

INTERNAL AUDIT FOLLOW UP FORM

AUDIT	Section 38 Agreements	PREPARED BY	Steve Hayward	DATE	1 st November 2010
REPORT DATED	7 th September 2010	REVIEWED BY		PAGE	1 OF 8

NO	RECOMMENDATIONS	RESPONSIBLE OFFICER	DATE TO BE ACTIONED BY	CURRENT STATUS	COMMENTS / ACTIONS BY DEPARTMENT
1	Risk: S38 agreements, technical specifications and inspections are not satisfactorily completed. Unfit roads are adopted and the Council exposed to unnecessary road maintenance responsibilities and budget pressures.				
1.1	<p>All sign offs for Part 1 and 2 and Final certificates to be obtained and filed/stapled together with a copy of the relevant certificate. They should also be provided as evidence to the person who authorises the certificate.</p> <p>The quality assurance program mentioned in 3.2 below, should included sign off stages as trigger points for reviews.</p> <p>Priority: Medium</p>	Transport Development Manager	October 2010	1	Procedures and file structure updated.
1.2	<p>A list of all authorised signatories should be produced; identifying the role that each play in the S38 process and setting out what they can authorise. This should include specimen signature/initials and email address. This list should be maintained and updated accordingly.</p> <p>All forms/certificates (Part 1 and 2 and Final) should include a line for the authorised officer to sign and print their name.</p> <p>Priority: Medium</p>	Transport Development Manager	October 2010	<p>1</p> <p>2</p>	<p>Authorised signatory list completed and inserted into procedures.</p> <p>At present editing letters as produced. Changing the standard letter is being taken forward as part of a wider update of S38 teams standard letters.</p>

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1.3	<p>The S38 file checklist should be updated to include a specific line stating that planning consent has been checked. Thereafter the check that planning permission has been granted should be evidenced through signing and dating the checklist. The planning agreement number should also be recorded.</p> <p>Priority: Low</p>	Transport Development Manager	October 2010	1	Checklist and procedures updated.
1.4	<p>Evaluate whether tracking S38 agreements, fees and budget information can be more effectively recorded on the service IT management information system, CAPS Uniform.</p> <p>Following the above, if the spreadsheets are still required they should be assessed as to how critical they are to the business process being managed, in this case the S38 process. Based on this a decision should be made as to if they need to be tested and documented.</p> <p>Going forward, new spreadsheet development should be risk assessed as to the importance to the Team's work and how complex they will be e.g. use of formulas, filters, macros etc. Depending on the result the level of testing and documentation should be agreed, to ensure they work as anticipated and can be supported in the future. Spreadsheets identified as high risk should be formally tested and documented and the evidence of testing retained.</p> <p>Priority: Low</p>	Transport Development Manager	July 2012	2	Investigations underway with our CAPS Uniform advisor. Initial opinion is that it can be incorporated. Presently looking into whether CAPS is compatible with ORACLE as the current spreadsheet has links / formulas etc to information used by others (Directorate Finance Officer.)

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1.5	<p>Introduce a standard file structure and indexing system to be used. Suggested sections to be included would be fees, legal, technical approvals, inspections and certificates.</p> <p>Priority: Low</p>	Transport Development Manager	November 2010	1	Discussions with team taken place and new file structure currently in use. Procedures updated. Will be reviewed again in 6 months.
2	Risk: S38 income is not identified, charged, banked or accounted for in accordance with the Council's Financial Regulations.				
2.1	<p>All fee calculations to be printed and signed by the person who produced it. For projects where the estimated cost of works exceeds £500k they should be checked and authorised by a second person. They should then be filed in the fees section of the file.</p> <p>The fee calculation sheet should be maintained along with all the evidence that the fees have been received as the case progresses.</p> <p>Priority: Medium</p>	Transport Development Manager	October 2010	1	Procedures updated.

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2.2	<p>Besides benchmarking fees the following other areas should be considered:</p> <ul style="list-style-type: none"> • Staffing levels • Qualifications and experience • Average length of time taken to complete up to adoption • Average length of S38 agreements • Relationship management between Local Authorities and developers • Poor developer behaviour, can further fees be charged • Use of external consultants <p>This will ensure the Council adopts best practice.</p> <p>Priority: Medium</p>	Transport Development Manager	April 2011	3	<p>Initial investigations made with Wiltshire and Gloucestershire.</p> <p>Email to be sent to the South West S38 teams inviting interest for a quarterly forum and benchmarking by December.</p>

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3	Risk: S38 agreements are not monitored, managed or delivered in an efficient, effective and cost effective manner. Service performance is poor and the service operating at a loss.				
3.1	<p>Regular management information to be developed. It should be issued and reviewed regularly and include:</p> <ul style="list-style-type: none"> • Reporting on performance indicators with reasons for variations. • Agreements still current after 3 years along with management action/reasons. • Issues with developers' e.g. poor responses to request to undertake remedial action, refusal to take actions. • Budget position together with income received/expected <p>This will enable performance, especially of developers, to be managed more effectively.</p> <p>The CAPS system is used to record most aspects of a S38 Agreement as work progresses. It should be ascertained if queries can be written to produce the management information required. This will ensure the information can be quickly and efficiently produced.</p> <p>Furthermore the reporting process and performance indicators should be integrated into the Local Performance Action Review process.</p> <p>Priority: High</p>	Transport Development Manager	November 2010	2	<p>Initial performance indicators established. Changes to CAPS to facilitate supply of pi's not complete because of IT issues.</p> <p>Schedule of agreements still current after 3 years produced, action plan developed to progress.</p>

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3.2	<p>An evidenced based Quality Assurance (QA) system should be introduced. At key trigger points in the S38 process QA should be undertaken:</p> <ul style="list-style-type: none"> • Technical Approval. • Part 1 certificate. • Part 2 certificate. • Final certificate. • Hand over to Asset Management on adoption. <p>Each S38 file should be reviewed to ensure everything has occurred and is on file before issue of any authorised documentation appropriate at each trigger stage. This activity should be evidenced on the checklist.</p> <p>This will provide a systematic monitoring and evaluation process at the various stages and approvals required to successfully complete a S38 agreement</p> <p>Priority: High</p>	Transport Development Manager	October 2010	1	<p>All key stages now have a QA system which involves the responsible officer recommending sign off and those identified on the authorised signatory list as approving officer.</p> <p>Procedures updated to ensure file review at each trigger stage.</p>

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3.3	<p>Develop a set of performance indicators. They could include:</p> <ul style="list-style-type: none"> length of time taken for various stages to complete e.g. to give Technical Approval, issue part 1 and 2 certificates, number of times remedial action requested, hours spent per agreement, costs of work per agreement etc. fees to be collected per quarter. <p>These should be reviewed in light of benchmarking exercises.</p> <p>Priority: High</p>	Transport Development Manager	November 2010	2	Team have identified and agreed, in consultation with HoS, a number of indicators. Reporting of these is to be implemented by end of month. In addition presently establishing effective / efficient way of recording information.

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3.4	<p>For work-incurring fees say over £40k (i.e. the minimum fee charged for a project estimated to cost £0.5m), the S38 Team should allocate time (hours by officer/service area) budgets for larger pieces of work and record their actual time. The time costs should be reconciled against income received. Effectively creating individual trading accounts for such pieces of work.</p> <p>Work under the agreed level should have an overall resource budget set for the financial year and record time used against this, then compare it to income received.</p> <p>Depending on the results the fees charged might need to be amended.</p> <p>Priority: High</p>	Transport Development Manager	January - December 2011	2	Outline recording structure identified. This will be implemented once suitable new agreements submitted. Sample set will include small, medium and large developments together with national and local housebuilders.

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