

EAST KENT

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AUDIT PARTNERSHIP

CONFIDENTIAL FINAL AUDIT REPORT FOR EAST KENT HOUSING

CONTRACT MANAGEMENT OF PLANNED MAINTENANCE CONTRACTS

Period of Audit: 2018/19

Date of Final Report: 03 October 2018

Auditor: David Griffiths

Audit Report Number: 2329

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1. EXECUTIVE SUMMARY, CONCLUSION & ASSURANCE

1.1 A sample of planned maintenance contracts has been examined in order to test the internal controls engaged in managing those contracts. Across the five contracts selected for testing, EKH manage contracts with an annual value in the region of £10.5 million. The contract for PVCu Window and Door replacements had only recently commenced at the time of the audit, while the contract for the installation of fire doors at Canterbury had been in place since 2016 and is nearing its conclusion.

1.2 Each contract reviewed during the audit has been given its own level of assurance as listed in the table below. Whilst there is evidence of good internal controls and strong working relationships being applied to the majority of the contracts, there is also one case where significant weaknesses were found; for example, no instances of effective control have been identified in the management of the new heating installations contract.

Contract	Area	Contractor	Annual value	Audit assurance opinion
Aids and adaptations	All	Mears	██████████	Limited
Fire door installations	Canterbury	Allied Protection Limited	██████████	Substantial
New Heating Installations	All	P&R Installations Company Limited	██████████	No assurance
Kitchens and Bathrooms all areas	All	DDC and FHDC – Mears CCC & TDC – DCB(Kent)Ltd	██████████	Substantial
PVC windows and door replacements	All	Wreakin Windows	██████████	Reasonable

1.3 Taking into account the above contract values and the operational significance of the new Gas Servicing and Heating Installations contracts, the review concludes overall that management can only place Limited Assurance on the system of internal controls in operation to ensure that Capital Investment and Planned Maintenance contracts are being managed in accordance with the expectations of the EKH Board and the Client Councils.

1.4 The primary findings giving rise to the Limited Assurance opinion are as follows:

- Pre-installation surveys for new heating installations are not provided by the contractor, and therefore not checked prior to the commencement of work.
- Approximately 50% of the quotes have been provided by the contractor and there is evidence of inadequate management control and authorisation of these.
- No pre or post inspections have been carried out on any of the 927 new heating installations undertaken in 2017/18.
- Charges are being raised by the contractor for new heating installations (and duly paid) for work which has not been completed.
- Incomplete certification is being received to enable management to confirm that new heating installations and aids and adaptations have been completed in accordance with the contract or legislation.

- A large proportion of Landlord Gas Safety Certificates (LGSR's) provided for new installations are considered non compliant as they contain errors including the name of the landlord.
- Suitable checks are not being undertaken on requests for payment resulting in around £33,000 of new heating installation work being paid for twice, and misinterpretations of the contract charges continuing unchallenged.
- Good and effective Contract Management requires a clear understanding of the contract terms and conditions and there is a lack of evidence that [REDACTED] or the contractor had read the contracts or checked them when work requirements needed to be clarified.
- Strong Contract Management controls are reliant on well written, clear contract terms and conditions. Holding a contractor to account is only possible when supported by such clarity, this is not always evident, an example of which was highlighted during the review where conflicting and poorly specified contract terms has led to up to £10k per council being paid for Planning Applications regarding the new windows and doors contract as part of the 'prelims', and this was not intended nor anticipated (These sums have subsequently been credited by the contractor).

1.5 In light of the above, we conclude that there is a lack of appropriate management oversight.

1.6 Visits were made to 9 properties where a new heating installation had been completed during 2017/18. Checks against the breakdown of charges, and the actual work undertaken identified overcharging valued at £9,799. Further inspections were planned for the same day, however it was agreed by the Contract Administrator, Auditor and the Compliance & Servicing Manager that more visits would probably have identified further instances of overcharging and therefore be of little additional benefit. Whilst it is unlikely that similar levels of overcharging have been consistently applied to each of the 927 installations during 2017/18, it is likely that in totality significant sums have been charged for work which has not been undertaken. Testing indicated that work conducted at the beginning of the contract was billed 'closer' to the contract price, and the level of overcharging has escalated over 2017. It is for Management to undertake additional work to establish if the levels of overcharging are considered to be as a result of opportunism, a misunderstanding of the contract specification, intentional overcharging or a combination of these.

1.7 Duplicate charges in the region of £28,000 were incurred on new heating installations, with a further £5,000 of duplicate charges being identified relating to the fitting of smoke or CO alarms. None of the duplicate charges had been previously identified by the Contract Administrator whilst checking valuations from the contractor resulting in the duplicate charges being paid to the contractor. Significant overcharging has also occurred for Legionella (Water Hygiene) testing, which would indicate a misinterpretation of the contract that has not been challenged by the Contract Administrator with the contractor.

1.8 Instances of effective controls were found to be working well on other contracts reviewed, including:

- Post inspection routines for kitchen and bathroom installations.
- Fire door inspection routines at Canterbury.
- Liaison with the contractor for fire door installations.
- Improvements made ensure that the fit and finish on kitchen and bathroom installations meets with contract specifications.

- Liaison with the newly appointed PVCu window and door contractor.
- Inspection of installation and cost schedules for PVCu installations.

1.9 Eight recommendations have been made within this report of which five have been classified as critical priority and three as high priority. Please see the action plan at Appendix 1 for full details.

~~_____~~ In accordance with standard audit procedures, a follow-up review will be undertaken ~~_____~~ to provide management with assurance that the recommendations contained within this report have been implemented.

2. **SCOPE OF THE REVIEW**

2.1 **AUDIT OBJECTIVE**

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the organisation derives the maximum possible value and the highest level of performance and customer satisfaction from its planned maintenance contracts.

2.2 **SCOPE**

The audit will examine and evaluate the risks, and controls established by management, to include: -

- What management oversight is undertaken to ensure the findings of post-work inspections inform payments to contractors? Do managers check that post inspections have happened? If post inspections indicate a high level of failure, are the sample sizes increased to ascertain if there are any trends which need addressing with the contractor/s?
- What control mechanisms exist to substantiate the costs claimed by contractors against works undertaken?
- What management oversight is undertaken to ensure the agreed checks/post-work inspections are completed ahead of processing of invoices for contractors?*
- *What processes are in place to ensure section 20 consultations are appropriately undertaken that RTB1s include all relevant costs?*
- *What management oversight exists in the drafting of contracts to ensure the relevant aspects are suitably prescriptive (e.g. with the external decorations contract that lack of contract clarity regarding the standard term for scaffolding and agreed variations to it were mute, and the proposed programme became the agreed programme unless responded to within 7 days; in that instance the contract terms state that after 7 days, in the absence of any confirmation, challenge or escalation that the Contractor can take this as implied consent to the content of the programme)?*
- What process is in place between the Contract Administrator and their line manager to ensure that proposed phases of work have been appropriately reviewed and agreed?
- *What checks are undertaken to ensure any properties sold through RTB are removed from property lists utilised by property Services to commission works?*
- What checks do the authorising managers undertake alongside the contract surveyor or contract administrator before certifying the works and/or authorising a payment for invoice?
- What reconciliation is undertaken whereby contract certificates are cumulative in value against the previous payment/certificate?
- Are staff clear what levels of post inspection should be undertaken? Has training been provided? Are procedures appropriately documented and communicated to relevant staff?

*Scope Exclusions:

These elements of the scope were not covered as part of the audit due to other time constraints. The Right to Buy and Leaseholds s20 aspects will be picked up as part of the next reviews in those areas. The quality of contract specifications was commented upon in the 2016 Procurement audit and will be followed up as part of any further work in that area.

3. **FINDINGS**

<p>1</p>	<p><u>Expected Control</u> Contracts should reflect the nature of the work to be undertaken and include specifications and tender submissions from the contractor based on estimated activity and accepted prices.</p> <p><u>Result</u> From the information obtained and discussions with key officers, all contracts reviewed contained the tender submissions from the contractor.</p>
<p>2</p>	<p><u>Expected Control</u> There should be a signed contract in place between the contractor and the Council.</p> <p><u>Result</u> From the information obtained and discussions with key officers, the expected control was found to be working effectively across all contracts reviewed.</p>
<p>3</p>	<p><u>Expected Control</u> Responsibilities for all aspects of contract monitoring should be clearly specified.</p> <p><u>Result</u> From the information obtained and discussions with key officers, the expected controls were found to be in place and working effectively. For each of the areas of capital investment and planned maintenance contracts reviewed, a designated officer is in place to act as Contract Administrator (Contracts Manager/Contracts Surveyor). Discussions with each officer established that all were aware of their duties and responsibilities for the monitoring and management of their contracts.</p>
<p>4</p>	<p><u>Expected Control</u> All staff responsible for the pre and post inspections and management of the contract should have access to the contract, and be fully aware of its content.</p> <p><u>Result</u> From the information obtained and discussions with key officers, the expected controls were found to be in place and working effectively. All Contracts Managers/Surveyors were found to have access to a copy of the contract for which they are responsible for managing and monitoring.</p>
<p>5</p>	<p><u>Expected Control</u> The annual programme of work should be agreed by EKH based upon the approved budgets made available by the Council before being given to the contractor and prior to the start of work on the programme</p> <p><u>Result</u> From the information obtained and discussions with key officers, the expected controls were found to be effective in all instances except one. Annual programmes of work were found to be in place for:</p> <ul style="list-style-type: none"> ● Aids and adaptations

	<ul style="list-style-type: none"> ● Fire doors at Canterbury ● Kitchens and Bathroom upgrades ● Window and door upgrades <p>No programme of works was provided for the new heating installations. The lack of an annual programme of work is likely to have contributed to the circa 220k overspend on the contract at Dover DC on new heating installations.</p> <p>Therefore please see <u>Recommendation 1</u> in the Action Plan.</p>
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<p>6</p>	<p><u>Expected Control</u></p> <p>Regular meetings should take place between the Contracts Manager/Surveyor (Contract Administrator) and the contractor to review progress against the annual programme of work, cashflow forecast, monitor progress against these and agree that charges being submitted on valuations are in accordance with the contract and authorised and to monitor and manage performance and KPI's under the contract.</p> <p><u>Result</u></p> <p>From the information obtained and discussions with key officers, the expected controls were found to be in place and partially effective. From the sample of contracts tested, all Contracts Managers/Surveyors were found to be having regular meetings with the relevant contractor to review progress and performance; but with different levels of effectiveness.</p> <p>The effectiveness of the challenge posed by the Contracts Manager/Surveyors in certain cases was found to be missing, particularly regarding charges over and above the contract specification. Opportunities to detect duplicate charges and costs applied that may have been a mis-reading of the contract were all missed in the case of the heating installations contract.</p> <p>Therefore please see <u>Recommendation 2</u> in the Action Plan.</p>
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	<p><u>Expected Control</u></p> <p>All individuals undertaking pre and post inspections should be suitably qualified and experienced to do so.</p> <p><u>Result</u></p> <p>From the information obtained and discussions with key officers, the expected controls were found to be partially effective. Discussions with staff responsible for the management of contracts, and the pre and post inspection of work established that some members of staff had insufficient experience in managing such contracts or inspecting building work.</p> <p>One Contracts Manager had no experience of managing a contract for building works, or of undertaking pre and post inspections on behalf of an employer for building works. As a result of which post inspections of the PVCu windows and doors are jointly undertaken by the Contracts Manager with a repairs surveyor.</p>
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	<p>Similarly another member of staff on a different contract was suitably qualified to inspect work, but had little experience in his role as Contract Administrator.</p> <p>Therefore please see <u>Recommendation 3</u> in the Action Plan.</p>
<p>8</p>	<p><u>Expected Control</u></p> <p>The findings of all pre and post inspections should be recorded and available to the Contracts Manager/Surveyor. Work which fails post inspection should be brought to the contractors attention to be remedied and not be paid for until it has been satisfactorily completed.</p> <p><u>Result</u></p> <p>From the information obtained and discussions with key officers, the expected control was found to be partially effective.</p> <p><u>Aids and adaptations</u> - While pre and post inspections are undertaken on aids and adaptation major works, these only check that the work is to a suitable standard, no checks have been undertaken to confirm that work being charged for has been completed where this level of detail was provided by the contractor, in most instances this had not been provided.</p> <p><u>Fire doors at Canterbury</u> – Suitable post inspection routines are in place, the findings of which are reported to the Contracts Surveyor.</p> <p><u>Kitchens and Bathrooms</u> - Suitable post inspection routines are in place, the findings of which are reported to the Contracts Manager.</p> <p><u>New heating installations</u> – The Contract Administrator has confirmed that he has not undertaken any pre or post inspections of new installations undertaken during 2017/18 to ensure compliance with the contract. Consequently none of the 927 installations completed during 2017/18, with a combined value of around [REDACTED] have been pre or post inspected by the [REDACTED] to ensure compliance with the contract. The [REDACTED] alleges they have notified management of this fact, through probationary interviews and 1-2-1's with the [REDACTED] who in turn had notified the Director of Property Services.</p> <p>However, records of 1-2-1s provided by the Director of Property Services during the audit confirmed that management were only made aware of issues with the contract in early December 2017, and as a consequence brought in a temporary Contract Performance Manager in early 2018 to support the [REDACTED] and the [REDACTED] and to reduce the work pressure being experienced by them as a consequence of service demand over the Christmas and New Year period. Despite the Contract Performance Manager being in place since early 2018, the [REDACTED] has failed to date to undertake any pre or post inspections. This matter is already being followed up by EKH Management.</p> <p>An external firm (Gas Contract Services) under the direction of the Contract Administrator and Compliance & Servicing Manager act as an independent</p>

	<p>check on a small sample of installations to ensure that installations are in compliance with current standards, but have not been directed to ensure compliance with the contract.</p> <p><u>PVCu Windows and Doors</u> – work under the contract commenced in April 2018. All work completed in April which was listed on the May payment request had been pre and post inspected. Due to the recent start of the contract the completed work only related to Dover. It is not possible during this audit to confirm that suitable pre and post inspection procedures are in place. A poor term in the specification has led to a maximum £10k charge per council being claimed through the prelims on the contract for Planning Applications, the basis of the claims were being clarified at the time of the audit and the Contracts Manager has processed them for payment pending the outcome of this. This has since been clarified and the contractor has credited these costs.</p> <p>Therefore please see Recommendation 4 in the Action Plan.</p>
9	<p><u>Expected Control</u></p> <p>The officer with responsibility for approving quotes, valuations and invoices from the contractor should ensure that all commitments are correctly raised on the IT systems, that documentation and certificates for the work have been received before approving payment of invoices.</p> <p><u>Result</u></p> <p>From the information obtained and discussions with key officers, the expected control was found to be currently only partially effective.</p> <p><u>Aids and Adaptations</u> – Electrical Certification is not being received to support electrical installations. Despite this, invoices are being processed for payment. This matter had been separately raised with the contractor and assurances obtained that these would be made available.</p> <p><u>Fire doors at Canterbury</u> – FIRAS certificates are being received prior to work being approved for payment.</p> <p><u>Kitchens and Bathrooms</u> - Suitable procedures are in place to ensure that invoices are not processed until supporting certificates are received. Where certificates are not received, work is not being paid for.</p> <p><u>New heating installations</u> – Under the terms of the contract, each new installation should be supported by an installation pack which should be received before payment is made. Where installation packs are received, they are incomplete and several certificates required under legislation are consistently not being provided.</p> <p>Testing of a small sample identified the following:</p> <ul style="list-style-type: none"> ● Installation completion statement – These are being provided. ● Benchmark certificate - These are being provided. ● Survey – Not provided.

	<ul style="list-style-type: none"> ● Quotes – Instances were identified where these have been provided after the installation. ● *LGSR – Provided but 10 from 12 of those reviewed were found to be technically incorrect and therefore non compliant due to incorrectly listing EKH as the landlord. ● *Building Regulations Compliance Certificate – Not provided. ● Water sample analysis results – Not provided and may have an impact upon the manufacturers warrant. ● *NICEIC/ECA certificate – Not provided. ● *EPC – Not provided. <p><i>*These are all legal documents which are required under legislation.</i></p> <p>Despite a number of essential documents not being provided after the installation, all of the 2017/18 invoices for installations were found to have been processed and paid in full.</p> <p><u>PVCu Windows and doors</u> – At the time of audit testing, the work completed in April was still subject to review and FENSA certificates were still being received for the work completed. The Contracts Manager is aware that work should not be approved and processed for payment until a FENSA certificate and all other contract documentation has been received.</p> <p>Therefore please see <u>Recommendation 5</u> in the Action Plan.</p> <p>Raising financial commitments on the IT systems was found to be inconsistent over the contracts.</p> <p>Therefore please see <u>Recommendation 6</u> in the Action Plan.</p>
10	<p><u>Expected Control</u></p> <p>The officer with responsibility for approving valuations and invoices received from the contractor should have suitable procedures in place to ensure that only work undertaken is paid for, and that prices charged are in accordance with the contract.</p> <p><u>Result</u></p> <p>From the information obtained and discussions with key officers, the expected control was found to be currently only partially effective.</p> <p>It has been established that the Council payment processes (invoices being submitted by contractors direct to the Council Finance Departments) does not reflect the process set out in the contracts. This has resulted in contractors submitting invoices that are not valid under the contract or EKH being contacted by contractors chasing payment of invoices that EKH has not seen.</p> <p><u>Aids and Adaptations</u> – Discussions with the Contracts Surveyor established that work valued over £1,000 is classed as major works. Only major works are inspected, minor works are not subject to any post inspection process.</p> <p>At the time of the audit, where major works are inspected, the inspection is to ensure that the quality of the work meets the requirements of the contract</p>

rather than to ensure that the work being charged for has been completed. All major works were being inspected at CCC, DDC & TDC, but inspections at FHDC have been less frequent. For the period (prior to the audit) February 18 through to May 18, only 8 from 30 of the completed and invoiced major works jobs were inspected. Since the time of the audit, all major works at FHDC have been inspected.

Fire doors at Canterbury – Valuations are checked to ensure that certification is received and that work has passed post inspection before invoices are processed for payment.

Kitchens and Bathrooms – Valuations are checked to ensure that certification is received and that work has passed post inspection before invoices are processed for payment.

New heating installations - Valuations and invoices for 2017/18 have not been checked by the [REDACTED] and payments have not been processed in accordance with the contract. Visits to a sample of 9 properties identified that items are being charged on new installations which are already included in the contract specification for a new installation, or that may not required.

Visits to 9 properties identified £9,799 of charges incorrectly applied to installations as the items and work are included in the contract specification for the new installation, or items had been charged for but not used.

Examples of charges which have been incorrectly applied are:

- Charging for scaffolding at the 3 storey rate on a 2 storey building.
- Charging for additional lengths of flue which has not been installed.
- Charging for pipework that is either not chargeable or the requirement was not evidenced.
- Charging for taking out a back boiler which is already included in the specification for back boiler replacement.
- Charging for timers and programmers that is either not chargeable or the requirement was not evidenced.

A visit to one property, identified that the contractor had charged £[REDACTED] to provide up to 10 Thermostatic Radiator Valves (TRV's). The tenant confirmed that TRV's were already in place before the installation. The [REDACTED] confirmed that he had not been checking the quotations or challenging the contractor about these. This may result in the contractor claiming for or replacing TRV's unnecessarily. Visits identified 4 other properties where TRV's had been fitted at a combined cost of [REDACTED]. It is not possible to establish if TRV's were already in place and working correctly or not at those properties as surveys have not been provided for those installations. It has not been possible to evidence the need for renewal of these as the [REDACTED] did not undertake any pre inspections or require the contractor to provide evidence of the need to renew them.

Testing also identified numerous examples of different charges being applied to similar properties next to each other or in the same street. It is therefore likely that overcharging is not limited to the 9 properties visited. In one

example, charges of £3,145 and £1,759 were applied to two 1 bedroom bungalows which are of the same design and size and within metres of each other. One bungalow had 51mtrs of new pipework along with 15 mtrs of horizontal flue, while the other bungalow (of the same dimensions and age) had 9 mtrs of pipework and 2.5 mtrs of vertical flue.

Visits did not identify any instances where the contractor had incorrectly under charged for work indicating that the overcharging may be [REDACTED]

Review of the pre-installation survey and quote prior to the commencement of the work by the Contract Administrator would have identified most of the instances of incorrect charging, without the need for a physical visit to the property (because the quantity of material being allocated to some properties appears to be vastly exaggerated).

These findings have already been shared with EKH Senior Management who have:

- Instigated an internal disciplinary process based upon the findings of the audit and as supported by the findings of the Contracts Performance Manager.
- Split management responsibility for the gas servicing and heating installations contracts (Contract and financial management is now the responsibility of the Contracts Performance Manager and operational service delivery is the responsibility of the Contracts Surveyor and the Compliance & Servicing Manager).
- Raised it with the contractors Managing Director and the parent company's Chairman and Chief Operating Officer whom have agreed to repay any amounts incorrectly overcharged and to correct any sub-standard work.
- Applied contractual processes to the performance of the contractor, valuations and invoices submitted by the contractor and either reduced the sums due to the contractor or placed invoices in dispute.
- Started the process of working with and educating the contractor about the requirements of the contract and the processes that support it.
- Commissioned GCS to review all 2017/18 new installations to agree with P&R the level of any overcharges so that this can be repaid. This approach has been agreed with the Chairman of P&R.
- Increased the GCS role to ensure that adequate pre and post inspection levels are achieved.
- Engaged the Client Officers in the challenges and issues being experienced in the management of these contracts, the actions being taken to address them and progress being made with the performance of the contracts.

In addition the new Contracts Performance Manager has identified potential overcharging on Legionella (Water Hygiene) testing and multiple (mainly duplicate) charges for capping and disabling the gas services and testing and re-commissioning them for each void property, through what he believes is an unchallenged misunderstanding of the contract terms and conditions.

Testing of the 2017/18 valuations in respect of new heating installations and

	<p>smoke/CO alarm installations identified numerous examples where the same work was being charged and paid for twice.</p> <p>The audit identified new installations valued at £28,591 which had been charged and paid for twice.</p> <p>A further £5,000 of duplicate charges and payments were also identified relating to the installation of smoke/CO alarms (and as stated before for voids and legionella). This clearly demonstrates that the [REDACTED] was not undertaking sufficient checks to confirm the accuracy of valuations before approving them for payment.</p> <p><u>PVCu Windows and Doors</u> – The contract has only been in place since April 2018, therefore limited information was available to obtain an assurance. However, with the exception of the disputed interpretation of planning application consultancy costs and charges, testing did establish that pre and post inspections had taken place and that charges raised on the first invoice (April 2018) were in accordance with the contract prices.</p> <p>Therefore please see <u>Recommendations 7 & 8</u> in the Action Plan</p>
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4. **DISTRIBUTION LIST**

Prepared by: - [David Griffiths]	Reviewed by: -	Date	To
Draft report to agree factual accuracy	Deputy Head of Audit Partnership (SAW)	05/07/18	EKH Chief Executive (DU)
	Head of Audit Partnership		Director of Property Services (MA)
Final report	Head of Audit Partnership	03/10/18	EKH Chief Executive (DU)
			Director of Property Services (MA)
			Assistant Director of Property Services (MH)
			Client Officers

SUMMARY OF AUDIT RECOMMENDATIONS AND ACTION PLAN

Appendix 1

Priority	Main Control Risk	Audit Recommendation to mitigate risk	Proposed Action or Action Taken	Proposed Completion Date & Responsibility
High	Budgets for work may be exceeded or not utilised.	1. Ensure that there is an agreed programme of work and sufficient budget in place for each planned maintenance contract, and ensure that contractors stick to it.	<ul style="list-style-type: none"> a. Programmes of work have been developed for all workstreams b. Budgets approved by Client Councils c. Budget management and financial controls revised to place ownership with service managers, senior management and finance 	<p>All Completed</p> <p>Assistant Director of Property Services (MH)</p>
Critical	Contractors may not be held to account for the quality and price they successfully won the contract on.	2. The Contracts Manager/Surveyor must challenge the contractor through pre and post inspections and the regular, minuted, meetings on any poor quality work or charges made that are over and above the contract price and terms agreed. Variation Orders must be correctly authorised before additional sums are paid.	<ul style="list-style-type: none"> a. Property Services Directorate overview b. Contract Management training programme to be developed and delivered c. Contracts Manager/Surveyor performance expectations and guidance notes d. Standard agenda and reporting format e. Under performance and concerns to be escalated to managers f. Meeting minutes and 	<p>Completed</p> <p>August & October 2018</p> <p>Contracts Performance Manager</p> <p>Completed</p> <p>Completed</p> <p>On-going</p>

High	Inexperienced members of staff responsible for managing contracts with considerable budgets.	3. Ensure that all staff responsible for managing contracts or posting inspecting work are suitably experienced and qualified to do so and have the correct approach for constantly challenging contractors on quality and price.	<p>Variations to be approved by manager</p> <p>a. Property Services Directorate overview training</p> <p>b. Contract Management training programme to be developed and delivered</p> <p>c. Contracts Manager/Surveyor performance expectations and guidance notes</p> <p>d. Mentoring of Contracts Manager/ Surveyor by Assistant Director of Property Services and Contracts Performance Manager</p>	<p>On-going</p> <p>Completed</p> <p>August & October 2018</p> <p>Contracts Performance Manager</p> <p>On-going</p> <p>On-going</p>
Critical	Planned work may not be undertaken to the necessary standards or unsafe working practices may be undertaken.	4. Ensure that a suitable proportion of completed installations are post inspected, that the issues identified are shared with the Contracts Manager/Surveyor, and the Contractor is held to account where quality and price are not per the specification.	<p>a. Contracts Manager/Surveyor performance expectations and guidance notes</p> <p>b. Pre and Post inspection reports saved to project files</p> <p>c. Standard meeting agenda to include inspections, quality and cost items</p>	<p>Completed</p> <p>Contracts Performance Manager</p> <p>On-going</p> <p>On-going</p>
Critical	Installations may not be undertaken in accordance with	5. Ensure that all legal requirements for heating installations are met including	<p>a. [REDACTED]</p>	<p>Completed</p> <p>Contracts</p>

	legal requirements. Payment may be made before the work is officially complete as per the terms of the contract.	that the correct documentation is received and checked for accuracy before approving payment for the work.	<p>a. expectations and guidance notes</p> <p>b. Contracts Manager/Surveyor to read, understand and follow contract requirements</p>	Performance Manager
High	The full impact of overspending on council budgets may only be revealed at year end	6. Commitment orders must be correctly placed on the system so that each council can manage their budgets effectively, and to prevent late invoices hitting quarter 4 causing an overspend.	<p>a. Understand Client Council financial requirements and provide training to Client Council finance teams</p> <p>b. Contracts Manager/Surveyor to adhere to financial controls and requirements</p> <p>c. Contracts Manager/Surveyor to provide accurate cashflow forecasting</p>	On-going Contracts Performance Manager
Critical	Work may be charged for which is not completed or have already been charged for on a previous valuation.	7. Ensure that all valuations are checked to confirm that the work being charged for each property is completed and has not been charged for on a previous valuation	<p>a. Contracts Manager/Surveyor performance expectations and guidance notes</p> <p>b. Valuations to be presented to Assistant Director of Property Services and Contracts Performance Manager and Contract Certificates to be</p>	Completed Contracts Performance Manager
				On-going AD Property Services/Contracts Performance Manager

Critical	Double charged items may not be refunded.	8. The Director of Property Services should ensure the cross reference of all valuations for new heating installations and smoke/CO alarm installations to identify duplicate charges. Then obtain repayment from the contractor for the duplicate charges.	issued by them	Completed Contracts Performance Manager
			<p>a. Contracts Manager/Surveyor performance expectations and guidance notes</p> <p>b. GCS engaged to review all 2017/18 installations and produce a report of findings</p> <p>c. Contracts Performance Manager tasked with cross checking all valuations and challenging errors</p> <p>d. Contracts Performance Manager tasked with Contract Management and Financial Control for the gas servicing and heating installations contracts</p>	<p>On-going Contracts Performance Manager</p> <p>On-going Contracts Performance Manager</p> <p>On-going Contracts Performance Manager</p>

Additional Actions as proposed by EKH Management:

- Appointment of HQN to implement specific policies and procedures for Property Services - August 2018 to November 2018
- Expansion of GCS role to further support the contract processes and requirements - July 2018
- Review of Property Services competency, experience and skills requirements - July 2018 to August 2018
- Presentation and approval of recommendations about the gas servicing and heating installations contracts to EKH Board - July 2018

- Presentation and approval of recommendations about the gas servicing and heating installations contracts to Client Officers - July, August & September 2018
- Continuing dialogue with P&R and its parent company Bilby plc about findings and required actions - August & September 2018

Appendix 2

Definition of Audit Assurance Statements & Recommendation Priorities

Assurance Statements:

Substantial Assurance - From the testing completed during this review a sound system of control is currently being managed and achieved. All of the necessary, key controls of the system are in place. Any errors found were minor and not indicative of system faults. These may however result in a negligible level of risk to the achievement of the system objectives.

Reasonable Assurance - From the testing completed during this review most of the necessary controls of the system in place are managed and achieved. There is evidence of non-compliance with some of the key controls resulting in a marginal level of risk to the achievement of the system objectives. Scope for improvement has been identified, strengthening existing controls or recommending new controls.

Limited Assurance - From the testing completed during this review some of the necessary controls of the system are in place, managed and achieved. There is evidence of significant errors or non-compliance with many key controls not operating as intended resulting in a risk to the achievement of the system objectives. Scope for improvement has been identified, improving existing controls or recommending new controls.

No Assurance - From the testing completed during this review a substantial number of the necessary key controls of the system have been identified as absent or weak. There is evidence of substantial errors or non-compliance with many key controls leaving the system open to fundamental error or abuse. The requirement for urgent improvement has been identified, to improve existing controls or new controls should be introduced to reduce the critical risk.

Priority of Recommendations Definitions:

Critical – A finding which significantly impacts upon a corporate risk or seriously impairs the organisation's ability to achieve a corporate priority. Critical recommendations also relate to non-compliance with significant pieces of legislation which the organisation is required to adhere to and which could result in a financial penalty or prosecution. Such recommendations are likely to require immediate remedial action and are actions EKH must take without delay.

High – A finding which significantly impacts upon the operational service objective of the area under review. This would also normally be the priority assigned to recommendations relating to the (actual or potential) breach of a less prominent legal responsibility or significant internal policies; unless the consequences of non-compliance are severe. High priority recommendations are likely to require remedial action at the next available opportunity or as soon as is practical and are recommendations that EKH must take.

Medium – A finding where EKH is in (actual or potential) breach of - or where there is a weakness within - its own policies, procedures or internal control measures, but which does not directly impact upon a strategic risk, key priority, or the operational service objective of the area under review. Medium priority recommendations are likely to require remedial action within three to six months and are actions which EKH should take.

Low – A finding where there is little if any risk to EKH or the recommendation is of a business efficiency nature and is therefore advisory in nature. Low priority recommendations are suggested for implementation within six to nine months and generally describe actions EKH could take.