

GWYNEDD COUNCIL

COMMITTEE	AUDIT COMMITTEE
DATE	29 SEPTEMBER 2011
TITLE	OUTPUT OF THE INTERNAL AUDIT SECTION – PONT BRIWET UPGRADE WORKS
PURPOSE OF REPORT	TO CONSIDER A PRÉCIS OF THE INTERNAL AUDIT REPORT, AT THE REQUEST OF THE CHAIR AND VICE-CHAIR
AUTHOR	DEWI MORGAN, SENIOR MANAGER AUDIT & RISK
ACTION	TO RECEIVE THE REPORT, COMMENT ON THE CONTENTS AND SUPPORT THE RECOMMENDATIONS THAT HAVE ALREADY BEEN PRESENTED TO SERVICES FOR IMPLEMENTATION

1. INTRODUCTION

- 1.1 Following consideration of the internal audit reports published during the period from 1st June 2011 and 31st August 2011, the Committee's Chair and Vice-Chair have requested that officers from the Regulatory Department attend the meeting in order to respond to any questions about the risks attached to the Pont Briwet upgrade project, and any other issues arising from the "Pont Briwet Upgrade Works" internal audit report.
- 1.2 A précis of the internal audit report is contained in the appendix.

2. RECOMMENDATION

- 2.1 The Committee is requested to accept the précis of the internal audit report, comment on the contents in accordance with members' wishes, and support the recommendations that have already been presented to managers from the Regulatory Department for implementation.

PONT BRIWET UPGRADE WORKS

Regulatory

Background

This report explains the situation observed when undertaking a review in May 2011 of the scheme to upgrade Pont Briwet, a grade II listed wooden bridge that crosses the River Dwyryd near Penrhydeudraeth. The current bridge was built in 1860 and carries a private toll road and the Cambrian Coast railway line.

A document entitles 'Pont Briwet Improvement Plan' is found on Gwynedd Council's website and notes that the objectives of the scheme are as follows:

- "Provide an improved and inter-modal transport facility with local, regional and national significance
- Construct a new combined road and rail bridge with a design life of at least 120 years
- Rebuild the road bridge as a two-lane road allowing the free passage of traffic
- Upgrade the road link enabling HOV and emergency vehicles to access rural Arudwy
- Create a footpath and cycle path over the bridge linking up with the National Coastal Path and the Welsh National Cycle Route 8
- Upgrading the approach roads from the north and south, to allow two-way traffic
- Developing traffic management measures at the centre of Penrhydeudraeth that will respond to the increasing flow of traffic towards Pont Briwet;
- Improve access to employment and create an improved climate for the development of quality job opportunities.
- Enhancing the accessibility to key employment centres such as Porthmadog, Pwllheli, Caernarfon, Harlech and Barmouth;
- Secure the long term future of the Cambrian Coast railway
- Reduce travel costs by allowing shorter journeys and the removal of the toll."

Gwynedd Council is the project sponsor.

Purpose of the Audit

The purpose of the audit was to ensure that Gwynedd Council has robust and adequate arrangements for undertaking upgrade work on Pont Briwet bridge.

Scope of the Audit

This review encompasses discussing the latest situation of the project with the relevant officers (May 2011) and assesses the Regulatory Department's arrangements under different headings for administering the project, in particular the conditions set by WEFO.

Main Findings

Since Gwynedd Council is the project sponsor and is accountable for ERDF and TraCC grant funding, there are substantial risks – both financial and reputational – to the Council from this project. It was seen that a risk register had been created in a risk workshop on 23/04/2009. Confirmation was received that the register has not been updated since then. It was also suggested by the auditor that some pertinent risks has not been included in the register.

The project is complex in terms of accounting and the dynamic of working in partnership, and the risks that are attached to constructing a new bridge structure. There is a need to ensure that administrative support arrangements are in place as soon as possible, and before work starts on the scheme, so that assurance can be given on the control environment. The establishment of robust arrangements to manage the grant is required in order to comply with the Council's Financial Procedure Rules that note (paragraph 24.2) that chief officers "*must ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body, whether Gwynedd Council or a third party, are clearly understood*".

Audit Opinion

The audit opinion is that assurance of financial propriety cannot be expressed in the Pont Briwet upgrading scheme as the controls in place cannot be relied upon, but losses/fraud due to these weaknesses were not discovered. The main recommendations of the report are as follows:

- **Arrangements should be made, in co-operation with the Finance Department, to ensure that all project costs have been recorded (the costs of both Network Rail and Gwynedd Council) and that robust arrangements are in place to demonstrate who is financing elements of the work.**
- **A revenue budget should be established for the Pont Briwet scheme (as required by 24.2(c) of the Council's Financial Procedure Rules). Consideration should be given to advertising the post of Projects Co-ordinator so that the salary can be capitalised as part of the asset and in order to reclaim grant for the employment costs. Consideration should also be given to recovering the costs of other officers that are attached with the project, but officers who do not work full-time on the project would need to complete timesheets.**
- **It must be ensured that costs are not capitalised in contravention of capital accounting rules.**
- **The Regulatory Department must be able to demonstrate the cost of the road separately from the remainder of the scheme so that it is possible to capitalise the specific part of the asset at construction cost.**
- **It is necessary that risks are transferred to those parties that are most able to manage them, whether they are the contractor or the client. It is also essential that the risk register is a 'live' document.**
- **In order to ensure that expenditure complies with state-aid rules, any expenditure involving this project must from now on comply with the Council's Contract Procedure Rules.**
- **It would be advantageous if a Project Board were to be set up for the project period to ensure that an internal point of management and leadership is in place.**