



ESSEX FIRE AUTHORITY

Property Maintenance

FINAL

Internal Audit Report: 8.15/16

7 April 2016



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Debrief held	14 March 2016	Internal Audit team	Daniel Harris - Head of Internal Audit Suzanne Lane - Senior Manager Lee Hannaford - Assistant Manager Nick Fanning – Senior Auditor Rachel Feltham - Auditor
Draft report issued	5 April 2016		
Responses received	7 April 2016		
Final report issued	7 April 2016	Client sponsor	Glenn McGuinness – Deputy Director of Finance Jon Doherty - Property Services Manager
		Distribution	Glenn McGuinness – Deputy Director of Finance Jon Doherty - Property Services Manager

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

1 EXECUTIVE SUMMARY

1.1 Background

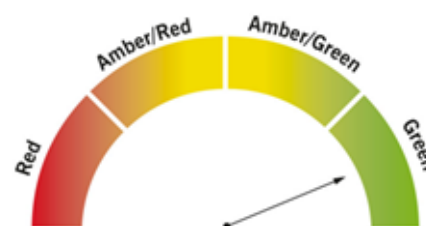
An audit of Property Maintenance was undertaken as part of the approved internal audit periodic plan for 2015/16. Essex Fire Authority (hereafter referred to as the Authority) has recently implemented the Concerto system in August 2015 within the Property Services department. A Property Services Strategy is in place which outlines the Authority's strategic actions and key initiatives. The department includes the Building Surveyors, Engineering & Environment team, Helpdesk, Drawing Office, Facilities and Water Section, as outlined in the Property Services Department organisational chart.

1.2 Conclusion

Our findings showed the processes currently in place were adequate and consistently complied with as per the policies and procedures. We identified that the Property Services Strategy covered the period 2012-2015. The review of this is currently in progress, however, given the recent culture review, Project 2020, and the potential collaboration with the police, the review is planned to take until 2017 to complete. The exceptions we found were classified as being of low risk and therefore have resulted in our opinion below.

Internal Audit Opinion:

Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage the identified area is suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

The Authority has in place a Property Services Strategy which covers the period 2012 - 2015. From review we confirmed that the strategy was fit for purpose and outlined the service objectives and strategic requirements. The Property Services Strategy is under review as a result of the cultural review and Project 2020 which is reshaping the service to account for the cuts in funding and will impact how delivery will be managed in the future. There is also some discussion around the alignment and allocation of sites amongst the police and fire services. The Property Services Strategy is estimated to be updated by 2017 after the May 2016 PCC elections.

The Authority has in place a Contractors Handbook which outlines the principle responsibilities of contractors in providing services to EFA and was up to date, having last been updated in April 2015. There are also Financial & Procurement Regulations in place which are up to date and are next due for review in March 2017. From review we confirmed that these are in line with the procedures set out in the Property Services Strategy.

The Authority has in place a maintenance plan which is broken down into revenue and capital. From review we confirmed that the planned maintenance register was approved by the Property Services Manager in April 2015 and that a process is in place to ensure the appropriate authorisation by the Property Services Manager of orders over the value of £1,000. We confirmed through review of the February 2016 capital expenditure report that the Authority has spent £7.598m of the budgeted £9.999m for 2015/16.

The Authority has in place a stock condition inspection report which is in the form of a scorecard system which is published in June on an annual basis. This looks at 14 performance indicators including use, cost and current condition. Within the system is a league table ranking across all fire stations. We obtained the scorecard survey results for all fire stations and confirmed through review that since the implementation of the Concerto system, property services are able to visually review and monitor any performance issues at individual fire stations and log this for maintenance.

For the 4% of fire stations that had underperformed in 2014/15, we confirmed through review of the scorecard report that action and investigation plans have been raised. The scorecard report for 2015/16 has not yet been released and is due in June 2016.

The Authority has in place a roles and responsibilities chart for the Property Services department. From review we confirmed that the chart is fit for purpose and details the responsible officers and contact numbers for them. We also confirmed that the organisational chart is outlined in the Contractors Handbook. Property Services are expecting a new management structure to be agreed by SMB in the near future, however we confirmed that the chart was up to date at the time of review, available to all staff and is included within each team's strategy and action plan.

The Authority has in place guidelines on the selection process of contractors and these are set out in the internal Contractors Handbook as well as in the Property Services Strategy. There is also a Consultants Terms and Conditions document which outlines the principal duties and responsibilities of contractors and terms and conditions of contracts. The Financial & Procurement Regulations set out the terms for selecting contractors to ensure that Value for Money is achieved. This document is reviewed every four years and was up to date at the time of review, having last been reviewed on 18th March 2013. We confirmed that it was fit for purpose and covered the tender and quotation procedures and guidance for both Minor Contracts and Competitive Contracts. It also agreed to the procedures set out in the Property Services Strategy.

The Authority has in place a helpdesk customer satisfaction survey where issues can be raised where there have been problems meeting contractual requirements. Engineers will carry out inspections to resolve any issues raised with the contractor. A quality check is also conducted on 5% of jobs being inspected each financial year, reviewing the overall cost, quality and compliance with Health & Safety standards. In addition, bi-monthly Construction and Engineering meetings are held and we confirmed through review that issues raised with respect to contractors, minor works, and KPIs were discussed.

We confirmed through review that the Financial & Procurement Regulations set out the tender process guidelines and value of Minor Works. We confirmed that a segregation of duties exists where officers are unable to authorise their own Minor Works job orders via the Concerto system and that any orders with a value above £1,000 must be approved by the Property Services Manager. We obtained a report of all minor works invoices that had been raised since 1 April 2015 and selected a sample of 20 for testing. From review, we confirmed that all invoices agreed to purchase orders raised, all invoices had been authorised by the appropriate officers, and no issues had been raised by the originator or through the customer satisfaction survey.

We confirmed through review that monitoring is undertaken against the delivery of the maintenance plan on a monthly basis. We obtained the Mechanical and Electrical PPM KPI sheets for review and confirmed that there is a system which details the performance of various jobs using a scoring system based on quality, health and safety, customer satisfaction and administration. We also confirmed through review of the Construction and Engineering meetings minutes from the last three meetings that discussion relating to KPI performance had taken place.

We confirmed through review that slippage against performance is monitored by the engineers and the Property Services administration team. We tested a sample of five issues raised through the helpdesk customer satisfaction survey, relating to jobs that had been raised in the current financial year and confirmed that these had been followed up through the Concerto system and inspected where necessary.

The Authority has in place a contractor register that contains all contractors used for planned and responsive maintenance works in financial year 15/16. Responsive jobs are listed and searchable on the Concerto system. We confirmed through review that when a station raises a defect, administration will raise a ticket which is logged on the system. This will be noted in the fire station's premises record and the Authority will then make a judgement on response time. Once authorised, an automated email is sent through to the contractor. We tested a sample of 20 contractors and confirmed that appropriate tendering procedures (including Value for Money) had been followed for all contractors sampled and that all 20 contractors were listed on the contractors register.

1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Property Maintenance	0 (12)	1 (12)	1	0	0
Total			1	0	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 ACTION PLAN

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may, with a high degree of certainty, lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The table below sets out the actions agreed by management to address the findings:

Ref	Findings summary	Priority	Actions for management	Implementation date	Responsible owner
Area: Property Maintenance					
1.1	We identified through review that the Concerto Project Closure report on the benefits of the new system had not been approved by SMB. If the Project Closure Report is not approved, actions could be taken that are not in line with Management requirements.	Low	Management will ensure that the Concerto Project Closure Report is signed off by SMB.	June 2016	Mike Clayton

3 DETAILED FINDINGS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Actions for management
Area: Property Maintenance						
1.1	The Project Closure Report contains the Benefits Realisation progress chart. This outlines the financial and non-financial benefits and impacts of the implementation of Concerto.	Yes	No	We obtained the Project Closure Report and confirmed through review that this had been finalised on 10th August 2015. This included the Benefits Realisation Plan and Lessons Learned Report. We confirmed through discussion with the Portfolio Management Officer that although this had been sent to SMB, it has not been approved and no feedback has yet been received. Email reminders have been sent to SMB but no response has been received. There is a risk that if the Project Closure Report is not approved, actions could be taken that are not in line with Management's requirements or that identified issues are not followed up.	Low	Management will ensure that the Concerto Project Closure Report is signed off by SMB.

APPENDIX A: SCOPE

Scope of the review

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. The scope was planned to provide assurance on the controls and mitigations in place relating to the following areas:

Objective of the area under review

To ensure that adequate programmes are in place for the maintenance and upkeep of the organisation's buildings.

When planning the audit, the following areas for consideration and limitations were agreed:

Areas for consideration:

- The Authority has an Estates Strategy in place that is aligned to the organisation's objectives;
- Review of policies and procedures that support the strategy;
- Property maintenance plan and schedules that links to the Estate Strategy;
- Capital and Repairs and Maintenance Plans are in place and approved by the Authority
- Regular stock condition surveys are undertaken and used to inform the Capital and Repairs and Maintenance Plans
- Review of the roles and responsibilities within the Estates Department.
- Whether any stock condition survey has informed the maintenance programme/estate strategy.
- The use of contractors to conduct maintenance work and how Value For Money (VFM) has been demonstrated through adherence to financial procurement policies specifically considering sufficient quotes obtained and tendering procedures undertaken (if necessary) and whether any preferred supplier list is utilised.
- Sample testing of minor works requests across contractors and sites from purchase order to invoice to ensure correct authorisation and receipt of assurances that works have been completed to standard.
- The prioritisation of urgent work within the property maintenance plan;
- The monitoring against the delivery of a maintenance plan;
- The monitoring of contractors including the escalation process for issues in relation to meeting contractual requirements;
- The development of performance indicators to monitor progress delivery of the maintenance plan including cost and quality;
- Processes and accountable groups/committees are in place to monitor progress against property management plans and targets;

- Where slippage occurs in performance against the plans, actions are raised, owners are assigned, and progress of the actions is monitored;
- Performance of maintenance teams is regularly monitored and challenged through review of KPIs.
- In addition, as part of the implementation of the new system Concerto, we will establish if the benefits to be achieved were clearly identified at the start of the project and review how these are being monitored to understand if the benefits have been achieved. This will include a review of the process for tracking, monitoring and reporting benefits.

Limitations to the scope of the audit assignment:

- Testing was on a sample basis only.
- We have not provided an opinion as to whether the maintenance plans will deliver the organisation's relevant strategy.
- We have not provided assurance as to whether the maintenance plans can be delivered.
- We have not provided assurance as to whether the correct and appropriate properties have been prioritised.
- We have not assessed the selection of contractors for individual jobs.
- We have not provided assurance that work has been maintained to the appropriate level of workmanship or verify that invoiced work has been completed.
- We have not provided an opinion on the implementation of the new system Concerto.
- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

APPENDIX B: FURTHER INFORMATION

Persons interviewed during the audit:

- Jon Doherty – Property Services Manager
- Glenn McGuinness – Deputy Director of Finance
- Jan Swanwick – Head of ICT
- Paul Gulliver – Portfolio Management Officer
- Maria Edwards – Property Services Administrator

Documentation reviewed during the audit:

- Property Services Strategy
- Contractors Handbook
- Financial & Procurement Regulations
- Planned Maintenance Register
- Fire Station Scorecard Survey Results
- Property Services Roles and Responsibilities Chart
- February 2016 Capital Expenditure Report
- Concerto Project Closure Report
- Mechanical and Electrical KPI sheets

FOR FURTHER INFORMATION CONTACT

Name: **Lee Hannaford**

Email: lee.hannaford@rsmuk.com

Telephone: +44 (0)7816 161439

Name: **Suzanne Lane**

Email: suzanne.lane@rsmuk.com

Telephone: +44 (0)7720 508148

rsmuk.com

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