

Additional papers 1



Audit, Governance & Standards Committee

Thu 25 Oct
2018
7.00 pm

Committee Room Two
Town Hall
Redditch



www.redditchbc.gov.uk

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Audit, Governance & Standards

Thursday, 25th October, 2018

7.00 pm

Committee Room 2 Town Hall

Committee

Agenda

Membership:

Cllrs:

John Fisher (Chair)
Mark Shurmer
(Vice-Chair)
Salman Akbar
Joanne Beecham
Michael Chalk

Mike Rouse
Craig Warhurst
Yvonne Smith
Pat Witherspoon

12. HRA Internal Controls - S151 update (Pages 1 - 28)

REDDITCH BOROUGH COUNCIL**AUDIT, STANDARDS & GOVERNANCE COMMITTEE****25TH OCTOBER 2018****HOUSING INTERNAL CONTROLS – S151 UPDATE**

Relevant Portfolio Holder	Cllr Matt Dormer
Portfolio Holder Consulted	-
Relevant Head of Service	Jayne Pickering
Ward(s) Affected	All
Ward Councillor(s) Consulted	N/A

1. SUMMARY OF PROPOSALS

- 1.1 This report provides members with an updated position following the Internal Audit reports which identified failings in the internal controls present in the Councils Housing Service. This report seeks to provide assurance to members that the matters identified within those reports and subsequent investigations into the Housing Service have been addressed and that improvements that have been made to the internal controls moving forward.
- 1.2 This report also seeks to address those matters identified to this committee by the Councils External Auditors in this context on the 30th July 2018.

2. RECOMMENDATIONS

- 2.1 That Members consider the actions in place to provide assurance in relation to the weaknesses identified.
- 2.2 That Members request a 6 monthly update on the implementation of actions contained within the reports.

3. KEY ISSUES**Financial Implications**

- 3.1 As Members are aware as a result of Internal Audit reports in 2016/17 in relation to Housing Capital and Post Contract appraisal functions a significant number of failures in contract compliance, contract management and procurement processes were identified. Following initial internal review the degree of seriousness this resulted in 8 members of staff being suspended, all subject to disciplinary investigation and all 8 are no longer employed by RBC
- 3.2 The wholesale range of failures required an immediate and exceptional programme to address and rectify the position. Actions taken to address the issues included:
- Review of all contracts
 - Procurement Officer relocated within Legal
 - Appointed Specialist Officers
 - Review of delegations

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- Comprehensive mandatory training
- Stock condition survey to be undertaken
- Review of financial arrangements

- 3.3 Officers have worked throughout with internal audit seeking their support and assurance and external audit have been advised on a regular basis. It is worth noting that the Grant Thornton (GT) Audit Findings report 2017/18, as reported to this Committee in July 2018, stated that GT had considered how the Council has responded to this issue, both with respect to its investigation and ensuring that appropriate arrangements were being put in place to strengthen procurement and contract management. They concluded that the Council's response to investigating the issue was appropriate and proportionate. They also noted that improvements have been made to procurement and contract management.
- 3.4 This report aims to ensure Members have assurance that all recommendations from the Audit team have been implemented or have a clear timeline as to when they will be actioned.

Legal Implications

- 3.5 The Council has a number of statutory duties to fulfil as a social landlord. Officers are also required to comply with a number of corporate policies including financial regulations and contract procedure rules. As a result of non-compliance on a range of legal requirements and local council policies within the Housing capital team, originally identified by Audit Reports, and subsequently involving disciplinary action in respect of a number of officers within that service, a review of the Council's Housing Services has been undertaken by senior officers. An action plan has been drafted to secure future compliance with legal and corporate requirements and deliver improved services to all our tenants.

Service / Operational Implications

- 3.6 Members will be aware that the Council's internal audit team carried out two audit investigations into the operation of the Council's Housing Services. These were finalised in March 2017.
- 3.7 As a result of these audit investigations certain recommendations were made to the Head of Housing Services in respect of the financial controls within the Housing Service and the extent to which the identified issues were exposing the authority to risk.
- 3.8 The audit report also identified operational issues that have been reported to members in September via Executive and Council and that within this report there are very specific recommendations in respect of the purpose of the service its future operational delivery and the proposed structure that is required to enable this.

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- 3.8 Whilst these operational issues fall to the Executive, the Audit Standards and Governance Committee as members will be aware operates alongside the Executive and its role is to provide assurance to the Council on the effectiveness of its internal controls and governance arrangements that are in place to secure this.
- 3.9 This report seeks to provide a framework within which the Council can be assured that lessons have been learned in respect of the matters identified in the internal audit findings and for the committee to work in partnership with the Audit Standards and Governance Committee, Section 151 Officer, Chief Executive and the Monitoring Officer, Leaders of the Political Groups and the Portfolio Holder for Housing to support the processes that have been established to ensure robust financial conduct and internal control of the Housing Service and its associated Housing Revenue Account.
- 3.10 It is clear from the Audit findings that there have been issues with the internal control and individual's financial management within the Housing Service and that as a result the service to tenants has been adversely affected.
- 3.11 In addition, within the context of the audit reports and further operational and employment related investigations into the management and conduct of staff within the service it was apparent that significant interventions were required. It was also identified that there were training and development requirements for all personnel who had roles or responsibilities in procuring; letting and managing contracts.
- 3.12 in addition, the financial regulations and contract procedure rules were refreshed to give further clarity.
- 3.13 Members will recall that in the spring of 2017 the Councils procurement officer was transferred from the Finance Department into the Legal and Democratic Services department.
- 3.14 The primary reason for this was to enable the procurement officer to work within a team of contract and commercial lawyers and to create a network of support for the Council in the context of its procurement of external services and the management of the contracts that ensued as a result.
- 3.15 It is important to note that in addition to the matters identified within the audit reports that further more in-depth investigations into the operation of the service identified that there were significant staffing issues that needed to be addressed.
- 3.16 Whilst members will appreciate that it would not be appropriate to go into the detail of these individual cases it is important for members to note that the Council has dealt with those issues where appropriate.
- 3.17 It is also important to note that the investigations and audit reports have to date found no evidence of fraudulent activity.

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- 3.18 The investigative process for managing these investigations was carried out by an independent third party and that the Councils External Auditors have been advised and informed throughout this process to ensure that the overall value for money assurance could be considered in this context. As stated above they have formally reported their satisfaction with the way the issues have been addressed by the Council.

Actions

- 3.19 Members will be aware that as an initial action in response to the audit findings that the Council engaged the services of an external contract manager and that this officer has and continues to be instrumental in the identification of and remedial action in respect of the contracts within the Housing Capital Team and the HRA generally.
- 3.20 All major contracts are being reviewed and regularised where they were found to be holding over or operating outside of a framework.
- 3.21 Members are also advised that resource has been allocated to the recovery actions required within Housing Services and they will be aware that other temporary staff members have been supporting the recovery actions.
- 3.22 The Legal and Procurement team have over the past 3 months been rolling out procurement and contract procedure rules training to all forth tier officers and further contract management training is imminent and will continue until Christmas.
- 3.23 This training will eventually form part of the Council e learning tool and that all officers will be required to undertake this training as part of their induction where the post requires this.
- 3.24 The Legal and Procurement team continue to work with officers to ensure that there is a complete and up to date contracts register and that all officers with procurement responsibilities are trained to use the Councils 'Due North' procurement system and that they are clear on their roles and responsibilities in the context of the letting of contracts and the management thereof.
- 3.25 All new contracts are being negotiated in line with procurement and contract procedure rules and support and guidance given to ensure that the contracts include meaningful and measurable performance tools and milestones in conjunction with regular client contractor meetings.
- 3.25 It has been necessary for the Head of Paid Service to consider the structure of the Housing Department and to ensure that the officers responsible for the delivery of the service are clear on their roles and responsibilities and the rules that they are obliged to follow when operating in a statutory environment.

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- 3.26 It is fair to say that there were a number of compliance issues that have been identified as part of the investigation process and members are advised that these have been resolved and robust processes established to ensure compliance moving forward.
- 3.27 In order to further protect this position the Legal and Procurement team have worked with housing staff to enable the letting of compliance based contracts to be more appropriately aligned to ensure both value for money and robust compliance across the service.
- 3.28 It is accepted that the recovery action will take time to embed and that there is much work to be done before the issues that have been identified are all resolved.
- 3.29 It is for this reason that the Chief Executive has reported separately to the Council Executive in respect of the future vision for the service and its direction of travel and action plan together with the structure proposals for the department moving forward.
- 3.30 It may be that members feel that it would be appropriate to have oversight of the action plan as part of their role in ensuring overall system control and compliance moving forward.
- 3.31 Appendix A details all of the actions either implemented or with a clear timeline of delivery for the Capital Programme Audit
- 3.32 Appendix B details all of the actions either implemented or with a clear timeline for delivery of the Post Contract Appraisal Audit.

Customer / Equalities and Diversity Implications

- 3.33 The improvements as recommended within the Internal Audit reports and the recent detailed operational and structural report to Executive will ensure that tenants receive a service that is compliant, safe and delivers good customer care.

4. RISK MANAGEMENT

- 4.1 The detailed action plan contained within the operational and structural report together with the actions from the internal audit reports are included in the Councils corporate risk register and is updated on a regular basis by the management team.

5. APPENDICES

- Appendix 1 - Housing Capital Programme
Appendix 2 - Post Contract Appraisal

6. BACKGROUND PAPERS

7. KEY

AUTHOR OF REPORT

Name:

email:

Tel.:

Housing Capital Programme – 2016/17
Worcestershire Internal Audit Shared Service

Ref./ Priority	Recommendation	Management Response and Action Plan	Position as at 15 th February 2018 <u>1st Follow up</u>
4.1 H	<p>Housing Capital Programme</p> <p>Original records must be obtained and reviewed in conjunction with major works that have been completed to date to determine:</p> <ul style="list-style-type: none"> *• works that have been completed • properties that require upgrades/improvements • the required budget to be included in the current 5 year programme (i.e. 2017 – 2021) and going forward to the 30 year plan ending 2041. 	<p>No response was expected from this audit</p>	<p>In progress</p> <p>A review was carried out on previous stock condition data held by the Capital Team. There was very little data held on component replacements with no robust strategy to replace major components with the housing stock that were either at their remaining life or in a very poor condition. The last meaningful stock condition survey was carried out by Savills in 2001. Savills were contacted and provided a copy of the document that they had compiled, However they did express concerns if this document was still being used as it was only initially intended for budgetary purposes only. The survey data did not hold data against individual properties and schemes that required improvement works.</p> <p>The Stock survey will collect a minimum of 20% data on the housing stock. This will provide a more accurate and meaningful picture of the housing stock and to reflect changes that have occurred e.g. end of decent homes standard and compliance with the Housing Health & Safety Rating Standards.. Members have agreed funding of £150k from HRA capital to fund the stock condition survey.</p> <p>The stock condition will initially be completed on 20% of the housing stock ensuring a good representative sample of all archetypes has been surveyed and then will continue focusing on high risk properties.</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 15th February 2018</u> 1st Follow up
			<p>Reviews are being conducted on previous projects that have been completed to ensure that work has been completed to a satisfactory standard and that all necessary documentation is in place. Once this review is completed the data will be uploaded into the new Asset Management system.</p> <p>We envisage the following to be completed on data collection</p> <p>20% to be surveyed by 31st March 2019 70% to be surveyed by 31st March 2020 100% to be surveyed by 31st March 2021</p> <p>Until such time that we have robust plans to carry out planned capital works we will be reducing the spend on capital works and only carrying out necessary works following detailed surveys at properties and only where issues have been identified with meeting statutory legislation e.g. The Regulatory Reform (Fire Safety) Order 2005 and Control of Asbestos Regulations 2012.</p> <p>.</p>
4.2 H	<p>Budget Monitoring</p> <p>Consideration should be given to:</p> <ul style="list-style-type: none"> • Creating annual orders to commit expenditure. • Routinely incorporating 	No response was expected from this audit	<p>In progress</p> <p>The Senior Contract Manager confirmed that he had met with the Housing Accountant and a revised process for monitoring capital spend agreed</p> <p>Expenditure on capital projects is committed and provisions have been made to take account of work:</p> <ul style="list-style-type: none"> • Ordered

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 15th February 2018</u> 1st Follow up
4.3 H	work in progress in to the budget monitoring process to minimise the scope for overspends		<ul style="list-style-type: none"> • In progress (WIP) • Completed but not yet invoiced • Completed and Invoiced • Paid <p>The Senior Contracts Manager will be responsible for monitoring all capital works expenditure. In the interim whilst the new Housing Management System is being procured and mobilised, the Senior Contracts Manager will be using the financial system eProc and eFin to raise works orders which initially will be for multiple works against one project and contractor to better manage budgets and expenditure.</p> <p>Furthermore a new process of closing accounts on a quarterly basis is being developed by the Senior Contracts Manager and Finance. This will allow potential overspends to be better managed and also ensure that end of year accruals are minimised.</p> <p>This should ensure a more robust approach is followed.</p> <p>Changes to revenue spend is reliant on new Housing Management System.</p>
	<p>Budget Overspends</p> <p>When the budget has been reached it is practice to halt the works.</p> <p>However, it is not common practice to review the contract</p>	<p>Where expenditure levels are at or exceeded the budget, then it would be prudent to confirm the reasons for this as opposed to just slowing or halting the works.</p>	<p>See above</p> <p>Regular budget monitoring reports (are produced , circulated and monitored by senior managers and the Portfolio Holder.</p> <p>Any financial concerns will be reported to PFH and an action plan developed.</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 15th February 2018</u> 1st Follow up
	management arrangements. Failure to routinely do this will not determine if poor contract management was contributory factor in the budget level being prematurely reached/ exceeded.		
4.4 H	<p>Property Database</p> <p>For the purposes of accuracy and to ensure that the housing stock is maintained in accordance with the Decent Homes Standard, it is recommended that a central database is established.</p> <p>SAFFRON would be the obvious choice for storing property related data. However it is accepted that this is an old version of the application and has limitations.</p> <p>It may be appropriate to consider an alternative solution which will provide a 'fit for purpose' system that can be relied on and provide the requisite management</p>	No response was expected from this audit	<p>In progress</p> <p>A new asset management system has been procured from Asprey Management Solutions Ltd.</p> <p>The asset management system will hold all relevant property information such as property archetype, ownership, status (i.e. sold or RTB) plus survey condition data, Decent Homes and Housing Quality Standard rules, local rules, installation dates, suggested replacement dates (based on survey data), planned replacement dates etc. This module allows an analysis of current and future positions in terms of Housing Quality standards, along with associated cost information, and via scenario planning, allows the user to determine the optimum route to reaching and maintaining the target level of decency/housing quality.</p> <p>The new system will also allow robust cost forecasting and budgeting for capital works, this can be done on a yearly basis or up to 30 years.</p> <p>The Senior Contracts Manager has been tasked with project managing the implementation of the new system. We envisage the</p>

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	information that will assist good decision making and justifiable actions.		system for initial data collection being in operation by Nov 18 and the full system operation from the 1 st April 19.
4.5 H	<p>Contract extensions</p> <p>Contracts should only be extended in accordance with the Standard Terms and Conditions of the Contract and value for key must be a key driving factor.</p>	No response was expected from this audit	<p>Implemented</p> <p>Following the review of existing contracts and the suspension of all existing contracts subject to a full review a new process has been implemented to manage contract extensions.</p> <p>No contracts will be extended on the expiration date of existing contracts. All new procurement contracts have been procured in line with the Councils Corporate Procurement Procedure rules. Upon the anniversary of the contract expiration new contracts will have been procured ensuring that adequate time and resources are tasked prior to the contract end date allowing enough time to procure any new contracts.</p> <p>The Senior contracts Manager has been tasked with responsibility top procure all new contracts and also keep an up to dated register of contracts with start and end dates which are regularly reviewed with the Procurement Officer.</p> <p>If for any reason a contract cannot be sought in line with Corporate Procedure Rules then a report will be compiled by the Senior Contracts Manager and Procurement Officer which will then only be approved by the Head of Service and the Management Team. This</p>

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			process will only be used in exceptional circumstances.
4.6 H	<p>Work not exposed to competition</p> <p>This work should be exposed to competition without delay.</p>	No response was expected from this audit	<p>In progress</p> <p>During the initial audit it had been confirmed that work carried out in connection with aerial repairs had not been exposed to tender and there were questions being raised regarding the current providers qualification to do this work.</p> <ul style="list-style-type: none"> This work has not been tendered but is being examined with a view to including the works within the electrical contract procurement as a separate Lot. <p>Electrical contracts will be out for tender in November/December 2018. Industry standard specifications (NATFED) will be used (amended as necessary) for this purpose. These specifications are available under a subscription service and are updated to ensure all appropriate legislation, health & safety requirements etc. In future all contract specifications will follow this format starting with the Electrical contract.</p> <p>All future tenders will ensure that appropriate trade qualifications or membership of a professional body will be requested and confirmed as part of the tender/evaluation process.</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 15th February 2018</u> 1st Follow up
4.7 H	<p>Contract Register</p> <p>Expired contracts must be tendered as a matter of urgency. Records held by both Procurement & Housing should be reviewed to ensure information is consistent and appropriate action is taken to prepare for letting the contract.</p>	<p>No response was expected from this audit</p>	<p>In progress</p> <p>All contracts have now been reviewed and the Senior Contracts Manager along with the Procurement Officer will be updating and reviewing the register on a regular basis.</p> <p>The contracts register will also be uploaded onto the Corporate procurement system Due North which will ensure that automatic updates will be sent to robustly manage the process.</p>
4.8 H	<p>Procurement training</p> <p>All staff engaged in the procurement process should be adequately trained.</p>	<p>Inexperienced staff should not be preparing specifications unless there is an adequate level of supervision.</p>	<p>In progress</p> <p>Training was provided to members of the Housing Capital team in May 2017 by the SCM.</p> <p>The Contract Group has identified council wide training to be delivered :</p> <ul style="list-style-type: none"> • Contract Procedure Rules & Fin Regulations – delivered with mop up sessions available • Contract Management Training – to be provided by HR • Mandatory Procurement Training has now been undertaken and lists of all who attended has been issued to HOS.

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 15th February 2018</u>
4.9 H	<p>Contract Specifications</p> <p>There is no formal process in place that identifies key contract stages/requirements in the contract letting process e.g.</p> <ul style="list-style-type: none"> • Specification • Advertising • Method of evaluation • Impact on other contracts • Liaison with procurement • Performance measures <p>It is recommended for each contract a standard checklist is introduced that will help ensure that a disciplined approach is followed and, key elements have been identified.</p> <p>The checklist should also provide for management/senior officer review/sign off to provide assurance that key areas have been adequately addressed.</p>	No response was expected from this audit	<p>1st Follow up Implemented</p> <p>New processes have been developed to ensure that any procurement of contracts has fit for purpose specifications for the work required.</p> <p>All procurement for contracts has detailed timelines which identify key milestones along with named officers who are required in the process. As all procurement is now being viewed across the council this in turn will allow other departments who may use similar services to be part of the contract tender documentation. This negates the need to do multiple procurements for similar works ensuring a better streamlined process and value for money is being achieved.</p> <p>The Senior Contracts Manager is leading on this with support from the Procurement Officer to identify where procurement may overlap between different teams and departments.</p> <p>As mentioned in 4.7, contract specifications to be used in the future will now be standardised and up to date and available via a subscription service.</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 15th February 2018</u> 1st Follow up
4.10 H	<p>Performance measures</p> <p>All contracts must include meaningful performance measures as indicated in the Contract Procedure Rules and be closely monitored as part of the overall contract management throughout the term of the contract.</p>	No response was expected from this audit	<p>Implemented</p> <p>A new suite of performance measures are in the process of being introduced on all new contracts</p>
4.11 H	<p>Record retention/disposal</p> <p>Records must be retained as outlined in the procedure rules</p>	No response was expected from this audit	<p>Outstanding</p> <p>This is an area that has yet to be addressed by the Contracts Group and is now council wide and not restricted to Housing.</p> <p>A 'contract amnesty' was declared for the purpose of determining what contracts existed within the council which are not recorded anywhere & to establish an accurate position. This piece of work has been carried out by the Contract W and contracts have been identified. This is still an ongoing piece of work</p> <p>In the medium term council wide use of the procurement application DUENORTH will enable all records to be held both electronically and centrally.</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 15th February 2018</u> 1st Follow up
4.12 M	<p>Resilience</p> <p>It is recommended that the issue of resilience is factored into the process when these contracts are let.</p>	No response was expected from this audit	<p>In progress</p> <p>The contracts specifically electrical are go to be let in lots i.e. specific type of work. This will allow specialists, small, and multi skilled suppliers to tender. This will also help to provide resilience in this area.</p>
4.13 M	<p>Contract / Procurement Guidance</p> <p>Procurement documents should be reviewed to ensure that guidance is; sufficient, consistent and that responsibilities are clearly defined</p>	No response was expected from this audit	<p>Implemented</p> <p>The Contract Procedure Rules (CPR) & the Financial Procedure Rules have been reviewed and came into force wef 1st April 2018.</p> <p>The audit report made specific reference to ‘contract extensions’ & ‘novations’ but neither appear in the revised CPR. However it is intended for these areas to be covered in the contract management training.</p> <p>Consideration was given to centrally locating all contract/procurement advice/documents etc. However it was felt that staff wishing to procure services should be encouraged to deal directly with the Procurement Officer that way there is a greater degree of certainty that advice given will be consistent and the scope for error minimised.</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 15th February 2018</u> 1st Follow up
4.14 M	<p>Procurement Unit</p> <p>It is recommended that the Procurement Officer liaises with Heads Of Service & staff involved with contracts to gauge views and ideas to determine an effective partnership going forward</p>	No response was expected from this audit	<p>In progress</p> <p>The Procurement Unit is now within Legal Service's and forms part of the new Commercial Team that includes solicitors.</p> <p>The Procurement profile has now been raised by this move. The Business Plan Template also requires that Procurement is involved at an early stage.</p> <p>Other Services (e.g. Environmental Services) are ensuring that advice is sought from Procurement prior to tendering.</p>
4.15 M	<p>Contract Conditions</p> <p>It should not be accepted that the Council will meet these costs and as such these clauses should not be routinely incorporated into contracts.</p> <p>Consideration should also be given to having shorter contracts as opposed to the five year contracts that have been let.</p>	No response was expected from this audit	<p>Implemented</p> <p>Confirmed with both HOLM & SCM that future contracts will not provide for rpi increases.</p> <p>Again the use of a report will reinforce this requirement.</p>
4.16 M	<p>Whistleblowing Policy</p> <p>It is recommended that at the time contracts are exposed to tender, prospective tenderers are given an extract of the</p>	No response was expected from this audit	<p>In progress</p> <p>The Whistleblowing Policy (Confidential Reporting Policy) was reviewed and approved by Council in July 2016. The Policy appears in the staff handbook which is also part of the Constitution which can be found from the web site.</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 15th February 2018</u>
	policy along with all other documents and the Policy is made easily available on the Council's website to encourage action if wrong doing is considered present.		1st Follow up Due to the suspension of contracts this recommendation has yet to be fully implemented. Though this should occur with the tendering for the Minor Civils contract which is due for tender imminently.

APPENDIX A

Definition of Priority of Recommendations

Priority	Definition
H	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.
M	Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives. Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.
L	Control weakness that has a low impact upon the achievement of key system, function or process objectives. Implementation of the agreed recommendation is desirable as it will improve overall control within the system.

APPENDIX B

**Post Contract Appraisal 2016/17
Worcestershire Internal Audit Shared Service**

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 5th March 2018</u> <u>1st Follow up</u>
4.1 H	<p>Performance Measures</p> <p>All contracts must include a meaningful set of measures that will allow contract performance to be effectively monitored.</p>	<p>Accepted</p> <p>As a starting point we will review all larger contracts to provide an assurance that where performance measures are included then they are monitored</p> <p>All new contracts will include meaningful performance measures and these will be monitored in conjunction with meetings scheduled with the contractor.</p> <p>Responsible Manager(s):</p> <p>Head of Housing, Housing Capital & Repairs Maintenance Operations Manager Head of Environmental Services</p> <p>Implementation Date</p> <p>31st May 2017</p>	<p>Implemented</p> <p>Housing</p> <p>The Senior Contracts Manager will act as the Contracts Administrator on all contracts to ensure that all contracts are adequately administered and managed. All procurement contracts on Housing Property Contracts will now be underlined by signed contracts from the Joint Contracts Tribunal (JCT) suite of contracts. The Senior Contracts Manager along with the Team Leader – Contracts & Commercial will review all contracts before they are signed as per the delegated authorities within the Council.</p> <p>Recorded contractor monitoring meetings will be maintained along with post inspections, to adequately manage and review performance measures</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 5th March 2018</u> <u>1st Follow up</u>
			<p>Environmental Services</p> <p>See comments in 4.4</p>
<p>4.2 H</p>	<p>Works Orders</p> <p>Orders for work should clearly state what is required together with measurements/quantities i.e. a clear schedule of requirement in regard to the job.</p>	<p>Accepted</p> <p>Works carried out under the Roofing Renewals contract are subject to pre-measurement. A post inspection process is also in place and this will identify non adherence to the procedures.</p> <p>Responsible Managers:</p> <p>Housing Capital & Repairs Maintenance Operations Manager</p> <p>Implementation Date:</p> <p>Completed August 2016</p>	<p>In Progress</p> <p>All new procurement of contracts are issued from the outset with a detailed specification and general condition of works to ensure that quality is not compromised. The contracts also have schedule of rates that are broken down into quantities of measurement to ensure that the costs are better understood and can be assessed more easily on contracts.</p> <p>Pre site meetings will be held with contractors to confirm the exact measurement and quantities of works are agreed prior to any works starting on site.</p> <p>The contracts also have cost performance measures built in which will allow robust monitoring</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 5th March 2018</u> <u>1st Follow up</u>
4.3 H	<p>Variation Orders</p> <p>All variations to the contract must be confirmed in writing with the contractor.</p>	<p>Accepted</p> <p>All staff involved in contract management have been instructed to confirm contract variations in writing.</p> <p>Responsible Manager:</p> <p>Housing Capital & Repairs Maintenance Operations Manager</p> <p>Implementation Date:</p> <p>Completed August 2016</p>	<p>In Progress</p> <p>The new manager now responsible for this is the Senior Contracts Manager. All works are now assessed prior to any works starting on site and detailed schedule of rates are provided by the contractor</p> <p>Joint visits are conducted prior to any works starting with the contractor and the surveyors to assess the full extent of works required and confirm the rates to be applied.</p> <p>Any variances on the contract are agreed at stage of identification and signed off on site by the surveyor and then approved by the Senior Contracts Manager prior to the works being varied on the contract. This is then followed up by an email to the contractor and details recorded against the contract to allow for future auditing.</p> <p>All variances are discussed as a performance measure as part of the contract management processes and recorded.</p>

Ref./ Priority	Recommendation	Management Response and Action Plan	Position as at 5 th March 2018 1 st Follow up
4.4 H	<p>Contractor Meetings</p> <p>Whilst accepting that some contracts will lend themselves to more regularised meetings all contracts should include planned meeting frequencies (e.g. monthly, quarterly, six monthly) to ensure performance is effectively monitored. All meetings should be minuted with action points agreed and, where appropriate, contractors held to account.</p>	<p>Accepted</p> <p>Environmental Services In instances where there are no scheduled meetings e.g. Drain Clearance, there is regular contact with the contractor and a review of his work. However for all contracts there should be at least a minimum of an annual meeting to review performance and contract administrators will be asked to do this.</p> <p>All new contracts will stipulate the meeting frequency in the documentation.</p> <p>Responsible Manager: Head of Environmental Services</p> <p>Implementation date:</p>	<p>Implemented</p> <p>Environmental Services</p> <p>Drain Clearance contract to be re tendered mid 2018 & this will be included in the contract documentation – in this case a minimum of an annual formal meeting.</p> <p>Minor Civil Engineering contract is in progress. The tender documents have been prepared & passed to the Procurement Officer for review. Internal Audit have reviewed the documents & confirm that arrangements appear to be sound with the following appearing to be well covered</p> <ul style="list-style-type: none"> - Tendered rates based on measurements, quantities - Specifications of materials, type measurement etc. - Subcontracting requirements included - Insurance - Planned contractor meetings together with specimen agenda. <p>Seven number specific Performance Indicators have been included within Minor Civil Engineering and Ancillary Work Contract, and similarly within all future Contracts. These Performance Indicators will be analysed on a three month basis with</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 5th March 2018</u> <u>1st Follow up</u>
		<p>Housing Services</p> <p>Regular meetings are now held with contractors. The Housing Capital & Repairs Maintenance Operations Manager is included in the circulation list for minutes and these are retained on the shared network drive.</p> <p>Responsible Manager:</p> <p>Housing Capital & Repairs Maintenance Operations Manager</p> <p>Implementation Date:</p> <p>30th April 2017</p>	<p>the Contractor.</p> <p>See also 4.7</p> <p>Housing Services</p> <p>Housing Services (update)</p> <p>Regular meetings set up for any new contracts</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 5th March 2018</u> <u>1st Follow up</u>
4.5 H	<p>Contractor Payments</p> <p>Payment terms to be in accordance with the contract and any variation investigated prior to payment.</p>		<p>Implemented</p> <p>Contractor payments are made in accordance with the signed contracts we have with the new contractors. All costs are verified prior to payment by the relevant managers.</p> <p>See section 4.3</p>
4.6 H	<p>Tender Evaluation</p> <p>Tender evaluation processes should be observed to maintain transparency in the process</p>	<p>Accepted</p> <p>Tender evaluation matrices must be completed to confirm that the contract award has been made in accordance with the award criteria.</p> <p>All officers involved with contract evaluation will be reminded of the need to follow this process.</p> <p>Responsible Manager:</p> <p>Head of Environmental Services</p> <p>Implementation Date</p>	<p>Implemented</p> <p>Confirmed that no further contracts relating to Stores & Supplies have been let & so this situation has not arising.</p> <p>The situation is the same within Stores, no contracts have been let however discussions are underway with Procurement to look at suitable frameworks for up and coming contracts. Stores Team Leader is aware of the need to undertake a full tender evaluation.</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 5th March 2018</u> <u>1st Follow up</u>
4.7 M	<p>Contractors Insurance</p> <p>A checklist is devised for each contract to ensure the contract monitoring covers all aspects when it relates to renewables e.g. insurance and that products remain up to specification and standard.</p>	<p>Accepted</p> <p>Housing Services</p> <p>This is now in place for our Capital contracts and reviews are scheduled to be carried out as part of the frequent meetings with the contractors. Evidence is retained on the shared network drive.</p> <p>Responsible Manager:</p> <p>Senior Contracts Manager</p> <p>Implementation date:</p> <p>30th April 2018</p> <p>Environmental Services</p> <p>Contract Administrators will be asked to set up diary dates to review insurance and to retain evidence.</p> <p>Responsible Manger:</p>	<p>Implemented</p> <p>Housing Services Implemented on 30th April 2018</p> <p>There is a procurement checklist that has been devised by the Procurement Officer which ensures that all contractors who are awarded contracts have the necessary pre qualification information current and relevant.</p> <p>All contracts awarded through frameworks have this information for all contractors on the framework and this is managed and collected by the relevant framework providers. Furthermore this information is also detailed in the JCT contracts and copies are stored on the server for future auditing purposes.</p> <p>This process is the responsibility of the Senior Contracts Manager and managed by the relevant Managers and Surveyors</p>

Ref./ Priority	<u>Recommendation</u>	<u>Management Response and Action Plan</u>	<u>Position as at 5th March 2018</u> <u>1st Follow up</u>
		<p>Head of Environmental Services</p> <p>Implementation Date: 31st May 2017</p>	<p>Environmental Services 16 April 2018</p> <p>Contract documents now include this item as one of the specific Performance Indicators reviewed every three months. The revised Contract Procedure Rules also include a requirement to confirm that insurance remains in place throughout the life of the contract. Both Training on the revised CPR's & contract management have been delivered with mop up sessions available</p>
4.8 M	<p>Contract Documents</p> <p>The Contract Procedure Rules should be followed regarding the retention of signed contracts.</p>	<p>Accepted</p> <p>All staff will be advised to ensure that signed contract documents meeting this criterion will be passed to Legal Services for safe keeping.</p> <p>However to assist in this process, it is important that all procedures relating to contracts are readily and easily available to staff</p> <p>Responsible Manager:</p>	<p>In progress</p> <p>All new contracts will be advertised using DUENORTH. This application will also be used for Contracts Management and the retention of all related document.</p> <p>Tracking & tracing 'old' documents remains in progress and this is reported in the Housing Capital Programme audit follow up.</p>

Ref./ Priority	Recommendation	Management Response and Action Plan	Position as at 5 th March 2018 1 st Follow up
		Head of Environmental Services Head of Housing Housing Capital & Repairs Maintenance Operations Manager Implementation date: 31 st May 2017	

APPENDIX A

Definition of Priority of Recommendations

Priority	Definition
H	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.
M	Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives. Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.
L	Control weakness that has a low impact upon the achievement of key system, function or process objectives. Implementation of the agreed recommendation is desirable as it will improve overall control within the system.

