



Internal Audit Report

2017/18

Building & Facilities Services

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Audit: Facilities & Building Services
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Chichester District Council
Internal Audit Report

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1 Introduction

- 1.1 The audit of the Building & Facilities Service was undertaken in accordance with the 3 year cyclical audit plan. This plan has been approved by the Corporate Governance and Audit Committee at Chichester District Council.
- 1.2 The Building Services team are responsible for the procurement of goods and services for all planned and reactive works within the council. This team is required to comply with the council's Contract Standing Orders and Financial Regulations that relate to; the ordering of works, goods and services under official orders.

2 Scope

- 2.1 Internal Audit, together with input from the Building & Facility Service Manager and the Procurement Officer, completed an Operational Risk Assessment, for the audit. This determined the controls to be tested, to ensure compliance in the following areas of the service provided:
 - To document and test the processes being followed for the procurement of goods and services under £50k and to ensure that they are in accordance with the Council's Contract Standing Orders and Financial Regulations.
 - To identify and report on any areas of non-compliance against the regulations above.

3 Testing and Findings

- 3.1 From September 2012, the Council's Constitution was updated to enable the use of framework agreements. This would replace the need to maintain a Standard List of Contractors. One framework agreement covered the procurement of Minor and Specialist Works for a period of four years. During the audit, Internal Audit was informed by the Procurement Officer that this framework agreement (and others) was no longer in place as they had expired in August 2016. The Service was not restricted to using framework agreements and were able to employ other suitable contractors.
- 3.2 Both the Minor Works & Specialist Framework and the Minor Reactive Repairs Frameworks were set up by the Procurement Service in 2012. Anecdotal evidence suggests that both agreements were reviewed on an adhoc basis between 2013 and August 2016, when the frameworks expired. These frameworks should have been formally reviewed on an annual basis to ensure their financial worth; insurance and health & safety accreditations are up to date and recorded. The Procurement Officer and the Building Services Manager stated the framework did not work effectively because of the lack of interest by contractors for minor works. Therefore the frameworks were not renewed on their expiry in 2016.
- 3.3 Contract Standing Orders (contained within section 4 of The Constitution) sets out the procedures to be followed by officers procuring goods and services on behalf of the council. A general ledger report was run to identify minor works orders from April 2016 to January 2017, a sample of 23 transactions was chosen at random and tested to ensure contract standing orders had been followed.
- 3.4 Testing found that two contractors were employed in the belief of a current framework agreement after expiry. Under the agreement no checks were required to be carried out. Post Audit evidence has since been provided from the Contractors Health & Safety Assessment Scheme (CHAS) portal to show that they were CHAS accredited at the time of employment.
- 3.5 Within Contract Standing Orders, for orders up to £10k, it states, "to ensure best value is obtained, preferably 2 quotes". Out of the 23 orders identified from the transaction report, only quotes for 5 orders were found and could be evidenced. Quotes for the remaining 18 orders had not been sought as they related to; emergency works, specialist works or part of a tender exercise, which is acceptable in these circumstances.
- 3.6 In March 2016, the Council's Health & Safety Manager carried out a Head of Service challenge across the council. A recommendation was made for Building Services to record their checks of their contractors' first level health and safety checks (CHAS or equivalent, i.e. anything deemed to satisfy the Safety Schemes In Procurement (SSIP) accreditation scheme), as well as insurance details, there was no evidence provided at the time of the audit that this had been achieved. As a result, Building Services have now co-ordinated this information to be shared and made accessible to all services across the

council. This information is important and needs to remain current, and regularly reviewed. Post audit evidence has been supplied from the service's on-line portal that contractors tested had been CHAS accredited except for one where the company has been dissolved.

- 3.7 A pre-works checklist form is a requirement for health & safety and should be completed in all cases, not just of the contractor but others that may be affected whilst on site. It is reasonable that in the case where contractors are used on a regular basis, on the same site, the checklist is only completed once; however, these should be retained and checked at each visit to ensure that the information is still current. Testing found and Internal Audit was informed that these were not always completed. The service need to ensure that checklists are completed at all times where required.
- 3.8 Testing identified 7 orders that were over the value of £10k, 4 of these were not tested as they were part of a contract over £50k and therefore outside the scope of this audit. The remaining 3 were found to have quotes that were correctly approved and paid through the general ledger (creditors system).
- 3.9 Contract Standing Orders (Paragraph 2.1) state that for spends between £10k and £50k the Procurement Officer is to be informed. This was not the case and Internal Audit was informed by the Procurement Officer that he was only aware of 3 contracts out of a sample of 7.
- 3.10 Financial Regulations state that orders placed verbally, must be confirmed by an official order on the same day; only pay invoices for which there is an official order and only use the Council's electronic ordering system except in exceptional circumstances where an official paper order must be used. From the sample of 23, testing found that official orders were not issued for 14 purchases. As a result, purchase orders were raised and approved retrospectively and any variances between the purchase order and invoice would not be shown on Civica the Council's finance system. The Service is currently discussing a way forward with the Exchequer Manager to establish a principle where the value of a contract could fluctuate.
- 3.11 The Local Government Transparency Code 2015 sets out the minimum data that local authorities should be publishing, the frequency it should be published and how it should be published. The Code requires local authorities to publish information relating to their expenditure over £500. Testing found from a sample of 25 that expenditure had been published on the council's intranet.

4 Conclusion


- 4.1 In the main, contract standing orders are being complied with. However, Building & Facilities Service's do not always keep adequate records relating to the low value contracts.
- 4.2 At a meeting held between Internal Audit, the Building Services Manager and the Procurement Officer it was agreed that detailed procedures need to be put


in place to support contract standing orders. These procedures are currently being updated together with Health & Safety procedures.


- 4.3 As a result of this audit the following recommendations have been made to tighten controls for the procurement of low value work orders.

5 Recommendations





- 5.1 An Action Table has been produced, see Appendix 1. In order to prioritise actions required, a traffic light indicator has been used to identify issues raised as follows:

Red  – Significant issues to be addressed

Amber  – Important issues to be addressed

Green  – Minor or no issues to be addressed

6 Action Plan – Appendix 1

Paragraph Ref	Recommendation	Officer	Priority	Agreed?	Comments	Implementation Date
3.6	That the newly compiled database is kept up to date and remains current.	Facilities & Building Services Manager	 Significant	Yes	The service has completed compiling a data base.	With immediate effect
	Those services across the council are made aware of the access of a database and their responsibility to update their data.	Facilities & Building Services Manager	 Significant	Yes	A data base will be made available to services on the Council's x: drive.	With immediate effect
3.7	Pre-work checklist is issued and current.	Facilities & Building Services Manager	 Important	Yes		With immediate effect
3.11	Purchase orders need to be placed on Civica to show approval prior to the commencement of works.	Facilities & Building Services Manager	 Important	Yes	In consultation with the Exchequer service for the best way forward for orders where the value is unknown.	With immediate effect