

Final Internal Audit Report

Highways Programme, Regional Enterprise (Re)

March 2017

To: Commissioning Director for Environment
Associate Director- Highways, Re
Strategic Lead, Effective Borough Travel
Interim Lead Strategic Commissioner - Highways and Transport
Partnership Relationship Manager
Re Operations Director
Service Director- Highways
Head Of Performance and Risk Management, Re

From: Head of Internal Audit

We would like to thank management and staff of the Highways team for their time and co-operation during the course of the internal audit.

Executive Summary

Assurance level	Number of recommendations by risk category				
Limited	Critical	High	Medium	Low	Advisory
	-	1	2	3	-
Scope					
<p>The Network Recovery Programme (NRP) is managed by Regional Enterprise (“Re”) Limited on behalf of the Council. Re also manage the contract that the Council has in place with Conway Aecom to provide reactive and planned highways maintenance, including works under the NRP scheme. The objective of this review was to assess the design and test the operating effectiveness of the contract management arrangements in place for the contract with Conway Aecom as well as to consider key controls to support the delivery of works under the NRP highways improvement programme. In particular it looked at the controls in place to help ensure the following objectives are met:</p> <p><u>Completion of highways improvement works</u>: Works are completed in line with required standards and minimise disruption to residents.</p> <p><u>Governance and Performance Reporting</u>: Contract managers are able to govern with confidence, making timely and fully informed decisions, resulting in the required contract outcomes and benefits being realised.</p> <p><u>Issue Management and Conflict Resolution</u>: Contract issues are identified, monitored, escalated and resolved in a timely fashion to avoid impacting on contract aims.</p> <p><u>Risk Management</u>: Contract risks are identified and mitigated in line with the organisational risk appetite and risk management strategy.</p> <p>The review has considered the risks outlined in the terms of reference and detailed in Appendix 4 and considered the period from 1 April 2016 to 30 November 2016.</p>					
Summary of findings					
<p>We identified that there are controls in place to ensure that there is adequate oversight and quality assurance of the completion of works under the Network Recovery Programme (NRP). There are mechanisms in place to ensure that there is oversight of activity through visits to works that are in progress and at the completion stage to provide assurance over quality. However, although these controls support the completion of individual schemes under the NRP we did identify some issues relating to broader contract management controls to ensure that there is effective oversight and management of the spectrum of planned and reactive works commissioned through LoHAC (London Highways Alliance Contract). The main area of improvement relates to the performance management arrangements in place. At present formal performance management is not being used as an effective contract management tool. It is important that the framework in place gives management the information they need to proactively identify performance issues and incentivise the contractor to influence practice in areas that matter to the Council. Re and the Council should work together to ensure that this is addressed going forward.</p> <p>This audit has identified 1 high, 3 medium and 3 low risk findings:</p> <ul style="list-style-type: none"> - Performance management (Finding 1, High) <p>Upon reviewing a sample of three monthly performance reports produced by the contractor, we identified one instance where performance information was not provided in line with requirements. Information was not consistently reported for certain performance indicators specified in the call off agreement. No validation of Key Performance Indicator (KPI) information provided by the contractor is currently performed. There are no mechanisms currently in place to identify</p>					

inaccurate performance information presented by the contractor. Evidence could not be provided to consistently demonstrate that poor performance identified through reported KPIs was addressed and appropriate action was taken.

The framework allows for a review of Performance Indicators to occur annually however a review has not happened to date . It is not clear whether the current performance management framework includes the most effective or appropriate performance indicators, for example a number of indicators are not measured in light of them not relating to the actual services provided under the contract. Service standards and associated KPIs in place for the Conway Aecom contract and the service standards that Re are to achieve are not aligned and therefore Re cannot effectively incentivise and influence contractor behaviours through the current performance management mechanisms set out in the Conway Aecom contract to ensure that required Council service standards are met.

- **Issue management (Finding 2, Medium)**

There is no central issues log to systematically manage and resolve strategic issues in relation to the contract and key operational issues arising. Whilst there are more operational issues logs maintained in relation to individual schemes (e.g. Defects logs and snagging lists) and we have seen ad hoc communications around ongoing service issues, there is no easy way of tracking progress against more systemic issues in relation to the service and the contract to ensure issues are resolved in a timely manner and the contractor is held accountable for taking action to resolve issues.

- **Inspection sheets (Finding 3, Medium)**

For 10/10 (100%) NRP schemes tested, the site clearance section in the site inspection form had not been completed following the completion of works. This section confirms that the site is clean and safe for public access and that all signage has been removed and road markings reinstated.

- **Complaints protocol (Finding 4, Low)**

A complaints protocol to set out how complaints made directly to the contractor should be escalated and communicated has not been agreed to date in line with contractual requirements.

- **Quality policy statement (Finding 5, Low)**

The contractor was required to provide a Quality Policy Statement in line with the Framework contract in place. Neither Re or the Council were aware of this document and this has not informed contract management arrangements to ensure the contractor is held accountable to certain quality standards and procedures.

- **Resident notification letters (Finding 6, Low)**

For a sample of NRP schemes evidence could not be consistently provided from the contractor confirming notification letters had been delivered to residents notifying them of works that could impact them. .

2. Findings, Recommendations and Action Plan

Ref	Finding	Risks	Risk category	Agreed action
1.	<p><u>Performance management</u></p> <p><i>Control design and operating effectiveness</i></p> <p>We reviewed a sample of three monthly performance reports produced and reported to the Contract Management Group (CMG) by Conway Aecom. The CMG is a meeting between Re, the Council and the contractor. We assessed the current performance management framework in place to support the contract. We found:</p> <p><u>KPI measurement and information received</u></p> <ul style="list-style-type: none"> - The September 2016 CMG report did not include performance management information reporting performance against the indicators specified in the call off agreement. This information was not subsequently requested; - The May 2016 CMG report did not report performance on Secondary Performance Indicator (SPI) 25 (<i>Response to complaints and information requests requiring Contractor action within contractual timescales</i>). It was not clear why this information was not provided; and - The following indicators are currently not reported on by the contractor and there is no clear reasons as to why these are not reported: <ul style="list-style-type: none"> SPI 17 - <i>Percentage of capital works where defects are rectified within the required period</i> SPI 18 - <i>Percentage of acceptable H&S files received within 14 days of physical completion of a Notifiable Scheme Task</i> 	<p>Performance information is not accurate or not focused on achieving the Council's objectives. Poor performance is not identified and resolved resulting in the Council failing to secure value for money through the contract.</p>	<p>HIGH</p>	<p>Agreed action:</p> <ul style="list-style-type: none"> a) The current suite of KPIs in place will be reviewed. As part of this exercise obsolete indicators will be removed and the KPIs set out in the framework agreement will be reviewed to determine what potential indicators would add value to the current performance management framework. These indicators will be added to those measured and reported by the contractor on a monthly basis as appropriate. b) The Council and Re will discuss the alignment of performance targets between the LoHAC contract and those in place to monitor Re's performance where applicable. This will be considered as part of the contract KPI review highlighted in action (a) as well as the 4 year review of the overarching Re contract which will consider the suite of KPIs that are in place to assess Re's performance. c) A framework for performing validation activity on performance data reported by the contractor will be determined and implemented. This will involve periodically requesting the supporting data from the contractor on a proportionate sample basis to support reported performance. d) Action plans in the instance of poor performance and explanations for

Ref	Finding	Risks	Risk category	Agreed action
	<p><u>Performance information validation</u></p> <ul style="list-style-type: none"> - No validation of KPI information provided by the contractor is currently performed. There are no mechanisms currently in place to identify inaccurate performance information presented by the contractor; - The framework agreement includes a right to audit clause and allows for audits to be undertaken on an open book basis, however this clause has not been invoked to date; and - Upon reviewing performance information it was apparent that SPI 9 <i>Percentage of minor works completed on time</i>, Primary Performance Indicator (PPI) 16 <i>Percentage of scheme tasks completed on time</i> and SPI 25 <i>Response to complaints and information requests requiring Contractor action within contractual timescales</i> were all reported as 100% compliant in 2016/17 to the date of testing (December 2016). Certain operational issues management made us aware of during the review would indicate that this is not an accurate presentation of performance. <p><u>Management of poor performance</u></p> <ul style="list-style-type: none"> - Schedule 13 of the framework agreement states that the Contractor should develop an Action Plan for any Performance Indicator in red status as well as any Performance Indicator in Amber status for 3 consecutive reporting periods; - Although evidence could be provided to demonstrate that Re had taken action to improve and resolve certain poor performance identified (for example resident consultation, permit process), evidence could not be provided to consistently demonstrate that poor performance identified through reported KPIs was addressed and appropriate action was taken. For example in June 2016 PPI 8 <i>Delivery of cyclical activities to programme</i> was RAG rated as red, 			<p>poor performance will be obtained from the contractor to be included in reports produced.</p> <p>Responsible officer:</p> <ul style="list-style-type: none"> a) Interim Lead Strategic Commissioner - Highways and Transport; Associate Director- Highways, Re b) Commercial Performance and Development Manager; Interim Lead Strategic Commissioner - Highways and Transport; Associate Director- Highways, Re. c) Contract Performance and Traffic Manager d) Contract Performance and Traffic Manager <p>Target date:</p> <ul style="list-style-type: none"> a) 30/06/2017 b) 30/06/2017 c) 31/07/2017 d) 31/07/2017 <p>Note: Validation of contractor information and management of poor performance in relation to KPIs will be implemented upon the suite of performance indicators being refreshed.</p>

Ref	Finding	Risks	Risk category	Agreed action
	<p>however there was no action plan presented to demonstrate that the contractor was taking appropriate action to resolve this issue and agreed steps to resolve the issues were not documented in recorded minutes; and</p> <ul style="list-style-type: none"> - Qualitative commentary is not provided to support KPI failures (red or amber rated indicators) as part of performance information provided by the contractor. <p><u>KPI selection and effectiveness of performance management framework</u></p> <ul style="list-style-type: none"> - The overarching LoHAC framework agreement sets out a number of KPIs that can be measured as part of performance management arrangements. The call off agreement highlights which of these indicators should be measured in relation to the agreement between Barnet and Conway. There are a number of indicators specified in the call off agreement that are not measured in light of the services that are actually drawn down through the contract and the mechanisms for delivery (PPI 1, SPI 17, SPI 23, SPI 24 and SPI 26); - The framework allows for a review of the Secondary Performance Indicators measured on an annual basis and changes can be made in light of the nature of services drawn down through the agreement or changes in objectives or priorities. A review of performance indicators reported as part of the contract has not happened to date. There is scope to replace the indicators above that are not reported on with indicators that add value to performance management arrangements; and - The performance management framework and associated service standards in place for the Conway Aecom contract and the KPIs Re are measured on in delivering the NRP 			

Ref	Finding	Risks	Risk category	Agreed action
	<p>programme and other associated highways services are not aligned. Re cannot effectively incentivise and influence contractor behaviours through the current performance management mechanisms set out in the contract to ensure that required Council service standards are met.</p>			
2.	<p>Issue management <i>Control design</i></p> <p>We considered the current mechanisms in place to resolve issues associated with the contract. We found:</p> <ul style="list-style-type: none"> - There is no central issues log to systematically manage and resolve strategic issues in relation to the contract and key operational issues arising; - Whilst there are more operational issues logs maintained in relation to individual schemes (e.g. Defects logs and snagging lists) and we have seen ad hoc communications around ongoing service issues there is no systematic way of tracking progress against more systemic issues in relation to the service and the contract; - Through discussions with management and upon considering minutes of meetings with the contractor it is apparent there have been a number of longstanding issues associated with the contractor, such as the uploading of information and photos to Exor and communication with residents, however these have not been captured in an Issues Log. Resolution of these issues through use of a central log that captures the issue, agreed actions with responsible officers and agreed timeframes for implementation as well as progress against agreed actions would assist in ensuring issues are resolved more systematically by ensuring clarity around responsibilities and 	<p>Contract issues may not be identified, escalated and resolved in a timely fashion resulting in conflicts or objectives not being achieved through the contract.</p>	<p>MEDIUM</p>	<p>Agreed action:</p> <p>An issues log will be created that will be used as part of contract management procedures to support the resolution of issues arising. This will be considered at CMG and will be developed in line with the NEC3 methodology set out in the framework and will include a description of the issue, agreed actions with responsible officers and agreed timeframes for implementation as well as progress against agreed actions.</p> <p>Responsible officer:</p> <p>Contract Performance and Traffic Manager</p> <p>Target date:</p> <p>31/05/2017</p>

Ref	Finding	Risks	Risk category	Agreed action
	enabling the contractor to be held to account.			
3	<p>Inspection sheets</p> <p><i>Control design and operating effectiveness</i></p> <p><u>Completion of inspection sheets</u></p> <p>Proforma inspection sheets are used to document the visits and associated quality assurance work performed by Re engineers who monitor works undertaken as part of the NRP.</p> <p>We reviewed a sample of works to determine whether inspection sheets were being completed in line with requirements to support the completion of works.</p> <p>We found:</p> <ul style="list-style-type: none"> - For 10/10 (100%) schemes tested, the site clearance section in the site inspection form had not been completed. This section helps ensure that the site is clean and safe for public access and that all signage has been removed and road markings reinstated; and - For 4/10 inspection sheets the time of visit was not stated. <p>The inspection form is a fairly new control. All of the form can be completed on their inspections during works, whereas the site clearance section has to be completed after works have finished. It is a small section of a two page inspection sheet.</p> <p><u>Inspection regime</u></p> <p>For works such as Footways spanning multiple weeks, there is no defined procedure detailing the required frequency of inspections (e.g. inspections have to occur every 3 days). Currently the frequency of monitoring is subject to officer judgement and factors such as the scale, complexity and profile of works will determine frequency.</p> <p>Although we found upon considering a sample of 10 schemes that inspections did take place at key milestones (such as works in progress and completion), without a clearly defined</p>	<p>If quality assurance processes are not in place to identify substandard repair work and ensure the site is left in an appropriate standard, then improvement works may not be completed in accordance with required standards.</p>	<p>MEDIUM</p>	<p>Agreed action:</p> <ul style="list-style-type: none"> a) Officers will be reminded to complete all relevant sections of the Inspection form. A sample of inspection forms will be considered on a quarterly basis to review the quality and completeness of the inspection forms produced. b) A framework providing guidance to officers regarding the frequency of inspections required will be produced and incorporated into procedure notes in place. This framework will provide some guidance to officers around expectations for the number of site visits based on the nature, complexity and scale of the works. The framework will not be prescriptive regarding requirements, acknowledging that a one size fits all approach is not appropriate, but will support officers apply professional judgement and set out minimum expectations where appropriate. <p>Responsible officer:</p> <p>Associate Director- Highways, Re</p> <p>Target date:</p> <p>30/04/2017</p>

Ref	Finding	Risks	Risk category	Agreed action
	<p>expectation for the frequency of inspections there is a risk that monitoring does not occur in line with expectations or requirements.</p>			
4	<p>Complaints protocol <i>Control design</i></p> <p>Clause 31 of the framework agreement requires the Contractor to establish a complaints procedure relating to the Framework Agreement and each Call-Off Contract and agree this with the customer. This should set out how complaints that are made directly to the contractor are managed and how they are escalated. We found:</p> <ul style="list-style-type: none"> - A complaints protocol to support the contract has not been agreed to date. <p>In practice management state that any complaints made are shared with Re and we confirmed there have been instances where this has happened in the past however a formal agreement to set out the procedure for notifying and resolving complaints has not been set out.</p>	<p>Complaints raised directly with the contractor are not progressed to the Council/Re to inform contract management procedures. Operational issues related to complaints may not be identified and resolved in a timely manner.</p>	<p>LOW</p>	<p>Agreed action:</p> <p>We will request the contractor to draft a complaints protocol which we will review and agree. The protocol will set out the procedure for escalating and reporting on complaints made by the public. This will be agreed at the next contract management meeting.</p> <p>Responsible officer:</p> <p>Contract Performance and Traffic Manager</p> <p>Target date:</p> <p>30/04/2017</p>
5	<p>Quality policy statement <i>Operating effectiveness</i></p> <p>Clause 17 of the framework agreement states that the Contractor should provide a quality policy statement within 20 Business Days of the Framework Agreement Service Commencement Date. We found:</p>	<p>Contractor service standards and quality processes are not identified and understood. The contractor is not held accountable for delivering quality objectives set out in the contract.</p>	<p>LOW</p>	<p>Agreed action:</p> <p>We will obtain and review the Contractor's quality policy statement. We shall review current contract management procedures in light of this document to ensure that we obtain assurance that the contractor is delivering quality requirements as appropriate. This will be agreed at the</p>

Ref	Finding	Risks	Risk category	Agreed action
	<p>- Council and Re staff are not aware of this document and it is not being used to inform contract management and monitoring.</p> <p>There is a risk that Re are not aware of the procedures and service standards the contractor has promised to deliver as part of the arrangement and is not being held accountable to certain quality standards.</p>			<p>next contract management meeting.</p> <p>Responsible officer: Contract Performance and Traffic Manager</p> <p>Target date: 30/04/2017</p>
6	<p>Resident notification letter <i>Operating effectiveness</i></p> <p>Additional procedures were introduced in 2016/17 to ensure sufficient resident notification occurs in advance of the performance on highways works. This included ensuring letters are delivered to residents impacted by the works.</p> <p>We tested whether notification letters had been distributed for a sample of schemes. We found:</p> <ul style="list-style-type: none"> - For 8/10 (80%) schemes, confirmation from the contractor confirming notification letters had been delivered could not be provided. Evidence could be provided to demonstrate that the Council had requested this confirmation from the contractor. <p>For 5/8 (63%) of these cases evidence of the email to print room could not be provided to demonstrate that the notification letters had been produced. In these cases we were able to see a word version of the drafted letter. For one of these cases (F170 West Heath Road) the date of the letter 06/06/2016 was the same day as the date the contractor started on site.</p> <p>Although operational issues were identified above we have seen evidence of Re taking proactive steps to resolve issues around resident notification and communication. For example in the LoHAC Monthly Progress Meeting invite for meeting on 31 January 2017 a specific agenda item was included to hold an extended lessons learnt exercise from Year 2 around</p>	<p>If residents and key stakeholders are not given sufficient notice of works and potential disruption, then improvement works may be disrupted and result in resident dissatisfaction.</p>	<p>LOW</p>	<p>Agreed action:</p> <p>We will continue to work with the contractor to ensure that they provide confirmation that the notification letters have been delivered to residents in advance of work being undertaken. We will monitor compliance with this and raise it with the Contractor again if the issue persists.</p> <p>Responsible officer: Communications Manager – Highways</p> <p>Target date: 30/04/2017</p>

Ref	Finding	Risks	Risk category	Agreed action
	communications including letter delivery, signage and leaflets.			

Appendix 1: Definition of risk categories and assurance levels in the Executive Summary

Risk rating	
Critical 	<p>Immediate and significant action required. A finding that could cause:</p> <ul style="list-style-type: none"> Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale & service performance (eg mass strike actions); or Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny (i.e. front-page headlines, TV). Possible criminal or high profile civil action against the Council, members or officers; or Cessation of core activities, strategies not consistent with government's agenda, trends show service is degraded. Failure of major projects, elected Members & Senior Directors are required to intervene; or Major financial loss, significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council. Critical breach in laws and regulations that could result in material fines or consequences.
High 	<p>Action required promptly and to commence as soon as practicable where significant changes are necessary. A finding that could cause:</p> <ul style="list-style-type: none"> Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale & performance of staff; or Significant impact on the reputation or brand of the organisation. Scrutiny required by external agencies, inspectorates, regulators etc. Unfavourable external media coverage. Noticeable impact on public opinion; or Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome medium-term difficulties; or High financial loss, significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences.
Medium 	<p>A finding that could cause:</p> <ul style="list-style-type: none"> Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale & performance of staff; or Moderate impact on the reputation or brand of the organisation. Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage; or Significant short-term disruption of non-core activities. Standing orders occasionally not complied with, or services do not fully meet needs. Service action will be required; or Medium financial loss, small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences.
Low 	<p>A finding that could cause:</p> <ul style="list-style-type: none"> Minor injuries or stress with no workdays lost or minimal medical treatment, no impact on staff morale; or Minor impact on the reputation of the organisation; or Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule; or Handled within normal day to day routines; or Minimal financial loss, minimal effect on project budget/cost.
Level of assurance	
Substantial 	<p>There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.</p>
Reasonable 	<p>An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.</p>
Limited 	<p>There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.</p>
No 	<p>There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.</p>

Appendix 2 – Analysis of findings

Area	Critical		High		Medium		Low		Total
	D	OE	D	OE	D	OE	D	OE	
Completion of highways improvement works	-	-	-	-	-	1	-	1	2
Governance and Performance Reporting	-	-	1	-	-	-	1	-	2
Issue Management and Conflict Resolution	-	-	-	-	1	-	1	-	2
Risk Management	-	-	-	-	-	-	-	-	-
Total	-	-	1	-	1	1	2	1	6

Key:

- Control Design Issue (D) – There is no control in place or the design of the control in place is not sufficient to mitigate the potential risks in this area.
- Operating Effectiveness Issue (OE) – Control design is adequate, however the control is not operating as intended resulting in potential risks arising in this area.

Timetable					
Terms of reference agreed:	Fieldwork commenced:	Fieldwork completed:	Draft report issued:	Management comments received:	Final report issued:
25 November 2016	5 December 2016	31 January 2017	20/02/2017	10/03/2017	16/03/2017

Appendix 4 – Identified controls

Area	Objective	Risks	Identified Controls
<p>Completion of highways improvement works</p>	<p>Works are completed in line with required standards and minimise disruption to residents.</p>	<p>Improvement works may not be completed in accordance with required standards resulting in resident dissatisfaction if:</p> <ul style="list-style-type: none"> - There is not a clear protocol for completing works under the programme; - Required standards are not in place or are not clearly defined; - Residents and key stakeholders are not given sufficient notice of works and potential disruption; and - Quality assurance processes are not in place to identify substandard repair work. 	<p>A programme of works was signed off by the Environment Committee in January 2016. This programme lists the proposed works for 16/17 and includes the road name, ward and indicative cost.</p> <p>Service specification and standards are outlined in the contract which refers to the specification of Highways Works to ensure the contractor is aware of the required standard.</p> <p>For each scheme the following documents are produced to ensure the Contractor understands the work that needs to be undertaken:</p> <ul style="list-style-type: none"> - a map of the scheme detailing the type of works and the estimated area - a works order - a Bill of Quantities (BOQ) describing in detail the work that needs to be carried out. <p>A permit for carrying out the works is obtained prior to the works.</p> <p>As part of granting the permit, the permit team would be responsible for checking with other key stakeholders that the work can take place - e.g. checking with the police that the road can be closed.</p> <p>All residents and business premises affected by the scheme are notified by letters prior to the start of works.</p> <p>See finding 6.</p> <p>A 'London works register detailing all works with agreed permits is accessible to the public and as such TfL and blue light services. This gets its information from each London Highway Authority's Street Works Register and therefore contains all permitting data.</p> <p>The Planned Carriageway Maintenance for 2016/17 was</p>

Area	Objective	Risks	Identified Controls
			<p>advertised in the Barnet and Hendon Press.</p> <p>TfL are sent the programme for surfacing works under the NRP highways improvement programme.</p> <p>The Contractor produces a Traffic Management Plan (TMP) which includes a map of the area and the location of signage and diversion routes.</p> <p>Engineers inspect the site during the works and after the works have completed. The inspection sheet has a 'Site Clearance' section, which is completed by the inspector on the completion of works.</p> <p>See finding 3.</p> <p>A Completion Certificate is completed and signed by the engineer inspector to confirm the works have been completed to the required standard with no snagging issues. This is then approved by the Highway construction manager.</p> <p>Resident perception questionnaires are carried out to assess resident satisfaction following the completion of works.</p>
<p>Governance and Performance Reporting</p>	<p>Contract managers are able to govern with confidence, making timely and fully informed decisions, resulting in the required contract outcomes and benefits being realised.</p>	<p>The contract governance structure may not provide appropriate oversight and challenge and ensure that decisions are taken by the required parties based on complete, accurate and timely information.</p>	<p>There is a Re Highways team structure chart that sets out who is responsible for managing the contract and performing Highways related tasks.</p> <p>The contract is between Conway Aecom and the Council. The contract is managed by Re as the managing agent. The NRP highways improvement plan is delivered in line with the SPIR in place.</p> <p>Defined individuals are responsible for managing/overseeing the contract at Re and there is a defined lead commissioner at the Council.</p> <p>Conway Aecom have defined contract managers and individuals involved in managing the contract.</p> <p>There is a defined service specification set out in the contract and a range of procedure documents have been agreed to support the completion of works under the contract. The contract requires the contractor to submit a Quality Policy</p>

Area	Objective	Risks	Identified Controls
			<p>Statement.</p> <p>See finding 5</p> <p>KPIs are in place to monitor performance and performance against these KPIs is reported at Contract Management Group (CMG) and Area board.</p> <p>See finding 1.</p> <p>In line with the contract an action plan will be drawn up for any failing indicator to improve performance.</p> <p>See finding 1.</p> <p>Re are responsible for monitoring whether the contract reduction clause and volume discounts have been triggered and would flag it to Barnet who own the contract.</p> <p>There is a defined governance structure in place and the roles and responsibilities of the various boards and committees are set out in the Framework agreement:</p> <p>Strategic Board:</p> <p>Includes representatives from TfL, relevant contractors and a representative from the Boroughs who have signed up to LoHAC.</p> <p>LoHAC North-West Board:</p> <p>Quarterly reporting to LoHAC NW board (Barnet/Brent). Includes overarching H&S, performance, operational and commercial information.</p> <p>Contract management group:</p> <p>Barnet specific meeting that includes representation from Re, the Council and the Contractor. Monthly reports received. Includes high level overview of progress against planned schemes. High level commercial and operational issues highlighted. Performance data reported.</p>

Area	Objective	Risks	Identified Controls
Issue Management and Conflict Resolution	Contract issues are identified, monitored, escalated and resolved in a timely fashion to avoid impacting on contract aims.	Contract issues may not be identified, escalated and resolved in a timely fashion resulting in conflicts or impacting upon contract aims.	<p>Operational issues logs maintained in relation to individual schemes. These include defects logs and snagging lists.</p> <p>Operational and strategic issues are raised directly to the contractor on an ad hoc basis through the governance structure in place.</p> <p>See finding 2.</p> <p>Complaints made directly to the contractor are reported on an ad hoc basis to Re and considered as part of general contract management arrangements.</p> <p>See finding 4.</p>
Risk Management	Contract risks are identified and mitigated in line with the organisational risk appetite and risk management strategy.	Contract risks may not be identified and analysed to allow for mitigation by management to avoid impacting on contract aims.	<p>Strategic level risk register in place and reported to the Area Board. Reviewed and updated every 12 months.</p> <p>Benefits realisation tracker in place and reviewed/updated every 12 months.</p> <p>Risk assessment performed for individual schemes commissioned under the contract.</p> <p>Contract risks and broader highways related risks are escalated and presented within the joint risk register for Re presented at PCMC.</p>

Appendix 5 – Internal Audit roles and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of the Highways Programme, subject to the limitations outlined below.

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

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

Responsibilities of management and internal auditors

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

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

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