

# Internal Audit report – Contract management of the delivery of the Housing capital programme

**Audit Committee**

**Date: 21<sup>st</sup> February 2017**

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Author: Head of Internal Audit  
Wards: None  
Locality Affected: None  
Parishes Affected: None

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## **1. Purpose and Reasons**

- 1.1 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating effectively.
- 1.2 Members requested that at least one individual audit report be presented to each meeting of the Committee. The Internal Audit report on the contract management arrangements regarding the delivery of the Housing capital programme, that identified significant risk, was selected to be presented to this Committee meeting.
- 1.3 The initial report was finalised in October 2017. Internal Audit has since carried out a follow-up review to establish progress in implementing agreed recommendations so that Members had an up-to-date position regarding the service.

## **2. Recommendations**

- 2.1 It is recommended that the contents of the report be noted.

## **3. Detail**

### Background

- 3.1 The annual Housing capital programme budget for 2016/17 is £16.9m. In addition to this there was a £9m underspend carried forward from 2015/16. The Council is responsible for maintaining approximately 10,300 domestic properties.
- 3.2 The capital programme has been prioritised with the aim to deliver major aids and adaptations for tenants with special needs, maintain stock to the Government's Decent homes Standard and to commence a programme of structural repairs and improvement work. The programme of works is intended to reduce the demand for responsive repairs, improve the thermal comfort and security of homes and enhance the local environment.

### Original audit: finalised October 2016

- 3.3 Internal Audit carried out an audit of the contract management arrangements for the delivery of the Housing capital programme. The report was finalised in October

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2016. The auditor's opinion was that there were fundamental weaknesses in some of the processes and therefore there was potentially a significant risk to the Council.

3.4 The key issues raised during the report were:

- All projects in the programme of works must comply with Contract standing Orders, with specific reference to the requirements of section 28 relating to contract variations.
- All instances of where spend exceeds the authorised contract award should be identified and reported upon.
- A management process should be applied to phase, link, control and monitor the 'life of a project' between the stages from strategy, asset management, contracting, contract mobilisation and delivery.

3.5 The full report is attached as Appendix 1.

## Follow-up audit – finalised in February 2017

3.6 Internal Audit carried out a follow-up review to establish progress in implementing agreed recommendations so that Members had an up-to-date position regarding the service.

3.7 It should be noted that the target date has yet to be reached for the implementation of a number of the recommendations.

3.8 The follow-up review did, however, identify that the critical recommendation of ensuring that all contracts complied with the Council's Contract Standing orders had been implemented. The review also found that substantial progress had been made in implementing a number of the recommendations.

3.9 The audit opinion has therefore improved from 'significant risk' to 'of concern'.

3.10 Internal Audit would like to thank both the Head of Property Maintenance and the Capital and External Contracts Manager for all their efforts and contribution to both audit reviews.

3.11 The full follow-up report is attached as Appendix 2.

3.12 The Head of Property Maintenance and the Capital and External Contracts Manager will be at Audit Committee to answer any questions that Members may have.

## **4. Alternative Options**

4.1 Not Applicable

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## **5. Implications, Diversity Impact Assessment and Risk Management**

### Financial and Procurement Implications

- 5.1 There are no direct financial implications arising from this report however the detailed audit report addresses the suitability of internal controls within the systems examined

### Legal and Human Rights Implications

- 5.2 Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2015. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

### All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 None

### Links to One Swindon, Strategic Objectives, Plans and Policies

- 5.4 Effective systems of internal control within the Council will help to ensure that the Council's corporate objectives and those set out in One Swindon are achieved.

### Diversity Impact Assessment

- 5.5 Not Applicable

### Risk Management

- 5.6 Not applicable

## **6. Consultees**

- 6.1 The Corporate Director: Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

## **7. Background Papers**

- 7.1 None

## **8. Appendices**

- 8.1 Appendix 1 – initial Internal Audit report: *Contract Management – delivery of the Housing capital programme* (October 2016)
- 8.2 Appendix 2 –Internal Audit report follow-up: *Contract Management – delivery of the Housing capital programme* (February 2017)
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