1. Overview

1.1.   The internal audit plan 2024/25 includes a review of Roads Services. This audit has been completed and the internal audit report is attached as Appendix 1 to this report.

1.2.   The Roads Asset Management Plan 2023-28 sets out how the Council intends to manage its road network. The roads network, together with its associated infrastructure, is one of the Council's highest valued assets and provides direct support for all of Orkney's communities, businesses, tourism and economic development.

1.3.   The objective of this audit was to evaluate the efficiency, effectiveness and compliance of the Roads Service with applicable policies, regulations and best practice.

1.4.   The audit provides Substantial assurance that the processes and procedures relating to Roads Services are well controlled and managed.

1.5.   The internal audit report, attached as Appendix 1 to this report, includes 3 low priority recommendations regarding job costing, timesheets and a system of review for risk assessments. There are no medium or high priority recommendations made as a result of this audit.

2. Recommendations

2.1.   It is recommended that members of the Committee:

i.   Scrutinise the findings contained in the internal audit report, attached as Appendix 1 to this report, evaluating the efficiency, effectiveness and compliance of the Roads Service with applicable policies, regulations and best practice, in order to obtain assurance that action has been taken or agreed where necessary.

For Further Information please contact:

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Implications of Report

1. **Financial:** None directly related to the recommendations in this report.
2. **Legal:** None directly related to the recommendations in this report.
3. **Corporate Governance:** In terms of the Scheme of Administration, consideration of Internal Audit findings and recommendations, and review of actions taken on recommendations made, are referred functions of the Monitoring and Audit Committee.
4. **Human Resources:** None directly related to the recommendations in this report.
5. **Equalities:** An Equality Impact Assessment is not required in respect of Internal Audit Reporting.
6. **Island Communities Impact:** An Island Communities Impact report is not required in respect of Internal Audit Reporting.
7. **Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
   ☐ Growing our economy.
   ☐ Strengthening our Communities.
   ☐ Developing our Infrastructure.
   ☐ Transforming our Council.
8. **Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
   ☐ Cost of Living.
   ☐ Sustainable Development.
   ☐ Local Equality.
9. **Environmental and Climate Risk:** None directly related to the recommendations in this report.
10. **Risk:** Internal Audit evaluates the effectiveness and contributes to the improvement of the risk management processes.
11. **Procurement:** None directly related to the recommendations in this report.
12. **Health and Safety:** None directly related to the recommendations in this report.
13. **Property and Assets:** None directly related to the recommendations in this report.
14. **Information Technology:** None directly related to the recommendations in this report.

15.   Cost of Living: None directly related to the recommendations in this report.

List of Background Papers

Internal Audit Plan 2024/25.

Appendix

Appendix 1: Internal Audit Report – Roads Services.

ORKNEY
ISLANDS COUNCIL

Internal Audit

Audit Report	
Roads Service	
Draft issue date:	**20 January 2025**
Final issue date:	**30 January 2025**
Distribution list:	**Corporate Director (Neighbourhood Services & Infrastructure**
	Head of Service (Neighbourhood Services)
	Service Manager (Roads & Grounds)
	Team Manager Roads Support
	Team Manager Roads and Grounds Operations
	Head of Service (Improvement and Performance)

Contents

Audit Opinion

Based on our findings in this review we have given the following audit opinion.

Substantial	The framework of governance, risk management and control were found to be comprehensive and effective.

A key to our audit opinions and level of recommendations is shown at the end of this report.

Executive Summary

The Roads Asset Management Plan 2023-28 sets out how the Council intends to manage its road network. The roads network, together with its associated infrastructure, is one of the Council's highest valued assets and provides direct support for all of Orkney's communities, businesses, tourism and economic development.

The Council has 986 kilometres of carriageways and associated drainage as well as 127 km of footpaths and cycle paths, numerous bridges, causeways, walls and other structures, street lighting and street furniture.

The Roads Service has been ISO 9001 registered since 2003. Registration is subject to maintaining a quality management system to the ISO 9001 standard which is monitored by independent and registered assessors, NQA.

Our audit placed some reliance on the NQA audits where we considered it appropriate to do so in order to avoid duplication.

Some areas of good practice were identified during this audit including:

- Adherence to the Financial Regulations and Contract Standing Orders.
- Compliance with the Quality Management System requirements.
- Internal and external communications and engagement.

The report includes 3 recommendations which have arisen from the audit. The number and priority of the recommendations are set out in the table below. The priority headings assist management in assessing the significance of the issues raised.

Responsible officers will be required to update progress on the agreed actions via Ideagen Risk management.

Total	High	Medium	Low
3	0	0	3

The assistance provided by officers contacted during this audit is gratefully acknowledged.

Introduction

The Roads (Scotland) Act 1984 Section 1 states that "a local authority shall manage and maintain all such roads in their area for the time being entered in a list (in this Act referred to as their list of public roads) prepared and kept by them under this section".

A safe and serviceable road network is an essential requirement for the well-being of any community. The roads not only carry all people, vehicles, and goods, but also all the other service apparatus, such as water, sewerage, fibre, electricity, and telephone, that are essential to maintain our present standard of living. In addition, the roads network is the first thing most tourists or other visitors to Orkney will see and consequently will be the first impression that they receive of the area and the Council.

It is therefore vital that there is a structured approach to roads management and maintenance that ensures the safety of the network whilst minimising the need for reactive maintenance and ensures serviceability for road users by maximising the long-term benefits of routine maintenance.

This review was conducted in conformance with the Public Sector Internal Audit Standards.

Audit Scope

The objective of this audit was to evaluate the efficiency, effectiveness, and compliance of the Roads Service with applicable policies, regulations, and best practice. This included assessing the management of resources, the quality and timeliness of road maintenance and construction, and the adequacy of internal controls.

The scope of the audit included a review of the following:

- Planning and scheduling of road maintenance and construction projects.
- Budgeting and financial management.
- Procurement and contract management.
- Allocation, and efficient use, of resources.
- Quality Management Systems.
- Health, safety, and environmental compliance.
- Asset management and inventory controls.
- Performance monitoring and reporting.

Audit Findings

1.0 Planning and Scheduling Maintenance and Projects

1.1 The Roads Support team deal with capital works, complaints, and updating the Roads Gazetteer. Roads inspectors within the support team are involved with planning applications, various permits, supervising utility works and dealing with routine safety inspections. A software package, WDM, which contains a Geographic Information System (GIS) is used to record and prioritise defects and schedule repairs.

1.2 Roads management and maintenance in Orkney is based on the UK Roads Liaison Group's Code of Practice, "Well Managed Highway Infrastructure".

1.3 Road inspectors decide on the category of repair for individual defects using a risk matrix. Different types of inspections such as statutory safety inspections, coarse and detailed visual inspections and walked inspections are contained in an inspection process document. Members of the public can also report defects through the DASH system or through customer services and these will feed into the inspection process.

1.4 Roads Support issues a programme of works which includes job instructions with detailed specification and maps which give details of utilities, signage etc via the WDM system to the technical assistants at Roads Operations.

1.5 Public consultation is undertaken via the Council website or social media for initiatives such as changes to speed limits. For notification of upcoming road works, social media and local press are used and where necessary letters are delivered by the operations team to individuals affected by road closures. Public notices are also erected at roadwork sites two weeks prior to the start of works.

1.6 There are separate plans for activities such as winter maintenance, verge maintenance, drainage etc.

2.0 Budgeting and Financial Management

2.1 Data from the Local Government Benchmarking Framework (LGBF) shows that in 2023/24 Orkney's cost of roads per kilometre was £5,979, the family group average cost was £6,973 and the Scottish average was £13,481. This shows that Orkney spent 14.25% (£994) less than the family group average and 55.65% (£7,502) less than the average for Scotland per kilometre of road. The graph below from LGBF shows the average costs over the last 14 years.

ENV04a - Cost of roads per kilometre

● Local Authority ● FG Average ● Scotland
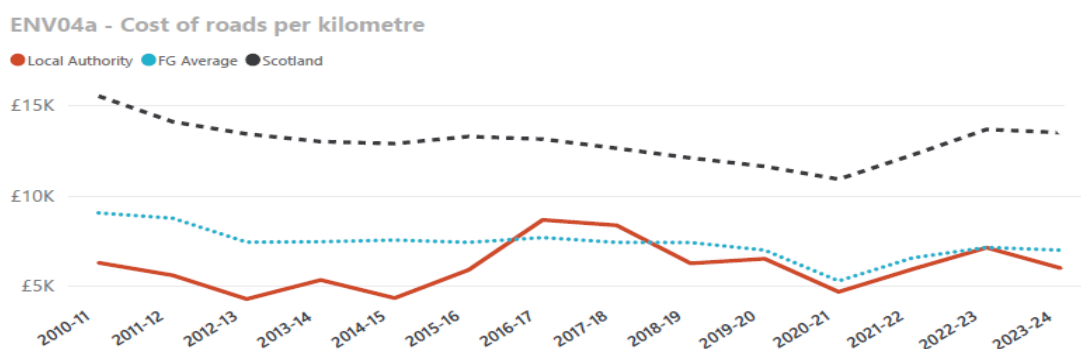
2.2 An Annual Status and Options Report (ASOR) is produced which provides an indication of the condition of the roads and the resource required to maintain the road network.

2.3 The ASOR refers to the Road Condition Indicator which is calculated following an independent survey of the road network. The 2023/24 survey showed that 21.9% of Orkney's road network required reconstruction, resurfacing or surface dressing.

2.4 A capital budget provides for major projects while a revenue budget is used for smaller repairs such as potholes. The capital budget is monitored and reported to committee quarterly. There are some ring-fenced budgets such as grants for specific safety initiatives or road improvements.

2.5 All jobs carried out by the Roads Service are costed and include time, materials and equipment costs. Individual job costing is affected by out-of-date plant recharge rates. The current internal plant rates have not been reviewed for approximately ten years.

2.6 It is recommended that the plant rates are updated and subject to regular reviews to ensure that job costing reflects the true costs involved.

Recommendation 1

3.0 Procurement and Contract Management

3.1 All contracts over £10,000 are handled by the Engineering Team who, with the Roads Support Team, develop the contract specification and create a procurement plan. The contracts are then subject to the normal Council procurement process.

3.2 A Clerk of Works will monitor the work being carried out by the contractor and inspect the site after the work is done at which point a completion letter will be issued.

3.3 A software package is used by the Engineering Team to monitor progress, issues and risks with contracts.

4.0 Efficient Use of Resources

4.1 The timesheet system used for roads operational staff is a paper-based system. Issues with correct completion, authorisation and timely submission of time sheets can delay the process and the resulting costing of jobs. The timesheets are entered onto the New Horizon system to allow job costing to be carried out.

4.2 Although timesheets are used for the majority of roads operational staff there are roles such as supervisors and technicians and additional staff brought in to assist, for example during winter maintenance, where jobs sheets are not completed. This can result in hidden costs as staff time is not accurately reflected in these areas.

4.3 Efficiency and accuracy in costing could be improved by moving to an electronic timesheet system to reduce errors and speed up the process.

4.4 We recommend the corporate timesheet system, which has previously been recommended and is under development, is considered to improve the efficiency and accuracy of the time recording process.

Recommendation 2

5.0 Quality Management System

5.1 The Roads Service has had a Quality Management System (QMS) since 2003 which is certified to ISO 9001:2015. NQA recertify the ISO accreditation every 3 years and between certification audits they do an annual audit. There are also monthly reviews carried out by a local auditor who normally looks at a job from initial setting up of a job at Roads Support to completion by Roads Operations and all of the documentation relating to that job.

5.2 Any issues found by either the local auditor or the NQA assessor will feature in an audit report. All actions resulting from these audits will be added to a corrective action report (CAR) which is a standing agenda item at quarterly QMS meetings.

5.3 Progress with these actions is monitored by the Roads Quality Assurance Officer who keeps a spreadsheet to track the progress with action implementation against the deadlines set by the auditor.

6.0 Health Safety and Environmental Compliance

6.1 Health and safety risk assessments are in place for all aspects of roads support and operations. It was noted during the audit that several of the risk assessments had not been subject to a recent review.

6.2 We would recommend implementing a system of review to ensure that all risk assessments are reviewed annually and updated with any changes in working practice.

Recommendation 3

6.3 A log of all operational staff training is kept by the Quality Assurance Officer. This details health and safety training, general training, Construction Skills Certification Scheme and training on specific plant. Training completion dates and certificate expiry dates are recorded to track when retraining or refresher courses are required.

6.4 Toolbox talks and safety briefings are carried prior to jobs beginning to ensure operatives are aware of any risk and have appropriate PPE and safety equipment. As well as generic risk assessments there are site specific risk assessments carried out at each site.

6.5 A new health surveillance questionnaire has been introduced to assist in identifying any symptoms from processes involving noise, vibration, silica dust etc.

7.0 Asset Management

7.1 The Roads Asset Management Plan 2023 to 2028 formalises the Council's plans for its road assets and meets relevant legislative requirements. The plan assists the Council to allocate the limited resources to where they will provide the best long-term benefits.

7.2 The plan sets out the service standards for different classes of assets based on the levels of funding available and the risks to achieving the objectives of the plan.

7.3 The WDM system is used as an asset inventory system to track all roads assets in Orkney. Quarterly exports of data are used to update the Roads Gazetteer which is an inventory of all roads in Scotland.

7.4 Roads that are adopted by the Council are added to the WDM system. Adoption of roads occurs where a contractor has constructed a road as part of a development such as a

housing scheme. A Roads Construction Consent has to be obtained by the developer which sets out all the requirements that have to be met and the road is inspected before the Council can adopt the road.

8.0   Performance Monitoring and Reporting

8.1   Objectives for quality and service levels are set and reported on annually as part of the QMS process.

8.2   Customer satisfaction statistics are gathered by online surveys and reported as part of the ASOR. Customer defect reporting is also monitored and reported as part of the ASOR.

Action Plan

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
1 It is recommended that the plant rates are updated and subject to regular reviews to ensure that job costing reflects the true costs involved.	Low	Agree. With a new Fleet Manager in post as of January 2025, this work should be completed in the first quarter of 25/26, and the revised rates uploaded into the costing system (New Horizon).	Head of Neighbourhood Services	30 June 2025
2 We recommend the corporate timesheet system, which has previously been recommended and is under development, is considered to improve the efficiency and accuracy of the time recording process.	Low	Review of the timesheet system is underway. Discussions have been held with the team developing the corporate system but it is not clear that this will provide the functionality required to track operational resource. Therefore, other systems are also being investigated. We would aim to make a decision regarding the corporate system by December 2025.	Head of Neighbourhood Services	31 December 2025
3 We would recommend implementing a system of review to ensure that all risk assessments are reviewed annually and updated with any changes in working practice.	Low	Agree, and this work is already underway. A full review of all existing risk assessments will be complete by June 2025, with an annual review incorporated in the Quality Management System	Service Manager – Roads and Grounds	30 June 2025

Key to Opinion and Priorities

Audit Opinion

Opinion	Definition
Substantial	The framework of governance, risk management and control were found to be comprehensive and effective.
Adequate	Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Recommendations

Priority	Definition	Action Required
High	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Medium	Weakness in governance, risk management and control that if unresolved exposes the organisation to a significant level of residual risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Low	Scope for improvement in governance, risk management and control.	Remedial action should be prioritised and undertaken within an agreed timescale.