



<b>Title</b>	Update on Internal Audit Report: Housing & Property Services Contracts issued 17 August 2010
<b>For further information about this report please contact</b>	Ian Davy - Tel: (01926) 456818 e-*mail: ian.davy@warwickdc.gov.uk
<b>Service Area</b>	Finance
<b>Wards of the District directly affected</b>	Not applicable
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006</b>	No
<b>Date and meeting when issue was last considered and relevant minute number</b>	Finance and Audit Scrutiny Committee – 5 <sup>th</sup> January 2011
<b>Background Papers</b>	Internal Audit Quarter 2 2010/11 Progress Report issued to Finance & Audit Scrutiny Committee 5 January 2011

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No

<b>Officer/Councillor Approval</b>		
With regard to officer approval all reports <i>must</i> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Relevant Director	25 Jan 2011	Andrew Jones
Chief Executive		
CMT		
Section 151 Officer	24 Jan 2011	Mike Snow
Legal		
Finance		As S151 Officer
Portfolio Holder	24 Jan 2011	Councillor Mobbs
<b>Consultation Undertaken</b>		
Not applicable		
<b>Final Decision?</b>		Yes
<b>Suggested next steps (if not final decision please set out below)</b>		

## 1 **SUMMARY**

- 1.1 The report provides an update on Internal Audit's review of Housing & Property Services Contracts that was presented to Committee last month.

## 2 **RECOMMENDATIONS**

- 2.1 That the report be noted and its contents be accepted or, where appropriate, acted upon.

## 3 **REASON FOR THE RECOMMENDATIONS**

- 3.1 Members have responsibility for corporate governance, of which internal audit forms a key part.

## 4 **ALTERNATIVE OPTION(S) CONSIDERED**

- 4.1 This report is not concerned with recommending a particular option in preference to others so this section is not applicable.

## 5 **BUDGETARY FRAMEWORK**

- 5.1 Although there are no direct budgetary implications arising from this report, Internal Audit provides a view on all aspects of governance including that of the Budgetary Framework. An effective control framework ensures that the Authority manages its resources and achieves its objectives economically, efficiently and effectively.

## 6 **POLICY FRAMEWORK**

- 6.1 Although there are no direct policy implications, Internal Audit provides a view on all aspects of governance including the Council's policies.

## 7 **BACKGROUND**

- 7.1 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.
- 7.2 Following this, Internal Audit was asked by the Head of Housing & Property Services to perform a wide ranging review of the letting and management of contracts by his department.
- 7.3 The review identified a number of issues with the way in which services had previously been procured by Housing and Property Services, in particular in some instances the lack of competitive procurement and absence of contracts.

- 7.4 A report was issued on 17 August which contained findings and recommendations arising from the review together with an action plan for implementation.
- 7.5 The audit noted, however, that matters had improved of late, a major contribution to this being the closer involvement of the Procurement Team in the letting of contracts.
- 7.6 As part of the procedure for Internal Audit reports containing less than substantial assurance, the report was brought to the attention of this Committee at the earliest opportunity. It was therefore included as part of the Internal Audit Quarter 2 Progress Report issued to Finance & Audit Scrutiny on 5 January 2011.
- 7.7 At that meeting, although implementation of all recommendations are monitored by Internal Audit and reported to Committee as part of the quarterly cycle of Internal Audit Progress Reports, Members were keen to expedite that process in respect of this particular report. Consequently, Members requested that a report be brought back to them at the earliest opportunity on the state of implementation of the recommendations.

## **8 LATEST POSITION**

- 8.1 The current position with regard to implementation of the recommendations is set out in Appendix A. It can be confirmed that appropriate action has been taken in respect of the urgent items recorded as high risk. Several tasks, however, have not yet reached the stage where, within the original agreed implementation timetable, they need addressing. Never-the-less, there is progress to report in respect of some of these tasks.
- 8.2 In general terms, the Head of H&PS felt that the management of contracts was improving, although there had been some obvious implications with ROK going into administration. He also highlighted differing expectations with regard to the contract-letting process. In his view, the Procurement team should take a greater lead in managing the process, in particular in evaluating procurement options to deliver value for money (VFM), as opposed to the current advisory role that is focused on compliance. Clearly this issue has implications for the terms of reference of the procurement function and as such needs urgent resolution.

**INTERNAL AUDIT REVIEW OF HOUSING & PROPERTY SERVICES CONTRACTS – 17 AUGUST 2010  
REVIEW OF PROGRESS IMPLEMENTING RECOMMENDATIONS**

<b>Recommendation in Audit Report (incl. risk rating)</b>	<b>Initial Management Response (incl. target date for implementation)</b>	<b>Current Position</b>
<p>Ensure that the Procurement Plan takes account of all areas that do not currently have a formal contract in place. (High risk)</p>	<p>A formal procurement plan is now in place that takes account of all of the relevant contracts. (Completed)</p>	<p>The procurement plan had actually been drawn up by the time the original report was finalised and was considered to cover all of the relevant areas. The Head of Housing &amp; Property Services advised that it is continually being updated as future contracts are identified.</p> <p>Upon review, it was confirmed that the plan had been updated, with notes being entered to show the latest position with each of the planned 'projects', with some of the contracts actually having been let.</p>
<p>A review should be undertaken in six months to ascertain whether any further 'non-contract' expenditure is committed to the companies identified (specifically those companies where works should have been undertaken under an existing contract). (Medium risk)</p>	<p>Agreed. A review of payments will be undertaken. (April 2011)</p>	<p>The agreed target date for this recommendation (April 2011) has not yet been reached. The Head of H&amp;PS will bring forward his review of any further non-contract expenditure before the end of January 2011.</p>
<p>The Procurement team should be consulted regarding the need for contract / agreement to be entered into for use of bed and breakfast establishments. (Low risk)</p>	<p>Agreed. Procurement staff will be consulted. (April 2011)</p>	<p>The agreed target date for this recommendation (April 2011) has not yet been reached.</p>

<b>Recommendation in Audit Report (incl. risk rating)</b>	<b>Initial Management Response (incl. target date for implementation)</b>	<b>Current Position</b>
<p>The Argos agreement should be reviewed with the possibility of testing the market for other providers being looked into with the Procurement team.</p> <p>(Low risk)</p>	<p>Agreed. The agreement will be reviewed. (April 2011)</p>	<p>The agreed target date for this recommendation (April 2011) has not yet been reached.</p>
<p>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).</p> <p>(High risk)</p>	<p>Agreed. New contracts, let in accordance with the Procurement Plan, will be signed as appropriate.</p> <p>(Ongoing)</p>	<p>Three contracts that had been awarded since the original report were examined. Contracts were in place for each of them and they had been signed appropriately (one was signed by a Senior Manager and the other two were signed by members of the Corporate Management Team under seal).</p>
<p>Ensure that formal performance monitoring is undertaken for all relevant contracts, with regular contractor meetings being held and documented as appropriate.</p> <p>(Medium risk)</p>	<p>Agreed. Formal performance monitoring will be undertaken for all relevant contracts.</p> <p>(Ongoing)</p>	<p>The Property Manager confirmed that this was being done. He also advised that regular meetings were being arranged with the senior staff from the main contractors and he was attending these meetings.</p>
<p>Ensure that Procurement staff are consulted and are involved at all relevant stages for future procurement exercises.</p> <p>(High risk)</p>	<p>Agreed. Procurement staff will be involved in all stages of the letting of future contracts.</p> <p>(Ongoing)</p>	<p>This is an ongoing requirement. The Head of H&amp;PS advised that he is getting staff to confirm with Procurement staff that they are happy with the processes that are being followed.</p>

<b>Recommendation in Audit Report (incl. risk rating)</b>	<b>Initial Management Response (incl. target date for implementation)</b>	<b>Current Position</b>
<p>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). (Medium risk)</p>	<p>Agreed. This should be made easier as a move is made towards e-tendering. (Ongoing)</p>	<p>The Head of H&amp;PS advised that he intends to get the new Business Manager to set up a central repository for all relevant documentation. The new staff member has only recently taken up her post, so this has not yet been actioned.</p>