



FINAL INTERNAL AUDIT REPORT

EDUCATION, CARE AND HEALTH SERVICES DEPARTMENT

REVIEW OF EDUCATION, CARE AND HEALTH SERVICES CAPITAL SCHEMES

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REVIEW OF EDUCATION, CARE AND HEALTH SERVICES CAPITAL SCHEMES

INTRODUCTION

1. This report sets out the results of our audit of the Schools' Capital Programme element of the Education, Care and Health Services Capital Schemes. The audit was carried out as part of the work specified in the 2018-19 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. The Local Authority has a statutory duty under Section 14 of the Education Act 1996 to ensure that there are sufficient primary and secondary school places available to meet the needs of pupils in the area. This duty is not restricted to those schools under the 'control' of the Local Authority but includes, for example, Academy Schools.
3. The School Place Planning Strategy provides analysis of the requirement for school places by local area together with details of what has been delivered through expansion of existing schools, either permanent or 'bulge' classes, and the opening of Free Schools over the past year, together with the schemes currently under construction and details of the Council's future proposals. The Council also has obligations to ensure that Maintained School premises are maintained to an appropriate standard.
4. The Schools' Capital Programme (Basic Need Programme) is a set of capital projects which the Council plans to undertake within a given timetable and is funded primarily through the Basic Need Capital Grant. £77.8m has, thus far, been allocated for 2011-2020. In addition, the Programme receives smaller capital contributions from schemes such as the Capital Maintenance Grant, Section 106 contributions and SEND (Special Educational Needs and/or Disabilities) Provision Capital Funding. The total Basic Need Capital Programme, as approved by Council in October 2018, is £85.1m
5. Between 2009/10 and 2018/19, the Basic Need Capital Programme has added 1,635 temporary and 2,987 permanent school places in mainstream and specialist settings.
6. We would like to thank all staff contacted during this review for their help and co-operation.

AUDIT SCOPE

7. The original scope of the audit was outlined in the Terms of Reference and covered the effectiveness of the Schools' Capital Programme controls. The key risks reviewed within this audit were:-

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- Lack of clear process for making capital bids to identify schemes and prioritise use of capital resources
- Proposals are not supported by appropriate documentation to allow for an effective assessment of feasibility, options and funding assessment
- Schemes are not subject to appropriate authorisation
- Contract awards are not made in compliance with contract procedure rules, signed contracts are not held and contracts are not recorded on the contracts register
- Regular progress meetings to monitor Capital Projects and spending against budget are not held
- Post completion reports are not produced

AUDIT OPINION

8. Our overall audit opinion, number and rating of recommendations are as follows.

AUDIT OPINION	
Reasonable Assurance	(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)

Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
0	4	0

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SUMMARY OF FINDINGS

9. Our testing identified four issues which we would like to bring to management's attention.

Contracts

At the time of the audit, signed contracts could not be located for two schemes, the construction of a primary school hygiene room and a primary school expansion, the latter being of a value whereby execution under seal through the Legal department was required. For a further scheme, whilst a copy of the contract was located and had been signed on behalf of the contractor, the same Director's signature was in both the 'Director' and 'Company Secretary/Director' boxes and the contract had not been executed on behalf of the Local Authority.

It is acknowledged that these issues pre date the current Director of Education who has confirmed that the department was aware of the weaknesses in the system prior to the audit and had put in place a process, in conjunction with the Legal department, to ensure that all current and future contracts over £200k are scanned. The Education Capital department will ensure that all contracts under £200k are copied and retained. The robustness of this process will be tested as part of the Follow Up process.

During the fieldwork stage of the audit, the contract for the hygiene room was returned signed by the contractor. At the draft audit report stage, the school expansion contract remained unaccounted for and was evaluated as a 'Priority One' issue, resulting in an overall 'Limited' assurance audit opinion. Following subsequent extensive efforts by officers, the executed contract was located leading to the recommendation relating to contracts being revised to a 'Priority Two' and the overall level of assurance being increased to 'Reasonable'.

Policy, Procedures and Resilience

There is no definitive process map or a formal end to end written procedure for the delivery of projects within the School Capital Programme.

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File Management

Historically, the primary repository for financial and programme records for the Education Capital Schemes was spreadsheet data held on the Senior Project Manager for Strategic Education Capital and Client Services' 'personal' drive within the IT systems. Subsequent to the post holder's departure, this was transferred to the 'shared' drive to enable ongoing access. Whilst this required IT support and occurred at a time when space on the 'shared' drive was critical, and meant that some of the links to underlying data proved inaccessible, it is understood that there was no interruption to real time information.

The historic financial records database has been reconstructed and a system is in place to monitor current and future expenditure. Work to rebuild the programme records element is being undertaken, in addition to existing duties, to ensure that all scheme programme documentation follows the same file structure and that all records are correctly filed in, for example, the Contracts database or within a shared area as opposed to ad hoc records on personal drives or in E mails.

Whilst the significant progress made with standardising the file management system above is acknowledged, a complete audit trail/suite of programme documents for the audit sample could not be established/identified.

Post Completion Reports

Committee reports FSD 18027 dated 27th March 2018 and FSD 18058 dated 18th July 2018 identified two post completion reports as being due before the end of the 2018/19 monitoring cycle. As at the time of concluding the audit, neither had been presented to the Education, Children and Families Budget Sub Committee or its successor, the Children, Education and Families PDS Committee.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

10. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised, together with management's responses and timescales for implementation. Appendix B details the definition of the audit assurance and priority ratings.

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DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
1	<p><u>Contracts</u></p> <p>Of the five Capital Schemes sampled:-</p> <p>At the time of the audit, signed contracts could not be located for two of the schemes; a primary school expansion and a primary school hygiene room, with the former being of a value whereby, in line with Contract Procedure Rules section 17.3, execution under seal through the Legal department was required.</p> <p>During the course of the audit, the hygiene room contract was returned signed by the contractor and at the draft report stage, following extensive efforts by officers, the executed school expansion contract was located.</p> <p>For one scheme, a copy contract was located which, whilst it had been signed on behalf of the contractor, had been signed by the same Director in both the 'Director' and 'Company Secretary/Director' boxes and had not been executed on behalf of the Local Authority.</p> <p>The final two schemes had yet to reach the stage where signed contracts for delivery of the project should be in place.</p>	<p>Where correctly executed contracts are not in place, the Local Authority's position may be weakened in the event of instigating legal action or making a claim under the terms of the contract.</p>	<p>Contracts should be correctly executed on behalf of both the Contractor and the Local Authority prior to any works commencing and securely retained.</p> <p>Priority 2</p>	<p>All contracts over £200k executed under seal are retained by Legal and Democratic Services. Historically scans of contracts have not been provided to the Education Capital Team.</p> <p>All current and future contracts over £200k are to be scanned by Legal Services with a copy provided to Education Capital. Education Capital will ensure that all contracts under £200k are copied and retained.</p>	<p>Already implemented for all new projects (Head of Strategic Place Planning and Head of Legal Services)</p>

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2	<p>Policy, Procedures and Resilience</p> <p>Whilst the underlying governance process for the School Capital Programme is Contract Procedure Rules and there are comprehensive Corporate Capital Programme procedures in place, there is no definitive process map or a formal end to end written procedure for the delivery of projects within the School Capital Programme.</p> <p>The lack of a process map/written procedure could lead to processes not being carried out consistently and business continuity/resilience issues in the event of staff absence/turnover.</p> <p>It was noted during the audit that the April 2019 structure charts indicated that all three posts directly reporting to the Head of Strategic Place Planning are currently vacant:-</p> <ul style="list-style-type: none"> • Senior Project Manager • Education Capital Project Manager • Education Project Officer/Coordinator; <p>the high level of vacant posts in this area could also weaken resilience.</p> <p>At the draft report stage, an appointment had been made to the Senior Project Manager post.</p>	<p>The lack of documented procedures may lead to:-</p> <ul style="list-style-type: none"> i) the process not being carried out consistently ii) business continuity issues within the service in the event of staff absence/turnover. 	<p>The School Capital Scheme procedures should be documented and accessible. Parameters should be established to ensure that all officers involved in the process are clear as to their area(s) of responsibility.</p> <p>Priority 2</p>	<p>The procedure along with a process map will be put in place and reviewed when the new Senior Project Manager is in post.</p> <p>The Service's business continuity plan is currently being developed with the authority's emergency planning lead and a business continuity plan introduced.</p>	October 2019 (Head of Strategic Place Planning) December 2019 (Head of Strategic Place Planning)

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3	<p>File Management</p> <p>Historically, the primary repository for financial and programme records for the Education Capital Schemes was spreadsheet data held on the Senior Project Manager for Strategic Education Capital and Client Services' 'personal' drive within the IT systems. Subsequent to the post holder's departure, this was transferred to the 'shared' drive to enable ongoing access. Whilst this required IT support, occurred at a time when space on the 'shared' drive was critical and meant that some of the links to underlying data proved inaccessible, it is understood that there was no interruption to real time information.</p> <p>The historic financial records database has been reconstructed and a system is in place to monitor current and future expenditure. Work to rebuild the programme records element is being undertaken, in addition to existing duties, to ensure that all scheme programme documentation follows the same file structure and that all records are correctly filed in, for example, the Contracts database or within a shared area as opposed to ad hoc records on personal drives or in E mails.</p> <p>Whilst the significant progress made with standardising the file management system above is acknowledged, a complete audit trail/suite of programme documents for the audit sample could not be established/identified.</p>	<p>Lack of an effective File Management system may lead to documentation not being accessible and a full audit trail not being available.</p>	<p>i) All documentation should be filed according to a defined structure and held within a shared area in order that it can be accessed by all relevant officers involved in the process when required.</p> <p>ii) Consideration should be given to a shared system/process which supports collaborative working by allowing the relevant external contractors controlled access. This will enhance document control by ensuring that all staff work from the same version of documents and reduce the need for sending (electronically or paper based) commercially sensitive information between organisations.</p>	<p>Current information has been filed within the new file structure since summer 2018. This will be audited during Summer 2019.</p> <p>Historic data will continue to be moved across to the new database.</p> <p>Consideration of the greater use of electronic is reliant of corporate Sharepoint project.</p>	<p>September 2019 (Head of Strategic Place Planning)</p> <p>Summer 2020 (Head of Strategic Place Planning)</p>

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4	<p><u>Post Completion Reports</u></p> <p>Committee Reports FSD 18027 dated 27th March 2018 and FSD 18058 dated 18th July 2018 identified two post completion reports as being due by the end of the 2018/19 monitoring cycle. As at the time of concluding the audit, neither had been presented to the Education, Children and Families Budget Sub Committee or its successor, the Children, Education, and Families PDS Committee.</p>	<p>Where Post Completion Reports are not completed in a timely manner, performance cannot be evaluated and any lessons learnt used to drive through improvements in future Capital Projects.</p>	<p>In line with Capital Programme Procedures, Post Completion Reports should be submitted for all completed Capital Projects to the relevant Committee within one year of scheme completion.</p> <p style="text-align: center;">Priority 2</p>	<p>The 2 Post Completion Reports will be considered during the 2019/20 cycle and a programme of post completion reports created. These will follow on from Lessons Learnt meetings held with the school, consultant and contractor for all projects valued in excess of £1m.</p>	<p>March 2020 (Head of Strategic Place Planning)</p>

OPINION DEFINITIONS

Assurance Level

Assurance Level	Definition
Substantial Assurance	There is a sound system of control in place to achieve the service or system objectives. Risks are being managed effectively and any issues identified are minor in nature.
Reasonable Assurance	There is generally a sound system of control in place but there are weaknesses which put some of the service or system objectives at risk. Management attention is required.
Limited Assurance	There are significant control weaknesses which put the service or system objectives at risk. If unresolved these may result in error, abuse, loss or reputational damage and therefore require urgent management attention.
No Assurance	There are major weaknesses in the control environment. The service or system is exposed to the risk of significant error, abuse, loss or reputational damage. Immediate action must be taken by management to resolve the issues identified.

Recommendation ratings

Risk rating	Definition
Priority 1	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
Priority 2	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
Priority 3	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.