



Schools Maintenance Programme

City of York Council

Internal Audit Report 2018-19

Business Unit: Children, Education and Communities Directorate,
Responsible Officer: Assistant Director, Education and Skills
Service Manager: Head of School Services
Date Issued: 11 February 2020
Status: Final
Reference: 15697/003

	P1	P2	P3
Actions	0	0	2
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

The School Services Capital Maintenance Programme has a budget for 2018/19 of £3.5m to fund 22 projects. This funding comes from a several sources including Department for Education grants, Capital Resource Allocation Model (CRAM) funding, s106 grants and schools themselves.

Projects are identified before the financial year starts through condition surveys and issues arising. These are prioritised and a programme is put together and presented to the Executive for approval. At the start of the year School Services officers meet with Procurement to consider procurement methods for the various schemes in the approved programme. If appropriate separate schemes at one site may be combined to achieve better value for money or to minimise disruption. The majority of maintenance cannot, for health & safety reasons, be carried out while schools function so it is done while they are closed for the summer holidays.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system will ensure that:

- maintenance projects are prioritised in accordance with a formally established methodology;
- projects are completed within time and budgetary constraints;
- the capital maintenance budget is managed effectively;
- the quality of work is reviewed.

Procurement was not included in the scope of this audit.

The audit involved testing of a limited sample of projects included in the 18/19 capital maintenance programme.

Key Findings

A formalised and documented methodology is in place by which maintenance projects in schools are prioritised. Testing indicated that this had been consistently and accurately applied.

The accuracy of cost estimates for budget purposes was reviewed. For two of the projects tested initial costs were found to be based on satisfactorily detailed estimates. For the third project (works at Clifton Green) a high-level estimate over three years was provided however, the project was subsequently merged with another at the same school and similar works at another school. Combining the projects seems to have been mainly discussed verbally, with no documentary evidence to demonstrate a cost saving from combining these projects.

None of the schemes reviewed included any penalty clauses for late completion of works, however the contractor selection process takes into account the previous record of contractors in completing work within specified timescales. Time constraints on projects are notified in tender documentation. For the one project tested that involved a formal contract (Clifton Green) the Invitation to Tender documentation showed that time

constraints were clearly specified. Works covered by a purchase order had the "Required By" date specified but this did not appear to be accurate (being the same date as the order was raised).

To ensure costs are controlled during the completion of the works, where costs in addition to the tendered value arise, the surveyor checks the validity of this, visiting the site if necessary and raises a variation order by way of authorisation. A sample of variations were tested and were appropriately authorised. Variation orders are retained and form part of the final account. In all completed projects tested the final cost was the tender price plus the agreed variations.

Final accounts showed sufficient detail to enable officers to verify the accuracy and testing confirmed they are checked in detail prior to payment.

Quarterly budget monitoring of the capital maintenance programme is in place, with at least monthly updates on currently active projects. £180k contingency was built into the 2018/19 programme. When issues arise they are, where possible, held over to be planned into the next year's programme. If this is not possible and there is not enough contingency other projects in the current year's programme may be split into phases and less urgent parts may be deferred. The service continues to be operated within budget.

It was confirmed that all works tested were inspected when completed. Retentions were applied to individual projects. The retentions, in accordance with JCT terms and conditions, are 5% withheld until handover and 2.5% for the ensuing Defects Liability Period (normally 12 months from handover). Handover takes place when an inspection of the works has shown them to have been satisfactorily completed and the Certificate of Practical Completion has been issued. For one of the projects tested the retention was roughly but not exactly 5%. This was identified to the relevant officer.

Overall Conclusions

It was found that the arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

1 Risk management for project timescales.

Issue/Control Weakness

It is not clear that controls over the timing of works being carried out are sufficiently robust, particularly where additional works have been commissioned via purchase orders.

Risk

Work on projects causes disturbance during normal operation of schools.

Findings

The three projects tested and their original budgeted cost in the Capital Maintenance Programme were:

1. Clifton Green Primary: Rewire, Lighting & Fire Alarm - £215k
2. Carr Infant: Car Park Lighting - £20k
3. Poppleton Road Primary: Playground Brick Wall - £50k

There is evidence that contractors are made aware of the time sensitivities with respect to the completion of works. For Clifton Green Primary the Invitation To Tender (ITT) information sent out to prospective contractors made clear the time constraints of the project and the need to work on a live site to carry out part of the work during term time. However penalties for late completion are not used.

For Carr Infant most of the work was done in-house by CYC depot and as such no penalties would be applied.

The remaining works for Carr Infant and Poppleton Road Primary works (additional works to chimney subject to a waiver of the tender process) were commissioned via purchase orders against a submitted quotation. The "Required By" date was specified on the order in all cases but did not appear to be accurate, being the same date as the order was raised. There is no provision for any penalty for late delivery for these works.

It is not clear that controls on the timing of works being carried out are sufficiently robust.

Agreed Action 1.1

All tender documentation will include information regarding the use of penalties for late completion. Where the work has not been completed in accordance with agreed dates and penalties have not been applied, a record will be kept detailing the reasons why.

Priority

3

Responsible Officer

Head of School Services

Timescale

Immediate & Ongoing

2 Combining Projects.

Issue/Control Weakness

Where projects are combined cost savings are not always clearly evidenced

Risk

Best value may not be achieved

Findings

Works for Clifton Green rewire and roofing and fire alarm and the works for rewire, roofing, windows and fire alarm at Huntington school were originally shown as separate projects but were combined together (separating out the works to the fire alarms) in order to achieve cost savings. However these estimated cost savings were not clearly identified. The budgeted costs did not appear to have been adjusted to show estimated cost savings from combining the projects and the overall budget appeared to have increased by 100K from the original estimate. As a result monitoring was not carried out against a reduced budget.

Savings did not appear to have been made on tendered prices through combining the main projects (A pre tender estimate for the cost of works appeared to be 850K and the tender accepted was 931K), although savings were achieved when costs were compared to the original budget. Final costs included variations to the projects and resulted in spend being around the original budget so no overall saving on the project was made (however a saving of 100K was shown due to increased budget detailed above).

Agreed Action 2.1

School Services staff will record the reasons why projects have been combined. If this is to make cost savings the estimated savings will be identified at the feasibility stage and will be recorded. Projects may be combined for reasons other than cost savings and these decisions will be recorded at all stages.

Priority

3

Responsible Officer

Head of School Services

Timescale

Immediate & Ongoing

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

Where information resulting from audit work is made public or is provided to a third party by the client or by Veritau then this must be done on the understanding that any third party will rely on the information at its own risk. Veritau will not owe a duty of care or assume any responsibility towards anyone other than the client in relation to the information supplied. Equally, no third party may assert any rights or bring any claims against Veritau in connection with the information. Where information is provided to a named third party, the third party will keep the information confidential.