

Swindon Internal Audit Services

Contract management review Delivery of the Housing Capital Programme - Follow Up

February 2017
(FINAL)

Swindon Internal Audit Services: Delivery of the Housing Capital Programme - Follow Up

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Report Distribution – Final report issued on 9th February 2017 to:

Corporate Director, Communities and Place
Head of Property Maintenance
Capital and External Contracts Manager
Director of Law and Democratic Services
Interim Corporate Director: Resources
Head of Finance, Delivery
Procurement Manager
Head of Finance: Technical
Finance Manager: Housing, Treasury and Growth

Auditor:

Principal Auditor

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Executive Summary

Background

An Internal Audit review of the *contract management arrangements for the delivery of the Housing Capital Programme* was finalised in October 2016. The audit identified that there were fundamental weakness in internal control arrangements resulting in a 'significant' risk to the Council. A summary of the findings of this initial review were presented to Audit Committee at its November 2016 meeting. Members requested that the full report be brought to their February 2017 meeting.

A follow-up audit was undertaken in January to establish what progress had been made in implementing agreed recommendations. It should be noted that the agreed implementation dates of recommendations from the original report range between September 2016 and April 2018 and therefore it should not be expected that all recommendations have been implemented.

The annual Housing Capital Programme is underpinned by capital funding which is approved by Cabinet and shared with the Housing Advisory Forum. The 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. The Capital Programme of works 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 commence a programme of structural repairs and improvement works to non-traditional housing stock. 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.

Testing conducted for this follow-up review included examining the contracting arrangements for the delivery of three new projects i.e. External Wall Insulation – phase two; Replacement window and doors and the 2016/17 Bathroom refurbishment programme. It also included the delivery of the following contracts: Replacements Bathrooms; Gas Central Heating; Aids and Welfare Adaptations; and Kitchen Refurbishments.

Audit Opinion

Due to the work carried out since the last audit, particularly relating to ensuring compliance with standing orders, the audit opinion has improved as shown below. Many of the processes are relatively new and assurance that these are working effectively will be needed before the opinion will improve to 'satisfactory'.

The overall audit opinion following this review is '**significant improvements required**' with existing procedures needed to be improved to ensure that they are fully reliable, giving an overall risk assessment to the Council of '**of concern**'.

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Key Messages

Since the last review both the Head of Property Maintenance and the Capital and External Contracts Manager have made good progress in implementing the Internal Audit recommendations to bring together and realign the contract and delivery functions supporting the Housing Capital Programme. This change is being progressed and although in the early stages it is beginning to put in place the key controls necessary to take forward best practice, a commercial culture, effective delivery and ensure value for money can be demonstrated across all stages of the programme lifecycle.

The transformation of the service following the merger in November 2013 of both the former Swindon Commercial Services, property delivery team with the former Housing Services contract team is now being fully realised. Achievement of this step change has and continues to impact and challenge the service alongside business as usual. The service is commended and encouraged to maintain the good level of progress in addressing the key control weaknesses reported by Internal Audit in October 2016.

The auditor found that the implementation of the majority of recommendations made in the initial review should be achieved in accordance with the agreed timescales. A critical priority recommendation has already been achieved ensuring that all works are contracted, and then delivered and managed within authorised contract award values. At an individual contract level this should ensure compliance with the Council's Contract Standing Orders and support contract management and budgetary control in accordance with contract awards.

Implementation dates for two recommendations have been extended to enable recommendations to be fully implemented. Some further actions have also been provided as part of this review to further improve controls.

The recommendations being implemented at this time are required to ensure that there is efficient and effective management for both the contracting and delivery stages that support the Housing Capital Programme of Works i.e. as set out in the draft delivery plan and draft contract register.

The staffing structure and roles and responsibilities of staff necessary to support the programme are being reviewed to ensure there is adequate staffing with the appropriate qualifications, expertise and on the job training to perform their duties. Processes and working procedures to support performance and risk management of the programme of works are evolving with further key performance indicators to be introduced to enable emerging risks and issues to be managed and mitigated on a timely basis.

Further development and embedding of the step change brought about from the initial audit review is essential to achieve best practice and value for money to achieve the Capital Programme of works outcomes for all stakeholders.

Full details of the follow-up review and testing supporting the status of the implementation of recommendations are set out in the action plan follow-up form together with management responses/comments.

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Key improvements made since the last audit

The following improvements in controls and practices have been noted as being implemented since the last audit review:

- Projects in the Housing capital programme of works comply with Contract Standing Orders, with specific reference to the requirements of section 28 relating to Contract Variations.
- A revised procurement plan is in place, including the step ups from short to medium and long term contracts. The plan is now starting to be monitored at a corporate performance level to ensure that this is managed and achieved.
- Contracts which include the option to extend are noted on the contracting and project delivery plan, including the number and period of these extensions.
- Open Housing job status data was cleansed as a one off exercise at the end of March 2016. However, data is now starting to be reviewed on a more regular basis to ensure that data is reliable and complete for reporting and monitoring of the service.
- The management module within the Open Housing system is updated promptly on satisfactory completion of works and provision of completion certificates/quality assurance inspections.
- Further analysis codes for new projects have been provided under each Housing Capital Programme budget code to achieve visibility for individual projects which make up the overall budget. All existing projects will have a further analysis code set up from the start of the new financial year 2017/18.
- At the end of 2015/16 all contracts on the Open Housing system were closed down to improve governance and management of contracts. At the start of the new financial year 2016/17, where supported by approval to continue and available budget, on-going contracts were reopened in the Open Housing system.
- Final accounts have been prepared for contracts which have completed since the last review and were outstanding during the last review.
- Authorised signatories for Officers in the Contract Delivery Team are now in place ensuring segregation of duties between the stages of ordering and approving invoices for payment. The financial limits are also adequate and consistent across members of the team. These authorisations and approval levels are satisfactorily reflected in the Open Housing System.

Overall Opinion

Materiality and Impact: High. The annual Housing Capital Programme budget for 2016/17 is £16.9m with an additional £9m underspend carried forward from 2015/16. The Council is responsible for maintaining approximately 10,300 domestic properties. Materiality is therefore **high**. The Capital Programme of works 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, commence a programme of structural repairs and improvement works to non-traditional housing stock. 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. Impact is therefore **high**.

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Changes since the last audit: Below is a summary of the progress made in implementing the recommendations from the initial audit:

Priority of Recommendations	Total	Implemented	Being Implemented	Not Implemented	Unable to test
Critical	1	1	0	0	0
High	6	3	3	0	0
Medium	15	6	8	0	1
Total	22	10	11	0	1

Opinion on system controls: Significant improvements required (see Appendix A) i.e. the auditor completing the review concluded that existing procedures needed to be improved to ensure that they are fully reliable. A number of significant recommendations have been made to improve missing or failings controls.

Overall Assessment of Risk: the combination of the high impact of the system, along with the opinion on the system controls gives an overall risk assessment to the Council as being of '**Of concern**'.

		MATERIALITY AND IMPACT		
SYSTEM CONTROL		High	Medium	Low
1	High standard	Moderate	Minimal	Minimal
2	Satisfactory	Moderate	Moderate	Minimal
3	Significant improvements required	Of concern	Moderate	Moderate
4	Fundamental weaknesses identified	Significant	Of concern	Moderate

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Action Plan: follow-up form

The purpose of this action plan follow-up form is to provide an update on the status of recommendations made in the initial audit of the Contract Management review: Delivery of the Housing Capital Programme, together with the service manager's comments.

NO	ORIGINAL RECOMMENDATIONS	AUDIT COMMENTS / ACTIONS BY DEPARTMENT
1	Risk: Accountability and compliance with Contract Standing Orders and Procurement Policy.	
1.1	<p>All projects in the Housing capital programme of works must comply with Contract Standing Orders, with specific reference to the requirements of section 28 relating to Contract Variations.</p> <p>A gap analysis should be conducted across all Housing Capital Projects in the Programme of works to identify any spend/commitments in excess of authorised contract awards. An amnesty should be sought on all contracts which have exceeded the contract award value/waiver period. The value and reasons for any overspends should be identified and reported to Cabinet.</p> <p>A revised procurement plan should be devised going forward for the next three years, including the step ups from short to medium and long term contracts, which should be monitored at a corporate performance level to ensure that this is managed and achieved.</p> <p>Adequate contract lead time must be put in place and observed when taking individual procurements to market at a local or EU level. Medium and long term contracts should be upheld and not replaced with short-term arrangements which impact and frustrate contracting and ultimately delivery of the Housing Capital Programme of works.</p> <p>Priority: Critical</p> <p>Responsible Officer: Head of Property Maintenance in conjunction with the Procurement Manager and the Director of Law and Democratic Services</p> <p>Timescale: April 2017</p>	<p><u>Head of Property Maintenance response:</u></p> <ul style="list-style-type: none"> Gap analysis underway with Procurement team. Not identified any contracts that have exceeded spend/commitments in excess of authorised contract awards. Contracts have been put in place to step up from short to long term contracts to support nine different packages with a range of £600,000 and £8.9m. 5-year investment programme developed with Pennington Choices Ltd, which links into existing contract arrangements. Revised procurement programme to be updated in line with overall project plan. Contract critical path analysis drafted. <p><u>Internal Audit update:</u></p> <p><u>Status of recommendations – Implemented</u></p> <p><u>Further action:</u></p> <ul style="list-style-type: none"> From an overall review of current contracts as at the end of November 2016 these were observed as being managed in accordance with Contract Standing Orders with spend within that authorised in the contract award and budget. Monitoring of contract spends and performance needs embedding to ensure that reliable information is consistently in place to support this process. Procurement approvals to contract are captured using the Procurement Approval Documents with contract variations agreed through the Procurement Clinics and formalised with legal variations issued to contractors. The monthly suspension of contracts on the Open Housing System for monitoring of spends and performance should be limited to no more than two working days. This two day suspension should be set as a performance target to mitigate the impact on delivery of contracts.

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NO	ORIGINAL RECOMMENDATIONS	AUDIT COMMENTS / ACTIONS BY DEPARTMENT
1	Risk: Accountability and compliance with Contract Standing Orders and Procurement Policy.	
1.2	<p>Contracts which include the option to extend must be noted on the contracting and project delivery plan, including the number and period of these extensions.</p> <p>The need to put these arrangements in place should be acted upon at least, say four to six months, prior to the current contract period coming to an end. Contract extension should be communicated and formalised in writing to the contractor by way of a legal extension as required by Contract Standing Orders.</p> <p>Contracts and related schedule of rates should be closed on the Open Housing system to coincide with the end date and award value of contracts. This is to ensure that contracts are not used beyond the approved contract period and value.</p> <p>Priority: High</p> <p>Responsible officer: Capital and External Contracts Manager</p> <p>Timescale: April 2017</p>	<p><u>Capital and External Contracts Manager comments:</u></p> <ul style="list-style-type: none"> • Complete - all contract extensions to be approved as part of PAD Contract Extension Documentation. • Open system contracts closed at year-end and new procedure implemented April 2016. <p><u>Internal Audit update:</u></p> <p><u>Status of recommendations - Implemented</u></p> <ul style="list-style-type: none"> • The option to extend contracts (from the invitation to tender documents) is set out in both the contracts register and also in the service delivery plan. Although both documents cover contracts which are live in 2016/17 these documents need to be fully populated from 2017/18. <p><u>Further action:</u></p> <p>To monitor and manage the PAD and Gateway process introduce KPI's for the contracting stage:</p> <ul style="list-style-type: none"> • PAD – process in one week • Gateway process – each stage of the gateway to be processed within one week • Where the targets cannot be achieved the procurements should be referred to the weekly Procurement Clinic for resolution.

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NO	ORIGINAL RECOMMENDATIONS	AUDIT COMMENTS / ACTIONS BY DEPARTMENT
1	Risk: Accountability and compliance with Contract Standing Orders and Procurement Policy.	
1.3	<p>The project plan should cover and monitor the stages of contracting and delivery, with performance indicators set to ensure that contracts are mobilised within 120 days from the date of contract submission and the date of mobilisation. Within this time period a target should be set for achieving the Gateway 'three' process to support the contract award.</p> <p>The Contract Team and the Corporate Procurement Team, Legal Services and relevant Finance Officer should meet to clear the Gateway three process at one or two meetings. These meetings should be booked in advance to secure all necessary staff are present and any changes required are made to agree the Gateway three process promptly and within timescales.</p> <p>In the event of any delays mobilising contracts within 120 days of receipt of tender these should be raised with the Board Director, Service Delivery for resolution.</p> <p>The Procurement Team and the Housing Capital Programme Contracting Team should resolve any lessons learnt from the Gateway process to ensure the content and timeliness of the papers submitted to this process are reasonable to support contractor award.</p> <p>Handover arrangements between the contract award (by the contracting team) and project mobilisation process (by the delivery team) should be reviewed with both teams. This is to ensure that adequate awareness, timing and communication are in place to implement.</p> <p>Priority: High Responsible Officer: Capital and External Contracts Manager Timescale: April 2017</p>	<p><u>Capital and External Contracts Manager comment:</u> Still need to adopt monitoring system for gateway papers.</p> <p><u>Internal Audit update:</u> <u>Status of recommendations: Being implemented</u> This is also covered in action plan point 1.1</p> <p><u>Further action:</u></p> <ul style="list-style-type: none"> To ensure that contracts are mobilised within 120 days from the date of contract submission and the date of mobilisation a key performance indicator should be introduced to monitor and manage performance.

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NO	ORIGINAL RECOMMENDATIONS	AUDIT COMMENTS / ACTIONS BY DEPARTMENT
2	Management arrangements relating to delivery of the capital programme of works	
2.1.	<p>The management process should be applied to phase, link, control and monitor the 'life of a project' between the stages from strategy, asset management, contracting, contracts mobilisation and delivery.</p> <p>Priority: High</p> <p>Responsible Officer: Head of Property Maintenance</p> <p>Timescale: April 2017</p>	<p><u>Head of Property Maintenance comments:</u></p> <ul style="list-style-type: none"> • 5 year investment programme developed with Pennington Choices Ltd during 2016/17 with phasing of works in line with available budget. • Monitoring of all stages to be implemented for 2017/18 programme • Project team briefing sessions have been put in place. • Reviewing allocation of resources. <p><u>Internal Audit update:</u></p> <p><u>Status of recommendations: Being Implemented</u></p> <p>The 'golden thread' required to unite the enterprise, portfolio and project management stages that make up the programme is being realised across the Property Maintenance Team. This represents a significant shift in culture and working practices that are realising improved controls and management practice to connect and co-ordinate the programme as a whole.</p> <p>The implementation date for this action is revised to September 2017. This extended period is necessary to embed the process with 'smoothing' of work flows transitioning between each stage of the programme lifecycle. This will enable resources to be balanced across the programme to effectively manage and mitigate the risk of 'bottle necks' and 'gluts' of work that impact staff, contractors (and their cash flow) and enable timely property improvements for tenants.</p>

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NO	ORIGINAL RECOMMENDATIONS	AUDIT COMMENTS / ACTIONS BY DEPARTMENT
2	Management arrangements relating to delivery of the capital programme of works	
2.2	<p>The Housing Capital programme should be supported by a comprehensive delivery plan. This should be utilised for monitoring and managing individual projects and the programme as a whole. Stages of monitoring for the programme of projects should detail:</p> <ol style="list-style-type: none"> 1. the project delivery plan and key milestones for contracting and delivery of each new contract and any permitted contract extensions, done - BS 2. procurement arrangements entering their final stage of delivery period/spend including procurements under waiver which are reaching their end date/value. 3. the stage of each contract in the step-up procurement plan i.e. short, medium or long term contract. 4. for each works the contract period, number of properties to be repaired/refurbished and the approved contract award value i.e. as agreed in the relevant Form C or Procurement Approval Document. 5. the contracting lead time required for going to market for each procurement. 6. key reporting dates/values and milestone dates within the contract and delivery to ensure these are achieved. <p>All relevant staff should be provided with training on completing and maintaining performance data and the importance of this in managing the service.</p> <p>From the Open Housing system compile a standard set of reports which can be refreshed to monitor performance and financial spend/commitments against the project plan. Also set up an early alert system to notify projects nearing their spend limits/contract period to prevent delivery exceeding authorised limits/waivers.</p> <p>Priority: High Responsible Officer: Capital and External Contracts Manager; Timescale: April 2017</p>	<p><u>Capital and External Contracts Manager comments:</u></p> <ul style="list-style-type: none"> • Good progress made with development of high level delivery plan with assistance from Procurement and Legal. • Detailed Project Plan to be monitored and updated on a monthly basis from April 2017. • Performance Management training being arranged. • Standard set of reports in place to monitor performance on a monthly basis. <p><u>Internal Audit update</u></p> <p><u>Status of recommendations - Being implemented</u></p> <p>Governance arrangements for delivery of the programme of projects are becoming more formalised with new and standard processes being introduced to monitor and manage delivery. Although challenging, this is improving staff understanding, working practices and controls for contract management across the delivery team.</p> <p>At this time a detailed project delivery plan and key milestones for contracting and delivery is evolving for the Housing Programme. Further work is in hand to define and implement key performance measures, milestones and provide risk alerts across the programme to enable timely investigation and action where necessary.</p> <p>A draft Contracts Delivery Register (spreadsheet) is currently being populated with details of the Housing Capital Programme of work contracts for monitoring and managing delivery at a management level. This is to provide an overall monitoring dashboard of individual contract performance against contract award criteria.</p> <p>Once the detailed project delivery plan and the Contract Delivery Register are fully operational these should be linked to monitor and manage both the contracting and delivery stages so to achieve a consistent and smooth flow of works against targets.</p>

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NO	ORIGINAL RECOMMENDATIONS	AUDIT COMMENTS / ACTIONS BY DEPARTMENT
2	Management arrangements relating to delivery of the capital programme of works	
2.3	<p>To improve the governance and visibility of the Housing Investment Programme, any unspent budget to be carried forward into the next financial year should be explained and presented to both Cabinet as part of the budget setting process and also to the Housing Advisory Forum.</p> <p>If the use of any financial underspend is expected to change from that agreed in the Housing Strategy this should also be recorded and approved by Cabinet. This will provide an effective management trail and link to Gateway papers for procurements which include the use of underspend from previous or the current financial year.</p> <p>There should be consistency of procurement intention with regard to the type of works; value of contract being put to market and the value of award which the service is actually seeking to make.</p> <p>Any changes to the nature or value of works put to market to that to be offered should be recorded on the Procurement Approval Document and approved by Corporate Procurement, Legal Services and Corporate Finance.</p> <p>Priority: High</p> <p>Responsible Officer: Finance in conjunction with Head of Property Maintenance</p> <p>Timescale: April 2017</p>	<p><u>Head of Property Maintenance comments:</u></p> <ul style="list-style-type: none"> • Complete - capital budget realignment reported to Cabinet September 2016 [Budget Management report – item 8.8] • A position statement on spend levels and delivery of the capital programme or works is to be reported to the Housing Advisory Forum and Cabinet by July 2017. <p><u>Internal Audit update:</u></p> <p><u>Status of recommendations - Implemented</u></p> <p>The capital budget was realigned for 2016/17 and reflected the anticipated capital priorities during the remainder of the year. This was included in the Budget Management 2016-17 and 2016–2020 Efficiency Statement report presented to Cabinet on 7th September 2016.</p>

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NO	ORIGINAL RECOMMENDATIONS	AUDIT COMMENTS / ACTIONS BY DEPARTMENT
3	The Delivery team structure has the right people in place, with the authority, responsibility; knowledge and ability to make timely decisions.	
3.1	<p>The purpose, working practices and standards required from the Delivery Team and the Service Manager in delivering the overall capital programme of works and individual projects should be assessed to determine if the Delivery Team is fit for purpose and has the necessary capacity and capability.</p> <p>From this assessment the relevant service roles and responsibilities should be determined including the necessary technical qualifications, skills and knowledge required from Officers. The necessary professional and commercial behavioural skills should be determined and specified so that Officers can competently manage the high value of works being delivered.</p> <p>Staff appointed to jobs should have the necessary level of capacity and competency to achieve business objectives. Where necessary, training should be put in place to enable staff to continuously develop and demonstrate best practice.</p> <p>Priority: Medium</p> <p>Responsible Officer: Head of Property Maintenance in conjunction with the Capital and External Contracts Manager</p> <p>Timescale: September 2017</p>	<p><u>Head of Property Maintenance comments:</u></p> <ul style="list-style-type: none"> • A temporary Capital Delivery Manager was appointed in November 2016. • We are reviewing working practices and defining roles and responsibilities for technical officers (delivery). • HR support will be obtained to manage capacity and competency issues. <p><u>Internal Audit update:</u></p> <p><u>Status of recommendations - Being implemented</u></p> <p>A temporary Contract Delivery Manager was appointed in November 2016 to assist in the management of the contract delivery function. This was to enable the Capital and External Contracts Manager, who has covered this role for the last 12 months, to provide more focus on the contracting of works. Management are reviewing working practices and defining roles and responsibilities for technical officers in these areas. Each work type i.e. roofing, bathrooms, gas central heating etc. has been allocated a member of the Property Maintenance Management Team to monitor individual contracts with contracting or projects officers to ensure best practice/lessons learnt are consistently applied and contracts effectively managed and delivered across the lifecycle.</p>

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NO	ORIGINAL RECOMMENDATIONS	AUDIT COMMENTS / ACTIONS BY DEPARTMENT
3	The Delivery team structure has the right people in place, with the authority, responsibility, knowledge and ability to make timely decisions	
3.2	<p>Where possible promote joined up working between the contracting and delivery roles for the Capital Programme. This could include:</p> <ul style="list-style-type: none"> • rebranding the two teams as one group, • locating staff together on one site, • having an early 'buddy' working relationship between Officers responsible for undertaking contract procurement and the Officer responsible for delivering this. <p>This should achieve greater visibility of contracts and understanding at the hand over stage. It will also ensure that both parties have an overall appreciation and understanding of the whole process and both able to learn each other and bring further efficiencies and effectiveness to the process.</p> <p>Hold regular 1:1 meetings between delivery staff and the Manager i.e. at least every two-weeks, with a focus on performance against work based performance objectives/ indicators for each contract together with personal development objectives. This will also provide individual members of staff an opportunity to discuss any concerns/issues or seek assurance as well as agree any necessary action. Building of strong officer and manager relationships should improve staff morale, value and improve job satisfaction and outcomes.</p> <p>Priority: Medium</p> <p>Responsible Officer: Capital and External Contracts Manager</p> <p>Timescale: April 2017</p>	<p><u>Capital and External Contracts Manager</u></p> <ul style="list-style-type: none"> • teams combined to deliver programme. • Performance objectives being agreed for each contract. • One to one meetings taking place. <p><u>Internal Audit update – Status of recommendations - Being implemented</u></p> <p>The contact and delivery teams have been merged and located on one site.</p> <p>One to one meetings are gaining momentum for monitoring and providing feedback of individual performance by managers with their line reports. Monthly contract monitoring meetings are in place between the project manager and a member of the management team dedicated to managing an area of works from the programme. This is to keep an overview and monitor contract performance and to provide support in the implementation of new working practice.</p> <p>At an individual contract delivery level a Project Quality Plan (PQP) checklist has been introduced for each contract. This sets out the key contract details, roles and responsibilities and guidance to be adopted in administering and managing the contract.</p> <p>From September 2016 monthly performance reports have been introduced to monitor actual spend and delivery against that stated in relevant contracts and invitation to tender documentation. Each month performance data is reported from the Open Housing system. This should help to manage the administration of repairs and improvements work on properties by contract and individual property job/work status. The PQP has started to be used in contractor management meetings to manage performance and to mitigate risks/issues.</p> <p>This process is a significant step forward in contract management.</p> <p><u>Further action:</u></p> <ul style="list-style-type: none"> • Further refinement is needed to clarify the actual contract start date and align this date in the contract and Form C/PAD documentation. The introduction of a contract start certificate should be applied to clarify the start date for all parties. This will enable reliable profiling of financial commitments/ spend and units to be delivered each month/cumulatively from which to monitor delivery. Further understanding of the 'Invitation To Tender' is also required by project managers to ensure that the value of annual spend, where a contract is deliverable over more than one year, is used for

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NO	ORIGINAL RECOMMENDATIONS	AUDIT COMMENTS / ACTIONS BY DEPARTMENT
		<p>monitoring delivery.</p> <p>From sample testing of three procurements it is evident that there are delays in clearing procurements through the gateway process and awarding works i.e. delays between four weeks and four months. In one case, following tender evaluation, an award has yet to be made but the contract is close to expiry of the 120 day period i.e. between the return of tender date and award of contract date after which time the contractor is not bound to honour their contract submissions. This is impacting delivery and potentially frustrating both staff responsible for contracting works and contractors awaiting the outcome of the tender process.</p> <p>Four current contracts tested that were in delivery had large values of orders accumulating on each i.e. between £100,000 and £300,000 as at December 2016. From an initial check of these by the Auditor it is evident that the following issues need to be investigated and addressed:</p> <ul style="list-style-type: none"> • the monthly suspension of contracts for monitoring of comments/spend for approximately four weeks which meant work orders, payments etc. could not be processed in the Open Housing System, • delays in payment of contractors within 28 days as the JCT contract, • a high number of defects. <p><u>FURTHER ACTIONS</u></p> <ul style="list-style-type: none"> • Introduce Key performance targets/measures to fit with each stage of the lifecycle to enable management to monitor and manage programme outcomes on a monthly basis. • Applied risk rating (high/red, medium/amber and low/green) to performance targets to easily highlight emerging risks and issues for mitigation. • Ensure there is visibility of any performance risks, issues and mitigating actions highlighted on the Contract Delivery Register with these linked to contract monitoring meetings with contractors for follow up and mitigating actions where necessary. • Keep a constant review of any individual contract order values to ensure a smooth turnover of work in progress to ensure consistency of delivery. In any contract order values exceed £100,000 these should be investigated to ensure there are no blockages in processing of jobs

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NO	ORIGINAL RECOMMENDATIONS	AUDIT COMMENTS / ACTIONS BY DEPARTMENT
3	The Delivery team structure has the right people in place, with the authority, responsibility, knowledge and ability to make timely decisions.	
3.3	<p>Review the Corporate Finance authorised signatories for Officers in the Contract Delivery Team to ensure there is segregation of duties between the stages of ordering and approving invoices for payment, adequacy of financial limits and consistency of limits throughout the team.</p> <p>Following the review of financial signatory limits, for consistency, apply these to the access rights and financial limits set with the Open Housing system.</p> <p>Priority: Medium; Responsible Officer: Head of Property Maintenance; Timescale: September 2016</p>	<p><u>Head of Property Maintenance comments</u> Financial limits set for all officers.</p> <p><u>Internal Audit update – recommendations Implemented</u> Segregation of duties is now in place between the stages of ordering and approving invoices for payment. There is also adequacy and consistency of financial limits across members of the team. These authorisations and approval levels are satisfactory with these reflected in the Open Housing System.</p>

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NO	ORIGINAL RECOMMENDATIONS	AUDIT COMMENTS / ACTIONS BY DEPARTMENT
3	The Delivery team structure has the right people in place, with the authority, responsibility, knowledge and ability to make timely decisions.	
3.4	<p>Adequate business continuity plans should be put in place and tested to ensure these are effective in the event of long term staff absence in either the contracting or delivery team.</p> <p>As part of weekly/two weekly 1:1 meetings, between the respective Manager and officers in the contracting and delivery teams, the status of projects should be recorded and supported by documentation, including minutes of the latest contract monitoring meetings.</p> <p>Priority: Medium</p> <p>Responsible officer: Head of Property Maintenance in conjunction with Capital and External Contracts Manager</p> <p>Timescale: April 2017</p>	<p><u>Head of Property Maintenance in conjunction with Capital and External Contracts Manager comments:</u></p> <p>Allocated management support to high risk projects listed as follows:</p> <ul style="list-style-type: none"> • Head of Property Maintenance – lead support for roof renewal works. • Capital Delivery Manager – lead for External Wall Insulation project and support kitchen modernisation programme. • Capital Contracts Manager – lead support for bathroom modernisation and replacement gas central heating programme. • Tender and contracts Manager – lead support for external planned maintenance. • Status to be recorded for all projects from January 2017. <p><u>Internal Audit update – Status of recommendations - Being implemented</u></p> <p>Business continuity arrangements for delivery have progressed with the introduction of managers working with technical officer on specific projects, so there is greater sharing and awareness of works. This supported manager/technical officer working is also applied to periodic client /contractor management meetings. This working process has not been so evident for the contracting of works technical staff.</p> <p><u>Further action:</u></p> <ul style="list-style-type: none"> • Put in place standard and consistent documentation for monitoring the performance of works in the programme. • Apply working practices consistently across the both contracting and delivery functions.

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NO	ORIGINAL RECOMMENDATIONS	AUDIT COMMENTS / ACTIONS BY DEPARTMENT
3	The Delivery team structure has the right people in place, with the authority, responsibility, knowledge and ability to make timely decisions.	
3.5	<p>Standard and consistent working practices should be established for the delivery team. This should be captured in written working procedures and supported with examples of good practice including the checklist produced by the former Delivery Manager and UPVC window contract management.</p> <p>All staff should be issued with the written procedures and provided training to support the roll out of the new standard.</p> <p>Training in project and contract management should be provided to all relevant staff to ensure they know and understand the level of performance standard required in performing their duties.</p> <p>As part of the staff appraisal process, delivery team staff performance should be assessed against these standards and working practices.</p> <p>Contractors should be issued with copies of relevant procedures i.e. dealing with contract variations, extensions, other potential changes to the contract and contract closure.</p> <p>Priority: Medium</p> <p>Responsible Officer: Capital and External Contracts Manager</p> <p>Timescale: April 2018</p>	<p><u>Capital and External Contracts Manager</u></p> <ul style="list-style-type: none"> • JCT Contracts Management training completed with Procurement in June 2016. • Researching good practice and in dialogue with Wrekin Housing Trust to share good practice. • Completed briefing sessions with Capital Delivery team listed as follows: Quality Assurance; PAD completion & Procurement Toolkit; Pre Start & Monthly Progress Meetings; Open Housing Master Query Reports; Project Quality Report; Contract Administration – issuing CA variations; Updating components in the Open system • Still need to define structure for written procedures. • Started working on producing a standard set of documentation for contract management which includes start and completion certificates, variation orders, site instruction etc. <p><u>Internal Audit update – Status of recommendations - Being implemented</u></p> <p>Working practice is evolving. JCT Standard Form of Contract training has been provided to technical managers to build their understanding of the contract and application in management of delivery. New procedures have been instigated to ensure that the key contract information is understood and applied to manage and monitor delivery effectively i.e. time, cost and quality criteria. Monitoring of outcomes from each contract is occurring monthly using a standard monitoring sheet which is uploaded into an overall programme spreadsheet to identify any variance for investigation and action if necessary.</p> <p>As part of new working arrangements a manager is supporting a technical officer on a 1:1 basis to endorse learning and ensure a standard and consistent approach is applied on a day to day basis for contract management. This process is extended to the monthly (or more regular) contract performance meetings with the contractor to manage any emerging risks and issues. This process is also being used to ensure that the contractor's management and monitoring of the contract is achieved to a good and consistent standard.</p> <p>A training template is in place for the contract delivery staff which sets out the type of training and the date provided. However, it is not clear what is mandatory or desirable for specific jobs.</p> <p>A standard contract template file has been brought together for delivery staff to adopt as standard approach and contract documentation required in administering contracts.</p> <p><u>FURTHER ACTION</u></p> <ul style="list-style-type: none"> • Written procedures are currently not in place to support the new processes and documentation used for contract and performance management. • New procedure notes should be issued to both staff and a version adapted for contractors. The procedures should be drafted and checked by members of the procurement clinic to ensure these are appropriate and fit for purpose.

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NO	ORIGINAL RECOMMENDATIONS	AUDIT COMMENTS / ACTIONS BY DEPARTMENT
		<ul style="list-style-type: none"> The training template should be reviewed to identify what training is mandatory or discretionary for each job type. The training delivered for each job profile should be recorded and all mandatory training completed as part of the job induction process.
4	<p><i>Projects have clearly defined deliverables, timescales and budgets which are effectively communicated and supported by documentation and performance management criteria.</i></p>	
4.1	<p>Provide training to the project team to enable them to use Master Query or the Planned Maintenance module so they can effectively manage and monitor their projects.</p> <p>Evaluate the feasibility of developing the Open Housing system to add functionality to provide contract and project management so that a comprehensive management information system supports delivery of the capital programme of works for the Housing asset.</p> <p>Evaluate utilising Microsoft Project for management, reporting and monitoring of the contracting delivery stages and seek to link this information with asset management, contracts and individual property job status information in the Open Housing system.</p> <p>The above actions are required to:</p> <ul style="list-style-type: none"> provide the service with an effective management information system from which to report, monitor and manage the life cycle of the Capital Programme of Works i.e. to track property repairs required in the asset management plan through to the high level strategy and subsequent stages of contracting and delivery of individual work projects. enable the defined stages required for contracting and project management to be set out and monitored to ensure that these are achieved to time, cost and quality and in accordance with contract award values and permissions or extensions of contract where approved. <p>Priority: Medium</p> <p>Responsible officer: Capital and External Contracts Manager in conjunction with the Systems Development Manager and the Head of Information and Technology.</p> <p>Timescale :March 2018</p>	<p><u>Capital and External Contracts Manager</u></p> <ul style="list-style-type: none"> Master Query training complete. Open system functionality not available for contract management. Standard reports available through master query in Open system to manage delivery of programmes of work <p><u>Internal Audit update – Status of recommendations - Being implemented</u></p> <p>From sample testing three technical officers responsible for contract delivery confirmed they had received Master Query training.</p> <p>Reports have been produced to monitor both the number and value of works committed, completed and, completed and paid works.</p> <p>On-going work is in hand to refine management information for reporting, monitoring and managing the whole lifecycle of the programme of works.</p>

Swindon Internal Audit Services: Delivery of the Housing Capital Programme - Follow Up

NO	ORIGINAL RECOMMENDATIONS	AUDIT COMMENTS / ACTIONS BY DEPARTMENT
4	<i>Projects have clearly defined deliverables, timescales and budgets which are effectively communicated and supported by documentation and performance management criteria.</i>	
4.2	<p>Additional performance indicators should be evaluated to improve visibility and overall delivery of the Capital Programme of works, from the Gateway process through to delivery.</p> <p>Examples of performance targets include:</p> <ul style="list-style-type: none"> • each of the Gateway stages, • the value of commitments/spend compared to the contract award value approved and any overspend identified against relevant contracts including justification and approval, • contract delivery against an agreed and phased delivery plan, • timely provision of property addresses for inclusion in the tender document, • timely contract hand over and mobilisation stage (within 120 days), • the level of both pre and post work inspections required across each contract, <p>Evaluate a Best Value measure to drive 'added value' from contracts i.e. the number of properties refurbished above the contract target but within the contract award value.</p> <p>Priority: Medium</p> <p>Responsible Officer: Head of Property Maintenance in conjunction with the Capital and External Contracts Manager</p> <p>Timescale: April 2017</p>	<p><u>Head of Property Maintenance in conjunction with the Capital and External Contracts Manager</u></p> <ul style="list-style-type: none"> • Performance targets to be set for all projects and schemes on the capital programme for 2017/18. • Project Quality Plans (PQP) has been put together for projects/schemes on capital programme for 2016/17. • Project Quality Reports (PQR) are produced monthly to monitor delivery with individual projects or schemes • Best Value to be demonstrated through procurement and number of properties delivered against target. <p><u>Internal Audit update – Status of recommendations – Being implemented</u></p> <p>Agree with the status presented above.</p> <p>Additional performance indicators have been included as further actions in this follow-up review.</p> <p>Revised action date: July 2017</p>

Swindon Internal Audit Services: Delivery of the Housing Capital Programme - Follow Up

NO	ORIGINAL RECOMMENDATIONS	AUDIT COMMENTS / ACTIONS BY DEPARTMENT
4	<i>Projects have clearly defined deliverables, timescales and budgets which are effectively communicated and supported by documentation and performance management criteria.</i>	
4.3	<p>Open Housing job status data should be reviewed and cleansed as a one off exercise and regularly thereafter to ensure this is reliable and complete for reporting and monitoring the service.</p> <p>Spot checks on a sample of jobs should be conducted by an independent Officer to ensure jobs are progressing and the job status correctly reflects the job stage and financial commitments. These checks should be recorded and used to support a quality assurance process.</p> <p>The Auditor estimates that in excess of £2 million will be realised from the order status review and be shown in the value of underspend for the 2015/16 financial year.</p> <p>Priority: Medium</p> <p>Responsible officer: Capital and External Contracts Manager</p> <p>Timescale: April 2017</p>	<p><u>Capital and External Contracts Manager</u></p> <ul style="list-style-type: none"> • Complete. • Contracts updated on Open system to ensure that reports are reliable. Monthly spot check and review of jobs planned to take place with Finance lead for Housing. <p><u>Internal Audit update:</u></p> <p><u>Status of recommendations - Implemented</u></p> <p>The period reviews look to monitor spends and performance within the contract award criteria. The last monitoring process was observed by the Auditor for month 8 - November 2016. Individual contract award values and performance targets taken from contract awards are used to monitor actual performance from the Open Housing System. From the November 2016 monthly monitoring this process was found to be satisfactory, except for the Gas Central Heating Contract awarded to K&T. The target figures could not be reconciled to the contract award value. This was checked with both the technical officer responsible for the contract and the Senior Quantity Surveyor but it was not resolved. It was concluded that the target figures had been overwritten.</p> <p><u>Further action:</u></p> <p>On the monthly monitoring sheet produced to monitor actual spend against target, the target figure should be based on the contract award figure and applied to the financial year and apportioned to the relevant months. This figure should be 'locked' on the monitoring spreadsheet to prevent any error or unauthorised changes which could compromise the reliability of monitoring.</p>

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NO	ORIGINAL RECOMMENDATIONS	AUDIT COMMENTS / ACTIONS BY DEPARTMENT
4	<i>Projects have clearly defined deliverables, timescales and budgets which are effectively communicated and supported by documentation and performance management criteria.</i>	
4.4	<p>Review the appropriateness of the current JCT Standard form of contract used for the Housing Capital Programme of works to establish if the current form is:</p> <ul style="list-style-type: none"> fit for purpose and fits with the procurement cycle to step up from short to medium and then to long term contracts. appropriate for the value of contract award, suitable for implementing project management principles and practices. <p>In future, contracts should detail the required monthly contract monitoring arrangements and documentation required to be provided by the contractor. Contract monitoring templates should be published on the Internet for easy access by contractors. Templates should include reporting of actual achievement against the agreed phased delivery plan and budget.</p> <p>Key risks should be discussed with the contractor and documented. These should be at contract management meetings and where necessary risks carried into the client officer's risk register. Mitigating actions should be agreed and reviewed for implementation.</p> <p>Evaluate if the NEC suite of contracts could offer a better fit for larger value, medium/longer term contracts which require strong project management principles and practices i.e. to empower project officers to deliver projects on time, on budget and to the highest standards.</p> <p>If the NEC contracts are deemed a option for contracting specific works, ensure Officers responsible for delivery are trained and competent in the use of relevant contract forms.</p> <p>Priority: Medium</p> <p>Responsible officer: Capital and External Contracts Manager</p> <p>Timescale: September 2016</p>	<p><u>Capital and External Contracts Manager</u></p> <ul style="list-style-type: none"> Complete The type of contract has been reviewed depending on the project. The JCT suite of contracts are being used with the Measured Term Contract being the best suited for a number of projects. The NEC contracts have been review but don't fit well with the type of work being delivered. Risk register are in place for each contract and are reviewed as part of the monthly progress meetings. <p><u>Internal Audit update:</u></p> <p><u>Status of recommendations - Being implemented</u></p> <p>Acknowledge the review of the JCT Contract and continue with its use as it best fits the type of works conducted by the service. The Measured Term JCT contract will be used for some projects.</p> <p>Risk registers are in place for contracts, but from testing completed there are variable updates since the contract award stage. It is noted that all actions reviewed have an on-going status rather than a date of implementation. In these cases the level of risk was minimal (green status) yet the risks remain on the register.</p>

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NO	ORIGINAL RECOMMENDATIONS	AUDIT COMMENTS / ACTIONS BY DEPARTMENT
4	<i>Projects have clearly defined deliverables, timescales and budgets which are effectively communicated and supported by documentation and performance management criteria.</i>	
4.5	<p>The management module within the Open Housing system should be updated promptly on satisfactory completion of works and provision of completion certificates/quality assurance inspections. This is to establish the link between delivery, maintaining decency and providing robust data for futures programmes of work.</p> <p>The gas central heating spreadsheet of completed works as maintained by the Gas Engineer should be used to update the asset management module. This should be undertaken in conjunction with the necessary property gas completion certificates etc.</p> <p>The property lists or street names for each contract should be produced and included at contract award. This will enable contractors to plan works and welfare facilities and mitigate related delays in mobilising contracts.</p> <p>Priority: Medium</p> <p>Responsible officer: Project Surveyors in conjunction with Capital and External Contracts Manager</p> <p>Timescale: September 2017</p>	<p><u>Capital and External Contracts Manager</u></p> <ul style="list-style-type: none"> • Complete. • Component data has been uploaded on to OPEN, the open Housing System has been reconfigured to implement automatic updating when a component is renewed, and this is on track to be completed for end of financial year. • We will review the spreadsheet of completed Gas works to ensure that data in consistent in OPEN. • Address lists will be provided with contract documentation where it is appropriate to do so. <p><u>Internal Audit update:</u></p> <p><u>Status of recommendations - Implemented</u></p> <p>Gas and associated work completion certificates and inspection reports have been viewed satisfactorily for a sample of three properties. The certificates are submitted with the works invoice and then scanned onto the Open Housing system. Before payment the certificates are independently checked to ensure these are in place and complete before certifying payment. The three properties tested showed that the gas central heating works completed on the asset management module.</p>

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NO	ORIGINAL RECOMMENDATIONS	AUDIT COMMENTS / ACTIONS BY DEPARTMENT
4	<i>Projects have clearly defined deliverables, timescales and budgets which are effectively communicated and supported by documentation and performance management criteria.</i>	
4.6	<p>Further analysis codes should be provided under each Housing Capital Programme budget code to achieve visibility for individual projects which make up the overall budget. An example is the capital budget code for roofing works which has been split over three contracts. Each contract should have a further analysis code allocated under the main roofing capital code and the budget split across the contract budget sub-codes in accordance with approved award value (Form C or Procurement Approval Form).</p> <p>When aligned to the further analysis code for individual contracts this will enable a reconciliation of payment made and to forecast commitments (to cover work in progress and complete but not paid). This will provide a greater degree of control and allow challenge on variances on a timely basis.</p> <p>Any emerging risks and issues should be captured in the project and where significant escalated to the service risk register with mitigation actions with timescales agreed.</p> <p>Priority: Medium</p> <p>Responsible officer: Finance Manager in conjunction with Capital and External Contracts Manager</p> <p>Timescale: April 2017</p>	<p><u>Capital and External Contracts Manager</u></p> <ul style="list-style-type: none"> • Complete. • Further analysis codes are now being provided for each new contract as part of the new contract set up. <p><u>Internal Audit update:</u></p> <p><u>Status of recommendations – implemented for new projects during 2016/17 and expected to be in place for all projects from 2017/18.</u></p> <p>Corporate Finance has provided details of the further analysis expenditure codes set up for new projects during 2016/17. The intention is to roll out further analysis codes across existing projects that progress in to the new financial year 2017/18.</p>

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NO	ORIGINAL RECOMMENDATIONS	AUDIT COMMENTS / ACTIONS BY DEPARTMENT
4	<i>Projects have clearly defined deliverables, timescales and budgets which are effectively communicated and supported by documentation and performance management criteria.</i>	
4.7	<p>A financial limit should, where possible, be applied to each contract in the Open Housing system. The limit should be the contract award value. This limit should prevent works from being ordered when the combined value of commitment and payments on a contract has reached the limit value (contract award value).</p> <p>All contracts and related schedule of rates should be closed down on the Open Housing system once the approved contract spend or contract period has been reached.</p> <p>At the end of each financial year close all contracts on the Open Housing system to improve governance and management of contracts. At the start of each new financial year, where necessary, enliven contracts in the Open Housing system, which have approval to continue and available budget.</p> <p>Conduct quarterly reviews of the contracts 'live' in the Open Housing system to ensure that spend is within the total budget and period of contract is valid.</p> <p>Priority: Medium</p> <p>Responsible officer: Capital and External Contracts Manager in conjunction with Finance Manager</p> <p>Timescale: April 2017</p>	<p><u>Capital and External Contracts Manager</u></p> <ul style="list-style-type: none"> • Complete • Open systems does not have a function to set contract limits however contracts are turned off on project review date on a monthly basis and monitored monthly and reviewed in line with the PQR reports for each contract. • All contracts are set up with the relevant schedule of rates and monitored for the period from the contract start date as well as financial year end. • At the end of financial year all contracts are closed and job orders not started are also closed down. New contracts to be set up with further analysis for each contract • At-cost are not used as part of any schedule of rates on any contract • Contract reviews weekly/monthly/quarterly • Contracts register shows when contracts are live. • Contracts closed down when they exceed contract values. • Reviews taking place and verified to Head of Property Maintenance <p><u>Internal Audit update – Status of recommendations - Implemented</u></p> <p>Contracts on the Open Housing system were closed down as at 31.3.16 to enable the data in the system to be cleansed. This process cleansed and released a large value of historic work in progress (at job stage 06 – orders) which could no longer be substantiated. This process is to be repeated as at the 31.3.17. At the start of each year any contracts which contractually run into the new financial year are activated on the Open Housing System and subject to periodic review.</p>

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NO	ORIGINAL RECOMMENDATIONS	AUDIT COMMENTS / ACTIONS BY DEPARTMENT
4.8	<p>Evaluate deleting or limiting access to and use of adjustment codes in the Open Housing system for coding works for payment i.e. ADJSOR, ADJSORNEG, ATCOST and ATCOSTNEG.</p> <p>Priority: Medium</p> <p>Responsible officer: Capital and External Contracts Manager</p> <p>Timescale: September 2016</p>	<p><u>Capital and External Contracts Manager</u></p> <ul style="list-style-type: none"> • Complete. • Codes are not to be used without authorisation. • Contract variations are being implemented for any new agreed schedule of rates. <p><u>Internal Audit update:</u></p> <p><u>Status of recommendations – Unable to test – pending reports form IT</u></p>
4.9	<p>Programme and project risk registers should be maintained throughout the life of the Capital Programme of works. In the event of a significant emerging risk or issue it should be escalated to the Delivery Leadership Team Risk register.</p> <p>Risk registers should be proactively used, as part of contract management, with the delivery officer recording any risks/issues to the achievement of projects and/or the overall programme of works. Mitigating actions should be agreed and put in place to manage risks and reviewed periodically for implementation.</p> <p>Risks identified in this review should be included in the relevant risk registers.</p> <p>All Project and Portfolio management staff should complete the on-line managing risk training to ensure they are aware of the risk management documentation and process.</p> <p>Priority: High</p> <p>Responsible officer: Head of Property Maintenance in conjunction with Capital and External Contracts Manager</p> <p>Timescale: April 2018</p>	<p><u>Head of Property Maintenance in conjunction with Capital and External Contracts Manager</u></p> <ul style="list-style-type: none"> • Risk registers are in place for each contract and reviewed at monthly progress meetings. It has been identified that further training is required on risk register management which has been include as a topic on the weekly training programme, see appendix. • Property Maintenance risk register in place for all activities across the team. • Specific risk register to be developed for capital programme <p><u>Internal Audit update:</u></p> <p><u>Status of recommendations – Being Implemented</u></p> <p>Risk registers are evident as part of the contract award process, but are not regularly maintained thereafter. There are a few exceptions, but more work needs to be done to embed risk management as part of everyday working and contract management best practice.</p>

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NO	ORIGINAL RECOMMENDATIONS	AUDIT COMMENTS / ACTIONS BY DEPARTMENT
4	<i>Projects have clearly defined deliverables, timescales and budgets which are effectively communicated and supported by documentation and performance management criteria.</i>	
4.10	<p>Each Project Manager should prepare, on completion of their relevant contracts, a final account. This final statement should include a final statement setting out the sum of payments made against the original contract value and any contract variations or extensions awarded.</p> <p>To improve transparency, details of contract final accounts should be reported to Housing Advisory Forum and Cabinet to demonstrate completion of works in accordance with contract approvals and the Capital Programme of Works.</p> <p>Priority: Medium</p> <p>Responsible officer: Capital and External Contracts Manager</p> <p>Timescale: September 2017</p>	<p><u>Capital and External Contracts Manager</u></p> <p>Final Accounts being completed for all completed works.</p> <p><u>Internal Audit update:</u></p> <p><u>Status of recommendations - Implemented</u></p> <p>From the audit finalised in October 2016 a sample test of contracts reported at that time as not having a final account has been conducted and final accounts have now been completed.</p>

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APPENDIX A

Standard Audit Opinions	Standard Audit Opinion System Control
<p>The audit opinion is based on two different criteria the first is materiality of the system and its impact on the Council if there was a system failure. This has been split into High, Medium or Low.</p> <p>The second criteria is the standard of control found within the system audited. This has been categorised into 4 different levels i.e. high; satisfactory; significant improvements required and fundamental weaknesses identified. Each of these categories has a standard opinion (see below).</p> <p>The combination of these two factors gives an overall risk assessment to the Council of one of four scores i.e. significant, of concern, moderate or minimal (see Overall Opinion section in the main report).</p>	<p>Audit Opinion 1. <i>High standard</i></p> <p>The auditor completing the review concluded the significant controls are in place and operating effectively and only minor recommendations have been made</p>
	<p>Audit Opinion 2. <i>Satisfactory standard</i></p> <p>The auditor completing the review concluded that most of the significant controls are in place and operating satisfactorily although some non-compliance was identified and therefore there is scope for improvement.</p>
	<p>Audit Opinion 3. <i>Significant improvements required</i></p> <p>The auditor completing the review concluded that existing procedures needed to be improved to ensure that they are fully reliable. A number of significant recommendations have been made to improve missing or failing controls.</p>
	<p>Audit Opinion 4. <i>Fundamental weaknesses identified</i></p> <p>The auditor completing the review concluded that the matters arising from the review are sufficiently significant to place doubt on the reliability of the procedures reviewed. Implementation of the recommendations made is a priority to ensure that reliance can be placed on the system.</p>

Acknowledgements

Internal Audit would like to acknowledge and thank the following Officers who contributed to the review:

Job Title

Head of Property Services

Capital and External Contracts Manager

Senior Quantity Surveyor

Procurement Manager

Finance Manager for Housing, Treasury and Growth

Senior Project Surveyor

Gas Engineer

Contract Manager

Commissioner Supporting People

Quantity Surveyor

Business Services and Support Officer