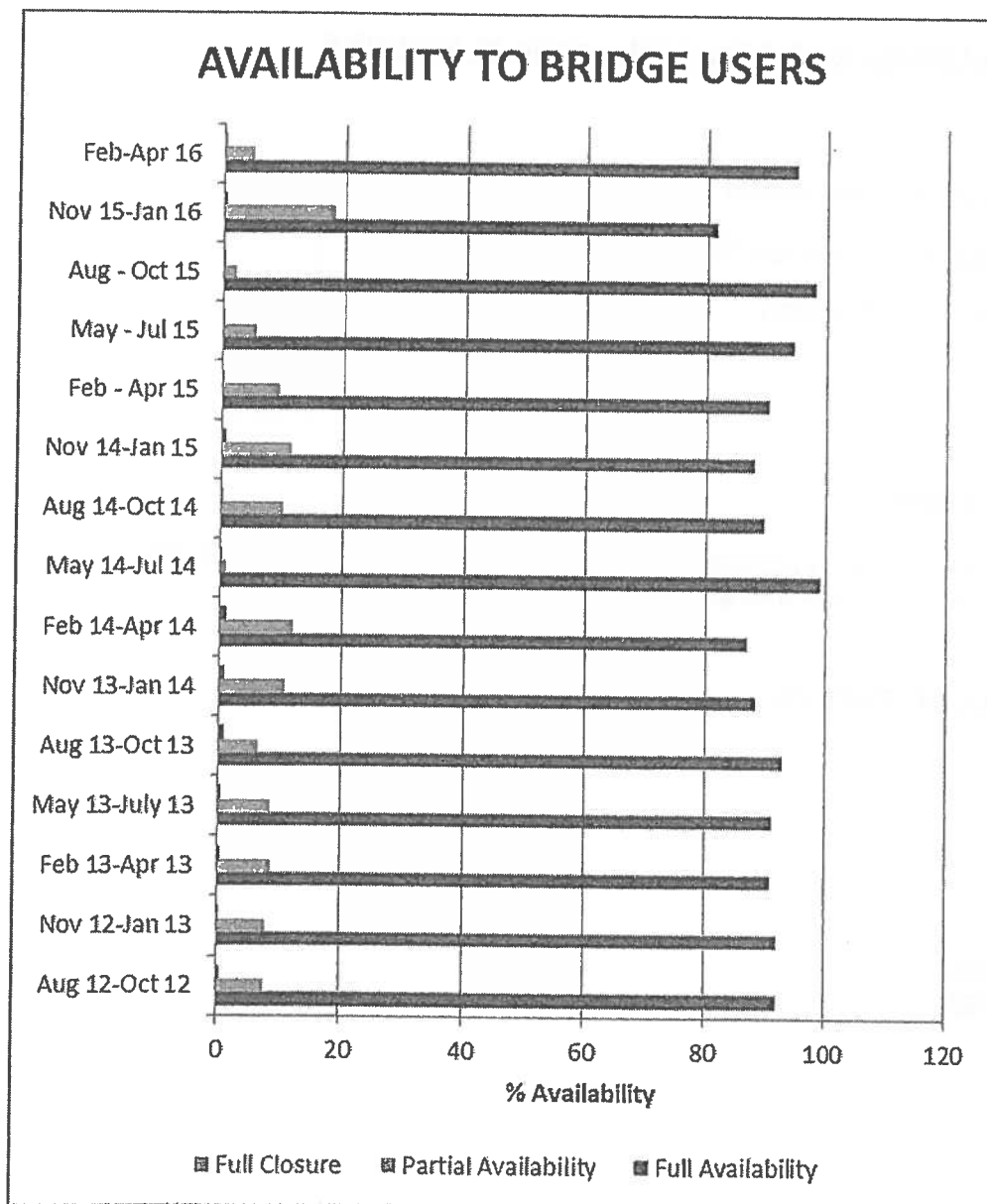
% Availability

	Feb 15-Apr 15	May 15-Jul 15	Aug 15-Oct 15	Nov 15-Jan 16	Feb 16-Apr 16
Full Availability	90.32	94.6	97.94	81.66	95
Partial Availability	9.37	5.35	1.87	17.98	4.7
Full Closure	0.31	0.05	0.31	0.36	0.3

Figure 1 – Comparison of Availability of Bridge to Users

Fewer wind related restrictions have contributed to an increase of 13.34% in full availability this quarter when compared to the period between November 2015 to January 2016. Full closure has decreased slightly by 0.06%.

5.1.5 Summary of Bridge availability 1 February to 30 April 2016

Full availability (No restrictions)	95 %
Partial Availability (Some restrictions)	4.70 %
No Availability (Full Closure)	0.30 %

6   **CONSULTATIONS**

6.1   The Treasurer, Clerk and Engineer to the Board have been consulted in the preparation of this report and are in agreement with the content.

7   **BACKGROUND PAPERS**

7.1   None

ALAN HUTCHISON
BRIDGE MANAGER
3 May 2016

REPORT TO: TAY ROAD BRIDGE JOINT BOARD – 20 JUNE 2016

REPORT ON: WHISTLE BLOWING POLICY

REPORT BY: BRIDGE MANAGER

REPORT NO: TRB 12 - 2016

ITEM No: 4

1 PURPOSE OF REPORT

1.1 To seek Joint Board approval of the Bridge Manager's recommendation to introduce a Whistle Blowing Policy for the TRBJB and make this policy easily available to all employees, in line with the recommendation made by the Boards Internal Auditor.

2 RECOMMENDATIONS

2.1 It is recommended that the Joint Board implement the Bridge Manager's recommendation to introduce a Whistle Blowing Policy for the TRBJB.

3 FINANCIAL IMPLICATIONS

3.1 None.

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 implications for bridge users arising from this report.

7   BACKGROUND

7.1   Internal Audit Report 2015/03 - Compliance with Legislation by Henderson Loggie, paragraph 1.7, recommended that the Board introduce a well publicised Whistle Blowing Policy which explains how staff can safely raise a genuine concern inside and outside of the organisation. Introduction of such a policy will also ensure compliance with the requirements of funding bodies and the parameters outlined in the reports of the Nolan and Neill Committees on standards in public life. The Whistle Blowing Policy to be introduced is included at appendix 1.

8   CONSULTATIONS

8.1   The Clerk, Treasurer and Engineer to the Board have been consulted in the preparation of this report and are in agreement with the contents. Unions have been issued the Policy and have made no comment.

9   BACKGROUND PAPERS

9.1   None.

_____

Alan Hutchison
Bridge Manager
10 May 2016

Appendix 1

Tay Road Bridge

TAY ROAD BRIDGE JOINT BOARD

Whistleblowing Policy

Prepared by:	Alan Hutchison
Reviewed by:	Alan Hutchison

Document Reference:	**TRB 20 rev 0**
Approved for Issue:	**Alan Hutchison**
Date: May 2016	Bridge Manager

WHISTLEBLOWING POLICY

Introduction

This policy should be used for any employee to raise a qualifying disclosure under the Public Interest Disclosure Act 1998. This policy applies to all employees of the organisation who have concerns about misconduct or wrongdoing.

Employees may have concerns about what is happening at work. Usually these are easily resolved. However, when the concern feels serious because it is about a possible danger, professional misconduct or financial malpractice that might affect that might affect colleagues or the Tay Road Bridge Joint Board, it can be difficult to know what to do.

Employees may be worried about raising such an issue and may think it best to keep it to themselves, perhaps feeling it is none of their business or that it is only a suspicion. Employees may also feel that raising the matter would be disloyal to colleagues or managers. It may also be the case that an employee has said something but found that they have spoken to the wrong person or raised the issue in the wrong way and are not sure what to do next.

The Tay Road Bridge Joint Board is committed to running the organisation in the best way possible. This policy has been introduced to reassure all employees that it is safe and acceptable to speak up and to enable them to raise any concern which they may have at an early stage and in the right way. Rather than wait for proof, it is preferable if a matter is raised when it is still a concern.

If an employee feels that something is of concern and they feel that it is something which they think the Tay Road Bridge Joint Board should know about or look into, they should use this procedure. If, however, an employee wishes to raise a matter which affects them personally it may be appropriate to follow the Tay Road Bridge Joint Board's Grievance procedures.

Remember, if in doubt – raise it!

TAY ROAD JOINT BOARD'S COMMITMENT TO EMPLOYEES

Your Safety

The Tay Road Bridge Joint Board, the Manager and the trade unions are committed to this policy. If an employee raises a genuine concern under this policy, they will not be at risk of losing their job or suffering any detriment (such as a reprisal or victimisation). Provided the employee acts in good faith, it does not matter if they are mistaken or if there is an innocent explanation for their concerns. An employee raising a concern will not be asked to prove their claim. However, this assurance will not be extended to an employee who maliciously raises a matter they know to be untrue. Anyone making deliberately false and malicious allegations could lead to disciplinary action under the Tay Road Bridge Joint Board's Procedure for Dealing with Breaches of Discipline and Sub Standard Work Performance Procedure.

The Confidence of Employees

With these assurances, the Tay Road Bridge Joint Board hopes that employees will raise concerns openly. However, it is recognised that there may be circumstances when employees would prefer to speak to someone in confidence first. It this is the case, the employee raising the concern should say so at the outset. If the organisation is asked not to disclose someone's identity, we will not do so without that person's consent unless required by law. Employees should however understand that there may be times when the organisation will be unable to resolve a concern without revealing someone's identity, for example where personal evidence is essential. In such cases, it will discuss with the employee whether and how the matter can best proceed.

It should be remembered that if employees do not disclose their identity, it will be much more difficult for the Tay Road Bridge Joint Board to look into the matter. It will also not be always possible to protect the employee's position. Accordingly, an employee raising a concern should not assume that the Tay Road Bridge Joint Board can provide the same assurances where a concern is reported anonymously.

Raising a Concern

If an employee has a concern about a risk, malpractice or wrongdoing at work, it is hoped that they will feel able to raise it first with their line manager. Alternatively the employee can raise their concerns through the Whistleblowing hotline number, 01382 431253. This may be done verbally or in writing to the following e-mail address – fraud@dundeecity.gcsx.gov.uk. Advice regarding the operation of this policy will be available from your Trade Union representative or Human Resources team.

Examples of malpractice or wrongdoings:

- Failure to comply with legislation;
- Failure to comply with Tay Road Bridge Joint Board Policy (breaches of Code of Conduct for Tay Road Bridge Joint Board Employees);
- Health and Safety hazards;
- The unauthorised use of public funds;
- Environmental pollution;
- Gross incompetence;
- Negligence;
- Waste of resources;
- Discrimination (racial, sexual, religious, etc)
- Harassment (can also be dealt with via the Harassment Policy and Support Officers)

Fraud and Corruption

If an employee has a concern about Fraud and Corruption, it is hoped that they will feel able to raise it first with their line manager or through the Internal Corporate Fraud Helpline by calling extension 1253 or by e-mailing fraud@dundeecity.gcsx.gov.uk.

Alternatively, allegations of fraud and corruption can be reported through the following gateways such as reporting via:

- The fraud hotline – **0800 085 2289** which is operational during the day and on answerphone at night and weekends. Remember, referrals can be made anonymously if preferred.

- The Council's internet referral form found at the following website address: https://www.dundeecity.gov.uk/forms/

- Submitting a letter to the Corporate Fraud Team, Dundee City Council, Dundee House, 50 North Lindsay Street, Dundee DD1 1NN.

The Tay Road Bridge Joint Board can be exposed to fraud and corruption through a variety of internal and external sources. These include areas such as:

- Procurement
- Employee fraud (for example; fraudulent claiming by employees of flexi and mileage expenses)
- Bribery (where a person offers, promises or gives a financial or other advantage to another person, intending to induce them to perform improperly a relevant function or activity, or to reward a person for such improper performance)
- Theft (money, material, equipment, etc)

Staff who operate the above helplines will deal discreetly with all manner of complaints and enquiries. They will assist employees to progress their concerns to the right person in confidence.

Using the Helpline will not affect any rights under the Public Interest Disclosure Act 1998, which protects employees who disclose certain information to their employer or any other responsible person.

How We Will Handle The Matter?

Once a concern has been raised, it will be assessed, and consideration will be given as to what action may be appropriate. This may for example involve an informal review or a more formal investigation. The employee raising the concern will be advised what further assistance may be needed. The matter may be referred to the Clerk or the Head of Human Resources where appropriate.

If an employee has any personal interest in the matter, they should confirm this at the outset. If it is felt that the concern falls more properly within the scope of one of the other Tay Road Bridge Joint Board's policies, this will also be explained to the employee.

Employees should be aware that it may not always be possible to give details of the precise actions taken, where this would infringe a duty of confidence owed to another person. While it cannot be guaranteed that all matters will be responded to in the way that the employee might wish, the Tay Road Bridge Joint Board will strive to handle the matter fairly and properly. Feedback to the employee on progress and outcome will be provided by the Clerk or Bridge Manager in so far as this does not infringe a duty of confidence owed to another person.

If at any time throughout the investigation it becomes evident that formal disciplinary action may be a possible outcome, the investigation will be conducted in accordance with the provisions of the Tay Road Bridge Joint Board's Procedure for Dealing with Breaches of Discipline and Sub Standard Work Performance Procedure. Alternatively action may be taken in accordance with the Tay Road Bridge Joint Board's Corporate Fraud and Corruption Policy.

All investigations will be concluded without unreasonable delay. However, the Tay Road Bridge Joint Board allows for flexibility given the possible complexity of concerns raised.

The Tay Road Bridge Joint Board strives to deal with matters in a satisfactory manner. However, if you are unhappy at the progress or outcome of your concern and believe that maladministration may have occurred, you have the option of taking it to the Scottish Public Service Ombudsman, who will advise on whether the matter falls within his jurisdiction and may decide to carry out an independent review.

It is in the interest of the Tay Road Bridge Joint Board and its employees that any external scrutiny is conducted objectively by a reputable person with investigatory powers, such as the Scottish Public Service Ombudsman.

The contact details of the Ombudsman are: Scottish Public Service Ombudsman, 4 Melville Street, Edinburgh, EH3 7NS, Freepost Address: SPSO, Freepost EH641, Edinburgh, EH3 0BR, Freephone: 0800 377 7330.

Online form: www.spso.org.uk/online-contact Web: www.spso.org.uk
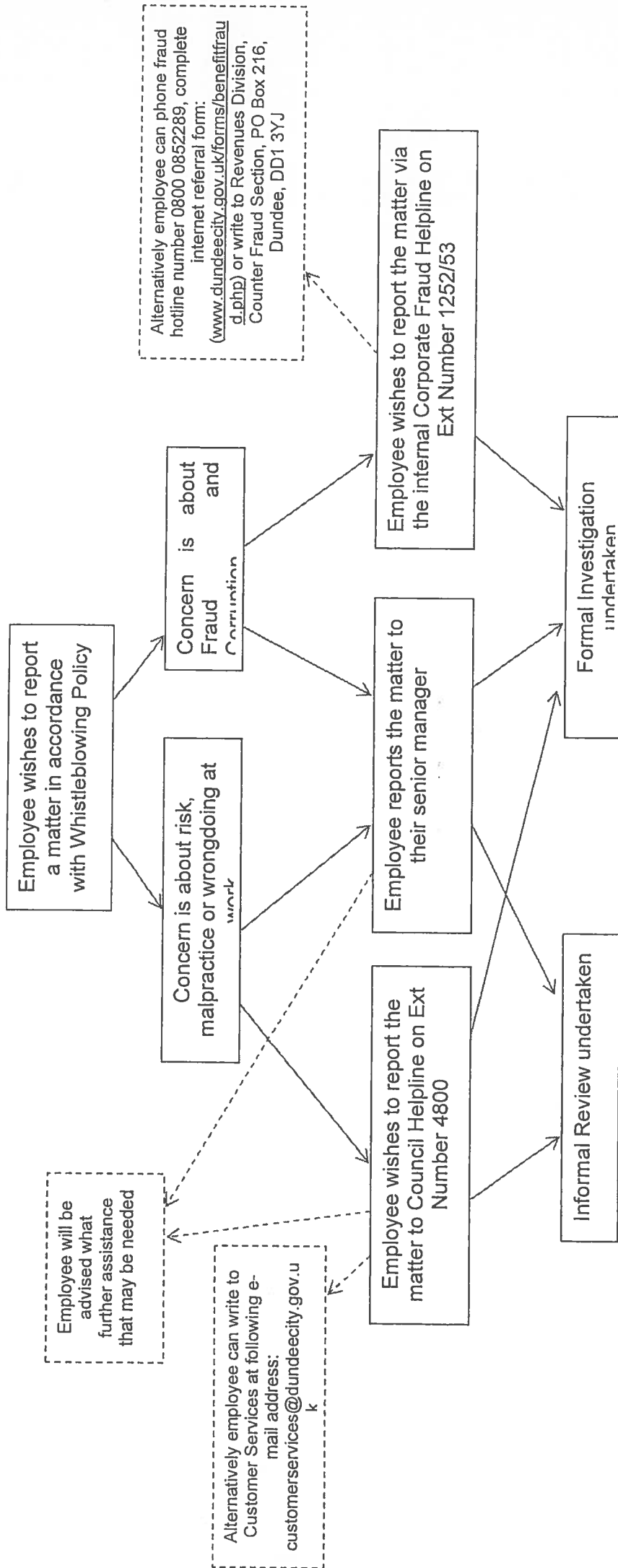
Access to Independent Advice

- Trade unions and professional associations can provide advice, guidance and support.

- Concerns can be reported (anonymously if desired) via Dundee City Council's website under 'Report It, Fraud and Whistleblowing'. https://www.dundeecity.gov.uk/forms/fraud

- General information can also be found on the ACAS website at: http://www.acas.org.uk/index.aspx?articleid=1919

- Free, confidential advice on how to raise a concern about malpractice at work can be sought from the independent charity Public Concern at Work on 020 7404 6609.

Monitoring, Review and Reporting Procedures

The Bridge Manager will review this policy every 3 years, as a minimum, and amend and re-issue to staff if required. The outcome of any cases will be reported by the Bridge Manager to a meeting of the TRBJB, held quarterly and as close to the date of outcome as possible.

WHISTLEBLOWING PATHWAY

Employee wishes to report a matter in accordance with Whistleblowing Policy

Concern is about Fraud and Corruption

Concern is about risk, malpractice or wrongdoing at work

Alternatively employee can phone fraud hotline number 0800 0852289, complete internet referral form: (www.dundeecity.gov.uk/forms/benefitfraud.php) or write to Revenues Division, Counter Fraud Section, PO Box 216, Dundee, DD1 3YJ

Employee wishes to report the matter via the internal Corporate Fraud Helpline on Ext Number 1252/53

Employee reports the matter to their senior manager

Employee wishes to report the matter to Council Helpline on Ext Number 4800

Alternatively employee can write to Customer Services at following e-mail address: customerservices@dundeecity.gov.uk

Employee will be advised what further assistance that may be needed

Formal Investigation undertaken

Informal Review undertaken

REPORT TO: TAY ROAD BRIDGE JOINT BOARD – 20 JUNE 2016

REPORT ON: RESPONSE TO INTERNAL AUDITOR'S ANNUAL REPORT TO MEMBERS

REPORT BY: THE BRIDGE MANAGER

REPORT NO: TRB 13 - 2016

ITEM No: 5.

1   PURPOSE OF REPORT

1.1   This report is in response to the Annual Report, ref 2016/06, prepared by the Board's Internal Auditor, Henderson Loggie, on Corporate Governance and Planning, Asset Management, Budgetary Control 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 6.6 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 annual operating plan showed a number of changes to the allocation set out in the Board's Internal Audit Needs Assessment and Strategic Plan issued in August 2013. The annual plan was updated to reflect changes in the internal and external environment in the intervening period and as a result of the Board's Internal Auditors own assessment of risks faced by the Board. A Data Protection Review originally planned for 2015/16 was brought forward to 2014/15, with the review of Corporate Governance and the Control Environment moved to 2015/16. A Physical Security and Asset management review, along with a review of Budgetary Control was carried out in 2015/16.

6. REPORT

6.1 Internal Auditor's Annual Report

i) The Internal Auditor's Annual Report, Ref 2016/06, 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:-

2014/01	Audit needs Assessment and Strategic Plan 2013 to 2016
2016/01	Annual Plan 2015/16
2016/02	Physical Security and Asset Management
2016/03	Budget Setting and Budgetary Control
2016/04	Corporate Governance and Planning
2016/05	Follow Up Report
2016/06	Annual Report

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. Only one of the items below arose from the 2015/16 audit work, with all of the 2015/16 reports assessing the control systems as "Good". Twenty actions have been noted as "Fully Implemented" in the Follow-Up Report 2016/05. All of the remaining six actions have been carried forward from previous years.

For 2015/16 the internal audit report style was changed. This involved renaming the recommendation classes as noted below.

In total 7 Action points identified by the Audit were categorised as follows:-

Class A/Priority 1 – Critical issues which require consideration by the Board
Number of Actions – Nil

Class B/Priority 2 – Significant matters which the Bridge Manager can resolve
Number of Actions – 4

Class C/Priority 3 – Routine, less significant actions not requiring urgent action
Number of Actions - 3

6.2 Class B Action Points noted in 2016/05 Follow Up Report initially noted in Report 2012/02 – Employment Legislation and Policies, Recruitment and Staff Performance Development.

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

- The staff review process should be formally incorporated into the staff handbook. Revised completion date December 2016.

6.3   Class B Action Points noted in 2016/05 Follow Up Report initially noted in Report 2015/03 – Compliance with Legislation

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

   - A Whistleblowing Policy should be developed. This is being presented to the June 2016 meeting of the Board
   - Update Recruitment and Selection Policy to include a reference to the Equality Act 2010. The Board are asked to note that this was put in place on 18 May 2016.
   - Update Financial Regulations to ensure coordination with Fraud Guidelines and Bribery Prevention Policies introduced in March 2016. Revised completion date December 2016.

6.4   Priority 3 Action Points - Report 2016/02 – Physical Security and Asset Management

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

   - Going forward ensure that the new Authority to Scrap form is completed when an asset is to be scrapped or disposed of. To be implemented as required.

6.5   Class C Action Points noted in 2016/05 Follow Up Report initially noted in Report 2015/02 – Contract Management

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

   - Consider creating a contract management framework by including contract management requirements within the Board's Financial Regulations and preparing detailed contract management procedures. Revised completion date December 2016.

6.6   Class C Action Points noted in 2016/05 Follow Up Report initially noted in Report 2015/04 – Data Protection/Records Management

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

   - Consider developing a Records Management Policy which outlines the Board's responsibilities for the creation, deletion and retention of records. Revised completion date December 2016.

7   CONSULTATION

7.1   The Clerk, Treasurer and the Engineer have been consulted in the preparation of this report and are in agreement with the content.

8   BACKGROUND PAPERS

8.1   Internal Audit Reports

2014/01	Audit needs Assessment and Strategic Plan 2013 to 2016
2016/01	Annual Plan 2015/16
2016/02	Physical Security and Asset Management
2016/03	Budget Setting and Budgetary Control
2016/04	Corporate Governance and Planning
2016/05	Follow Up Report
2016/06	Annual Report

ALAN HUTCHISON
BRIDGE MANAGER
19 May 2016

HENDERSON LOGGIE

Tay Road Bridge Joint Board

Audit Needs Assessment and Strategic Plan 2013 to 2016

May 2013

Internal Audit Report No: 2014/01

Draft Issued: 31 July 2013
Final Issued: 28 August 2013

Contents

Audit Needs Assessment and Strategic Plan 2013 to 2016

HENDERSON LOGGIE

Introduction

We have been appointed as internal auditors of the Tay Road Bridge Joint Board ('the Board') for the period from 1 April 2013 to 31 March 2016.

Internal audit primarily provides an independent and objective opinion to the Board and to the Bridge Manager on risk management, control and governance, by measuring and evaluating their effectiveness in achieving the Board's agreed objectives. In addition, internal audit's findings and recommendations are beneficial to line management in the audited areas. Risk management, control and governance comprise the policies, procedures and operations established to ensure the achievement of objectives, the appropriate assessment of risk, the reliability of internal and external reporting and accountability processes, compliance with applicable laws and regulations, and compliance with the behavioural and ethical standards set for the Board.

Internal audit also provides an independent and objective consultancy service specifically to help line management improve the Board's risk management, control and governance.

Audit Needs Assessment

The Audit Needs Assessment (ANA) has been made following discussion with the Bridge Manager and the external auditors, KPMG, and with reference to the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. Work in the previous three-year cycle has been used to update the key control environment. The ANA has been prepared on the basis of the normal three-year internal audit cycle, covering the period 2013/14 to 2015/16.

The assessment covers the main areas where the Board is exposed to risk that can be managed through internal control, and which therefore should be considered for examination by internal audit. The assessment has taken no account of the resources available to carry out the work.

Risks have been split into six categories: Reputation; Staffing Issues; Estates and Facilities; Financial Issues; Organisational Issues; and Information and IT. Following identification of the key controls and associated risks we have assessed the different areas of risk using the following criteria:

☐ **Risk Impact**

☐ **Risk Likelihood**

☐ **Present Controls**

From the combination of results of these three criteria, the work required has been prioritised, and the resource recommended to ensure controls are in place and operating has been assessed, together with a recommendation of the frequency of testing. Previous audit coverage has also been taken into consideration at this stage.

Strategic Plan

Following on from the ANA the Strategic Plan has been formulated to cover the three-year period to 31 March 2016. This should be reviewed annually prior to the Annual Plan and detailed audit planning being finalised.

There is an expectation by external auditors that some element of review is included in the internal audit programme each year in relation to core financial systems; and budgetary processes and controls. This has been taken into consideration in formulating the Strategic Plan, with work in these areas in year one and three of the programme.

Introduction

Value for Money

Value for Money (VFM) is an integral part of all audits and has been mentioned at points within this ANA. Specific VFM reviews will be carried out in areas agreed with management and the Joint Board although VFM and Best Value principles are always considered during any audit work that we are undertaking.

Business Improvement

We will draw on the experience within our team to provide input on the use of a wide range of business improvement tools, including the use of lean systems and methodologies, where this is appropriate and relevant to the specific audit assignment

HENDERSON LOGGIE

Executive Summary

There are a number of regulatory, operational and financial risks faced by any organisation. There are also risks that are specific to individual organisations, and which vary over time. All of these risks need to be managed effectively since they cannot be eliminated entirely.

The purpose of this ANA is to identify these risks, and assess the audit coverage required to give the Board and Bridge Manager assurances that the control environment is effective in reducing the risks to an acceptable level.

Information from ANA interviewees and various documents that we have reviewed identified the following issues as being the main strategic, operational and financial issues facing the Board at this time:

❑ Management of the Board's financial risks, including potential funding gaps for capital investment to manage significant identified risk;

❑ Compliance with extant health and safety legislation;

❑ Issues arising from the Dundee Waterfront Masterplan 2001 – 2031 which will impact on traffic flow and access to and from the bridge;

❑ Key stakeholder communications;

❑ Maintenance of relationships with elected members and officers in Angus Council, Dundee City Council and Fife Council;

❑ Maintenance of relationships with the Dundee Port Authority, Transport Scotland and local MPs and MSPs; and

❑ Further development of the Board's approach to risk management and business continuity planning.

Where risks arising from these issues can be impacted by internal control and subjected to internal audit these have been identified in the ANA and prioritised in the Strategic Plan with reference to the combined risk factors identified in the ANA. Prioritisation affects frequency of visits, the number of days allocated, and the position in the three-year cycle.

Risks associated with these, and other issues, do not exist in isolation but are inter-dependent. We will therefore ensure that audit projects are linked where necessary, and results from relevant previous projects will be taken into consideration at the detailed planning stage of each project.

HENDERSON LOGGIE

Audit Needs Assessment and Strategic Plan 2013 to 2016

3

Internal Audit Needs Assessment

This assessment covers all main financial systems of the Board, and other areas of risk where internal audit can provide assurances regarding control environments.

The assessment covers the following areas where risk arises (pages 4 to 6 provide a summary of risk assessment for each risk category, with pages 7 to 24 providing further detail on each category, including key controls and associated risk):

Risk Category	Risk Impact	Risk Likelihood	Present Controls	Priority
Reputation				
☐ Damage to Reputation	Medium	Low	Good	Low
☐ Management of Health and Safety	High	Medium	Good	Medium
☐ Failure to Adhere to Changes in Legislation (SR 1 & 2)	Medium	Low	Good	Low
☐ Stakeholder Communication	Medium	Low	Good	Low
Staffing Issues				
☐ Equalities Legislation	Medium	Medium	Good	Medium
☐ Contentious Staffing Issues	Medium	Low	Good	Low
☐ Industrial Relations (SR10)	Medium	Low	Good	Low
☐ Failure to Attract and Retain Quality Staff (SR10)	Medium	Low	Good	Low
☐ Controls Over Payroll	Medium	Low	Good	Low
	Medium	Low	Good	Low

HENDERSON LOGGIE

Internal Audit Needs Assessment

Risk Category	Risk Impact	Risk Likelihood	Present Controls	Priority
Estates and Facilities				
Physical Security	Medium	Medium	Good	Medium
Disruption to Operations Following Loss or Breakdown of Key Equipment (SR 4, 5, & 6)	Medium	Medium	Good	Medium
Asset Management	Medium	Medium	Average	Medium
Breach of Statutory Duty	Medium	Low	Good	Low
Failure to Deliver Major Projects on Time and on Budget (SR 8)	Medium	Medium	Good	Medium
Financial Issues				
Failure to Receive Required Funding (SR 3 & 9)	High	Medium	Good	Medium
Agreed Expenditure Targets Not Met	Medium	Medium	Good	Medium
Prevention and Response to Internal Fraud, Impropriety or Misconduct On the Part of Staff	Medium	Low	Good	Low
Main Financial Systems				
• General Ledger	Medium	Low	Good	Low
• Procurement and Creditors / Purchasing	Medium	Medium	Average	Medium
• Debtors / Income	Low	Low	Average	Low
• Cash and Bank / Treasury Management	Low	Low	Good	Low
Organisational Issues				
Major Disaster e.g. Fire / Terrorist Attack / Bridge Impact / Major IT Failure / Disruption to Bridge Access (SR 4 & 5)	High	Low	Good	Medium
Widespread or Epidemic / Pandemic Illness (SR 10)	Medium	Low	Good	Low
Corporate Governance and Overall Control Environment (SR 7)	Medium	Low	Good	Low
Effective Corporate Planning	Medium	Medium	Average	Medium
Risk Management	Medium	Medium	Good	Medium
Insurance Arrangements (SR 4)	High	Low	Good	Medium

Internal Audit Needs Assessment

Risk Category	Risk Impact	Risk Likelihood	Present Controls	Priority
Information and IT				
☐ Loss of Data or IT Hardware	High	Low	Good	Medium
☐ Breach of IT Network Security	High	Low	Good	Medium
☐ Non-Compliance with Data Protection / Freedom of Information Legislation	Medium	Medium	Good	Medium
☐ Inappropriate Use of Internet / E-mail by Staff	Medium	Low	Good	Low
☐ Non-Compliance with User Licence Requirements	Medium	Low	Good	Low
☐ Management of Systems Implementation	Medium	Medium	Good	Medium

Key

SR Strategic Risk – taken from the Board's Strategic Risk Register

Audit Needs Assessment and Strategic Plan 2013 to 2016

HENDERSON LOGGIE

Internal Audit Needs Assessment

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
REPUTATION						
DAMAGE TO REPUTATION	Dundee City Council (DCC) Media Relations Officers deal with PR and press.	Failure to actively manage negative publicity leading to tarnished reputation.	Medium	Low	Good	Low
	Policy for responding to press comment.	Fail to maximise benefits from positive publicity.				
	Regular review of press.					
MANAGEMENT OF HEALTH AND SAFETY	An updated Health and Safety Policy Statement is in place.	Failure to effectively manage health and safety, with consequent risk or injury to staff and members of the public.	High	Medium	Good	Medium
	Responsibility for improving and maintaining health and safety standards aligned with nominated officers including an annual review for staff.	Skill levels around health and safety are not maintained to an acceptable level for key personnel.				
	Operational manuals are available for all technical aspects of bridge operations.	Action is not taken to identify and rectify unsafe working practices.				
	Trained first aiders on each shift.	Damage to reputation.				
	Protocol in place to conduct health & safety risk assessments					
	Health and Safety Committee provides a forum for consulting with employees and Trade Unions on Health and Safety matters					
	Health and safety incorporated into induction and specific job training needs identified through Staff Review & Development Process. Training Database maintained recording training courses attended.					

Audit Needs Assessment and Strategic Plan 2013 to 2016

HENDERSON LOGGIE

Internal Audit Needs Assessment

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
REPUTATION (CONT'D) MANAGEMENT OF HEALTH AND SAFETY (CONT'D)	Quarterly checks on works by management to ensure safe working practices. Outcomes reported through regular Staff Liaison meetings. Health and Safety Annual Report prepared and presented to the Board in December each year. Union Health and Safety Representative within the workforce					
FAILURE TO ADHERE TO CHANGES IN LEGISLATION (SR 1 & 2)	Personnel advice obtained through Service Level Agreement with DCC. Maintain awareness of changes to legislation and amend policies and procedures timeously.	Failure to adhere to employment legislation and standards of good practice. Failure to comply with statutory requirements leads to prosecution. Disruption to service. Damage to reputation. Potential litigation including punitive damages.	Medium	Low	Good	Low
STAKEHOLDER COMMUNICATION	Regular Joint Board meetings held with minutes and papers available to public. Regular contact between Bridge Manager and officers of constituent local authorities. Regular reports issued on bridge closures and planned engineering works.	Key stakeholders are not in a position to make informed decisions. Works and closures are not clearly communicated resulting in reputational loss. Key partners and stakeholders are not identified.	Medium	Low	Good	Low

Audit Needs Assessment and Strategic Plan 2013 to 2016

HENDERSON LOGGIE

Internal Audit Needs Assessment

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present IT Controls	Priority
STAFFING ISSUES						
EQUALITIES LEGISLATION / EMPLOYMENT LAW	Service Level Agreement in place with DCC where employment legislation changes are identified.	Failure to adhere to employment legislation and standards of good practice.	Medium	Medium	Good	Medium
	Personnel policies and procedures are in place are regularly reviewed to ensure compliance with employment legislation and good practice.	Failure to meet the General Duties placed on public authorities to promote equality.				
	Equality Impact Assessment screening carried out on policies and procedures.	Failure to report on progress in meeting Gender, Race and Disability duties as required by relevant legislation.				
	Formal equalities schemes in place for Race, Gender and Disability. Gender equality forms part of induction training for new employees.	Damage to reputation.				
	Equalities monitoring information and progress reports submitted to the Board and published annually in line with requirements.					
	Mainstreaming Equality Report 2013 – 2017 in place.					
CONTENTIOUS STAFFING ISSUES	Advice provided by DCC Personnel and Legal departments through formal service level agreements.	Potential litigation including punitive damages.	Medium	Low	Good	Low
INDUSTRIAL RELATIONS (SR 10)	Regular review of terms and conditions of employment, and remuneration.	Impact on reputation and finances of continual industrial action.	Medium	Low	Good	Low
	Established communication links with Trade Unions.					

Audit Needs Assessment and Strategic Plan 2013 to 2016

HENDERSON LOGGIE

Internal Audit Needs Assessment

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
STAFFING (CONT'D)						
FAILURE TO ATTRACT AND RETAIN QUALITY STAFF	Recruitment process is managed against clear criteria.	Failure to attract, develop and retain staff of sufficient calibre and standing.	Medium	Low	Good	Low
	Attractive salaries, benefits and increments.	Inability to attract and retain specialist staff.				
(SR 10)	Opportunities for promotion for both professional and support staff and on-going personal development.	Disruption to bridge operations and services.				
	Staff targets, development and training are all monitored.	Inappropriate training offered for employees' role.				
		Qualifications lapse.				

Audit Needs Assessment and Strategic Plan 2013 to 2016

HENDERSON LOGGIE

Internal Audit Needs Assessment

Risk Category		Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
STAFFING (CONT'D)	ISSUES						
CONTROLS PAYROLL	OVER	Financial Regulations specify procedures for payroll administration. Service Level Agreement in place for payroll services with DCC Authority for changes to the establishment must be obtained from the Board. New start, change of circumstances and leaver forms are authorised by the Bridge Manager. Claims for overtime, travel & subsistence and allowances are authorised by line managers and the Bridge Manager before uploading to Resourcelink. DCC provide an on-line computerised facility (Resourcelink) for maintaining employee permanent information; variations to their conditions and terms of employment within their normal pay cycle; maintenance facilities to hold and modify regulations for statutory and voluntary deductions; the automated calculation of pay, payment of employees by BACS; the production of standard payroll outputs and the interface to the general ledger. Income Tax changes are applied via Electronic Data Interchange with HMRC.	Employees are paid incorrect amounts. Payments are made for non-existent employees or for work not actually performed. Posts are created without due consideration by the Board of the financial and other implications. Delays are made to salary payments. Transactions are not supported by documentary evidence. Data Protection is not complied with.	Medium	Low	Good	Low

Audit Needs Assessment and Strategic Plan 2013 to 2016

HENDERSON LOGGIE

Internal Audit Needs Assessment

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
STAFFING ISSUES (CONT'D)						
CONTROLS OVER PAYROLL (CONT'D)	Input to Resourcelink is performed by the Administrative Officer with review of reports, including exception reports, received from DCC carried out by the Bridge Manager. Access to Resourcelink is appropriately controlled within passwords and limited user access.					
	Paper documentation in held in locked filing cabinets					
ESTATES AND FACILITIES						
PHYSICAL SECURITY	Regular review of security arrangements and procedures are put in place.	Poor physical security leading to theft or damage to equipment / IT hardware and infrastructure which may compromise the safety of staff and/or members of the public.	Medium	Medium	Good	Medium
	Bridge premises are staffed 24 hours a day, 365 days a year as well as having CCTV and security access.					
DISRUPTION TO OPERATIONS FOLLOWING LOSS OR BREAKDOWN OF KEY EQUIPMENT (SR 4, 5, & 6)	Regular property condition surveys.	Activity and disruption associated with the Dundee City Council's (DCC) Waterfront Development Works Potential damage to structures	Medium	Medium	Good	Medium
	Insurance advice provided through service level agreement with DCC Insurance and Risk Management Section.					
	Health and Safety Committee and access to DCC Safety Officers.					

HENDERSON LOGGIE

Internal Audit Needs Assessment

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
ESTATES AND FACILITIES (CONT'D)						
DISRUPTION TO OPERATIONS FOLLOWING LOSS OR BREAKDOWN OF KEY EQUIPMENT (CONT'D)	Business Continuity Plan and Business Continuity Disaster Recovery Plan in place.	Failure to provide services to Tay Road Bridge customers				
	Regular inspection / maintenance of Board assets	Inappropriate use of Board assets				
	Health and Safety Policy statement includes requirement to provide and maintain safe plant, equipment and vehicles.	Expenditure on Board assets may not be accurately recorded				
		Loss of movable and/or desirable assets.				
	Insurance advice provided through service level agreement with DCC Insurance and Risk Management Section.	Inability of the Board to function properly.				
	Procedures in place for managing moveable and / or desirable assets	Non-compliance with health and safety regulations.				
	Routines in place for maintenance of assets and Portable Appliance Testing (PAT testing) of electrical equipment.					

Internal Audit Needs Assessment

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
ESTATES AND FACILITIES (CONT'D) ASSET MANAGEMENT	Fixed asset register maintained Authorisation limits in place for revenue and capital expenditure on Board assets. Financial regulations set out protocol for recording of income received from asset disposals. Authorisations in place for the disposing or scrapping of assets.	Inappropriate use may be made of Board assets. Inadequate awareness of Assets held. Unauthorised expenditure may be made on assets. Valuable assets may not be maintained adequately resulting in financial loss. Non-compliance with Health and Safety regulations.	Medium	Medium	Average	Medium
BREACH OF STATUTORY DUTY	Regular review of legislative requirements, such as the Fire Safety (Scotland) Regulations 2006 and the Equality Act 2010 Regular inspection by authorities.	Failure to comply with statutory requirements leads to investigation and/or prosecution Intervention by authorities may impact on service delivery. Damage to reputation due to adverse publicity.	Medium	Low	Good	Low
FAILURE TO DELIVER MAJOR PROJECTS ON TIME AND ON BUDGET (SR 8)	Capital Plan agreed by the Board covering major schemes for the next 3 years. Service level agreement in place with DCC for Finance, including financial monitoring. Responsibility for overseeing delivery of Capital Plan aligned to Engineer to the Board. Framework agreement in place for provision of design engineering.	Inadequate capital funding by Scottish Government results in delay or cancellation of major schemes. Project costs are not contained within the funding package earmarked. Anticipated benefits of capital investment are not delivered. Ineffective management of capital projects leading to overruns.	Medium	Medium	Good	Medium

Internal Audit Needs Assessment

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
FINANCIAL ISSUES						
FAILURE TO RECEIVE REQUIRED FUNDING (SR 3 & 9)	Budget submitted to Scottish Government for three year capital and revenue grant.	Revenue and / or capital expenditure is insufficient to meet planned operational and investment expenditure	High	Medium	Good	Medium
AGREED EXPENDITURE TARGETS NOT MET	Financial Regulations specify procedures for preparation of annual revenue budget and three year capital budget. The Treasurer reviews the Revenue and Capital Budgets and submits reports to the General Purposes Sub-Committee. The Sub-Committee considers the reports and remits them to the Board for detailed consideration. Primary responsibility for detailed monitoring and control of the Board's revenue and capital expenditure lies with the Bridge Manager. The Treasurer is responsible for ensuring that this is carried out and for providing relevant and timely financial information to allow such monitoring. Board approval is required for any additional expenditure not included in the agreed revenue or capital budgets. Budget variances are raised and discussed regularly by the Board by way of Monitoring Reports. Managers have appropriate expertise and support where required. All virement proposals must be notified to the Treasurer.	Robust capital and revenue budgets are not set by the Board, leading to overstretching on capital and revenue expenditure commitments. Steps are not taken to manage unexpected increases in costs or decreases in income to minimise the impact on the final out-turn, and achievement of strategic aims. Damage to reputation A shortfall in future capital funding delays or prevents future investment in infrastructure or plant and equipment. Inappropriate use of virement to fund expenditure in one or more years.	Medium	Medium	Good	Medium

HENDERSON LOGGIE

Internal Audit Needs Assessment

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
FINANCIAL (CONT'D) PREVENTION AND RESPONSE TO FRAUD, INTERNAL IMPROPRIETY OR MISCONDUCT ON THE PART OF STAFF	Fraud Guidelines in place. Anti fraud and corruption strategy in place Financial Regulations, Tender Procedures and Scheme of Delegation set out the agreed validation and authorisation procedures. Segregation of duties. Internal audit visits.	Fraud and theft. Loss of assets resulting in potential financial loss to the Board. Adverse publicity.	Medium	Low	Good	Low
MAIN FINANCIAL SYSTEMS: **General Ledger**	General Ledger System with Management Information Reporting Tools provided by DCC. Services provided include: ☐ Ensuring the completeness of the financial data within the ledger; ☐ Maintaining the cost centre, detail and classification masterfile with the corresponding analysis codes for each. Maintaining the ledger code masterfile; ☐ The distribution of daily audit reports of transactions entered; and monthly and ad hoc management reports; ☐ Ensuring the daily update of snapshot enquiries within the ledger.	Financial management information is not available to inform management decisions. Annual accounts preparation is un-necessarily time consuming, or proper accounts cannot be produced. Financial returns are time consuming to produce or deadlines are missed.	Medium	Low	Good	Low

HENDERSON LOGGIE

Internal Audit Needs Assessment

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
FINANCIAL ISSUES (CONT'D)						
MAIN FINANCIAL SYSTEMS (CONT'D):						
Procurement and creditors / purchasing	Financial Regulations specify procedures for ordering of works, goods and services; and payment of accounts.	Costs of goods and services may be higher than necessary.	Medium	Medium	Average	Medium
	Official sequential order forms used in all cases subject to approved exceptions. Orders are authorised prior to submission.	Payment may be made for goods and services not received or authorised by the Board.				
	A register of authorised signatories is maintained by the Bridge Manager.	Invoices may be paid twice.				
	Separation of duties is maintained between ordering goods, receiving goods and certifying invoices for payments.	Payment may be made for goods not received or of a sub-standard quality.				
	Procedures in place for officers authorising invoices for payment to ensure that goods received are in accordance with the order; the invoice is not a duplicate; expenditure is correctly allocated to financial codes; and appropriate entries have been made in inventories, stock records etc.					
	Tender procedures outline limits.					
	Tender Register maintained.					
	Processing of the on-line Creditor Ledger System provided by DCC as part of Service Level Agreement. Payments processed by DCC, with review of cheque and BACS runs by the Administrative Officer.					

Audit Needs Assessment and Strategic Plan 2013 to 2016

HENDERSON LOGGIE

48

Internal Audit Needs Assessment

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
FINANCIAL ISSUES (CONT'D) MAIN FINANCIAL SYSTEMS (CONT'D): Debtors / Income	Financial Regulations specify procedures for raising invoices and income handling. Invoices should be raised at the time of provision of goods or services or as soon as possible thereafter. All monies received on behalf of the Board should be deposited promptly with the Bridge Manager or the Board's bankers in line with arrangements made by the Treasurer.	All income due may not be received. Receipts may not be properly processed and banked.	Low	Low	Average	Low

Internal Audit Needs Assessment

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
FINANCIAL ISSUES (CONT'D) MAIN FINANCIAL SYSTEMS (CONT'D): Cash and Bank / Treasury Management	Financial Regulations specify procedures for banking arrangements and control of cheques and petty cash imprest accounts. Banking / Treasury Management services provided through a Service Level Agreement with DCC. Services provided include: ☐ Maintaining cash book; ☐ Carrying out monthly bank reconciliations; ☐ BACS payments in respect of payroll made in accordance with agreed timetable; ☐ Monitoring the bank account and highlighting any anomalies; ☐ Daily audit of Creditor Ledger cheques, produced during Creditor Ledger payment run; ☐ Monitoring group bank balance on a daily basis and borrowing or lending through the money markets (from authorised organisations as laid down in DCC policy) depending on the cash flow of the group.	All receipts and payments may not be accurately recorded in line with the Financial Regulations. All income may not be banked or properly accounted for. Cash handling may not be appropriately controlled and recorded. Treasury management may not be as efficient as possible.	Low	Low	Good	Low

HENDERSON LOGGIE

Internal Audit Needs Assessment

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
ORGANISATIONAL ISSUES MAJOR DISASTER E.G. FIRE / TERRORIST ATTACK / BRIDGE IMPACT / MAJOR IT FAILURE / DISRUPTION TO BRIDGE ACCESS (SR 4 & 5)	Business Continuity Plan and Business Continuity Disaster Recovery Plan in place. Smoke detectors, fire risk assessments and weekly fire systems checks. Health and Safety audits conducted. Insurance policies in place (Service Level Agreement with DCC Insurance and Risk Management Services). Emergency evacuation tests planned, conducted and recorded. Monitoring of prevailing weather conditions to inform use of de-icing equipment, bridge barriers and approach warning signs. Monitoring of ship movement. Liaison with partners in managing ongoing impact of delivery of Dundee Waterfront Masterplan 2001 – 2031. Piers on main navigation spans protected from bridge impact. Asset Protection Agreement in place with DCC which provides additional insurance cover over the bridge approaches should they be damaged during the development works.	Loss of life Major disaster will not be managed effectively. Bridge operations will be disrupted. Damage to reputation. Potential financial impact from non-insured losses.	High	Low	Good	Medium

Internal Audit Needs Assessment

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
ORGANISATIONAL ISSUES (CONT'D)						
WIDESPREAD OR EPIDEMIC / PANDEMIC ILLNESS (SR 10)	Business Continuity Plan and Business Continuity Disaster Recovery Plan in place. Absence levels monitored closely which may provide advance warning of a problem. Business Continuity Disaster Recovery Plan includes Contingency Plan for staff shortage. Media and local Health Board warnings monitored.	Unable to operate safely. Disruption to bridge services and / or support services.	Medium	Low	Good	Low
CORPORATE GOVERNANCE AND OVERALL CONTROL ENVIRONMENT (SR 7)	Code of Corporate Governance in place. The control environment covers such items as: ☐ Committee organisation and administration; ☐ Standing Orders; ☐ Financial Regulations; ☐ Scheme of Delegation; ☐ Tender Procedures ☐ Fraud Guidelines; ☐ Anti-fraud and Corruption Strategy; ☐ Publication Scheme; ☐ Code of Conduct for elected members; ☐ National Code of Conduct for staff members; ☐ Helpline for employees. Consultation with employees and trade unions on issues affecting terms and conditions.	Inadequate corporate governance, resulting in poor management and possible financial loss. Press criticism arising from perceived corporate governance weakness or non-compliance. Damage to reputation. Failure to provide good outcomes for citizens and service users.	Medium	Low	Good	Low

HENDERSON LOGGIE

Internal Audit Needs Assessment

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
ORGANISATIONAL ISSUES (CONT'D)						
CORPORATE GOVERNANCE AND OVERALL CONTROL ENVIRONMENT (CONT'D)	Statutory consultation undertaken with appropriate bodies as required (e.g. Crown Estates, SEPA etc.)					
	Recruitment and induction practices for Board members and officers in place.					
	On-going Board review and approval of policies					
EFFECTIVE CORPORATE PLANNING	Regular review of strategic planning process by Board.	Fail to determine and communicate an appropriate and focused strategy.	Medium	Medium	Average	Medium
	Strategic and operational monitoring and oversight by the management team.	Fail to contribute effectively to national outcomes.				
	Appropriate linkage between planning and budgeting	Unable to react positively and timeously to sector changes or influences.				
RISK MANAGEMENT	Strategic Risk Register in place.	Risks are not identified and managed appropriately.	Medium	Medium	Good	Medium
	Risk management responsibilities set out in specific Insurance and Risk Management section within Financial Regulations.					
	Service Level Agreement in place with DCC Insurance and Risk Management Section.					

HENDERSON LOGGIE

Internal Audit Needs Assessment

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
ORGANISATIONAL ISSUES (CONT'D)						
INSURANCE ARRANGEMENTS (SR 4)	Annual review of requirements ensures adequate provision is made. Service Level Agreement with DCC Insurance and Risk Management Section provides necessary advice. Procedures and practices are in place and provided to staff to minimise error and claims for negligence. Insurance responsibilities set out in specific Insurance and Risk Management section within Financial Regulations.	Financial loss to the Board.	High	Low	Good	Medium

HENDERSON LOGGIE

Internal Audit Needs Assessment

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
INFORMATION AND IT						
LOSS OF DATA OR IT HARDWARE	Daily back up of data stored in the on-site fire proof safe.	Major IT disaster – loss of information or use of central hardware.	High	Low	Good	Medium
	Backup tapes are sent to IT Service provider for testing (every 6 months)	Disruption to bridge services and / or support services.				
	Failure of IT / CCTV systems identified as main scenario with Business Continuity Plan.					
	Business Continuity Disaster Recovery Plan includes recovery procedures for IT Loss and Telephony Loss.					
	Backup office server in place					
BREACH OF IT NETWORK SECURITY	Information Security Policy.	Network security breached with consequent damage to critical bridge operations.	High	Low	Good	Medium
	Every PC and server has virus protection with automatic weekly update. Incoming e-mail messages are scanned for viruses.	Disruption to access to network.				
	Firewalls at entrance to Board sites.					
	Personal user IDs and confidential passwords.					

HENDERSON LOGGIE

Internal Audit Needs Assessment

Risk Category	Key Controls	Associated Risk	Risk Impact	Risk Likelihood	Present Controls	Priority
INFORMATION AND IT (CONT'D)						
NON-COMPLIANCE WITH DATA PROTECTION / FREEDOM OF INFORMATION LEGISLATION	Publication Scheme in place and available through Board website. Data Protection Officer and Records Manager appointed. Sufficient time is made available to respond to FOI requests.	Non-compliance with Data Protection Act / Freedom of Information Act. Damage to reputation. Potential litigation.	Medium	Medium	Good	Medium
INAPPROPRIATE USE OF INTERNET/E-MAIL BY STAFF	Guidelines on e-mail and internet use in place (Outlined in the Acceptable Use Policy). All staff must confirm that they have read these guidelines. All internet and e-mail traffic is recorded and may be monitored.	Staff downtime. Damage to reputation.	Medium	Low	Good	Low
NON-COMPLIANCE WITH USER LICENCE REQUIREMENTS	Register of IT hardware and software maintained. Only authorised staff can load software onto PCs.	Non-compliance with user licence requirements, leading to possible financial penalties.	Medium	Low	Good	Low
MANAGEMENT OF SYSTEMS IMPLEMENTATION	Proper procedures for development and implementation of new systems. Application of accepted good practice in systems implementation, including post-implementation.	Failure to properly address all steps in the systems development life cycle can have serious consequences on the effectiveness of the system performance, and can be costly in financial and time allocation terms. Failure to provide accurate and complete management information.	Medium	Medium	Good	Medium

Audit Needs Assessment and Strategic Plan 2013 to 2016

HENDERSON LOGGIE

Strategic Plan

The Strategic Plan covers the three-year period to 31 March 2016. Audit days have been allocated to the categories identified in the ANA to give a rolling programme of work. Where relevant, these have been further split into sub-categories. Frequency of visits, the number of days allocated, and the position in the three-year cycle has been determined with reference to the combined risk factors identified in the ANA and previous internal and external audit coverage.

To clarify the linkage between the ANA and Strategic Plan we have included at pages 27 to 30 a listing of all risk categories, grouped by 'Priority'. On these schedules we have indicated the timing of our audit work, if any, in the three-year cycle, the number of days allocated and the project title as it appears on the Strategic Plan at page 31.

Audit Methodology

Prior to commencement of the work each year the Strategic Plan will be reviewed in advance of the production of the Annual Plan. The Annual Plan will give more detail of the risks to be covered and the work to be carried out in each area. The process will include discussion with officers and the Board as appropriate.

Once the Annual Plan has been agreed an audit timetable will be set and detailed planning will be carried out for each area.

The mainstream audit work falls into two categories

☐ Examination of strategic systems.
☐ Examination of operational systems.

In all cases the audit work involves

☐ Identification of the expected controls.
☐ Review of systems to identify actual controls.
☐ Consideration of established Best Practice in the area.

☐ Testing of controls to ensure they are operating effectively.
☐ Consideration of VFM issues where appropriate on all audit assignments and conducting specific VFM reviews as agreed with management and the Joint Board.
☐ Consideration of the relevance of business improvement tools, including lean systems and methodologies, to individual audit assignments.
☐ Discussion of findings and our likely recommendations with the relevant managers and staff involved with the systems. Recommendations will be graded to help management prioritise their importance.
☐ Issue of a draft report to confirm factual accuracy and obtain official management responses for inclusion in the final report.
☐ Issue of a final report that summarises audit objectives, work carried out, the implications of the findings for internal control, and an action plan with areas for improvement. The action plan will allocate responsibility for the implementation and give a timeframe for completion.
☐ Follow-up of action plans in future years in order to confirm that actions have been suitably addressed.

Strategic Plan

Medium Priority

Risk Category	Coverage	Comment
Reputation		
Management of Health and Safety	2013/14	Previously covered in 2010/11 report 2011/06 – "Health & Safety". This was a high-level review of the Board's health and safety arrangements.
Staffing Issues		
Equal Opportunities / Employment Law	2014/15	Included as part of the 2011/12 Report "Employment legislation and Policies, Recruitment and Staff Performance Development" (2012/02)
Estates and Facilities		
Physical Security	2015/16	Previously covered in 2012/13. Report 2013/04 – "Physical Security and Asset Management" examined whether appropriate security arrangements were in place and reviewed on a regular basis.
Disruption to Operations Following Loss or Breakdown of Key Equipment		As above.
Asset Management		As above.
Failure to Deliver Major Projects on Time and on Budget	2015/16	Previously covered in 2012/13 in report 2013/05 – "Delivering Major Projects" focussing on the Peer Protection Project. Major projects included within the Capital Plan will be reviewed.
Financial Issues		
Failure to Receive Required Funding	2015/16	Reviewed previously as part of the 2012/13 review – "Budget Setting and Budgetary Control" 2013/03.
Agreed Expenditure Targets Not Met	2015/16	Previously covered in 2012/13. Report 2013/03 reviewed the revenue and capital budgetary control procedures operated by Board staff.
Procurement and Creditors / Purchasing	2013/14	Review of Procurement and Creditors was previously carried out in 2010/11 (Report 2011/06). The review covered the risk of unauthorised and excessive expenditure, along with reviewing the payment and recording processes.

Audit Needs Assessment and Strategic Plan 2013 to 2016

HENDERSON LOGGIE

Strategic Plan

Medium Priority

Risk Category	Coverage	Comment
Organisational Issues		
Major Disaster e.g. Fire / Terrorist Attack / Bridge Impact / Major IT Failure / Disruption to Bridge Access	2013/14	Previously covered in 2010/11. Report 2011/07 – Risk Management and Business Continuity Management focussed on a high-level review of the risk management and business continuity arrangements in place.
Effective Corporate Planning	2014/15	
Risk Management	2013/14	Previously covered in 2010/11. Report 2011/07 – Risk Management and Business Continuity Management.
Insurance Arrangements	2103/14	Previously covered in 2010/11. Report 2011/04 – Physical Security and Asset Management examined whether adequate insurance arrangements were in place.
Information and IT		
Loss of Data or IT Hardware	2014/15	Previously covered in 2011/12. Report 2012/04 –IT Network Arrangements.
Breach of IT Network Security		See above.
Non-Compliance with Data Protection / Freedom of Information Legislation	2015/16	Previously covered in 2012/13. Report 2013/02 – Data Protection and FoI. This was a high level review, identifying the key controls in place and how this compared with legislation and best practice.
Management of Systems Implementation		There are currently no system implementations planned for 2013 -16

HENDERSON LOGGIE

Strategic Plan

Low Priority

Risk Category	Coverage	Comment
Reputation		
Damage to Reputation		
Failure to Adhere to Changes in Legislation	All	Considered where applicable on all audits.
Stakeholder Communication	2014/15	Previously covered in 2011/12 Report 2012/03 (See Governance comments below). Will be considered again at high level in Governance review
Staffing Issues		
Contentious Staffing Issues	2014/15	Covered as part of the 2011/12 Report "Employment legislation and Policies, Recruitment and Staff Performance Development " (2012/02).
Industrial Relations		As above.
Failure to Attract and Retain Quality Staff		As above.
Controls Over Payroll	2013/14	Previously reviewed in 2010/11 (Report 2011/04 – Payroll). This was a high level review covering all key aspects of Payroll. Included an examination of payments, authorisations and changes to payroll.
Estates and Facilities		
Breach of Statutory Duty	2013/14	Will be covered as part of the review of health and safety.
Financial Issues		
Prevention and Response to Internal Fraud, Impropriety or Misconduct On the Part of Staff	All	Considered where applicable on all audits.
General Ledger		
Debtors / Income		
Cash and Bank / Treasury Management	2013/14	Bank reconciliations will be covered as part of the review of the general ledger in 2013/14.

Strategic Plan

Low Priority

Risk Category	Coverage	Comment
Organisational Issues		
Widespread or Epidemic / Pandemic Illness	2013/14	Will be covered as part of the review of business continuity arrangements.
Corporate Governance and Overall Control Environment	2014/15	Previously covered in 2011/12 Report 2012/03 – Corporate Governance was a high-level review of the Board's Corporate Governance arrangements. Concluded compliance with *Delivering Good Governance in Local Government was good*, but with a number of actions agreed for further improvement.
Information and IT		
Inappropriate Use of Internet / E-mail by Staff	2014/15	Will be covered as part of the review of IT network arrangements.
Non-Compliance with User Licence Requirements		As above.

Audit Needs Assessment and Strategic Plan 2013 to 2016

HENDERSON LOGGIE

Strategic Plan

Proposed Allocation of Audit Days

	Planned 13/14 Days	Planned 14/15 Days	Planned 15/16 Days
Reputation			
Health and Safety	4		
Staffing Issues			
Recruitment and retention / HR policies		6	
Payroll	4		
Estates and Facilities			
Physical Security)			
Asset management)			8
Delivery of major projects			7
Financial Issues			
Budget setting / budgetary control			5
General ledger**	3		
Procurement and creditors / purchasing	4		
Debtors / income			
Cash & bank / Treasury management**			
Organisational Issues			
Risk management / Business continuity*	5		
Corporate governance and control environment		6	
Corporate planning		4	
Insurance arrangements*			
Information and IT			
IT network arrangements		8	
Data protection / FOI			4
Other Audit Activities			
Management and Planning)	4	4	4
External audit)			
Attendance at audit committees)			
Follow-up reviews	2	2	2
ANA	4		
Total	30	30	30
	====	====	====

* & ** these projects will be linked

HENDERSON LOGGIE

Audit Needs Assessment and
Strategic Plan 2013 to 2016

Tay Road Bridge Joint Board

Internal Audit Plan 2015/16

Internal Audit Report Number 2016/01

Draft Issued: 5 August 2015

Final Issued: 19 August 2015

Content

Page No.

1. Introduction

1.1 The purpose of this document is to present to the members of Tay Road Bridge Joint Board ('the Board') the annual internal audit operating plan for the financial year ended 31 March 2016. The plan is based on the proposed allocation of audit days for 2015/16 set out in the Audit Needs Assessment and Strategic Plan 2013 to 2016. The preparation of the Strategic Plan involved dialogue with the Bridge Manager and with the Treasurer.

1.2 The annual operating plan shows a number of changes to the allocation set out in the above Strategic Plan. A Data Protection review originally planned for 2015/16 was moved forward to 2014/15. A review of Corporate Governance and the Control Environment from 2014/15 was delayed until 2015/16. A Physical Security and Asset Management review has been shortened by 2 days. A review of delivery of major projects has also been removed. There are currently 6 contingency days in the plan should the board require us to carry out any further work.

1.3 A copy of the revised Strategic Plan is included at Section 2 of this report.

1.4 At Section 3 of this report we have set out the outline scope and objectives for each audit assignment for 2015/16, together with the audit approach. These were arrived at following consultation with the Bridge Manager.

1.5 Separate reports will be issued for each assignment unless otherwise stipulated. Recommendations are graded in each report to reflect the significance of the issues raised.

2. Strategic Plan 2013-2016

Proposed Allocation of Audit Days

	Priority	Actual 13/14 Days	Planned 14/15 Days	Planned 15/16 Days
Reputation				
Health and Safety	M	4		
Compliance with legislation – review of policies and procedures	M		2*	
Staffing Issues				
Recruitment and retention / HR policies)	M/L		5*	
Staff performance and development)				
Payroll	L	4		
Estates and Facilities				
Physical Security)				
Asset management)	M			6
Delivery of major projects	M			
Financial Issues				
Budget setting / budgetary control	M			5
General ledger	L	3		
Procurement and creditors / purchasing	M	4		
Contract Management	M		4	
Debtors / income	L			
Cash & bank / Treasury management	L			
Organisational Issues				
Risk management / Business continuity	M	5		
Corporate governance and control environment)	L/M			3
Corporate planning)	M			
Insurance arrangements	M			
Information and IT				
IT network arrangements	M		5	
Data protection / FOI	M		5	
Other Audit Activities				
Management and Planning)		4	4	4
External audit)				
Attendance at committees)				
Follow-up reviews	Various	2	2	2
ANA		2		
Contingency				6
Total		28	27	26

Key

* – these projects will be linked and only one report produced

Priority: H – High; M – Medium; L – Low

The priority was originally assessed as part of the Audit Needs Assessment (Report 2014/01 August 2013), considering risk impact and likelihood and the controls in each area. This has been reconsidered as part of the planning process for 2015/16 and no changes made.

3. Outline Scope & Objectives

Audit Assignment: Physical Security and Asset Management

Priority: Medium

Joint Board Meeting: March 2016

Days: 6

Scope

We will review the processes and controls in place for the purchase, disposal and maintenance of fixed assets. This will include property and plant and equipment. ICT assets will also be covered by this review.

Objectives

Physical Security
The objective of our audit will be 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.

Management of Fixed Assets
The objective of our audit will be to obtain reasonable assurance that systems are in place 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.

Our audit approach will be:

Interviews will be 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 will be performed and an audit testing programme devised thereon. Detailed compliance and substantive tests will then be carried out.

Audit Assignment:	Budget Setting and Budgetary Control
Priority:	Medium
Joint Board Meeting:	March 2016
Days:	5

Scope

This review will cover the processes and controls in place for budget setting and budgetary control within the Tay Road Bridge Joint Board.

Objectives

The overall objective of our audit will be to obtain reasonable assurance that adequate systems are in place covering budget setting and budgetary control.

Specific objectives will be to obtain assurance that:

- budgets are set and approved in accordance with the Financial Regulations and Procedures;
- budgets are controlled and monitored in accordance with the Financial Regulations and Procedures;
- 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
- senior management and the Board regularly review the organisation's overall financial position.

Our audit approach will be:

We will assess whether the above objectives have been met by documenting the systems and controls through interviews with the Bridge Manager, the Treasurer, Finance staff at both the Board and Dundee City Council, if appropriate, and a sample of budget holders within the Board and by review of regulations, procedures and guidance issued to budget setters and holders. We will review the information provided to budget holders and the budget reports used internally and submitted to the Board. We will also seek to establish whether the expected key controls are in place by reference to good practice as set out in the standard control risk assessment templates and completion of a budgetary control assessment 'pro-forma'.

Finally, we will perform compliance testing where necessary to determine whether these controls are working effectively

Audit Assignment: Corporate Governance and Planning

Priority: Medium / Low

Joint Board Meeting: June 2016

Days: 3

Scope

Corporate governance is 'the combination of processes and structures implemented by the governing body in order to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives' (Cadbury Report, 1992). These processes include planning.

In 2004 the Independent Commission for Good Governance in Public Services was established by the Office for Public Management. The Commission's objective was to identify a common code for public service governance, thereby providing guidance for all public service organisations and partnerships. The resulting report, The Good Governance Standard for Public Services, was published in January 2005. Building on the Nolan principles for the conduct of individuals in public life it set out six core principles for good governance:

- Good governance means focusing on the organisation's purpose and on outcomes for citizens and service users;
- Good governance means performing effectively in clearly defined functions and roles;
- Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour;
- Good governance means taking informed, transparent decisions and managing risk;
- Good governance means developing the capacity and capability of the governing body to be effective; and
- Good governance means engaging stakeholders and making accountability real.

This audit will be a high-level review of the corporate governance and planning arrangements in place within the Board. The scope will also include planning processes in place at the Board.

Objectives

The objective will be to review compliance with good practice in corporate governance as defined in The Good Governance Standard for Public Services. The overall objective for planning will be to obtain reasonable assurance that the Board's planning processes are adequate and effective and accord with good practice.

Our audit approach will be:

For Corporate Governance the control environment in place at the Board will be reviewed and benchmarked against current best practice using The Good Governance Standard for Public Services as a guide. From discussion with management we will document the planning processes that the Board has in place. We will undertake this through review of specific plans, policies, minutes, other documents and discussion with key staff, to ensure that they cover all aspects currently recommended by best practice. We may use a good practice template as a method of assessing these planning processes.

Audit Assignment:	Follow-Up Reviews
Priority:	Various
Joint Board Meeting:	June 2016
Days:	2

Scope

As part of the internal audit programme at the Board for 2015/16 we will review the recommendations raised within internal audit reports issued in 2014/15 and obtain an update on these. Areas covered during 2014/15 were:

- Report 2015/02 – Contract Management;
- Report 2015/03 – Compliance with Legislation;
- Report 2015/04 – Data Protection / Records Management; and
- Report 2015/07 – IT Network Arrangements.

There are also nine outstanding recommendations from previous years that will also be followed up and progress included in this year's Follow-Up Review.

Objective

The objective of our follow-up review will be to assess whether recommendations made in internal audit reports from 2014/15 and outstanding actions from previous years have been appropriately implemented and to ensure where little or no progress has been made towards implementation, that plans are in place to progress them.

Our audit approach will be:

- 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
- prepare a summary of the current status of the recommendations for the Joint Board.

HENDERSON LOGGIE
Chartered Accountants

Tay Road Bridge Joint Board

Physical Security and Asset Management

Internal Audit Report No: 2016/02

Draft Issued: 27 April 2016

Final Issued: 3 May 2016

LEVEL OF ASSURANCE   **Good**

HENDERSON LOGGIE
Chartered Accountants

Content

Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires Improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.

Action Grades

Priority 1	Issues which require the consideration of the Joint Board.
Priority 2	Significant matters which the Bridge Manager can resolve.
Priority 3	Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

1. Overall Level of Assurance

Good	System meets control objectives.

2. Risk Assessment

This review focused on the controls in place to mitigate the following risk:

- Loss of operational capability through loss of bridge/buildings.

3. Background

As part of the Internal Audit programme at the Tay Road Bridge Joint Board ('the Board') for 2015/16, 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 August 2013, 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 2015 include fixed assets with a total net book value of £73,891k, which includes; Land & Buildings of £1,460k; Vehicles, Plant and Equipment of £398k; Infrastructure Assets of £71,976k. The financial statements also include an additional £63k of maintenance materials held as stock.

4. Scope, Objectives and Overall Findings

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.

The table below notes each separate objective for this review (which collectively underpin the overall objective) and records the results:

Objective		Findings		
The objective of this audit was to obtain reasonable assurance that:		1	2	3
		No. of Agreed Actions		
Physical Security 1. 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.	Good	0	0	0
Management of Fixed Assets 2. Management has an accurate record of its capitalised assets.	Good	0	0	0
3. Asset registers and inventories are kept up-to-date through regular, accurate and timely reporting of acquisitions, transfers and disposals.	Satisfactory	0	0	1
4. There is a periodic exercise to verify the accuracy of the registers.	Good	0	0	0
5. Relevant assets can be identified through use of security tags and correct asset numbering.	Good	0	0	0
6. There is adequate scrutiny of plans for the acquisition of new assets and the decision to purchase or lease.	Good	0	0	0
7. Maintenance contracts in place for plant and equipment offer value for money.	Good	0	0	0
8. Plant and equipment is subject to regular health and safety testing and, where appropriate, is risk assessed by a suitably competent person.	Good	0	0	0
9. IT assets are disposed of securely.	Good	0	0	0
		0	0	1
Overall Level of Assurance	Good	System meets control objectives		

5. Audit Approach

Interviews were held with relevant Board 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.

6. Summary of Main Findings

Strengths

- The Board has adequate precautions in place to ensure the physical security of its assets, including CCTV, secure entry and 24 hour security.
- The Board maintains an accurate inventory for smaller portable assets while Dundee City Council maintains an accurate Fixed Asset Register for capitalised assets for financial statements purposes.
- There is adequate scrutiny of plans for the acquisition of new assets. All acquisitions are properly authorised and asset records updated accordingly.
- Appropriate health and safety inspection and maintenance is in place for the majority of the Board's plant and equipment assets.
- There are appropriate plans in place for the safe disposal of any IT assets.

Weaknesses

- There is no authorisation of disposal form currently in use by the Board meaning that disposals may not be properly authorised or the asset register may not be properly updated for disposals.
- The Board does not operate any form of security tagging or asset numbering to aid identification of assets, however management feel that the risk of misappropriation of assets of significant value is low due to alternative security arrangements in place.
- The Board does not have formal contracts in place for maintenance of assets including generators, communication systems and lifts; however the Bridge Manager undertakes performance reviews to ensure that value for money is being obtained from suppliers and contractors.

7. Acknowledgements

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

Tay Road Bridge Joint Board – Physical Security and Asset Management

8. Action Plan

Objective 1: 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.

We visited the Board's Office and maintenance facilities and considered the security of the site. Through observation and discussion with Board staff 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.

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.

All insurance policies are negotiated by Dundee City Council's (DCC) Risk and Resilience Manager under the Service Level Agreement (SLA) with the Corporate Services Department. We reviewed a summary of the Board's insurance cover for the year and compared this to the value of assets noted in the most recent accounts. The values insured provided adequate cover for the assets.

Objective 2: Management has an accurate record of its capitalised assets.

A list of major capitalised fixed assets is detailed within the Board's Fixed Asset Register (FAR), which is held by and updated by DCC on a monthly basis under a 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.

The Board's Administration Assistant maintains an asset inventory detailing all of the Board's portable furniture and equipment assets including those which cost less than £6,000 that are not included on the FAR maintained by DCC. The Administration Assistant also maintains a record of all portable electrical appliances which are subject to regular portable appliance testing (PAT) as required by Health & Safety legislation.

As part of our audit testing we reviewed a sample of 10 items from the Board's asset inventory and ensured that it physically existed and a sample of 10 assets sighted on the Board's premises and ensured that they were on the asset inventory. No issues were noted.

Tay Road Bridge Joint Board – Physical Security and Asset Management

Objective 3: Asset registers and inventories are kept up-to-date through regular, accurate and timely reporting of acquisitions, transfers and disposals.

Notification of any asset acquisitions or disposals will be received by the Administration Assistant who will update the asset inventory to reflect the changes. These transactions will also be processed by DCC who will update their FAR when notified that an asset with value greater than £6,000 has been acquired.

As part of our audit testing we selected two asset additions during the year and confirmed that both were appropriately authorised.

Observation	Risk	Recommendation	Management Response
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. However we noted that no asset disposal form was in place with no formal record of authorisation kept for asset disposals in the previous year. After our audit visit we received evidence from the Bridge Manager to show that an 'Authority to Scrap' form has now been produced and incorporated into office procedures.	Assets are disposed / scrapped without proper authorisation.	**R1** Going forward ensure that the new Authority to Scrap form is completed when as asset is to be scrapped or disposed of.	Agreed **To be actioned by:** As assets are disposed of. **No later than:** As assets are disposed of. Grade

Tay Road Bridge Joint Board – Physical Security and Asset Management

Objective 4: There is a periodic exercise to verify the accuracy of the registers

Board employees physically verify assets on a periodic basis. Once a year the Administration 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.

DCC do not perform a verification exercise on their FAR. Although this was undertaken in previous years it is no longer deemed necessary due to the limited number of movements in the year and the nature of the Board's Assets. As all Board transactions are processed by DCC all purchase invoices and disposals will be seen by DCC staff and a decision is made on whether an adjustment is required to the FAR.

A member of DCC staff will be present for the stock take. Stock at the bridge is made up of a variety of maintenance items.

Objective 5: Relevant assets can be identified through use of security tags and correct asset numbering.

The Board do not make use of any system of security tagging or asset numbering of their assets.

Asset tagging was discussed with the Bridge Manager who is of the opinion that there would be limited benefit to the bridge from tagging assets as higher value assets are easily identifiable and there is limited financial or operational impact if a lower value asset was to be misappropriated or disposed of without authority. We confirmed that, for material assets, adequate security arrangements are in place (see **objective 1** above).

HENDERSON LOGGIE
Chartered Accountants

Tay Road Bridge Joint Board – Physical Security and Asset Management

Objective 6: There is adequate scrutiny of plans for the acquisition of new assets and the decision to purchase or lease.

No major capital expenditure on acquisition of new assets was identified during the year.

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. The Bridge Manager also notifies the Clerk in advance of any capital expenditure.

There are authorisation levels set for Board purchases. Purchases up to £500 can be authorised by the Administration Assistant and Maintenance Technician. In the Bridge Manager's absence the Maintenance Manager and Operations Manager 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 Joint Board approval.

Although not part of any recognised procurement consortia the Board generally achieves value for money by making use of discounts which are available to DCC.

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 if required.

Tay Road Bridge Joint Board – Physical Security and Asset Management

Objective 7: Maintenance contracts in place for plant and equipment offer value for money.

Although the Board has a number of maintenance staff they use external suppliers for maintenance of some assets. The Board maintains a list of all external suppliers used. From testing and through discussion with the Bridge Manager we noted that formal contracts are not in place with the suppliers used to maintain a number of assets including generators, communication systems and lifts. It is good practice to have contracts in place with these suppliers in order to guarantee conditions of service such as cost and response times.

The Bridge Manager has stated that he feels he is able to obtain good value without the use of formal contracts as a regular review of suppliers is undertaken by the Bridge Manager and relevant staff to ensure that they are happy with the current service they are being provided. As the Board are not tied to contracts they can move supplier if any price or performance issues arise. If the Board requires a new supplier the Bridge Manager will follow the Board's procurement procedures to ensure that an appropriate supplier is selected.

Objective 8: Plant and equipment is subject to regular health and safety testing and, where appropriate, is risk assessed by a suitably competent person.

As the Bridge has a wide range of assets they are subject to a variety of different testing regimes. No overall maintenance record is kept as a result, however separate records are kept for each area. Maintenance and inspection of the main assets, such as the bridge structure, are performed by the Board's in-house maintenance staff, with maintenance and inspection provided by external suppliers for other assets as noted above.

The Board's most recent Health & Safety Workplace Self-Inspection noted no major issues with health and safety at the Board.

Portable Appliance Testing (PAT) is carried out internally by the Board's electricians and results recorded on a PAT database which records the date that device was last tested and the date that the device is due to be re-tested. Our audit noted that PAT testing is up to date with the most recent testing have been carried out in April 2016.

Tay Road Bridge Joint Board – Physical Security and Asset Management

Objective 9: IT assets are disposed of securely

There were no IT assets disposed of in the year. A large amount of IT equipment was replaced at the Board during the year and the old equipment is still being held securely within a vault at the Board's offices. We understand that the Bridge Manager has identified a secure IT disposal service offered by DCC that will be used when time and resources are available to dispose of redundant IT equipment.

HENDERSON LOGGIE
Chartered Accountants

Tay Road Bridge Joint Board

Budget Setting and Budgetary Control

Internal Audit Report No: 2016/03

Draft Issued: 5 May 2016

Final Issued: 6 May 2016

LEVEL OF ASSURANCE   Good

HENDERSON LOGGIE
Chartered Accountants

Tay Road Bridge Joint Board – Budget Setting and Budgetary Control

Content

Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires Improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.

Action Grades

Priority 1	Issues which require the consideration of the Joint Board.
Priority 2	Significant matters which the Bridge Manager can resolve.
Priority 3	Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

1. Overall Level of Assurance

Good	System meets control objectives.

2. Risk Assessment

This review focused on the controls in place to mitigate the following risk:

- Lack of financial resources

3. Background

As part of the Internal Audit programme at the Tay Road Bridge Joint Board ('the Board',) for 2015/16, we carried out a review of the budget setting and budgetary control processes in place. Our Audit Needs Assessment, finalised in August 2013, 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 2015/16 totals £1,722,353; £1,700,000 Scottish Government Resource Grant; £12,000 interest on revenue balances; £10,213 kiosk rent and £140 miscellaneous. Budgeted expenditure for 2015/16 amounts to £1,722,353; £462,870 administration costs; £505,075 operation costs; £217,650 plant and equipment costs; and £536,758 bridge maintenance costs. The revenue monitoring report issued to the Board at its meeting on 7 September 2015 projected a budget underspend of £178,000.

The Board's capital plan 2015/16 to 2017/18 budgeted £925,000 for capital expenditure during 2015/16. Budgeted capital income for the year was £925,000 financed through a £500,000 Scottish Government Capital Grant and £425,000 Capital Grant carried forward from previous years. The capital monitoring report issued to the Board at its meeting on 7 September 2015 projected a budget underspend of £160,000 due to a £60,000 budget adjustments and £100,000 slippage to 2016/17.

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.

4. Scope, Objectives and Overall Findings

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

The table below notes each separate objective for this review (which collectively underpin the overall objective) and records the results:

Objective		Findings		
		1	2	3
The objective of this audit was to obtain reasonable assurance that:		No. of Agreed Actions		
1. Budgets are set and approved in accordance with the Financial Regulations and Procedures.	Good	0	0	0
2. Budgets are controlled and monitored in accordance with the Financial Regulations and Procedures.	Good	0	0	0
3. Information is available to management which is up-to-date and in a format that can be easily understood.	Good	0	0	0
4. Budget holders have the necessary skills for managing budgets.	Good	0	0	0
5. Budget variations are reported and acted upon.	Good	0	0	0
6. Senior management and the Board regularly review the organisation's overall financial position.	Good	0	0	0
		0	0	0
Overall Level of Assurance	Good	System meets control objectives.		

5. 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 the 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.

6. Summary of Main Findings

Strengths

- The Board's financial regulations set out clear responsibility for budget setting, approving and monitoring and these regulations are followed in practice.
- Easy to understand and adequate budget information is provided by Dundee City Council to the Bridge Manager each month on a timely basis.
- The Bridge Manager and Bridge Engineer have the necessary skills required to be able to manage budgets.
- There are clear responsibilities and processes for identifying and acting upon budget variations.
- Appropriate budget information is provided to the Board and is reviewed on a quarterly basis.

Weaknesses

No significant weaknesses were noted during our review.

7. Acknowledgements

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

Tay Road Bridge Joint Board – Budget Setting and Budgetary Control

8. Findings

Objective 1: Budgets are set and approved in accordance with the Financial Regulations and Procedures.

Objective 2: Budgets are controlled and monitored in accordance with the Financial Regulations and Procedures.

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'.

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'.

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'.

From discussions with staff and evidence obtained we concluded that these Regulations are being followed in practice.

Tay Road Bridge Joint Board – Budget Setting and Budgetary Control

Objective 3: Information is available to management which is up-to-date and in a format that can be easily understood.

Good Practice Prompts

'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).'*

'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).'*

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

Procedures In Place

Under a service level agreement Dundee City Council provides budget information on both revenue and capital budgets to the Board on a monthly basis. This information is sent to the Board's only budget holders, the Bridge Manager and the Bridge Engineer.

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. Although no projected outturn is included in the monthly reports this is included in quarterly reports to Joint Board meetings. This is deemed adequate by the Board.

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. The Board's Administration Assistant instead records all POs on a spreadsheet which the Bridge Manager will then use when assessing his budget position.

From review of budget information produced and discussions with staff we concluded this information is easy to understand.

Tay Road Bridge Joint Board – Budget Setting and Budgetary Control

Objective 4: Budget holders have the necessary skills for managing budgets.

Good Practice Prompt

'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.'

Procedures in Place

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 in his current role 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.

We concluded that the Bridge Manager and Engineer to the Board have the necessary skills for managing budgets.

Tay Road Bridge Joint Board – Budget Setting and Budgetary Control

Objective 5: Budget variations are reported and acted upon.

Objective 6: Senior management and the Board regularly review the organisation's overall financial position

Good Practice Prompts

'Each budget holder is clear about what action should be taken in the event of over / under spends.'

'Where appropriate action is not taken on major variances, the matter is automatically brought to the attention of the budget holder's line manager.'

'At functional level, the relevant senior management team reviews the financial position at least each reporting period.'

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

Procedures In Place

In accordance with section 4.2 of the Board's Financial Regulations 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.

In accordance with section 5 of the Board's Financial Regulations virement may be used to fund expenditure if underspends are identified elsewhere. Virements under £10,000 must be discussed with the treasurer and virements over £10,000 require approval from the Board.

Both revenue and capital budgets are reviewed by the Board at their quarterly meetings. We reviewed the information provided to the Board and noted that it provides an appropriate summary of the organisation's financial position and explains all variances against budget for the Board. The impact of any overall overspend or underspend against budget on reserves is also noted.

From the evidence available we concluded that budget variances are reported and acted upon and that the overall financial position is regularly monitored by senior management and the Board.