HENDERSON LOGGIE
Chartered Accountants

Tay Road Bridge Joint Board

Corporate Governance and Planning

Internal Audit Report No: 2016/04

Draft issued: 6 May 2016

Final issued: 11 May 2016

LEVEL OF ASSURANCE **Good**

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	Issue subjecting the organisation to material risk and which requires to be brought to the attention of the Joint Board
Priority 2	Issue subjecting the organisation to significant risk and which should be addressed by the Board Officers.
Priority 3	Matters subjecting the organisation to minor risk or which, if addressed, will enhance efficiency and effectiveness.

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 risks on the Joint Board's Risk Register:

- 2 – Legislative changes, e.g. Health & Safety, Environmental, Procurement, etc. (risk rating: moderate);
- 3 – Effects of changes to economy – budget limitations etc. (risk rating: moderate); and
- 7 – Losses through poor governance (risk rating: moderate).

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 corporate governance and planning arrangements in place. The Audit Needs Assessment identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Joint Board and the Bridge Manager that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

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).

In 2008 the CIPFA/SOLACE Joint Working Group issued Delivering Good Governance in Local Government. This guidance illustrates best practice for developing and maintaining a local code of governance and making adopted practice open and explicit. It recommends that authorities must be able to demonstrate that they are complying with the principles of good governance. The six core principles defined in the guidance are taken from the Good Governance Standard for Public Services developed by the Independent Commission on Good Governance in Public Services and have been adapted for local government purposes. Good governance means:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of members and officers to be effective; and
- Engaging with local people and other stakeholders to ensure robust public accountability.

3. Background (continued)

Although the above points are outlined in the standard we recognise that due to the size of the Board not all of the principles are fully applicable.

Corporate planning involves taking the organisation's vision and creating an operational plan to detail how the vision will be achieved. The plan needs to be robust, with specific tasks, timeframes and regular reporting on achievement against targets.

Since the abolition of the bridge tolls in 2007, the Board has been fully funded by the Scottish Government, through Transport Scotland, by means of grant in aid for both revenue and capital activities.

4. Scope, Objectives and Overall Findings

This audit included a high-level review of the corporate governance and planning arrangements in place within the Board and compared these against best practice.

The objective of our audit was to obtain reasonable assurance that the Board's corporate governance, planning and control environment arrangements are in accordance with best practice as set out in Delivering Good Governance in Local Government – A Guidance Note for Scottish Authorities published by CIPFA/SOLACE.

Objective		Findings		
		1	2	3
The objective of our audit was to:		**No. of Agreed Actions**		
1. Obtain reasonable assurance that the Board's planning processes are adequate and effective and accord with good practice.	**Good**	0	0	0
2. Review compliance with good practice in corporate governance as defined in The Good Governance Standard for Public Services.	**Good**	0	0	0
		0	**0**	**0**
Overall Level of Assurance		System meets control objectives.		

5. Audit Approach

We identified the corporate governance arrangements in place through interviews with staff and a review of relevant supporting documentation to gain evidence that the arrangements in place are operating effectively.

The control environment in place at the Board was reviewed and benchmarked against current best practice using Delivering Good Governance in Local Government. The guidance presents six principles of good governance, together with supporting principles that are common to all public service organisations and are intended to assist all those with an interest in public governance to assess good governance practice.

Our work involved review of specific policies, Joint Board minutes and other documents, including Financial Regulations and the local Code of Corporate Governance, to ensure that they cover all aspects currently recommended by best practice, as well as discussion with the Bridge Manager.

Through discussions with key staff we established whether there are appropriate mechanisms in place to monitor the achievement of the targets within the Revenue and Capital Plans and that these mechanisms are operating appropriately.

6. Summary of Main Findings

Strengths

- From our audit work we found that the Board's compliance with the relevant principles of the *Delivering Good Governance in Local Government* (2008) was found to be good with no areas for improvement identified.
- Overall, the planning arrangements put in place by the Board are adequate. In particular, revenue and capital budgets are being appropriately monitored and controlled; and there is effective linkage between planning and budgeting.

Weaknesses

- There were no significant weaknesses noted during our review.

Following a review by CIPFA and Solace in 2015 the Delivering Good Governance in Local Government guidance was updated with new guidance notes published for English authorities in April 2016. Updated guidance for Scottish authorities is expected to be released in September 2016 and Board Officers and Joint Board members should ensure that this is reviewed once it becomes available.

7. Acknowledgements

We would like to take this opportunity to thank the staff at the Board who helped us during the course of our audit visit.

8. Findings

8.1 Corporate Governance

8.1.1 Comparison with Delivering Good Governance in Local Government

The Board's corporate governance arrangements have been compared to good practice as defined in Delivering Good Governance in Local Government. Our findings are given in Appendix I.

8.2 Planning

8.2.1 Good practice recommends that public service organisations should have corporate and operational plans in place, however the Board does not have either. As in previous years, and on the advice of the Treasurer and Clerk, the Board has considered the need to develop plans in the past but due to the uniqueness of the Board's operations it has been decided that there would be little added value of developing these plans. Our review noted that the Board's position is in line with other similar organisations such as the Humber Bridge, and the former Forth Estuary Transport Authority (FETA).

8.2.2 The Board's structure, functions and powers are prescribed in the Tay Road Bridge Order Confirmation Act 1991.

8.2.3 The Board has developed a 20 year capital programme which identifies major capital works. These are prioritised based on existing condition surveys, lifespan of bridge components, adherence to industry standards and mitigation of risks identified in the Strategic Risk Register. The plan is reviewed annually by the Bridge Manager and Engineer with the Engineer reporting progress on all major capital works to the Joint Board each quarter.

8.2.4 Transport Scotland receives copies of all Board reports which include details of the 20 year capital programme and any subsequent revisions which have been approved by the Joint Board. The level of capital grant allocated to the Board from Transport Scotland is determined following consideration of the capital projects prioritised in the 20 year capital plan.

8.2.5 The Bridge Manager develops a three year capital plan based on the 20 year capital programme and the level of grant funding received from Transport Scotland. This is reviewed and approved by the Joint Board.

8.2.6 The annual revenue budget is developed by the Bridge Manager based on prior year actual figures and an analysis of the trend of non-pay costs over previous years. The draft budget is then submitted together with assumptions to the Treasurer for review before it is presented to the Joint Board for approval.

8.2.7 Maintenance work included within the revenue budget is generally reactive and includes such things as de-icing of the road surface of the bridge and its approaches. All other major work is identified and reviewed annually by the Bridge Manager in consultation with the Engineer to the Board and included in the 20 year capital programme.

8.2.8 Any changes identified in Capital Plans or grant funding are considered as part of the annual budget setting process.

8.2.9 From discussion with the Bridge Manager and senior Board staff and review of key documents, including: Joint Board minutes; the capital plan; revenue budget; and risk register, we concluded that the Board's planning processes are adequate and effective and accord with good practice.

Appendix I - Delivering Good Governance in Local Government

Comparison against Best Practice

The following tables assess the Board's processes for corporate planning and governance against generally accepted best practice.

	Principle	Compliant (Yes / No)	Comment
1	**Focusing on the purpose of the Board and on outcomes for the community and creating and implementing a vision for the local area.**		
1.1	Exercising strategic leadership by developing and clearly communicating the Board's purpose and vision and its intended outcome for citizens and service users.	Yes	As noted at section 2.1 above, the Board does not have a Strategic or Corporate Plan which would outline its purpose, vision and intended outcomes, however this is acceptable given the limited scope of the Board's activities. The Board's purpose is outlined within the Tay Road Bridge Order Confirmation Act 1991.
1.2	Ensure that users receive a high quality of service whether directly, or in partnership, or by commissioning.	Yes	
1.3	Ensure that the Board makes the best use of resources and that tax payers and service users receive excellent value for money.	Yes	
2	**Members and officers working together to achieve a common purpose with clearly defined functions and roles.**		
2.1	Ensure effective leadership throughout the Board and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.	Yes	
2.2	Ensuring that a constructive working relationship exists between Board members and officers and that the responsibilities of members and officers are carried out to a high standard.	Yes	
2.3	Ensuring relationships between the Board, its partners and the public are clear so that each know what to expect of the other.	Yes	Key relationships are defined in the Board's Local Code of Corporate Governance.

	Principle	Compliant (Yes / No)	Comments
3	**Promoting values for the Board and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**		
3.1	Ensuring Board members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.	Yes	It was previously reported in Internal Audit report 2009/04 Corporate Governance that the Board should review and revise out of date documentation including the Anti- Fraud and Corruption Strategy and Fraud Guidelines. Both documents were recently revised and combined under the new Fraud Guidelines which include reference to the Bribery Act 2010.
3.2	Ensuring that organisational values are put into practice and are effective.	Yes	
4	**Taking informed decisions and transparent decisions which are subject to effective scrutiny and managing risk.**		
4.1	Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.	Yes	
4.2	Having good-quality information, advice and support to ensure that services are what the community wants / needs.	Yes	
4.3	Ensuring that an effective risk management system is in place.	Yes	
4.4	Using their legal powers to the full benefit of the citizens and communities in their areas.	Yes	
5	**Developing the capacity and capabilities of members and officers to be effective.**		
5.1	Making sure that members and officers have the skills, knowledge, experience and resources they need to perform their roles well.	Yes	Developing a skills matrix to inform the appointment of new Board Members has been considered in the past, however the Board Officers are of the opinion that having regard to the type and volume of business which is

	Principle	Compliant (Yes / No)	Comments
			formally transacted by the Joint Board, taken together with the nature and extent of Board members' involvement in operational matters, it is unnecessary to develop a skills matrix at this time.
5.2	Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.	Yes	
5.3	Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing and renewal.	Yes	
6	**Engaging with local people and other stakeholders to ensure robust public accountability.**		
6.1	Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.	Yes	
6.2	Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning.	Yes	
6.3	Making best use of human resources by taking an active and planned approach to meet responsibility to staff.	Yes	

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Tay Road Bridge Joint Board
Follow-Up

2015/16

Internal Audit Report No: 2016/05

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CONTENT

1. Management Summary

Introduction and Background

We have been appointed as Internal Auditors to the Tay Road Bridge Joint Board ('the Board') for the period 1 April 2013 to 31 March 2016. The Internal Audit Plan for 2015/16 includes time for follow-up work on the recommendations made in our Internal Audit reports issued during 2014/2015. These were:

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

Report 2015/01, 2015/05 and 2015/06 did not contain an action plan and therefore no follow-up was required as part of this review.

There were also three outstanding actions from 2013/14, five from 2012/13 and one from 2011/12 that required to be followed up again this year.

Audit Scope and Objectives

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

Audit approach

The audit approach taken was as follows:

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

Overall Conclusion

The Board has made good progress in fully implementing 13 of the 18 recommendations contained within the internal audit reports issued in 2014/15. A further seven of the nine outstanding actions from internal audit reports issued between 2011/12 and 2013/14, some of which had been outstanding for some time, have also now been fully implemented. It is clear that action in implementing the recommendations has been well prioritised.

Overall Conclusion (continued)

Of the remaining seven recommendations:

- Three have been assessed as 'little or no progress made'. These have been delayed due to competing priorities and are expected to be progressed later in 2016. Two of these recommendations are graded "C" and all other recommendations in these areas have been fully implemented. The remaining item is graded "B" and relates to incorporating the staff review process into the staff handbook. Revised implementation dates have been agreed for these recommendations and they will be followed up again next year;

- one assessed as having no event occurring to action the recommendation in relation to documenting Data Protection and FoI responsibilities within the employment contracts and job descriptions of staff members as no relevant appointments have been made since the original recommendation was raised; and

- three recommendations from the report on compliance with legislation have been assessed as partially implemented, however draft documents relating to two of these have been prepared and are due to be presented to the Joint Board for approval in June 2016, .For the remaining item the policy was approved in March 2016 and Financial Regulations will be updated to reflect the agreed policy at the next review.

2014/15

From Original Reports			*From Follow-Up Work Performed*			
Area	Rec'n Grades	Number Agreed	Fully Implemented	Partially Implemented	Little or No Progress Made	No Event to Trigger Action
Contract Management	A	-	-	-	-	-
	B	-	-	-	-	-
	C	8	7	-	1	-
Total		**8**	**7**	**-**	**1**	**-**
Compliance with Legislation	A	-	-	-	-	-
	B	4	1	3	-	-
	C	-	-	-	-	-
Total		**4**	**1**	**3**	**-**	**-**
Data Protection / Records Management	A	-	-	-	-	-
	B	-	-	-	-	-
	C	5	4	-	1	-
Total		**5**	**4**	**-**	**1**	**-**
IT Network Arrangements	A	-	-	-	-	-
	B	-	-	-	-	-
	C	1	1	-	-	-
Total		**1**	**1**	**-**	**-**	**-**
2014/15 Total		**18**	**13**	**3**	**2**	**-**

Overall Conclusion (continued)

From Original Reports			From Follow-Up Work Performed			
Area	Rec'n Grades	Number Agreed	Fully Implemented	Partially Implemented	Little or No Progress Made	No Event to Trigger Action
2013/14						
Health & Safety	A	-	-	-	-	-
	B	-	-	-	-	-
	C	3	3	-	-	-
Total		3	3	-	-	-
2012/13						
Data Protection / Freedom of Information	A	-	-	-	-	-
	B	4	3	-	-	1
	C	1	1	-	-	-
Total		5	4	-	-	1
2011/12						
Employment Legislation and Policies, Recruitment and Staff Performance & Development	A	-	-	-	-	-
	B	1	-	-	1	-
	C	-	-	-	-	-
Total		1	-	-	1	-
Grand Total		27	20	3	3	1

The grades, as detailed below, denote the level of importance that should have been given to each recommendation:

A Issues which require the consideration of the Joint Board.

B Significant matters which can be resolved by the Bridge Manager.

C Less significant matters, which do not require urgent attention but which should be followed up within a reasonable timescale.

Acknowledgements

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

2. Updated Action Plan 2014/15
Internal Audit Report 2015/02 – Contract Management

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at April 2016
1.4	**Contract Management** **R1** For contracts above a set value consider maintaining a record of all contract management activity and meetings, including action points for improvement. A standard template for recording this should be considered for implementation.	C		Y	Bridge Manager	December 2015	Details of all contracts and correspondence are now held centrally, listed by contractor, on the shared drive with restricted access given to staff based on job role. ***Fully Implemented***

Para Ref	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at April 2016
1.4	**R2** For contracts above a set value ensure that performance standards are formally recorded, even if these are only at a high-level, such as completing the job on time, within budget and at the agreed quality specification. These should be recorded on the Contracts Spreadsheet.	C		Y	Bridge Manager	December 2015	Contracts database incorporating audit recommendations, including details of high level performance standards, now created and held centrally on the shared drive with restricted access given to staff based on job role. ***Fully Implemented***
2.1	Contract Management and Recommended Good Practice **R3** Review the information on Contract and Supplier Management provided by the Scottish Government at http://www.scotland.gov.uk/Topics/Government/Procurement/buyer-information/spdlowlevel/routetwotoolkit/contractsuppliermanagement and consider what parts of this should be implemented.	C		Y	Bridge Manager	December 2015	Guidance reviewed and good practice points noted. ***Fully Implemented***

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at April 2016
2.1	**R4** Consider creating a contract management framework by including contract management requirements within the Board's Financial Regulations and preparing detailed contract management procedures which incorporate the items suggested in this report.	C	Bridge Manager will discuss this with Clerk	Y	Bridge Manager	December 2015	Financial Regulations still to be updated. Revised completion date: December 2016 ***Little or No Progress Made***
2.3	**R5** The contracts database should be developed to ensure that it records all contract details and provides adequate management information on the performance of contracts. Additional data fields to be added should include: • member of the Board's staff responsible for managing the contract; • supplier contract manager and contact details; • date of annual review; • links to any correspondence with the contractor; • details regarding performance issues; and • performance indicators to be used on the contract.	C		Y	Bridge Manager	December 2015	Contracts database incorporating audit recommendations now created and held centrally on the shared drive with restricted access given to staff based on job role. ***Fully Implemented***

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at April 2016
2.4	**R6** Review the contracts database with a view to rationalising the number of suppliers of common goods and services.	C		Y	Bridge Manager	December 2015	Contracts reviewed in 2015 which resulted in rationalisation. Value for money obtained on a number of contracts making use of Dundee City Council services and discounts. Further contracts will be subject to review at end of contract term. ***Fully Implemented***
2.4	**R7** Review existing contracts in terms of comparing the annual charge against any one-off costs and consider renegotiating or cancelling contracts which do not represent value for money.	C		Y	Bridge Manager	December 2015	Contracts reviewed in 2015 which resulted in rationalisation. Value for money obtained on a number of contracts making use of Dundee City Council services and discounts. Further contracts will be subject to review at end of contract term. ***Fully Implemented***

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at April 2016
2.4	**R8** Further consideration should be given to approaching Dundee City Council with a view to identifying further services that can be provided under a Service Level Agreement.	C		Y	Bridge Manager	December 2015	Contracts reviewed in 2015 which resulted in rationalisation. Value for money obtained on a number of contracts making use of Dundee City Council services and discounts. Further contracts will be subject to review at end of contract term. ***Fully Implemented***

2. Updated Action Plan 2014/15 (continued)
Internal Audit Report 2015/03 – Compliance with Legislation

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress to April [illegible]
1.7	**Compliance with Legislation** **R1** A Whistleblowing Policy should be developed in line with the CIPFA / Solace guidance, the Public Interests Disclosure Act and guidance on a model policy published by the Scottish Government at http://www.scotland.gov.uk/Publications/2011/12/06141807/5. Additional guidance has also been published by Audit Scotland: http://www.audit-scotland.gov.uk/docs/corp/2012/as_120829_whistleblowing_employer.pdf	B		Y	Bridge Manager	April 2016	Whistleblowing policy currently being drafted and will be presented to the Joint Board in June 2016 for review and approval. Revised completion date: June 2016 ***Partly Implemented***

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at April 2016
1.8	**R2** An assessment should be undertaken to identify areas of risk in terms of non-compliance with the Bribery Act and these should be addressed in the Fraud Guidelines which should also be updated to include a reference to the requirement to comply with the UK Bribery Act 2010.	B		Y	Bridge Manager	April 2016	Risk assessment and updated Fraud Guidelines presented to and approved by the Joint Board in March 2016. ***Fully Implemented***
1.8	**R3** To ensure bribery prevention policies and procedures are embedded and understood throughout the organisation the related key policies and documents as referred to in the Fraud Guidelines should be updated at the time of their next review to also include a reference to the requirement to comply with the UK Bribery Act 2010 and cross referred to the Fraud Guidelines.	B		Y	Bridge Manager	April 2016	Fraud Guidelines presented to and approved by the Joint Board in March 2016. Other key documents, such as Financial Regulations, to be updated at time of next review. Revised completion date: December 2016 ***Partially Implemented***

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress to April 2016
2.4	**Staff Recruitment and Retention / Performance and Development** **R4** Draft a recruitment and selection policy which includes a reference to the Equality Act 2010. This should then be shared with Dundee City Council's Personnel department for review under the terms of the SLA.	B		Y	Bridge Manager	April 2016	Recruitment and selection policy currently being drafted. Revised completion date: June 2016 ***Partially Implemented***

2. Updated Action Plan 2014/15 (continued)
Internal Audit Report 2015/04 – Data Protection / Records Management

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at April 2016
2.3	**Systems and Controls** **Records Management** **R1** Consider developing a Records Management Policy which outlines the Board's responsibilities for the creation, deletion and retention of records, information security and confidentiality, storing paper and electronic records and legislative requirements including that the Board is compliant with the Scottish Ministers' Code of Practice on records management by Scottish public authorities.	C		Y	BM	April 2016	Policy still to be created. Revised completion date: June 2016 ***Little or No Progress Made***
2.6	**Personal Data** **R2** Once approved by the Joint Board ensure that the Data Protection Policy is communicated to all staff and that staff sign off their acknowledgment of having read and understood the policy.	C		Y	BM	September 2015	Data Protection Policy approved and issued in August 2015 and staff required to sign-off to acknowledge receipt. ***Fully Implemented***

Para Ref.	Recommendation	Grade	Comments	Agreed Y N	Responsible Officer For Action	Agreed Completion Date	Progress at April 2016
2.6	**R3** Review all forms that are used to collect personal data and ensure that the Data Protection statements in these meet the requirements of the Data Protection Act and the Board's Data Protection Policy.	C		Y	BM	September 2015	Forms reviewed and confirmed appropriate statements in place. ***Fully Implemented***
2.12	**Retention and Disposal of Data** **R4** Consider developing a system for recording archived files which contain employee personal data and other sensitive information, which clearly shows the earliest destruction date which is in line with the Board's data retention policy.	C		Y	BM	April 2016	Archiving system now agreed and in place. ***Fully Implemented***
2.18	**Passing Personal Information to Third Parties** **R5** Consider including additional wording within the Data Protection Policy which clearly states the circumstances where the Board will pass on employee personal information to third party organisations and for what purposes. Refer to wording on Data Protection Register entry.	C		Y	BM	September 2015	Suitable wording now included within the Data Protection Policy. ***Fully Implemented***

2. Updated Action Plan 2014/15 (continued)
Internal Audit Report 2015/07 – IT Network Arrangements

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at April 2016
	Acceptable Use Policy						
3.1	**R1** Obtain copies of the DCC IT related policies and procedures and ensure that these are disseminated to staff. Procedures should be put in place to ensure that these have been read and understood by staff.	C	Agreed. Bridge Manager to approach DCC for relevant documentation and issue to all staff via an all staff briefing, requesting confirmation that all documentation has been read and understood by staff. If necessary, further explanation will be given to staff to aid their understanding.	Y	Bridge Manager	September 2015	Policies obtained and distributed to staff. Staff have signed-off to confirm received and read. ***Fully Implemented***

3. Updated Action Plan 2013/14
Internal Audit Report 2014/03 – Health and Safety

Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at May 2015	Progress at April 2016
Policies and Procedures **R1** The operations manual, including safe working procedures, should be reviewed as soon as practical and evidence of the review documented.	C	Agreed	Y	Bridge Manager	31 May 2014	In progress following change to staffing structure. To be complete by 30 June 2015. ***Partially Implemented***	Manual and safe working procedures now updated and will be subject to annual review. Control document now included on shared drive to evidence reviews. ***Fully Implemented***

Original Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer For Action	Agreed Completion Date	Progress at May 2015	Progress at April 2016
R2 Staff should be reminded of the importance of ensuring that all dormant method statements are flagged as such within the H&S database. In addition after each method statement has been reviewed the date of the review should be recorded within the database.	C	Agreed	Y	Bridge Manager	31 January 2014	Staff will be reminded at appraisals. Databases are currently being reviewed with the Board's Health and Safety consultants which will be updated in due course. Aim to get this completed by September 2015 Board meeting. ***Partially Implemented***	Health and Safety databases have been reviewed, re-organised and updated. All documents now saved on the shared drive and subject to periodic review. ***Fully Implemented***
Risk Identification and Assessment **R3** The H&S Policy Statement should be updated to highlight that risk assessments prepared for low risk activities must only be reviewed between two and five years.	C	Agreed	Y	Bridge Manager	31 March 2014	No progress to date. Aim to complete by 31 August 2015. ***Little or No Progress Made***	H&S Policy Statement updated to include that risk assessments will be reviewed every twelve months or when the work activity changes, whichever is soonest. This is considered adequate. ***Fully Implemented***

4. Updated Action Plan 2012/13
Internal Audit Report 2013/02 – Data Protection / Freedom of Information

Original Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress Previously Reported	Progress at April 2016
Data Protection / Freedom of Information 2013~02 *Roles and Responsibilities* **R1** The Board's Scheme of Delegation should document the individual(s) responsible for implementing the FoI(S)A at the Board.	B	Agreed. The Scheme of Delegation will be updated to include the roles and responsibilities of the Clerk to the Board and the Bridge Manager	Y	Clerk	**Original** 30 June 2013 **Revised** 31 December 2014	At April 2014: Roles and responsibilities to be incorporated into Scheme of Delegation which is planned to be updated in 2014. ***Little or No Progress Made*** At May 2015: Draft completed at April 2015. With DCC Legal Team for review prior to implementation at September 2015 Board. ***Partially Implemented***	Scheme of Delegation updated to show that the Bridge Manager is responsible for implementing the FoI(S)A. ***Fully Implemented***

Original Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress Previously Reported	Progress at April 2016
R2 Where appropriate, Data Protection and FoI responsibilities should be clearly documented within the employment contracts and job descriptions of Board staff members.	B	Agreed	Y	Clerk/Bridge Manager	**Original** 30 June 2013 **Revised** 31 December 2014	**At April 2014:** Job descriptions will be reviewed and updated as and when posts become available. No new appointments have been made since recommendation was originally raised. ***No Event to Trigger Action*** **At May 2015:** No new appointments have been made since recommendation was originally raised. ***No Event To Trigger Action.***	No new relevant appointments have been made since recommendation was originally raised. ***No Event To Trigger Action***

Original Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress Previously Reported	Progress at April 2016
Data Protection / Freedom of Information 2013-02 (continued) *Training* **R3** The Bridge Manager should consider developing a handout to be issued during induction, which refers to the Board's overall Data Protection and FoI responsibilities. The handout could potentially refer to the Board's Data Protection and FoI policies and procedures (refer to **R4** and **R5** at question 7 for further details).	C	Agreed	Y	Clerk/Bridge Manager	**Original** 30 September 2013 **Revised** 31 December 2014	At April 2014: Still outstanding. Hand out to be developed in 2014. ***Little or No Progress Made*** At May 2015: Draft completed at April 2015. With DCC Legal Team for review prior to implementation at September 2015 Board. ***Partially Implemented***	Hand out agreed and distributed to staff in 2015. ***Fully Implemented***

Original Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress Previously Reported	Progress at April 2016
Policies and Procedures **R4** Consideration should be given to preparing, and having the Board formally approve, a Data Protection Policy which summarises the main principles of the Data Protection Act; incorporates the 'Code of Practice for Operation of CCTV equipment' and the subject access request procedures; and outlines the Board's policies for the retention, archiving and destruction of employees' personal details.	B	Agreed	Y	Clerk/Bridge Manager	**Original** 30 June 2013 **Revised** 31 December 2014	**At April 2014:** Data Protection Policy to be developed in 2014 which will incorporate points included in recommendation raised. ***Little or No Progress Made*** **At May 2015:** The Bridge Manager has drafted a Data Protection Policy. This draft has been issued to DCC Legal team for review in anticipation of bringing to the September 2015 Board for acceptance. ***Partially Implemented***	*Data Protection Policy* approved and issued in August 2015. *Data Protection and CCTV Procedures* approved and issued in December 2015. ***Fully Implemented***

Original Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress Previously Reported	Progress at April 2016
R5 Consideration should be given to preparing, and having the Board formally approve, a FoI Policy which summarises the Board's approach and responsibilities under the FoI(S)A. Included within the Policy or supporting FoI procedures should be the reporting structure and processes in place for dealing with information requests.	B	Agreed	Y	Clerk/Bridge Manager	**Original** 30 June 2013 **Revised** 31 December 2014	**At April 2014:** FoI Policy to be developed in 2014 which will incorporate points raised in recommendation. ***Little or No Progress Made*** **At May 2015:** The Bridge Manager has drafted a FoI Policy. This draft has been issued to DCC Legal team for review in anticipation of bringing to the September 2015 Board for acceptance. ***Partially Implemented***	FoI Policy approved and issued in October 2015 which incorporates audit recommendations. ***Fully Implemented***

5. Updated Action Plan 2011/12
Internal Audit Report 2012/02 – Employment Legislation and Policies, Recruitment and Staff Performance & Development

Original Recommendation	Grade	Comments	Agreed	Responsible Officer	Agreed Completion Date	Progress Previously Reported	Progress at April 2016
Employment Legislation and Policies, Recruitment and Staff Performance & Development 2012~02 ***Staff Access to Policies*** **R2** The staff review process should be formally incorporated into the staff handbook.	B	To be incorporated in the next review of the Staff Handbook or by December 2012 whichever sooner.	Y	Administration Officer	**Original** 31 December 2012 **Revised** 31 December 2013 **Revised** 31 December 2014	**Progress at April 2013:** To be implemented during 2013 reviews. ***Little or No Progress Made*** **Progress at April 2014:** Still to be completed. Handbook to be updated once staff reviews have been completed. ***Little or No Progress Made*** **Progress at May 2015:** Programmed for completion by 21 August 2015 and to be brought to the September 2015 Board meeting. ***Little or No Progress Made***	The content and format of the Employee Handbook is currently under review and this will be considered as part of the process. **Revised completion date:** December 2016 ***Little or No Progress Made***

HENDERSON LOGGIE
Chartered Accountants

Tay Road Bridge Joint Board

Annual Report to the Joint Board and the Bridge Manager on the Provision of Internal Audit Services for 2015/16

Internal Audit Report No: 2016/06

Draft Issued: 6 May 2016
Second draft: 9 May 2016

Final Issued: 11 May 2016

Contents

1. Annual Report and Opinion

1.1 We were formally re-appointed in April 2013 as internal auditors of Tay Road Bridge Joint Board ('the Board') for the period 1 April 2013 to 31 March 2016. This report summarises the internal audit work performed during 2015/16.

1.2 An Audit Needs Assessment (ANA), based on the areas of risk that the Board is exposed to, was prepared as part of our internal audit programme for 2013/14 (internal audit report 2014/01, issued August 2013). The ANA was prepared following discussion with the Bridge Manager and the external auditors, and with reference to the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom and from a review of previous internal and external audit reports, and covered the three-year internal audit cycle from 2013/14 to 2015/16. The ANA was based on the previous internal audit risk assessment updated to reflect changes in the internal and external environment in the intervening period, and our own assessment of the risks faced by the Board. Following on from the ANA, a Strategic Plan was formulated covering the three-year cycle.

1.3 The annual operating plan showed a number of changes to the allocation set out in the 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 was shortened by two days and a review of delivery of major projects was removed with six contingency days added in the plan should the board require us to carry out any further work.

1.4 The work undertaken in the year followed that set out in the Annual Plan for 2015/16. The reports submitted are listed in Section 2 of this report and a summary of results and conclusions from each finalised assignment is given at Section 3.

1.5 An analysis of time spent against budget is at Section 4. The Physical Security and Asset Management review took one day less than planned and the Budget Setting and Budgetary Control review took three days less than budget. In addition the six days allocated as a contingency were not required. These savings were not needed for any other work, and therefore the total time allocated to the 2015/16 audit has been 16 days.

Public Sector Internal Audit Standards (PSIAS) Reporting Requirements

1.6 The Board has responsibility for maintaining an effective internal audit activity. You have engaged us to provide an independent risk-based assurance and consultancy internal audit service. To help you assess that you are maintaining an effective internal audit activity we:

- Confirm our independence;
- Provide information about the year's activity and the work planned for next year in this report; and
- Provide quality assurance through self-assessment and independent external review of our methodology and operating practices.

Public Sector Internal Audit Standards (PSIAS) Reporting Requirements (continued)

1.7 Self-assessment is undertaken through:

- Our continuous improvement approach to our service. We will discuss any new developments with management throughout the year;
- Ensuring compliance with best professional practice, in particular the PSIAS;
- Annual confirmation from all staff that they comply with required ethical standards and remain independent of clients;
- Internal review of each assignment to confirm application of our methodology which is summarised in our internal audit manual; and
- Annual completion of a checklist in April each year to confirm PSIAS compliance.

1.8 The results of our self-assessment are that we are able to confirm that our service is independent of the Joint Board and complies with the PSIAS.

1.9 External assessment is built into our firm-wide quality assurance procedures. Henderson Loggie is a member of MHA, a national association of accountancy firms. Continued membership of MHA is dependent on maintaining a good level of quality and adhering to accounting and auditing standards in the provision of our services. Annual quality reviews are conducted to confirm our continuing achievement of this quality. The MHA review in April 2014 included our internal audit service. Overall the review found the firm's policies and procedures relating to internal audit to be compliant with the PSIAS in all material respects.

1.10 For 2015/16 we have introduced a revised report style which provides an overall assessment grade for the systems under review. The grades are described on page 3. Recommendation grades are renamed as Priority 1, 2 and 3 from the previous A, B and C.

Significant Issues

1.11 There were no significant issues identifying major internal control weaknesses arising from our internal audit work, with all of the 2015/16 internal audit work concluding that systems met control objectives and provided good assurance. During 2015/16 we are pleased to report that work has been undertaken to implement a number of recommendations that had been outstanding from periods since 2010/11.

1.12 In 2015/16 only one minor recommendation was raised in the Physical Security and Asset Management report which if implemented would further strengthen existing controls. An action plan has been agreed to address this issue, to ensure that evidence is retained which confirms that assets that are scrapped or disposed of are appropriately authorised.

Opinion

1.13 In our opinion the Board operates adequate and effective internal control systems as defined in the ANA. Proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during the current year and as the internal auditor for the Board for the previous five years.

2. Reports Submitted

Report number	Title	Grade	Action points	Priority 1	Priority 2	Priority 3
2016/01	Annual Plan 2015/16	N/A	N/A	-	-	-
2016/02	Physical Security and Asset Management	Good	1	-	-	1
2016/03	Budget Setting and Budgetary Control	Good	-	-	-	-
2016/04	Corporate Governance and Planning	Good	-	-	-	-
2016/05	Follow Up Report	N/A	20 implemented. 6 require further action and for one there has been no event to trigger action	-	4	2
2016/06	Annual Report	N/A	N/A	-	-	-

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

Priority 1 (Previously A)	Issue subjecting the organisation to material risk and which requires to be brought to the attention of the Joint Board
Priority 2 (Previously B)	Issue subjecting the organisation to significant risk and which should be addressed by the Board Officers.
Priority 3 (Previously C)	Matters subjecting the organisation to minor risk or which, if addressed, will enhance efficiency and effectiveness.

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.

3. Summary of Results and Conclusions

2016/01 – Annual Plan for 2015/16

Final Issued August 2015

The purpose of this document was 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 was 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.

2016/02 – Physical Security and Asset Management
Overall Grade - Good

Final Issued May 2016

This audit focused on 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.

We found that:

- 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.
- 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.

2016/02 – Physical Security and Asset Management (cont'd)

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
Overall Level of Assurance	Good	0	0	1
		System meets control objectives		

2016/03 – Budget Setting and Budgetary Control
Overall Grade - Good

Final Issued May 2016

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

We found that:

- 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.

No significant weaknesses were noted during our review. 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.		

2016/04 – Corporate Governance and Planning
Overall Grade - Good

Final Issued May 2016

This audit included a high-level review of the corporate governance and planning arrangements in place within the Board and compared these against best practice.

The objective of our audit was to obtain reasonable assurance that the Board's corporate governance, planning and control environment arrangements are in accordance with best practice as set out in Delivering Good Governance in Local Government – A Guidance Note for Scottish Authorities published by CIPFA/SOLACE.

From our audit work we found that the Board's compliance with the relevant principles of the *Delivering Good Governance in Local Government* (2008) was found to be good with no areas for improvement identified.

Overall, the planning arrangements put in place by the Board are adequate. In particular, revenue and capital budgets are being appropriately monitored and controlled; and there is effective linkage between planning and budgeting.

There were no significant weaknesses noted during our review.

Following a review by CIPFA and Solace in 2015 the Delivering Good Governance in Local Government guidance was updated with new guidance notes published for English authorities in April 2016. Updated guidance for Scottish authorities is expected to be released in September 2016 and Board Officers and Joint Board members should ensure that this is reviewed once it becomes available.

Objective		Findings		
The objective of our audit was to:		1	2	3
		No. of Agreed Actions		
1. Obtain reasonable assurance that the Board's planning processes are adequate and effective and accord with good practice.	**Good**	0	0	0
2. Review compliance with good practice in corporate governance as defined in The Good Governance Standard for Public Services.	**Good**	0	0	0
		0	**0**	**0**
Overall Level of Assurance	**Good**	System meets control objectives.		

2016/05 – Follow Up Reviews

Final Issued May 2016

We carried out a follow up review of recommendations made in the following internal audit reports issued during 2014/15:

- Internal Audit Report 2015/02 – Contract Management;
- Internal Audit Report 2015/03 – Compliance with Legislation;
- Internal Audit Report 2015/04 – Data Protection / Records Management; and
- Internal Audit Report 2015/05 – IT Network Arrangements.

Reports 2015/01, 2015/05 and 2015/06 did not contain an action plan and therefore no follow-up was required as part of this review.

There were also three outstanding actions from 2013/14, five from 2012/13 and one from 2011/12 that required to be followed up again this year.

The Board has made good progress in fully implementing 13 of the 18 recommendations contained within the internal audit reports issued in 2014/15A further seven of the nine outstanding actions from internal audit reports issued between 2011/12 and 2013/14, some of which had been outstanding for some time, have also now been fully implemented. It is clear that action in implementing the recommendations has been well prioritised.

Of the remaining seven recommendations:

- three have been assessed as 'little or no progress made'. These have been delayed due to competing priorities and are expected to be progressed later in 2016. Two of these recommendations are graded "C" and all other recommendations in these areas have been fully implemented. The remaining item is graded "B" and relates to incorporating the staff review process into the staff handbook. Revised implementation dates have been agreed for these recommendations and they will be followed up again next year;

- one assessed as having no event occurring to action the recommendation in relation to documenting Data Protection and FoI responsibilities within the employment contracts and job descriptions of staff members as no relevant appointments have been made since the original recommendation was raised; and

- three recommendations from the report on compliance with legislation have been assessed as partially implemented, however draft documents relating to two of these have been prepared and are due to be presented to the Joint Board for approval in June 2016, .For the remaining item the policy was approved in March 2016 and Financial Regulations will be updated to reflect the agreed policy at the next review.

2016/05 – Follow Up Reviews (continued)

2014/15

From Original Reports			From Follow-Up Work Performed			
Area	Rec'n Grades	Number Agreed	Fully Implemented	Partially Implemented	Little or No Progress Made	No Event to Trigger Action
Contract Management	A	-	-	-	-	-
	B	-	-	-	-	-
	C	8	7	-	1	-
Total		**8**	**7**	**-**	**1**	**-**
Compliance with Legislation	A	-	-	-	-	-
	B	4	1	3	-	-
	C	-	-	-	-	-
Total		**4**	**1**	**3**	**-**	**-**
Data Protection / Records Management	A	-	-	-	-	-
	B	-	-	-	-	-
	C	5	4	-	1	-
Total		**5**	**4**	**-**	**1**	**-**
IT Network Arrangements	A	-	-	-	-	-
	B	-	-	-	-	-
	C	1	1	-	-	-
Total		**1**	**1**	**-**	**-**	**-**
2014/15 Total		**18**	**13**	**3**	**2**	**-**

From Original Reports			From Follow-Up Work Performed			
Area	Rec'n Grades	Number Agreed	Fully Implemented	Partially Implemented	Little or No Progress Made	No Event to Trigger Action
2013/14						
Health & Safety	A	-	-	-	-	-
	B	-	-	-	-	-
	C	3	3	-	-	-
Total		**3**	**3**	**-**	**-**	**-**
2012/13						
Data Protection / Freedom of Information	A	-	-	-	-	-
	B	4	3	-	-	1
	C	1	1	-	-	-
Total		**5**	**4**	**-**	**-**	**1**
2011/12						
Employment Legislation and Policies, Recruitment and Staff Performance & Development	A	-	-	-	-	-
	B	1	-	-	1	-
	C	-	-	-		
Total		**1**	**-**	**-**	**1**	**-**
Grand Total		**27**	**20**	**3**	**3**	**1**

4. Time Spent - v Budget v Actual

	Report Number	Planned Days	Actual days fee'd	Days to fee at May 2016	Days to spend / WIP	Variance
Estates and Facilities *Physical Security)* *Asset management)*	2016/02	6	-	5	-	1
Financial Issues *Budget setting / budgetary control*	2016/03	5	-	2	-	3
Organisational Issues *Corporate governance and control environment*	2016/04	3	-	3	-	-
Other Audit Activities Management and Planning)		4	2	2	-	-
External audit)						
Attendance at committees)						
Follow-up reviews	2016/05	2	-	2	-	-
ANA						
Contingency		6	-	-	-	6
Total		26	2	14	-	10

5. Operational Plan for 2016/17

5.1 Following our re-appointment as internal auditors for the period from 1 April 2016 to 31 March 2019 an Audit Needs Assessment and Strategic Plan for 2016 to 2019 was developed during May 2016 and will be presented to the Board in August 2016.

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

REPORT ON: 2016/2017 INSURANCE PROGRAMME

REPORT BY: TREASURER

REPORT NO: TRB 14-2016

ITEM No: 6.

1 PURPOSE OF REPORT

This report provides an overview of the insurance arrangements for the financial year 2016/2017.

2 RECOMMENDATIONS

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

3 FINANCIAL IMPLICATIONS

The financial implications of the 2016/2017 insurance programme, as detailed in Appendix A, are that the covers have been negotiated within the provision contained in the approved 2016/2017 Revenue Budget.

4 MAIN TEXT

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

4.1 Property / Material Damage / Business Interruption:
Covers property damage to the bridge assets, buildings and contents, and increased cost of working following insured damage. The first loss limit for damage to the bridge is £13m.

4.2 Combined Liability Policies:
These policies cover the Board's legal liabilities to its employees and to members of the public.

4.3 Directors & Officers:
This policy is a traditional liability policy covering the individual and collective legal liabilities of Board Members and officers.

4.4 Fidelity Guarantee:
This policy relates to fraud / misappropriation of materials by Board employees.

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

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

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

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

4.9 Marine:
Provides cover for damage to Board owned vessels and any liabilities resulting from their use. This has reduced since 2015/2016 due to sale of Safety Boat.

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

5 SUSTAINABILITY POLICY IMPLICATIONS

None.

6 EQUAL OPPORTUNITIES IMPLICATIONS

None.

7 BACKGROUND

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

MARJORY M STEWART
TREASURER

8 JUNE 2016

APPENDIX A

TAY ROAD BRIDGE JOINT BOARD

PREMIUM SUMMARY 2016/2017

CLASS	2011/12 £	2012/13 £	2013/14 £	2014/15 £	2015/16 £	2016/17 £
Property	65,811	65,992	54,060	54,060	51,357	53,053
Combined Liability	17,864	18,804	16,960	17,120	17,120	18,234
Excess Public Liability	4,007	4,007	4,007	4,007	4,007	4,139
Directors & Officers	1,357	1,357	1,357	1,357	1,357	1,402
Fidelity	848	869	869	901	901	931
Personal Accident	993	943	943	943	943	974
Hired in Plant	819	819	819	819	820	847
Engineering Combined	5,386	15,166	13,148	12,621	11,989	12,452
Motor Fleet	3,896	3,628	3,700	3,940	4,801	5,202
Marine	7,500	7,078	10,000	10,407	1,502	1,314
Death in Service	4,335	4,346	4,305	4,305	4,361	4,361
TOTAL	112,816	123,009	110,168	110,480	99,158	102,909

Premiums include HM Government's Insurance Premium Tax (9.5% from 2016, previously 6% from 2011, and 5% before 2011).

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

REPORT ON: EXTERNAL AUDIT ANNUAL AUDIT PLAN 2015/2016

REPORT BY: TREASURER

REPORT NO: TRB 15-2016

ITEM No: 7

1 PURPOSE OF REPORT

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

2 RECOMMENDATIONS

It is recommended that the Board notes the content of the External Audit Annual Audit Plan for 2015/2016.

3 FINANCIAL IMPLICATIONS

The cost of External Audit Services is included in the approved 2016/2017 Revenue Budget.

4 MAIN TEXT

Introduction

4.1 The external audit of the Board for the financial year 2015/2016 will be carried out by Mr Andy Shaw, Director, KPMG. The Joint Board's External Auditors are appointed for a five year period and the financial year 2015/2016 marks the final year of KPMG's appointment to the Board.

External Auditor's Annual Audit Plan

4.2 The External Auditor's annual audit plan summarises the key challenges and risks facing the Board and sets out the proposed audit work to be undertaken in 2015/2016. The plan reflects:

- Scope and purpose of the audit;
- the risks and priorities facing the Board;
- current national risks relevant to local circumstances;
- the impact of changing international auditing and accounting standards; and
- External Audit's responsibilities under the Code of Practice as approved by the Auditor General and the Accounts Commission.

4.3 External Auditor's Responsibilities

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

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

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

- has systems of recording and processing transactions which provide a sound basis for the preparation of financial statements and the effective management of its assets and interests;
- prepares financial statements which give a true and fair view of the financial position at 31 March 2016 and the income and expenditure for the year then ended, in accordance with the Local Government (Scotland) Act 1973 and other applicable laws and regulations, including the 2015/2016 Accounting Code of Practice;
- has systems of internal control which provide an adequate means of preventing or detecting material misstatement, error, fraud or corruption;
- complies with established policies, procedures, laws and regulations; and
- has made proper arrangements for securing best value in its use of resources.

4.5 Reporting Arrangements

The relevant statutory provisions regarding the preparation of the Board's Accounts are contained in the Local Authority Accounts (Scotland) Amendment Regulations, where there is a requirement for unaudited financial statements to be presented to the Board and submitted to the appointed auditor within 3 months of the financial year end i.e. 30th June. The non-statutory target for audit completion is 30th September.

In addition to the report and audit opinion on the financial statements, an annual report to members and the Controller of Audit will be produced to summarise all significant matters arising from the audit. This will be presented to the Board at the meeting in December 2016.

5 POLICY IMPLICATIONS

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

6 CONSULTATIONS

The Bridge Manager and the Clerk to the Board have been consulted on the content of this report and are in agreement with the contents.

7 BACKGROUND PAPERS

None

MARJORY M STEWART
TREASURER

8 JUNE 2016

KPMG

cutting through complexity

Tay Road Bridge Joint Board

Audit strategy and plan overview

For the year ending 31 March 2016

12 February 2016

KPMG

Contents

About this report

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

This report is for the benefit of Tay Road Bridge Joint Board ("the Joint Board") and is made available to Audit Scotland and the Accounts Commission (together "the Beneficiaries"). This report has not been designed to be of benefit to anyone except the Beneficiaries. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Beneficiaries, even though we may have been aware that others might read this report. We have prepared this report for the benefit of the Beneficiaries alone.

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

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

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Beneficiaries) for any purpose or in any context. Any party other than the Beneficiaries that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Beneficiary's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Beneficiaries.

Complaints

If at any time you would like to discuss with us how our services can be improved or if you have a complaint about them, you are invited to contact Andy Shaw who is the engagement leader for our services to the Tay Road Bridge Joint Board, telephone 0131 527 6673 email: andrew.shaw@kpmg.co.uk who will try to resolve your complaint. If your problem is not resolved, you should contact Alex Sanderson, our Head of Audit in Scotland, either by writing to him at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG or by telephoning 0131 527 6720 or email to alex.sanderson@kpmg.co.uk. We will investigate any complaint promptly and do what we can to resolve the difficulties. After this, if you are still dissatisfied with how your complaint has been handled you can refer the matter to Russell Frith, Assistant Auditor General, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN.

2015-16 audit strategy on a page

SECTION 1

SIGNIFICANT RISKS AND OTHER MATTERS

From discussions with management and our knowledge of the Joint Board, we have considered areas of risk and audit focus.

We have identified management override of controls as a significant risk.

Other focus areas are:

- fraudulent revenue recognition;
- property plant and equipment; and
- retirement benefits.

MATERIALITY

MATERIALITY

£1.5 MILLION

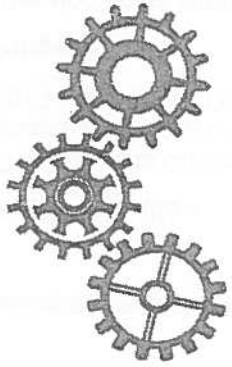
2% TOTAL ASSETS

REPORTING THRESHOLD

£75,000

5% MATERIALITY

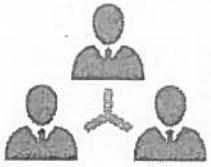
WIDER SCOPE REQUIREMENTS



The audit will consider other areas:

- Audit Scotland's Code of Audit Practice ("the Code") and the audit dimensions set out in the 2016 code (in consultation).
- Code of Practice on Local Authority Accounting in the United Kingdom disclosures.
- Targeted follow up.

KPMG TEAM



The team continues to benefit from continuity at all levels:

- Andy Shaw – engagement director;
- Natalie Dyce– engagement manager;
- Lewis Stewart – audit in-charge.

We will harness the expertise of our pension specialists to support our audit work where necessary.

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Scoping and purpose

SECTION 2

Scope definition

The Accounts Commission has appointed KPMG LLP as auditor of Tay Road Bridge Joint Board ("the Joint Board") under the Local Government (Scotland) Act 1973 ("the Act"). The period of appointment is 2011-12 to 2015-16, inclusive.

Purpose

This document summarises our responsibilities as external auditor for the year ending 31 March 2016 and our intended approach to issues impacting the Joint Board's activities in the year.

Auditors and audited bodies' responsibilities are set out in the Code. This Code states the responsibilities in relation to:

- the financial statements;
- corporate governance and systems of internal control;
- prevention and detection of fraud and irregularities;
- standards of conduct and arrangements for the prevention and detection of bribery and corruption;
- arrangements for preparing and publishing statutory performance information;
- financial position; and
- Best Value, uses of resources and performance.

These responsibilities are outlined in appendix four.

KPMG's planned audit work in 2015-16 will include:

- an audit of the financial statements and provision of an opinion on whether the financial statements:
  - give a true and fair view in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom ("the 2015-16 Code") of the state of the affairs of the Joint Board as at 31 March 2016 and of the income and expenditure of the Joint Board for the year then ended;
  - have been prepared in accordance with IFRS as adopted by the European Union, as interpreted and adapted by the 2015-16 Code, the requirements of the Local Government (Scotland) act 1973, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government Scotland Act 2003.
- a review and assessment of the Joint Board's governance arrangements including a review of the governance statement.

Scoping and purpose
Materiality

Audit differences will be reported to the Joint Board if they are material in size or material in nature. For 2015-16 we consider individual or aggregated financial statement errors of over £1.5 million (2014-15: £1.5 million) to be material.

To the extent that we identify misstatements above £75,000 (2014-15: £75,000) we report them to the Joint Board and assess whether the misstatement is indicative of a significantly deficient or materially weak control environment.

We recognise that matters can be important because of their nature regardless of their size, for example misstatements to key disclosures such as remuneration and related parties, and we will also report these to the Joint Board.

MATERIALITY

£1.5 MILLION

2% TOTAL ASSETS

REPORTING THRESHOLD

£75,000

5% MATERIALITY

DETERMINING MATERIALITY

We consider materiality by reference to the Joint Board's total assets.

Audit guidance typically puts this percentage at not higher than 2% of the chosen gross metric (total assets).

We considered the Joint Board's total assets in 2014-15 and consider the use of a materiality of £1.5 million, representing 2% of 2014-15 total assets to be appropriate.

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Significant risks and other focus areas

International Standard on Auditing (UK and Ireland) 315: *Identifying and assessing risks of material misstatement through understanding the entity and its environment* requires the auditor to determine whether any of the risks identified as part of risk assessment are significant risks and therefore requiring specific audit consideration.

In determining whether a risk is significant, judgement is applied in respect of the whether, for example, the risk is associated with the complexity of transactions, the degree of subjectivity involved in the measurement of financial information, whether the associated transactions are outside the normal course of business or whether there is an associated risk of fraud. We have set out our assessment of significant risks, along with other audit focus areas, in terms of the 2014-15 comprehensive income and expenditure statement and the balance sheet for illustrative purposes.

COMPREHENSIVE INCOME AND EXPENDITURE

CAPTION	2014-15 £'000
Cost of services expenditure	3,745
Other operating income and expenditure	33
Financing and investment income and expenditure	78
Non specific grant income	(2,700)
Surplus on revaluation of PPE	(192)
Actuarial gain	(640)
Total comprehensive income and expenditure	324

Property, plant and equipment

Fraud risk from income recognition

Retirement benefits

BALANCE SHEET

CAPTION	2014-15 £'000
Property, plant and equipment	73,891
Inventories	63
Short term debtors	20
Cash and cash equivalents	2,709
Short term creditors	(798)
Net pension liabilities	(1,935)
Net assets	73,950
Useable reserves	2,056
Unusable reserves	71,894
Total	73,950

Key

Significant audit risk

Other focus area

Significant risks and other focus areas

RISK	WHY	AUDIT APPROACH
Fraud risk from management override of controls	Professional standards require us to communicate the fraud risk from management override of controls as a significant risk; as management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	▪ Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to the audit of the Joint Board. ▪ Strong oversight of finances by management provides additional review of potential material errors caused by management override of controls. ▪ In line with our methodology, we will carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the organisation's normal course of business, or are otherwise unusual.
Fraud risk from income recognition	Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.	As the Joint Board's income is primarily received from the Scottish Government, we do not regard the risk of fraud from revenue recognition to be significant. We anticipate agreeing income received from the Scottish Government to relevant third party documentation, and will obtain audited returns in respect of expenditure incurred by Tay Road Bridge Joint Board.
Property, plant and equipment	Under the Code, property, plant and equipment ("PPE") is required to be held on the balance sheet at fair value.	We will perform substantive analytical procedures over the depreciation expense charge calculated by the Joint Board to ensure it is within our expectation. We will perform substantive procedures over the additions and disposals that have been recognised in the financial year. We will consider the Joint Board's disclosure of fixed assets in the accounts to ensure the requirements under the accounting standards and the Code are being met. We will also consider the revaluation process and assumptions, and confirm this is in line with expectations

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Significant risks and other focus areas

RISK	WHY	AUDIT APPROACH
Retirement benefits	The Joint Board accounts for its participation in the Tayside Pension Fund in accordance with the provisions of IAS 19 *Employee benefits* and recognises the actuarial valuation of the pension liabilities in respect of its share of the Fund. The Fund is valued by actuaries, the rates of contributions being determined by on their advice. The actuaries use membership data and a number of assumptions in their calculations based on market conditions at the year end, including a discount rate to derive the anticipated future liabilities back to the year end date and assumptions on future salary increases.	Our audit approach to IAS 19 includes: ▪ review of the financial assumptions underlying the actuary's calculations and comparison to our central benchmarks; ▪ testing of the level of contributions used by the actuary to those actually paid during the year; and ▪ testing of membership data used by the actuary to data from the Fund. The actuarial assumptions applied in calculating the IAS 19 net pension liability are inherently judgemental. We will assess the assumptions for 2015-16 for appropriateness compared to our acceptable ranges, using pension specialists where required. We will also test underlying controls to verify the input data for staff costs and numbers.

Code of practice on Local Authority Accounting in the United Kingdom 2015-16 ("the Code")	The 2015-16 financial statements will be prepared in accordance with the *Code of practice on local authority accounting in the United Kingdom 2015-16* ("the Code") which is based on International Financial Reporting Standards ("IFRS"). The 2015-16 Code has a number of amendments from the 2014-15 version and management should consider if these changes will impact the financial statements. The amendments include: ▪ adoption of IFRS 13 *Fair Value Measurement,* including consequential amendments as a result of adopting this standard and the introduction of the concept of current value; ▪ amendments to underline the importance of the consideration of materiality when preparing disclosures; and ▪ amendments made as a result of the Local Authority Accounts (Scotland) Regulations 2014. We do not consider that the adoption of IFRS 13 will have an impact on the Joint Board's financial statements. Audit Scotland has also provided enhanced guidance in respect of a number of technical topics, which will be considered during the audit.

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Audit approach
Approach to fraud

SECTION 6

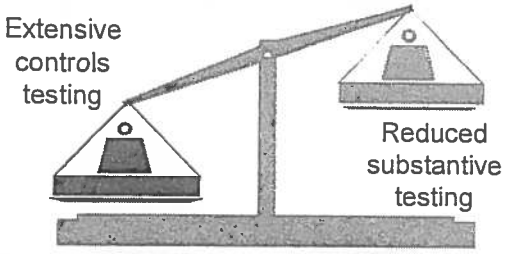
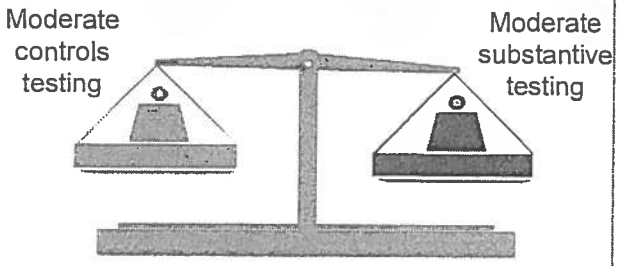
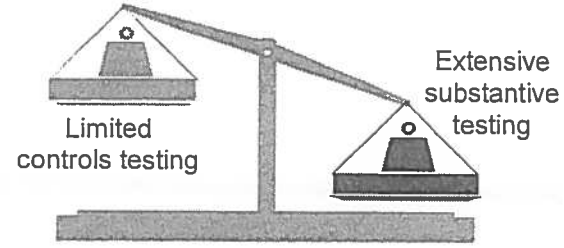
In accordance with International Standards on Auditing (UK and Ireland) ISA 240 *The Auditor's responsibility to consider fraud in an Audit of a Financial Report*, we will undertake specific procedures and report findings to management and the Joint Board in respect of financial reporting fraud. The following table highlights the phases of our work on fraud.

Discuss fraud	Assess fraud risk	Tailor audit response
■ Discussions with: – The Joint Board; and – Finance team members.	■ Preliminary fraud risk assessment: – Management oversight; – Internal control framework; – Nature of operations.	■ Our audit procedures are designed to have a reasonable chance of detecting misstatements as a result of fraud or error – Review and test the fraud risk assessment process, systems and controls to prevent, deter and detect fraudulent activity. – Evaluate the design of financial reporting controls during process testing to assess their effectiveness in detecting fraud. – Identify and select specific journal entries for detailed substantiation and consolidation journals for appropriate evidence and basis. – Review significant accounting estimates for management bias. ■ The audit team will review and discuss fraud related risks and controls with management. ■ We will incorporate an element of unpredictability into our testing, as individuals within the Joint Board who are familiar with our audit procedures may be able to use that knowledge to conceal fraudulent financial reporting.

Audit approach
Substantive testing

In respect of the financial statements, we identify the constituent account balances and significant classes of transactions and focus our work on identified risks.

Determining the most effective balance of internal controls and substantive audit testing enables us to ensure the audit process runs smoothly and with the minimum disruption to your team. The graphic opposite outlines how we apply this to the audit of the Joint Board's financial statements.

What we do	Accounts/transactions suited to this testing	KPMG's approach to:
	▪ Low value transactions ▪ High volume ▪ Homogenous transactions ▪ Little judgement	▪ Payroll expenditure ▪ Net cost of services
	▪ Low/medium value ▪ High/medium volume ▪ Some areas requiring judgement	▪ Cash ▪ Other expenditure
	▪ High value ▪ Low volume **or** ▪ Unusual non-recurring ▪ Accounting estimates ▪ Significant judgments	▪ Taxation and non-specific grant income ▪ Debtors, creditors and accruals ▪ Pension scheme liability ▪ Property plant and equipment ▪ Journals

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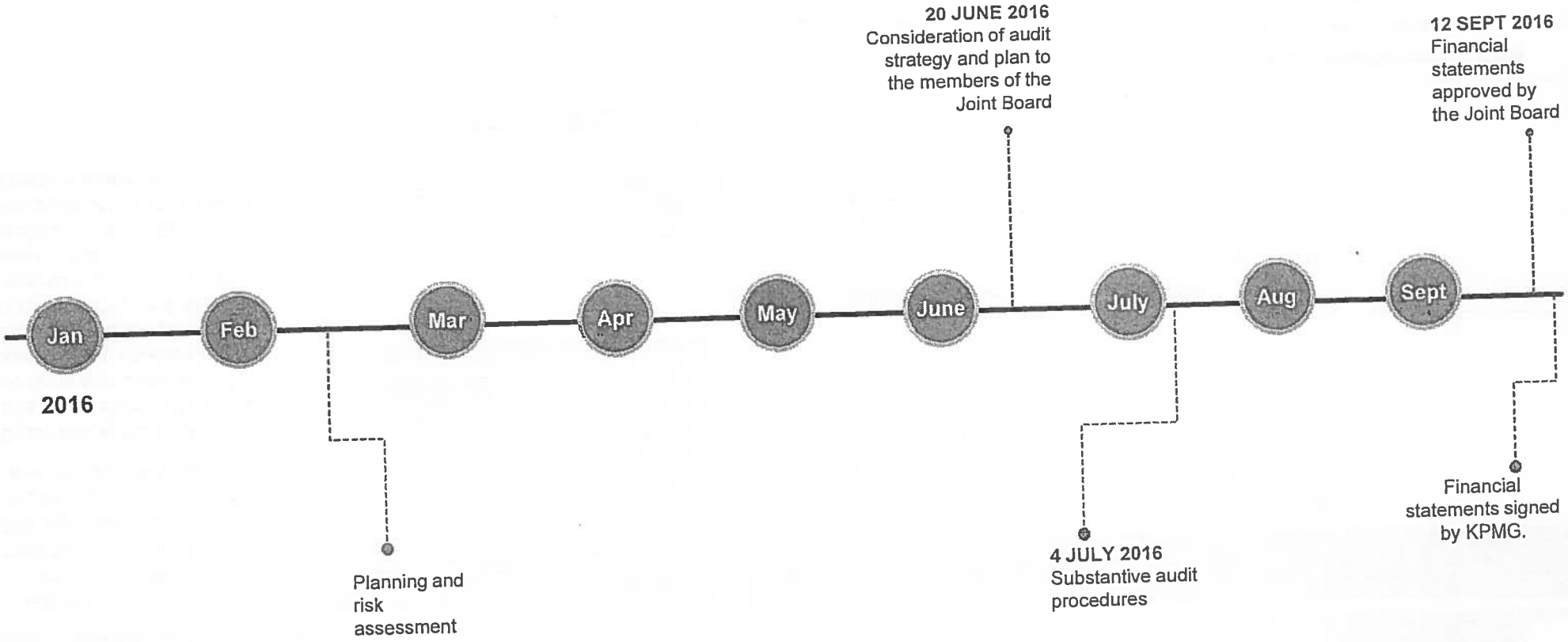
Timeline and reporting

SECTION 3



Appendices

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Mandated communications with the Joint Board

APPENDIX 1

Matters to be communicated	Link to Audit Committee papers
Independence and our quality procedures ISA 260 (UK and Ireland).	■ See next page
The general approach and overall scope of the audit, including levels of materiality, fraud and engagement letter ISA 260 (UK and Ireland).	■ Main body of this paper
■ Disagreement with management about matters that, individually or in aggregate, could be significant to the entity's financial statements or the auditor's report, and their resolution (AU 380).	■ In the event of such matters of significance we would expect to communicate with the Joint Board throughout the year. ■ Formal reporting will be included in our audit highlights memorandum for the September 2016 Joint Board meeting, which focuses on the financial statements.
■ Significant difficulties we encountered during the audit. ■ Significant matters discussed, or subject to correspondence, with management (ISA 260).	
■ Our views about the qualitative aspects of the entity's accounting and financial reporting. ■ The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements (ISA 260 and ISA 540).	
■ Audit adjustments, whether or not recorded by the entity, that have, or could have, a material effect on its financial statements. We will request you to correct uncorrected misstatements (including disclosure misstatements) (ISA 450).	
■ The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the entity's financial statements (ISA 570).	
■ Material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern (ISA 570).	
■ Expected modifications to the auditor's report (ISA 705).	

Auditor independence

APPENDIX 2

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

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

General procedures to safeguard independence and objectivity

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

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

We are satisfied that our general procedures support our independence and objectivity

Confirmation of our audit independence

We confirm that as at 12 February 2016, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of Andy Shaw and the audit team is not impaired.

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

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

Yours faithfully

KPMG LLP

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Fees

APPENDIX 3

Audit Scotland requires that the fee for our work is set within an indicative range, depending on the assessment of risk and other factors facing the Joint Board. The indicative fee range is calculated using a number of inputs:

- A central estimate of the number of days needed to complete the audit
- the average remuneration rate for the audit team
- the contribution to travel and expenses within the sector
- the contribution towards performance audits, where relevant
- the contribution towards other central costs not met by the Scottish Consolidated Fund

The indicative fee ranges are based on the following assumptions to ensure an efficient audit process:

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

Audit Scotland has notified us that the fee range for 2015-16 is £9,620 to £14,440, with a mid-point of £12,030 (including VAT). We have proposed a fee of £12,030.

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

Audit Scotland code of audit practice – responsibilities of auditors and management

APPENDIX 4

Responsibilities of auditors	Responsibilities of management
Financial statements	
Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on: ▪ whether they give a true and fair view of the financial position of audited bodies and their expenditure and income; and ▪ whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements. Auditors should review and report on, as appropriate, other information published with the financial statements, including the directors' report, annual governance statement, statement on internal control or statement on internal financial control and the remuneration report. Where required, auditors should also review and report on the Whole of Government Accounts return.	Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources. Audited bodies are responsible for: ▪ ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority; ▪ maintaining proper accounting records; ▪ preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the relevant financial reporting framework (eg, the Financial Reporting Manual or an Accounting Code of Practice); ▪ preparing and publishing with their financial statements an annual governance statement, statement on internal control or statement on internal financial control and a remuneration report; and ▪ preparing consolidation packs and, in larger bodies, preparing a Whole of Government Accounts return.
Corporate governance arrangements	
Consistent with the wider scope of public audit, the Code gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to: ▪ bodies' reviews of corporate governance and systems of internal control, including their reporting arrangements ▪ the prevention and detection of fraud and irregularity ▪ standards of conduct and arrangements for the prevention and detection of corruption; and ▪ the financial position of audited bodies.	Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.

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Audit Scotland code of audit practice – responsibilities of auditors and management

APPENDIX 4

Responsibilities of auditors	Responsibilities of management
Systems of internal control	
Auditors are required to review and report on the compliance statements given by bodies under the relevant code or framework before their publication. This is discharged by reviewing and, where appropriate, examining evidence relevant to audited bodies' arrangements in accordance with any guidance issued by Audit Scotland. Auditors are not required to consider whether the statements cover all risks and controls, or form an opinion on the effectiveness of procedures, but report where compliance statements are not consistent with their knowledge of the body.	Audited bodies are responsible for developing and implementing systems of internal control, including risk management, financial, operational and compliance controls. They are required to conduct annual reviews of the effectiveness of their governance, systems of internal control, or internal financial control, and report publicly that they have done so. Such reviews should take account of the work of internal audit and be carried out by those charged with governance, usually through bodies' audit committees.
Prevention and detection of fraud and irregularities	
Auditors should review and report on these arrangements. While auditors do not substitute for audited bodies own responsibilities, and are not responsible for preventing or detecting fraud or irregularity, they should be alert to the potential for breaches of procedures, and of fraud and irregularity. Auditors examine evidence that is relevant to these arrangements, particularly aspects of internal financial control such as segregation of duties, authorisation and approval processes and reconciliation procedures.	Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. This includes: ▪ developing, promoting and monitoring compliance with standing orders and financial instructions; ▪ developing and implementing strategies to prevent and detect fraud and other irregularity; ▪ receiving and investigating alleged breaches of proper standards of financial conduct or fraud and irregularity; and ▪ participating, when required, in data matching exercises carried out by Audit Scotland.

Audit Scotland code of audit practice – responsibilities of auditors and management

APPENDIX 4

Responsibilities of auditors	Responsibilities of management
Standards of conduct and arrangements for the prevention and detection of bribery and corruption	
Auditors should consider whether bodies have adequate arrangements in place to maintain and promote proper standards of financial conduct and to prevent and detect bribery and corruption. Auditors review and, where appropriate, examine evidence that is relevant to these arrangements and reporting their findings. While auditors are not responsible for preventing or detecting failure to maintain an appropriate level of integrity and openness, they should be alert to the potential for corruption and breaches of standards of conduct in all aspects of their work. If weaknesses in arrangements are identified or notified, auditors should report them promptly to management or those charged with governance.	Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and should put proper arrangements in place for: ▪ implementing and monitoring compliance with appropriate guidance on standards of conduct and codes of conduct for members and officers; ▪ promoting appropriate values and standards; and ▪ developing, promoting and monitoring compliance with standing orders and financial instructions.
Financial position	
Auditors should consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based, where appropriate, examining evidence that is relevant to the arrangements. Auditors should have regard to audited bodies': ▪ financial performance in the period under audit ▪ compliance with any statutory financial requirements and financial targets ▪ ability to meet known or contingent statutory and other financial obligations ▪ responses to developments which may have an impact on their financial position; and ▪ financial plans for future periods.	Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based having regard to: ▪ such financial monitoring and reporting arrangements as may be specified; ▪ compliance with any statutory financial requirements and achievement of financial targets; ▪ balances and reserves, including strategies about levels and future use; and ▪ the impact of planned future policies and foreseeable developments on their financial position.

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Audit Scotland code of audit practice – responsibilities of auditors and management

APPENDIX 4

Responsibilities of auditors	Responsibilities of management
Best Value, use of resources and performance	
The Local Government (Scotland) Act 1973 places a duty on the auditors of local government bodies to be satisfied that proper arrangements have been made for securing Best Value and complying with responsibilities relating to community planning. Auditors of local government bodies also have a responsibility to review and report on the arrangements that specified audited bodies have made to prepare and publish performance information in accordance with directions issued by the Accounts Commission. Auditors should undertake appropriate work to satisfy themselves that bodies have put in place adequate arrangements for the collection, recording and publication of statutory performance information by reviewing and examining evidence that is relevant to these arrangements in accordance with any guidance issued by Audit Scotland.	Local authorities have a statutory duty to make arrangements to secure Best Value; defined as the continuous improvement in the performance of functions. In securing Best Value, local authorities must maintain a balance of quality and cost considerations and have regard, among other things, to economy, efficiency and effectiveness (or 'value for money') and the need to meet equal opportunity requirements and contribute to the achievement of sustainable development. Local authorities also have a duty for community planning, which is to initiate, maintain and facilitate consultation among and with public bodies, community bodies and others about the provision of services in the area of the local authority and the planning of that provision. Achievement of Best Value or value for money depends on the existence of sound management arrangements for services, including procedures for planning, appraisal, authorisation and control, accountability and evaluation of the use of resources. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily. The Local Government Act 1992 requires the Accounts Commission to specify information which local authorities must publish about their performance.

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cutting through complexity

The contacts at KPMG in connection with this report are:

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Assistant Manager

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Lewis Stewart

In-charge

Tel: 0131 451 7780

lewis.stewart@kpmg.co.uk

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

REPORT ON: ANNUAL GOVERNANCE STATEMENT FOR THE YEAR TO 31 MARCH 2016

REPORT BY: TREASURER

REPORT NO: TRB 16-2016

ITEM No: 8

1 PURPOSE OF REPORT

To present to the Board the Annual Governance Statement for approval and inclusion in the unaudited Annual Accounts for the year ended 31 March 2016 which is also being submitted to the Board.

2 RECOMMENDATIONS

It is recommended that the Board:

i notes the contents of this covering report;

ii approves the Annual Governance Statement which is included as an Appendix to this report; and

iii instructs the Treasurer to include the Annual Governance Statement in the Annual Accounts for the year to 31 March 2016.

3 FINANCIAL IMPLICATIONS

None.

4 BACKGROUND

4.1 The relevant statutory provisions regarding the preparation of the Board's Accounts are contained in the Local Authority Accounts (Scotland) Amendment Regulations 2014. Section 5 of these regulations require that "...the local authority must conduct a review at least once in each financial year of the effectiveness of its system of internal control. The findings of the review... must be considered at a meeting of the local authority... (and) following consideration of the findings of the review... that authority must approve an annual governance statement." There is no requirement to have separate meetings for the consideration of the findings and then the approval of the annual governance statement. Both may be undertaken at the same meeting.

4.2 As in previous years the Annual Accounts (including the Annual Governance Statement) have been prepared in accordance with the Code of Practice on Local Authority Accounting (the Code) which stipulates that the following information should be included in the Annual Governance Statement:

i. An acknowledgement of responsibility for ensuring there is a sound system of governance;
ii. An indication of the level of assurance that the systems and processes that comprise the board's governance arrangements can provide;
iii. A brief description of the key elements of the governance framework;
iv. A brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements, including some comment on the role of the board, internal audit and other explicit reviews/assurance mechanisms;

v. An outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan; and

vi. A specific statement on whether the Board's financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government* (2010) as set out in the CIPFA's *Application Note to Delivering Good Governance in Local Government: Framework*; and where they do not, an explanation of how they deliver the same impact.

4.3 The Annual Governance Statement for the year ended 31 March 2016 is included on Appendix A.

5 POLICY IMPLICATIONS

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

6 CONSULTATIONS

The Bridge Manager and Clerk to the Board have been consulted on the content of this report and are in agreement with the contents.

7 BACKGROUND PAPERS

CIPFA: Code of Practice on Local Authority Accounting in the UK 2015/2016;
The Local Authority Accounts (Scotland) Regulations 2014;
CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010); and
CIPFA's Application Note to Delivering Good Governance in Local Government: Framework.

MARJORY M STEWART
TREASURER

8 JUNE 2016

APPENDIX A

TAY ROAD BRIDGE JOINT BOARD

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

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

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

The Board's Governance Framework

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

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

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

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

The overall control arrangements include:

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

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

Review of Effectiveness

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

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

The Board's Internal Audit Service conforms with Public Sector Internal Audit Standards and reports to the Board. Internal Audit undertakes an annual programme of work, which is reported to the Board. The Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control.

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

Continuous Improvement Agenda

During 2012/2013, Internal Audit identified the following areas where further improvements could be made:

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

Data Protection and Freedom of Information policies have been developed and were approved at the September 2015 Board meeting.

During 2014/2015, Internal Audit conducted their programme of audits, including reviews of Contract Management, Compliance with Legislation and Staff Recruitment and Retention. These identified the following areas where further improvements could be made:

- Maintain a record of all contract management activity including performance measures;
- Develop a whistle-blowing policy;
- Update the Fraud Guidelines to take account of the UK Bribery Act 2010;
- Devise a recruitment and selection policy; and
- Develop a records management policy.

A record of all contracts and correspondence are now held centrally. This includes details of high level performance standards. However, the Joint Board's Financial Regulations still require to be updated to include Contract Management requirements.
A whistle-blowing policy is being developed and will be reported to the June 2016 Board meeting.
Updated Fraud Guidelines were approved by the Board in March 2016.
A new Recruitment and Selection policy has been implemented.

During 2015/2016, Internal Audit conducted their programme of audits including a review of Corporate Governance and Planning and it was reported that there were no significant weaknesses noted and that the Board's compliance with the relevant principles of the *Delivering Good Governance in Local Government (2008)* was found to be good with no areas for improvement identified. Internal Audit's review of Physical Security and Asset Management identified the following area where further improvements could be made:

- Develop an assets disposal record and incorporate it into the office procedures.

It is proposed that during 2016/2017 steps are taken to address the items identified in the Continuous Improvement Agenda to further enhance the Board's governance arrangements.

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

Marjory Stewart FCCA, CPFA
Treasurer
Tay Road Bridge Joint Board
20 June 2016

Alan Hutchison
Bridge Manager
Tay Road Bridge Joint Board
20 June 2016