

**EXTRACTS FROM AUDIT REPORTS WITH MODERATE OR LOW LEVEL OF
ASSURANCE ISSUED QUARTER 2 2010/11**

Housing & Property Services Contracts – 17 August 2010

1. INTRODUCTION

- 1.1 An audit of Housing Improvement & Maintenance Programmes in 2009/10 highlighted a number of issues with regards to the value of certain contracts that had been let. The Head of Housing & Property Services subsequently reported to Executive issues concerning the letting of the Voids contract and failure to comply with the appropriate contracting regulations. Following this, Internal Audit were asked by the Head of Housing & Property Services to perform a wide ranging review of the letting and management of contracts by his department.
- 1.2 As a result of this request, the audit was included in the Audit Plan for 2010/11 and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.

2. BACKGROUND

- 2.1 The audit of Housing & Improvement Programmes had raised issues with the lack of reporting of variances between the tender values approved by Executive for contracts that were due to be let by the department and the actual tender values accepted.
- 2.2 As a result of these findings, the Head of the Housing & Property Services Department (H&PS) asked that an in-depth review of all of the relevant expenditure committed by his department be looked at to ensure that contracts were being let appropriately.
- 2.3 He had also raised specific concerns regarding the awarding of a Voids 'contract' to the two contractors responsible for the day-to-day responsive repairs to council houses.

3. SCOPE AND OBJECTIVES OF REVIEW

- 3.1 The audit was undertaken in order to ensure that contracts are in place as appropriate where H&PS have commissioned works and services from outside of the Council, ensuring that the contracts had been correctly let and are being managed appropriately. Specific testing was to be performed in the following areas:
- Reports had been prepared and presented to Executive for them to authorise any relevant tendering exercises
 - Adverts had been placed as appropriate
 - An appropriate method was used to select companies to invite to submit tenders / provide quotations

- Contracts were awarded to the most appropriate supplier with evidence being retained to show the scoring method if price was not the only criteria
- Formal contracts are actually in place and have been signed as appropriate
- Contracts awarded / tender prices received above the value approved by Executive have been reported back to the committee for further approval
- The terms of the contracts are clearly set out and are set in such a way to ensure that WDC are actually getting what is required
- Formal performance monitoring / management is being performed as appropriate (including formal meetings with contractors)
- The Procurement 'team' have been involved as appropriate.

3.2 A specific, more in-depth look at the circumstances around the letting of the current Voids 'contract' was also included.

3.3 Certain contracts were excluded from this review, namely those that had been covered by the audit of Housing Improvement & Maintenance Programmes referred to above, as well as those which had been let with the full involvement of the Procurement Manager. However, in some instances, testing had begun on the documentation before the full extent of the Procurement Manager's involvement was known, so these were covered as well.

3.4 Due to the level of expenditure committed by the department, a threshold had to be set below which expenditure was not looked at, unless Internal Audit were made aware through other channels that a contract should have been or was in place. The reasoning behind the threshold chosen is explained in detail in the body of the report.

4. FINDINGS

4.1 Voids Contract

4.1.1 An interim report has already been produced into the letting of the voids contract. The main findings can be summarised as follows:

4.1.2 The possibility of including the void repairs in the main day-to-day responsive repairs contract was discussed between the Repairs Manager and the relevant contractors as part of the Lean Systems Thinking exercise that was undertaken by H&PS. The existing contract was due to end in March 2010 and the contractors agreed that they would be willing to provide the service using the same schedule of rates that they already had in place for the main responsive repairs contracts.

4.1.3 The possibility of including these services in with the existing responsive repairs contracts was briefly mentioned by the Property Manager to the Procurement Manager, who agreed that, in principle, it was something that would be permissible, although this was based on limited and, what was subsequently proved to be, inaccurate detail regarding the value of the works involved.

4.1.4	<p>Based on this 'in principle' agreement, the responsive repairs contractors were awarded the voids work without the contract going out to tender.</p> <p>Further details regarding the letting of the work are included below as part of the main contracts review.</p>
4.2	<u>Contract Identification</u>
4.2.1	In order to ensure that the correct methods for letting contracts had been followed, Internal Audit had to first identify the relevant expenditure that was being committed by the department.
4.2.2	This was undertaken via different reviews of the TOTAL system and upon discussion with the relevant senior managers in the department.
4.2.3	A brief overview of all of the cost centres on TOTAL which are used by H&PS was undertaken to try to identify areas where large numbers of 'relevant' payments had been made over the last three financial years (i.e. cost centres that included large numbers of payments against subjective codes that did not cover staff costs, expenses, internal recharges or income, as well as known journal codes such as advertising and stationery etc.).
4.2.4	<p>Some were obviously covering the main contracts that Internal Audit were already aware of, so these were not reviewed any further (as part of the contract identification stage). However, certain subjective codes, some covering more than one cost centre, were considered (by Internal Audit) to warrant further investigation:</p> <ul style="list-style-type: none"> • 2705 – Contract Cleaning (across five different cost centres) • 2800 – Grounds Maintenance on cost centre 7620 (Open Spaces) which was not covered by the main grounds maintenance contract • 4025 – Other Hired / Concessionary Services on cost centre 7630 (Communal Areas) which covered the contract cleaning of communal areas • 4041 – Waste Disposal on cost centre 7620 (Open Spaces) which was not covered by the main waste disposal contract • 4042 – Bed & Breakfast Expenses on cost centre 1590 (Homelessness).
4.2.5	Another review of expenditure on TOTAL was based on extracts provided by one of the Principal Accountants. The extracts showed the total value and number of Housing & Property Services invoices paid to each individual supplier for the 2008/09 & 2009/10 financial years, covering the relevant department codes and transaction types.
4.2.6	The extracts for each of the financial years were combined, with a filter being applied to highlight those contractors that had been paid more than £30,000 over the two years.
4.2.7	The figure of £30,000 was chosen in order to ensure that any expenditure that may be approaching the EU Procurement thresholds for services was picked up. The current threshold stands at £156,442, but this covers the life of any contract. Many contracts run to four years, so this threshold was

divided by four and then rounded down to ensure that any low expenditure years were accounted for. Combined figures over two years were also used to account for any timing anomalies with payments (e.g. a payment going through at the end of one financial year with the remaining payments in the following year). The invoices covered by these payments were then reviewed to ascertain if payments related to specific 'contracts' or large numbers of smaller payments.

- 4.2.8 Discussions were then held with the various members of the H&PS management team to ascertain whether contracts were in place for the expenditure identified during these reviews and to ascertain if there were any other areas of expenditure where they felt that contracts were or should be in place.
- 4.2.9 These discussions identified a number of instances where H&PS staff acknowledged that contracts should be in place but were not at present (see **Appendix A**), some instances where they acknowledged that contracts should have been in place but were no longer required or where they had been in place but had come to an end (see **Appendix B**) and other instances where they **believed** that contracts (or current 'agreements') were in place. These instances were reviewed in more detail (see 4.3 below). There were also a number of items of expenditure identified which Internal Audit did not review (see **Appendix C**).
- 4.2.10 Whilst the vast majority of payments are covered under the appendices highlighted above, there were two types of payments that are not covered. In 4.2.4 above, payments relating to bed and breakfast expenses for the temporary housing of homeless individuals were identified, with one establishment having been paid approximately £29,000 in the three year period. The Housing Strategy Manager advised that there was no contract in place as it was hard to assess how much usage there was going to be in any period due to the nature of the service and the individual establishments could not always guarantee that they would have rooms available. However, Internal Audit feel that this should possibly be covered under a contract and suggest that the Procurement staff be consulted as to how this could be arranged.
- 4.2.11 The other payments were made to Argos Business Solutions relating to the cost of giving decorating vouchers to tenants moving into new Council properties. Internal Audit were advised that an 'agreement' is in place, with the Council receiving 10% off the total cost of the vouchers presented to Argos. However, the Repairs Manager had previously searched for a copy of this agreement and it could not be located. No 'tendering' had been undertaken and this was just the tidying up of the previous scheme which allowed vouchers to be spent at a number of different locations.
- 4.2.12 During the course of the audit, a meeting was held between the Procurement Officer and some members of the H&PS management team. This meeting was held to start the process of putting a procurement plan in place, identifying which areas were priorities (i.e. those areas where no current agreements exist) and those areas which need to be considered further down the line (i.e. areas where contracts were currently thought to be in place which would expire at a point in the future). Internal Audit were

encouraged by this proactive step that has been taken.

Recommendations

Ensure that the Procurement Plan takes account of all areas which do not currently have a formal contract in place (as per Appendices A & D).

A review should be undertaken in six months to ascertain whether any further 'non-contract' expenditure is committed to the companies identified in Appendix B (specifically those companies that are highlighted within the appendix where works should have been undertaken under an existing contract).

The Procurement team should be consulted regarding the need for contract / agreement to be entered into for use of bed and breakfast establishments.

The Argos agreement should be reviewed with the possibility of testing the market for other providers being looked into with the Procurement team.

4.3 Contract Review

- 4.3.1 Where Officers indicated that contracts or 'formal' agreements were in place (see **Appendix D**), testing was undertaken to ensure that the appropriate processes had been followed in letting the contracts and that they were being appropriately managed.
- 4.3.2 One of the reasons for this audit being undertaken was that the previous audit of capital contracts had highlighted issues with the authorisation (by Executive) of variances between the estimated tender values and those that were actually received, which was in contravention of paragraph 10.6.2 of the Code of Financial Practice. Testing was therefore planned to ascertain whether this had been an issue for other contracts that had been let. However, whilst this may have been relevant for some of the contracts covered, the procedures have now changed such that the reporting of individual 'intentions to tender' are no longer required. Instead, a report is now submitted to the Executive at the start of the year by the Head of Housing & Property Services detailing how the budget is proposed to be spent, and contracts procured. Contracts may then be let in accordance with the Code of Procurement Practice provided the individual categories of works as detailed in the Capital Budget are not exceeded. It was not, therefore, considered necessary to complete this testing.
- 4.3.3 The next stage of the testing was to ascertain how the different contractors who had been invited to tender (or submit quotations) for the work had been 'chosen' and whether adverts had been placed as appropriate. In general terms, either adverts had been placed as appropriate with either pre-qualification scoring being undertaken to determine who would be invited to tender or open process were followed or outdated methods such as choosing contractors from the old Approved Suppliers List and directly inviting them to submit prices had been followed.

- 4.3.4 Where approved contractor lists had been used, the contracts had been let when this was still considered to be appropriate. The relevant staff were aware that this was no longer appropriate and was not to be used for future procurement exercises.
- 4.3.5 There were however three 'procurement exercises' where these methods had not been followed. A broker had been used to obtain prices for the utilities contracts (the use of the broker had been authorised for a previous exercise). This had been the subject of a separate investigation with independent legal advice being obtained, and the issue was duly reported to Executive in July 2008. Internal Audit were informed that this had been considered to be acceptable. In another case, a contractor was picked from another organisation's framework agreement.
- 4.3.6 The other case involved the award of the voids 'contract' for which no adverts had been placed and the existing responsive repairs contractors were awarded the work with no other companies being invited to tender. As highlighted above, this was in contravention of the appropriate procedures.
- 4.3.7 Testing was then undertaken to ensure that tenders had actually been received as appropriate and that the contracts were awarded to the most appropriate tender. If price was not the only criteria that was used to determine 'the most appropriate tender' then evidence of the scoring undertaken was also reviewed.
- 4.3.8 In four instances none of the tendering paperwork could be located. Relevant staff mainly attributed this to the passage of time and the use of different folders for different year's programmes.
- 4.3.9 In the majority of cases, price was the only criteria that was used to award the contract following the tendering stage. Some of these awards were against indicative schedules of rates, others were fixed for specific programmes. The cases involving the framework agreement and the Voids contract (highlighted previously) were not tendered for, so there was no need for scoring.
- 4.3.10 The broker had obtained prices from various utilities companies and a combination of price and the time period that it would be fixed for were the two scoring criteria. These reports from the broker had been retained. In the remaining cases, other factors were also taken into consideration (e.g. the number of other Local Authority contracts that the tenderers had). Paperwork was located in all but one case, with different staff members claiming that each other should have the documentation.
- 4.3.11 A review of the actual contract documentation was the next stage of testing. These 'contracts' were ones where the relevant staff had informed Internal Audit that contracts **were** in place. However, testing revealed that, in six cases, no formal contracts were in place or, if they were, they could not be located during the audit. These are highlighted in Appendix D. (N.B. for the purposes of this testing, the letters sent to the two responsive repairs contractors in respect of the voids contracts are taken to be formal

contract offers and the schedules of rates from the main contracts have been considered to be the relevant supporting documentation.)

- 4.3.12 The Constitution indicates that all contracts should be signed by two officers or by one officer under seal (if the contract is valued at over £50,000). However, following a report to SMT (28 July 2010), it is understood that a report is to be issued to August 2010 Executive recommending that contracts can be signed by just one officer, although this needs to be a Senior Manager, a member of CMT or the S151 Officer, depending on the type of contract. From the above sample, only eight of the contracts located comply with the rules laid down in the Constitution, with four available contracts being unsigned and seven having only been signed by one officer (not under seal).
- 4.3.13 The contracts found to be in place were all standard in-house contracts that were supported either by schedules of work, annual works programmes or specifications on how works should be performed. From an audit point of view, it is hard to confirm that these are worded in such a way as to ensure that the Council is getting exactly what it requires, as we neither have the technical knowledge to know that something is specified as appropriate or the legal knowledge to know how a contract should be formally worded. As these were standard agreements, it has been assumed that this format has been previously approved.
- 4.3.14 Performance monitoring and management was then looked at for each of the 'contracts'. In the majority of cases, either formal performance monitoring was being undertaken, with a mixture of formally documented site visits being undertaken, contractor meetings being held and performance reports being prepared etc. or formal monitoring was not considered necessary due to the nature of the services being provided. In two further cases, the contracts had only recently been let and were not fully up and running, so no monitoring or management had yet been required.
- 4.3.15 However, in four cases, there was no formal monitoring being undertaken, although the relevant 'responsible officers' managing the contracts advised that informal monitoring is being performed, such as undocumented site visits (i.e. not formal contractor meetings) etc.
- 4.3.16 As highlighted above, the intention was that the audit would not look at contracts that had been let with the involvement of the Procurement Manager, although as also highlighted, it was not always apparent at the start of the review.
- 4.3.17 In a number of cases, the 'contracts' had been let prior to the appointment of the Procurement Manager and so there was obviously no involvement. In the number of cases where staff indicated that she had been involved, this was generally confirmed by her, although the level of involvement varied for each contract.
- 4.3.18 She raised specific concerns regarding three 'contracts', two of which she had been consulted upon at some stage, although not formally throughout the process and another which had been let prior to her appointment.

- 4.3.19 The specific concerns were regarding the Voids contract which had been awarded without a formal tendering process; the Lift Maintenance contract which had been let as a works contract but she felt should have been a services contract (with the associated EU threshold possibly being breached based on current expenditure levels); and the Electrical Repairs contract which was originally awarded appropriately but, following determination of the contract, was subsequently awarded to the contractor who had submitted the second lowest price, without a further tendering exercise being performed.
- 4.3.20 An additional finding to highlight was that, during the course of the audit, whilst most documentation that was thought to exist could be located, it was normally a case of the relevant officers looking in numerous files or in various computer directories before it could be located, with the few instances being highlighted above where it could not eventually be located despite staff stating that they were sure it was held.
- 4.3.21 During discussions with relevant H&PS officers, it was often indicated that the reasons for not following correct processes was down to a lack of information following relevant changes. Specific examples such as the level of delegated powers that were in place following the departure of the previous Head of Property Services in relation to reporting contracts to Executive and the level of signatory required on contracts were given. It was felt that there was a general need for training when the relevant changes occurred and a requirement for consultation on relevant issues that would affect the staff.

Recommendations

Ensure that formally signed contracts are obtained for all future contracts, with the relevant level of authorised signatory being obtained in future (as per the report to SMT on 28 July 2010).

Ensure that formal performance monitoring is undertaken for all relevant contracts, with regular contractor meetings being held and documented as appropriate.

Ensure that Procurement staff are consulted and are involved at all relevant stages for future procurement exercises.

Ensure that all relevant documentation from all stages of the procurement process is retained, with consideration being given to maintaining a central repository for all documentation (either electronic or paper based).

5. SUMMARY & CONCLUSION

- 5.1 The audit has identified a number of issues with the way in which services have previously been procured with Housing and Property Services. However, a number of the issues have been addressed by subsequent changes that have been made to the procedures since these contracts were let and the greater involvement of the procurement staff.
- 5.2 Significant concerns still exist, however, over the number of areas where contracts do not currently exist or where insufficient documentation has been retained.

Assurance Opinion: Low to Moderate.

Appendix A

Contracts Identified as Being Required

Present Contractor	Contract Description	Value of Work Placed *
Air Management 2000	Ductwork Sanitisation	£11,000
All Round General Maintenance Ltd	Lightning Protection	£36,000
Allworks Construction Ltd	Drainage Surveys, Repairs & Jetting	£583,000
Braywhite & Co Ltd	Corporate Air Conditioning Repairs & Maintenance	£77,000
Centric Maintenance Ltd	Graffiti Removal	£38,000
Electrical Maintenance & Installations Ltd	Corporate Electrical Repairs & Maintenance	£53,000
Poolcare	Corporate Swimming Pool Repairs & Maintenance	£14,000
Relion Heating Services Ltd	Corporate & Housing (Communal Areas) Gas Systems Repairs & Maintenance	£245,000
RSS Engineering	Water Boost / Pressure Sets	£12,000
Ser-Tec Systems Ltd	Building Management System	£75,000
Watercare	Corporate & Housing Legionella Control	£13,000

* The value of work placed reflects the amounts shown on the TOTAL extracts provided to Internal Audit, rounded to the nearest thousand pounds. The amount is the total spent by contractor on the relevant codes during the 2008/09 and 2009/10 financial years. This may include other minor expenditure that is not specifically covered by the contracts mentioned. However, some expenditure levels may not be totally indicative of the value of the contracts mentioned.

Appendix B**Contracts No Longer Required**

Contractor	Explanations given by Senior H&PS Officers	Type of Works / Services	Value of Work Placed *
A.C. Lloyd Builders Ltd.	There have not been any recent payments and there are no current contracts with the contractor.	Minor building works.	£34,000
Abbey Home Inspection Ltd	Advised that there had not been an agreement with this company. However, this was only an interim arrangement whilst WDC staff are trained to do the work themselves.	Energy assessments.	£34,000
Beausale Phoenix Ltd	No contract was in place with this company. They are not going to be used in future as the services will be undertaken via the day-to-day responsive repairs contractors. This should have always been the case, but previous performance issues meant that these services were procured from elsewhere.	Waste removal, garden clearing and minor building works.	£549,000
British Gas New Energy	These payments relate to work undertaken following the receipt of grant funding. These were one-off payments, although similar works may be in the pipeline (potentially with different companies as has previously been the case).	Installation of solar energy systems.	£54,000
Clulee (Construction) Ltd.	Tenders or quotes would have been received for the various jobs that have been performed by this contractor, although there were no current works with them.	Minor building works.	£106,000
Connaught Partnership Ltd	This would have gone out to tender, but the work has now finished.	External cladding works.	£156,000

Contractor	Explanations given by Senior H&PS Officers	Type of Works / Services	Value of Work Placed *
Electrical Maintenance & Installations	The contract payments have now ceased as this contract has since been re-let to ROK PH&E. Other schemes would be quoted as appropriate (no current works).	Housing electrical repairs and maintenance contract.	£829,000
Entrotec Limited	This contract has come to an end and there is a re-tendering process underway. Interim (reactive) arrangements are in place with Baydale.	Door entry and CCTV works.	£120,000
JHS Power Solutions Ltd	These payments relate to work undertaken following the receipt of grant funding. These were one-off payments, although similar works may be in the pipeline (potentially with different companies as has previously been the case).	Installation of solar energy systems.	£55,000
KAD Roofing	Tenders or quotes would have been received for the various jobs that have been performed by this contractor, although there were no current works with them.	Roofing works.	£219,000
Kilrot	No contract was in place with this company. They are not going to be used in future as the services will be undertaken via the day-to-day responsive repairs contractors. This should have always been the case, but previous performance issues meant that these services were procured from elsewhere.	Dealing with rot and mould.	£53,000
Prospec Limited	This was a one-off payment, although they may be used again in the future.	Supply and fitting of lockers at Newbold Comyn Leisure Centre.	£36,000

Contractor	Explanations given by Senior H&PS Officers	Type of Works / Services	Value of Work Placed *
Sear & Cowen Glass & Glazing	A contract was in place until 2009 but there have not been any subsequent contracts. They are not going to be used in future as the services will be undertaken via the day-to-day responsive repairs contractors. This should have always been the case, but previous performance issues meant that these services were procured from elsewhere.	Glazing and window works.	£265,000
Solar Technologies	These payments relate to work undertaken following the receipt of grant funding. These were one-off payments, although similar works may be in the pipeline (potentially with different companies as has previously been the case).	Installation of solar energy systems.	£70,000
Stirling Technical Engineering Ltd	This contract has come to an end and there is a re-tendering process underway. Interim (reactive) arrangements are in place with Baydale.	Door entry and alarms works.	£108,000
Sure Lock Home Security	Tenders or quotes would have been received for the various jobs that have been performed by this contractor, although there were no current works with them.	Supply and installation of doors.	£144,000
The Finishing Touch (L/Spa) Ltd	Tenders or quotes would have been received for the various jobs that have been performed by this contractor, although there were no current works with them.	Painting and decorating works.	£107,000
The Magna Heating Co	This contract has now expired (covered by Kinetics).	Gas servicing and maintenance contract.	£1,360,000

Contractor	Explanations given by Senior H&PS Officers	Type of Works / Services	Value of Work Placed *
Valuation Office Agency	The payments related to asset management on behalf of Development Services. These payments will now stop as the surveys are to be undertaken in-house.	Asset management consultancy.	£52,000

Appendix C

Payments Not Looked At

Contractor	Reasons for Not Reviewing the Payments	Type of Works / Services	Value of Work Placed *
Calor Gas Limited	The Procurement Manager confirmed that she had been involved and the contract was appropriately procured via ESPO.	Supply of propane to the cemetery.	£48,000
Cyril Sweett Limited	The Procurement Manager confirmed that she had been involved in the award of the ongoing contract and the process was compliant.	General consultancy.	£37,000
ECL Contractors Ltd	The latest main works were reviewed as part of the previous audit, so this scheme was not looked at this time.	External wall insulation and cladding works.	£594,000
Facultatieve Technologies	The original installation of the cremators was finalised a couple of years ago. However, a 5-year maintenance agreement was included within the contract. This was confirmed via a brief review of the paperwork, but the let was not reviewed in detail as this maintenance was ancillary to the main contract.	Installation of cremators and ongoing servicing.	£642,000
Heath Lambert Group	The Procurement Manager confirmed that she had been involved in the letting of this contract and the process was compliant.	Tenants' contents insurance.	£51,000
Jephson Housing Association	Payments to the Housing Association were not considered relevant to this exercise.	Grant funding.	£215,000
Mass Information Systems Ltd	Payments relate to software support agreements that are tied in with use of system.	Software support.	£38,000

Contractor	Reasons for Not Reviewing the Payments	Type of Works / Services	Value of Work Placed *
MIS Active Management Systems Ltd	Payments relate to software support agreements that are tied in with the use of the system.	Software support.	£58,000
Severn Trent Water Limited	Payments relate to water rates for which the Council has no choice over payment or which supplier is used.	Water rates.	£390,000
Tompkins Construction Ltd	Payments are made to the contractor on behalf of Town Centre Management who commission the work. As the focus of this audit was on procurement / contracting by H&PS, this was not covered.	Building works at various sites including the Creative Arches project.	£749,000
Tunstall Telecom Limited	Payments relate to software support agreements that are tied in with the use of the system.	Software support.	£177,000
Venn Group Ltd	There have been changes to temporary staffing arrangements since these payments were made.	Recruitment consultants.	£31,000
Warwickshire County Council	These payments generally relate to the funding of a joint post and are not relevant to this exercise.	Funding of a joint post.	£49,000
Wrekin Windows Ltd	This contract was reviewed as part of the previous audit, so this scheme was not looked at this time.	Windows and door replacements.	£1,174,000

Appendix D**Contracts Examined**

Contractor	Works / Services Provided	Value of Work Placed *
ADT Fire & Security Ltd	Corporate fire & intruder alarms maintenance and servicing.	£158,000
Baydale	Housing door entry systems.	£2,000
CTM Cleaning Services	Cleaning of communal areas (Homelessness Service Area).	£4,000
Deltron Lifts	Maintenance and servicing of lifts at WDC corporate and housing properties.	£173,000
Dorma UK Ltd	Automatic doors.	£18,000
Gaz de France	Gas supplies to all corporate WDC buildings.	£457,000
Ian Williams Ltd	Responsive housing repairs, void repairs and external painting.	£1,529,000
Kinetics	Gas servicing and maintenance.	£1,084,000
Lovell Partnerships Ltd	Kitchen and bathroom replacement programmes and disabled adaptations.	£1,055,000
Mitie	Internal decorations.	This is a new contract for the current year and, as such, there was no expenditure during the period highlighted.
Ocean Contract Cleaning Ltd	Cleaning and window cleaning of housing communal areas.	£256,000
Phoenix Fire Services	Firefighting equipment.	£30,000
PTL Occupational Hygiene Ltd	Asbestos surveys	£145,000
R S Miller (Roofing) Ltd	Roof replacement programmes.	£840,000
RF Digital	Digital aerial installations.	£216,000

Contractor	Works / Services Provided	Value of Work Placed *
Rok Building Ltd	Responsive housing repairs, void repairs and responsive corporate repairs.	£7,712,000 (including payments made to SOL)
Rok PH&E Ltd	Housing electrical repairs and maintenance.	£185,000
Southern Electric	Electricity supplies to all corporate WDC buildings.	£930,000

Community Leisure Facilities – 19 August 2010

1. SCOPE AND OBJECTIVES OF THE AUDIT

- 1.1 The audit was undertaken in order to establish and test the controls over the management of the Council's community leisure facilities.
- 1.2 Expected controls were identified in the audit programme together with the possible risks arising from the absence of those controls.
- 1.3 The control objectives examined were as follows:
- a) All income due is collected and properly accounted for.
 - b) All cash and property is protected from loss or theft.
 - c) Staff are paid in accordance with hours worked.
 - d) Budgets are managed effectively.
 - e) Operational and financial conditions are governed by a formal agreement.

2. BACKGROUND

- 3.1 Community leisure facilities comprise Sydenham Sports Centre, Meadows Community Sports Centre, John Atkinson Sports Centre and Lillington Community Centre.
- 3.2 The first three are dual use facilities in schools, whilst Lillington is basically a room and associated facilities for hire.
- 3.3 The four sites are managed by the Leisure Centre Managers.
- 3.4 The estimated net cost of providing the facilities in 2010/11 is as follows:
- | | |
|---------------|----------|
| Sydenham | £159,900 |
| Meadows | £ 78,600 |
| John Atkinson | £ 28,600 |
| Lillington | £ 18,300 |
- 3.5 The costs quoted are all bottom line figures including support service costs and, in the case of Sydenham, a capital charge of £96,000. If the facilities were not provided then these costs would remain within the council so the true cost of operating the four sites will in all case be a lot lower than those quoted.

4. FINDINGS & RECOMMENDATIONS

- 4.1 Based on the evidence examined, discussions with staff and visits to the three school sites, it is considered that the systems and controls in place to manage the facilities are adequate, given the nature and scale of the activities.

4.2 Control Objectives

4.2.1 In respect of the control objectives listed at 2.3, it is considered that there are adequate controls in place. There were some areas, however, where it was felt that control could be improved and these are detailed below.

4.3 All income due is collected and properly accounted for

4.3.1 Under this objective, the audit examined a number of areas including application of the correct charges, block bookings and insurance cover required to be provided by customers.

4.3.2 The audit found that correct charges were being applied but that there were some inconsistencies in the approved charges between sites and some discrepancies between approved and published charges. These will be referred to the appropriate staff in Culture.

4.3.3 Lillington Community Centre operates on a fairly informal basis in that it more or less runs itself with the three regular customers being responsible for unlocking and then locking the building.

4.3.4 There are no block booking forms or correspondence available in respect of these three long standing customers and therefore no formal agreement in respect of times that the room is reserved for their use or any conditions to adhere to.

4.3.5 One of the bookings relates to a playgroup so there is no evidence of any registration, staff qualifications, CRB checks or appropriate insurance.

4.3.6 When a booking is made by an organisation that is providing coaching or instruction e.g. martial arts, fencing or gymnastics, it is possible that a claim could arise through their own negligence and so current, relevant insurance cover should be in place. Evidence of cover is not always obtained when a block booking is agreed.

Recommendations

The regular bookings for Lillington Community Centre should be placed on a formal basis and terms and conditions of hire made clear.

Evidence of all necessary registration and qualifications etc should be obtained for the playgroup using Lillington Community Centre.

Whenever a booking is agreed with an organisation providing coaching or tuition, evidence of current, relevant insurance should be obtained.

4.4 All cash and property is protected from loss or theft

4.4.1 Cash collection and storage arrangements and security of property were found to be satisfactory.

4.4.2 Equipment at Sydenham is mainly of low value but there are a number of good quality table tennis tables. There was no inventory on site.

Recommendation

An inventory of equipment held at Sydenham Sports Centre should be prepared. A copy should be forwarded to the Council's Insurance Officer.

4.5 Staff are paid in accordance with hours worked

4.5.1 Staffing attendance records are not really an issue at Lillington and Sydenham. At Lillington the only member of staff is a cleaner, whilst at Sydenham there is so little use made of the hall that there is virtually no deviation from the standard opening hours and only two members of staff.

4.5.2 At John Atkinson and Meadows there are rotas and systems of signing in and signing out in place to support staff attendance and therefore pay.

4.5.3 It was observed at John Atkinson that there was only scant regard paid to signing in and out.

Recommendation

Staff should be reminded of the need to sign in and out and managers should monitor the situation.

4.6 Budgets are managed effectively

4.6.1 The corporate budget monitoring procedure is being complied with.

4.7 Formal agreements are in place

4.7.1 The dual use facilities that are provided in schools are all covered by formal agreements governing the sharing of costs and the times that the facility is available to Warwick District Council.

4.7.2 It was not part of the audit to make any assessment of the VFM aspects of providing these facilities and so none was made but it would be remiss not to mention the financial situation regarding Sydenham Sports Centre even though it must be assumed that managers and senior staff are aware of it.

4.7.3 Leisure and sports facilities are generally subsidised and this is a widely accepted stance for good reasons. However, as mentioned at 3.4, the bottom line cost of providing Sydenham is estimated to be £159,900 this year (deducting support service costs and capital charges brings that down to £46,600) and yet income is only around £10,000.

- 4.7.4 The sports hall is a good size but it is very dated and in poor condition, which may be one of the reasons why usage is so low. It is virtually never used at the weekend. There are two sports halls in Warwick and two in Kenilworth but Sydenham is the only council sports hall in Leamington, which is understood to be the reason that the council perseveres with it.
- 4.7.5 The copy of the agreement provided for Sydenham is dated 1975 but it is understood that there may be a slightly more recent version in existence. This bases the council's contributions to the shared costs on a number of hours that is now way in excess of the hours actually used. For example, the hours that the hall is available to Warwick District Council include 9.00 am to 11.00 pm on Saturday and Sunday. The hall is virtually never open on these days.
- 4.7.6 The Warwick District Council hours of use for Meadows and John Atkinson are also a lot less than those stated in the agreements but not on the same scale as Sydenham.
- 4.7.7 The agreement for John Atkinson includes a clause (4.7) which states that any surplus of income over expenditure will be split equally between the Licensor and Licensee. It is difficult to imagine how such a facility could ever make a profit, yet a profit was calculated for 2007/8 and 2008/9 meaning that £1,682 and £2,150 was paid to Myton School. The surplus was arrived at by ignoring support service costs in the income and expenditure account. These would have more than eradicated the calculated surplus.

Recommendation

All of the agreements between Warwick District Council and the schools for the use of sports facilities should be reviewed to ensure that Warwick District Council is bearing a fair proportion of the shared costs.

Assurance Opinion: Moderate.