The Highland Council	Agenda Item	15.
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The Highland Council

Education, Children and Adult Services Committee
25 August 2016

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Internal Audit Reports

Report by Director of Care and Learning

Summary

This report provides an overview and update in relation to four reports which have recently been considered by the Audit and Scrutiny Committee:-

- Ben Wyvis Primary School (update on audit actions and lessons learned)
- Self Directed Support
- Inspection of Equipment in Schools (follow up)
- Managing School Rolls

1.   **Background**

1.1   On 16 June, the Audit and Scrutiny Committee considered an Internal Audit Reviews and Progress Report. The four internal audits listed above relating to Care and Learning were incorporated within that report.

1.2   This report provides members of this Committee with copies of the audit reports **attached**, and an update on key issues and actions.

2.   **Ben Wyvis Primary School**

2.1   The report to Audit and Scrutiny Committee was to provide a progress update with implementation of actions within the original audit report (dated September 2015) and progress with the previous lessons learned report from November 2013. These are enclosed as **Appendix 1** and **Appendix 2** respectively.

2.2   In relation to the September 2015 audit, the agreed actions were assigned to officers of both the Care and Learning and Development and Infrastructure Services to progress. Of the 29 actions, 27 have now been completed, with all Care and Learning actions completed. Of the two actions that remain outstanding, these relate to the Clerk of Works staff and are for the Development and Infrastructure Service to progress. The position in relation to these two outstanding actions is as follows:-

- Line management of Clerk of Works staff has been changed from Community Services to Development & Infrastructure. While transfer of some staff has been effective 1 April, the complete transfer will not conclude until June 2016.
- Clerk of Works. Investigation is taking place into new software that will support/facilitate the electronic reporting of project information. The target for implementation for this is September 2016.

2.3   In relation to the November 2013 lessons learned report, many of the

recommendations contained therein are superseded by the recommendations of the September 2015 audit. The update provided to the Audit & Scrutiny Committee provides assurance that the lessons learned recommendations have been taken account of and actioned.

3.   Self Directed Support

3.1   The audit report is enclosed as **Appendix 3**, and was categorised as 'limited assurance'.

3.2   The purpose of the audit was to carry out a review of the administration of Self Directed Support for children and young people with disabilities.

3.3   The objectives of the review were to ensure that:

a) There is an adequate framework for the administration of Self Directed Support.
b) Appropriate methods have been developed to assess the impact of Self Directed Support by monitoring how successful the improvements are to people's lives.
c) There is a clear plan and effective arrangements for managing the risks to successfully implementing Self Directed Support.
d) There is a plan of how to allocate money to pay for support for everyone who is eligible as demand for service increases.

3.4   The audit report identified nine recommendations, with these relating to arrangements for records of clients in receipt of SDS, the associated agreed budget/costs for those clients, and monitoring arrangements.

3.5   Four of the audit recommendations have been completed, and the remaining actions are on target for completion later this year.

4.   Inspection of Equipment in Schools (follow up)

4.1   The audit report is enclosed as **Appendix 4** and was categorised as 'limited assurance'.

4.2   The objective of the audit was to ensure that the recommendations made in the previous audit report have been implemented and the following objectives can be achieved:

a) There are appropriate contract arrangements in place for the inspection and testing of equipment and this is managed properly.
b) The Development and Infrastructure Service maintains up-to-date, accurate and complete records of all inspections and subsequent reports. Particular emphasis will be placed upon the process for the inspection of equipment in Schools.
c) The appropriate action is undertaken and the relevant officers are informed following receipt of the inspection reports.
d) There are appropriate monitoring arrangements in place to ensure that all remedial actions are addressed within the relevant timescale. Emerging themes or issues are promptly identified and escalated in order that any costs can be identified and notified to Care and Learning (C&L) Management.

4.3 The audit report acknowledged that there are now a broader range of contracts in place previously, and as has previously been reported to this Committee, the level of spending against these contracts indicates the actions now in place to identify and resolve any maintenance issues with equipment in schools. That said, the audit did identify scope for improvement in the monitoring and recording of these contracts.

4.4 The inspection and maintenance contracts are administered by the Development and Infrastructure Service on behalf of Care and Learning. Officers of both Services are working towards implementation of the remaining audit actions.

5. Managing School Rolls

5.1 The audit report is enclosed as **Appendix 5**, and was categorised as 'limited assurance'.

5.2 The objectives of the audit were to ensure that:

a) Current arrangements to calculate planning capacity in schools complies with all statutory requirements. School roll forecasts are calculated in accordance with the agreed methodology based on best practice and takes account of the lessons learned arising from pressures experienced in recent years.
b) There are appropriate plans in place to ensure that the new Scottish Government's Determining Primary School Capacity Guidance (October 2014) is implemented by the agreed timetable.
c) Appropriate plans are in place to manage the future demands at Bun-sgoil Ghàidhlig Inbhir Nis.

5.3 The report acknowledges that many improvements and changes to process were already underway during the period in which the audit was undertaken. Previous reports to this Committee in relation to capital investment requirements within City of Inverness schools, and associated refinements to guidance for assessing capacity, reflect many of the actions already underway, and relevant to the audit scope.

5.4 The main findings of the audit relate to the need for Planning Officers to update their methodology for estimating the school roll implications arising from housing developments, and improved feedback and liaison between Planning and Care & Learning Officers (the latter already being progressed). The report also highlighted delays in implementing the application of Scottish Government guidance in relation to determining capacity.

5.5 As stated above, a number of improvements have already been progressed as part of the Inverness schools review, and pre-date the audit recommendations. Routine monthly meetings between Planning and Care & Learning officers are now in place, and revised methodology for school roll projections, and implementation of capacity assessment guidance will be concluded for the school roll projections to be published late in 2016.

5.   Implications

5.1   **Resource** – there are no resource implications to highlight. Any agreed management actions to be progressed will be taken forward within existing resources.

5.2   **Legal** implications – there are no implications to highlight.

5.3   **Equalities** implications – there are no implications to highlight.

5.4   **Climate Change/Carbon Clever** implications – there are no implications to highlight.

5.5   **Risk** implications – the actions agreed and being taken forward will mitigate against the risks highlighted within the internal audit reports.

5.6   **Gaelic** implications - there are no implications to highlight.

5.7   **Rural** implications - there are no implications to highlight.

6.   Recommendation

6.1   Committee is asked to consider this report and note progress in relation to the agreed management action arising from the internal audit reports.

Designation:	Director of Care and Learning
Date:	15 August 2016
Author:	Brian Porter, Head of Resources

Appendix 1

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	IMPLEMENTATION TARGET DATE
4.1.1	Medium	Although not circulated as a standard document by the Head of Procurement, Housing & Property's Tender report did not contain critical contract administration and evaluation information in comparison to the tender document used by the Procurement Section. In particular, the decision making process concerning contractor evaluation and selection was not documented. Also, the Tender report did not include a formal tender sign off section.	The Tender report template should be issued to reflect the reporting structure and reporting requirements outlined in the standard Procurement Tender report. This is available within the Procurement Manual.	The Tender report and Project report process is being reviewed and the reporting format will be updated with input from the Head of Procurement. The revised reporting process will be adopted for all future capital projects	Acting Programme Manager (D&I)	31/10/15, then revised to 31/05/16 (Complete)
Action taken		Corporate tender report template was obtained by the Acting Programme Manager from the Head of Procurement. Discussion has taken place with Principal QS to merge the tender and project report templates and to adopt the corporate report template format. The project procedures are currently under review generally and the review process will be completed in May 2016. A sharepoint site is being finalised which will provide an easy access point for project procedures, guidance and templates. A training session for all property staff and client reps/project sponsors has been arranged for early June to inform all staff of the sharepoint site and changes in procedures.				
4.1.2	Medium	(1) Decisions behind the Price/Quality ratio selection were not documented. In addition, the ratio was chosen without any input from the Project Sponsor. (2) There is no advice within Contract Standing Orders to advise on the use and selection of ratios.	(1) The ratio selection decision should be documented and should involve the Project Sponsor. (2) Contract Standing Orders should be amended to reflect Scottish Government guidance regarding the use and selection of appropriate ratios for major capital projects.	(1) The Project Price/Quality ratio selection will be documented and agreed with the relevant Project Sponsor going forward. (2) Detailed amendments will, be incorporated in the Council's Procurement Manual which is already referred to within the Orders.	Acting Programme Manager (D&I) Head of Procurement	31/10/15 (Complete) 31/03/16 (Complete)

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT ACTION	AGREED	IMPLEMENTATION	
						RESPONSIBLE OFFICER	TARGET DATE
Action taken			(1) The standard project price/quality ratio is now 60/40 although in some circumstances this may be reviewed depending on specifics relating to the uniqueness of the project. Any deviation from the standard should be agreed with the Project sponsor. The ratio should be noted in the Project Execution Plan (2) Revised contract standing orders were approved at Committee in February 2016 and section 8, Supplier Selection advises that contract award criteria must be set in such a way as to ascertain and award contracts in favour of the most appropriate tender put forward in response to the invitation in terms of the most economically advantageous or lowest priced tender. The Council must identify the most economically advantageous tender on the basis of the best price-quality ratio, which must be assessed on the basis of criteria linked to the subject-matter of the public contract in question and must include the price or cost, using a cost effectiveness approach. The criteria must be weighted according to the needs of the contract, and both the criteria and their weightings must be published in the Pre-Qualification/tender documentation.				
4.1.3	High	Technical references were not pursued for the purposes of evaluating the contractor as required by Contract Standing Orders.	Contract Standing Orders, should be observed with regards to the requirement to ensure the technical capability of contractors.	Project Technical references are now being taken up in line with the Councils Contact Standing Orders	Acting Programme Manager (D&I)	**Complete**	
Action taken			Property Managers will continue to ensure that Contract Standing Orders are being followed in this regard. Work is in progress to create a simplified structure to deal with procurement, evaluation and contracting activities within property.				
4.1.4	High	(1) The appointment of two Structural Engineers was not subject to formal tendering procedures. (2) The replacement Structural Engineer service was provided by an associate of the main contractor.	(1) Contract Standing Orders should be observed. (2) Within the tender evaluation form, an additional line should be inserted to draw attention to potential "conflicts of interest". If applicable, procedures should be in place to manage and control any possible conflicts. Any such potential risks should be entered onto the project risk register.	Contract Standing Orders are being followed in regards to the appointment of Project Consultants Project Procedures will be put in place to ensure that any potential conflict of interest surrounding consultant appointments is identified early in the project and mitigated accordingly	Acting Programme Manager (D&I) Acting Programme Manager (D&I)	**Complete** 31/10/15 (Complete)	

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT ACTION	AGREED RESPONSIBLE OFFICER	TARGET DATE
Action taken				(1) Property Managers will continue to ensure that Contract Standing Orders are being followed in this regard. Work is in progress to create a simplified structure to deal with procurement, evaluation and contracting activities within property. (2) Project Procedures have been put in place to ensure that any potential conflict of interest surrounding consultant appointments is identified early in the project and mitigated accordingly.		
4.1.5	High	Goods in excess of the Contract Standing Orders threshold were acquired from the main contractor without being formally advertised. It could not be demonstrated that Best Value had been achieved.	Contract Standing Orders should be followed for any goods or services in excess of the tender threshold.	Project Sponsors are ensuring that Contract Standing Orders are being followed to ensure that best value is achieved when instructing the purchase of goods	Head of Resources (C&L Service)	**Complete**
Action taken				Project sponsors are ensuring that goods should be formally tendered and where a framework can be accessed, that best value is being assessed in line with Contract Standing Orders.		
4.2.1	High	(1) There was a lack of communication concerning project roles and responsibilities: • No Project Manual or terms of appointment was held to guide and inform individuals in their respective project roles and functions. • Similar project tasks were assigned to more than one individual. (2) A Project Execution Plan was not operated. As such, all project related information, including identification of project owner, roles & responsibilities of all project personnel, resources, contractors, suppliers, contract timetable, and any other project related targets were not documented and controlled within one information source.	(1) A Service Project Manual should be created to outline relevant project roles, responsibilities and functions. In addition terms of appointment should be issued to all key project personnel. This information should be linked to/replicated in the Project Execution Plan. (2) An electronic Project Execution Plan template should be created for each major capital project. The plan should be used to control and document key project progression dates, including any unexpected project delays. The Plan should describes how, when and by whom the	The existing Project Manual will be updated to ensure that project roles and responsibilities are clearly defined and allocated at the start of each project A project execution plan will be put in place for future major capital projects	Acting Programme Manager (D&I) Acting Programme Manager (D&I)	30/11/15 (Complete) 30/11/15 (Complete)

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT ACTION	AGREED	IMPLEMENTATION	
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		Therefore it could not be demonstrated that the project was effectively managed and controlled, project efficiencies were met and there was no gap in service provision.	specific project targets should be achieved and provide details on the major activities and resources required to deliver the project within the planned project target timeframe/ milestones.				
Action taken				(1) Project Procedures are in place to ensure that a Project Execution Plan is created at the outset of a project. The standard PEP template includes an organogram and a description should be included regarding roles and responsibilities. The Council has also adopted a new Project Management policy for governance of projects which sets out key roles. Online training is now available to support the project sponsor role. (2) Property has adopted the approach to have a Project Execution Plan for projects with a value over £1M.			
4.2.2	Medium	Although the project commenced 19 weeks after the planned possession date the reasons for the delay were not clearly set out and reported to Members.	As noted in the 13/11/13 Lessons Learned report, procedures should be put in place to "ensure that buildings are not handed over until completed to an acceptable standard".	Projects are not being accepted by the Council until the specified project objectives have been met		Acting Head of Property (D&I) and Head of Resources (C&L)	Complete
Action taken				A number of steps have been taken to ensure this action has been followed. Firstly, there have been recent projects whereby consideration has been given to delay the handover as a result of quality issues. Also, there is a structural change in process regarding the management of Maintenance Officers which will improve the inspection on major projects. Project Programmes must be realistic and allow for some flexibility to take account of possible unforeseen circumstances and Property will continue to work with Project sponsors to ensure adequate time is available to complete projects to the required standard.			
4.2.3	Medium	(1) Contingencies were substantially underestimated and ultimately variations led to an 18% increase above the tendered contract price, rather than the 5% which was allowed for. Therefore, the level of variations was not managed or controlled within the agreed budget limit. (2) Not all project variations were	(1) Procedures should be put in place to ensure that: • contract variations are minimised and are controlled in a proper manner; and, • all requested project variations are subject to scrutiny by the sponsoring Service to ensure any such alterations have been scrutinised for necessity and appropriateness.	Project procedures will be followed to ensure that project variations are robustly managed and controlled

All project variations are now being supported by an | | Acting Programme Manager (D&I) and Estate Strategy Manager (C&L)

Estate Strategy Manager (C&L) and Acting Programme | 30/09/15 (Complete)

Complete |

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
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		supported by an authorised Change of Control Record Sheet (CCRS).	(2) All variations should be authorised and supported by a CCRS form, signed by the sponsoring Service.	authorised Change of Control Record Sheet (CCRS).	Manager (D&I)	
			(3) Instructions surrounding the instruction and authorisation of CCRS forms should be formally documented in the Project Manual noted in 4.2.1 above.	The use of Project CCRS forms will be documented in the Project Manual and Project Plan.	Acting Programme Manager (D&I)	30/11/15 (Complete)
Action taken		Project procedures are currently in place and include for the change control process to be used from the outset of a project and there are templates in place to support this procedure. Continual awareness is in place to ensure that staff are using/following the process and there is a staff training session arranged for June which will include review of the change control process. Project sponsors will be invited along to this session also.				
4.2.4	High	(1) There is little evidence that proper attention was paid to ensuring that the work was undertaken to appropriate standards during the progression of the works. (2) With regard to the Clerk of Works' reports: • The level of information recorded was poor, with no detail regarding the quality of the works. • Information was largely taken from contractor records. The manual distribution of the reports and the numbers of officers these are issued too is inefficient.	(1) A review of the format, nature and purpose of the Clerk of Works role should be undertaken to ensure that the monitoring function is performed in a purposeful and effective manner. (2) A review should be carried out of the Clerk of Work's reports to provide an electronic version which contains full and appropriate information for distribution to relevant parties only.	A review of the Capital Clerk of Works role will be carried out to ensure that future projects have suitable, competent Clerks of Works and Building Services Inspectors allocated along with sufficient time to monitor and record the standard of work as it proceeds. Project Clerks of Works will be issued with electronic tablets that will allow them to submit detailed weekly project reports to all project team members.	Director of D&I Service Acting Head of Property (D&I)	30/11/15 (Revised 30/06/16) 31/03/16 (Revised 30/09/16)

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT ACTION AGREED	RESPONSIBLE OFFICER	TARGET DATE
					IMPLEMENTATION	
Action taken		Transfer of Clerks of Works staff from Community Services to Development & Infrastructure is in process with all north staff transferring as of 1 April and South staff transfer taking place in June. Inspection procedures will be documented and consistently applied to projects. Investigation is taking place into new software that will support/facilitate the electronic reporting. The target for implementation for this is September 2016.				
4.2.5	Medium	Details contained in the Site Meeting minutes were brief in nature, did not reflect any "adverse" news and failed to capture the true picture of project progression, despite this being presented in the frequent contractor reports on progress.	Site meeting minutes must capture the true position of each project. This requirement should be included within the Project Manual referred to at 4.2.1 above.	Project Contract Administrators will capture & record the actual position of each project	Acting Consultancy Manager (D&I)	30/11/15 (Complete)
			Any potential site quality issues should be raised and documented within the Site Meeting minutes	Meeting minutes will capture and record quality matters and this information will be shared with project stakeholders	Acting Consultancy Manager (D&I)	30/11/15 (Complete)
Action taken		Project procedures and associated guidance/templates are in place to enable Contract Administrators to take a consistent approach to recording project progress. Contractor's reports can vary but usually well document progress and issues preventing progress. Significant issues are now being recorded in an issues log which is reviewed fortnightly by Acting Programme Manager, Acting Consultancy Manager, Estates Strategy Manager and Acting Head of Property.				
4.2.6	High	The handover of the school building on the planned opening date, despite extensive snagging issues remaining, highlighted the following concerns: • Despite significant delays to the project start date, the potential impact of this was not considered in terms of a late completion date or outstanding snagging issues. • No proper risk management process was in place to acknowledge or the risk associated with the delayed start. • Options concerning a later hand over date were not documented	As recommended at 4.2.1 above, the roles and responsibilities of staff need to be clearly documented to clarify the responsibility for key decisions such as the one made in respect of this project.	Key decisions on matters relating to significant delays/major defects are now being taken at C&L Programme Board level and Project Teams are being instructed accordingly	Head of Resources (C&L) and Acting Head of Property (D&I)	Complete
			As recommended in 4.2.8 below, reporting needs to be improved to ensure that Members receive an accurate picture with regard to the status of projects and any risks with regard to any late delivery or significant budget	Revised project monitoring and reporting arrangements are being implemented within the Council, as recommended in the Audit Scotland report, to improve reporting to Members.	Head of Resources (C&L)	31/03/16 (Complete)

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT ACTION AGREED	IMPLEMENTATION RESPONSIBLE OFFICER	TARGET DATE
		or, seemingly, considered. • Reporting to Members failed to acknowledge the true delays to the project start date or highlight that there would be any difficulties in achieving the planned handover date or that the building would not be in a fully completed state. • The decision to open the school on the intended start date was not subject to appropriate consultation and agreement.	pressures. As recommended in 4.2.9 below, appropriate risk management arrangements should be in place for all projects.	All Major Projects will have live risk registers and suitable management arrangement in place until the project is formally closed off.	Acting Programme Manager (D&I)	30/11/15 (Complete)
Action Taken		The new corporate Project Management policy which came into effect in April 2016 will provide a consistent approach to governance arrangements. Projects at risk will be reported to the Capital Programme Board, chaired by Director of D&I.				
4.2.7	Medium	(1) The validity of the full extent of the Loss & Expense claim is questioned on the basis that a two week Extension of Time for adverse weather, which gave rise to a Loss & Expense payment, could not be supported by the corresponding Clerk of Works' reports which largely suggested that there was "normal working" during this period.	(1) As recommended at 4.2.8 below, post contract reviews should be undertaken of major projects which should include consideration of the circumstances leading to Loss & Expense claims.	Post Contract reviews will take place on all major projects to identify the cause and effect of loss and expense claims and also identify lessons learned to prevent similar issues occurring on future projects.	Acting Consultancy Manager (D&I)	30/11/15 (Complete)
		(2) No "Lessons Learned" or post project review has been undertaken to consider how the Loss & Expense claims and other "non-value" added payments arose and whether steps could have been taken to avoid these.	Post project reviews should evaluate and identify whether any preventative measures could have been taken to avoid unnecessary additional payments. Lessons Learned from these reviews should be taken forward and embedded in future contract planning assessments.	Improved application of contract conditions/scrutiny of financial claims presented by contractors will assist in the reduction of additional payments having to be considered/made on future projects.	Acting Consultancy Manager (D&I)	30/09/15 (Complete)

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	RESPONSIBLE OFFICER	TARGET DATE
Action taken		Reviews are being undertaken on all major projects at post completion stage but on some projects are also being undertaken at contract award stage, to review pre-construction activities. All reviews will be reported to the Capital Programme Board in the first instance. An internal process has been adopted within the consultancy section to have a Principal Architect review all EOT claims. This has been adopted in the QA procedure.				
4.2.8	High	(1) Project reporting was poor during the course of the project and failed to give Members an accurate and up to date picture with regards to risks, progress and cost.	Reports should be revised to ensure that full and accurate information is provided on an ongoing basis.	Project Sponsors will ensure that accurate project information is presented to Strategic Committees, incorporating recommendations from the Audit Scotland report also.	Head of Resources (C&L)	30/11/15 (Complete)
		(2) As reported in Audit Scotland's follow up report on "Major Capital Investment in Councils" (February 2015), post-contract reviews are not performed despite this being a requirement within Financial Regulations.	It is understood that measures have now been put in place to ensure that post-contract reviews are undertaken for projects in excess of £5m.	A Corporate approach to post contact reviews has now been implemented.	Acting Programme Manager (D&I)	Complete
Action taken		A new corporate capital monitoring process has been in place since Nov 2015 which monitors budget and programme targets on a project life basis All post contract reviews are to be reported to the Capital Programme Board, Chaired by the Director of D&I.				
4.2.9	High	(1) Contrary to Financial Regulations which were in force at the time (June 2010), no risk register was maintained for the above contract.	For all major capital projects, risk reporting procedures should be strengthened to ensure project risks are fully documented in the risk register.	Project risks will be recorded in a project risk register and reviewed at each project progress meeting. Project risks will be regularly communicated to project stakeholders.	Acting Consultancy Manager (D&I)	30/11/15 (Complete)
		(2) Project risks were not embedded in the Project Management procedures which suggested that risks were not properly managed.	Risk management procedures should be embedded within the wider Project Management procedures to emphasise the need to continually review, manage and report on project risks.	Project Management procedures will be updated to ensure that project teams understand the importance of managing and reporting project risk accordingly.	Acting Programme Manager (D&I)	30/11/15 (Complete)

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Action taken		The project procedures contain tasks relating to the management and recording of risk. The process of escalation is via project boards and the Capital Programme Board chaired by the Director of D&I, as per the corporate project management policy.				
4.2.10	High	Significant project weaknesses were identified and reported within a Lesson Learned report to Committee on 13/11/13 and in an earlier report on Lochardil Primary School. However, to date, the recommendations from this report have yet to be revisited to confirm that appropriate actions have been taken and that these are working effectively.	The sponsoring Service should conduct a review to provide assurance that the recommendations outlined in the previous Lessons Learned reports have been implemented. The review should be reported to the Audit & Scrutiny Committee prior to being reported to the Education, Children and Adult Services Committee.	A review of previous Major Projects Lessons Learned will be carried out and progress with previously agreed recommendations reported to the relevant Council Committees	Head of Resources (C&L)	31/03/16 (Complete)
Action taken		The CAL programme Board have reviewed the previous lessons learnt report, and reviewed and updated the internal audit report action plan (this report). These updates will be reported to the next available Audit & Scrutiny and Strategic Committees.				
4.3.1	High	Capital monitoring reports projects are presented on an isolated budget year basis. No accumulated project cost information is provided. In view of this it is not possible to establish the status of the project as a whole. Note: Audit Scotland's follow up report on "Major Capital Investment in Councils" (February 2015), similarly highlighted the limitations of the existing reports.	The format of monitoring reports should be amended to show the cumulative expenditure to date against the budgeted cost together with the estimated expenditure. Any amendments to budgeted costs should be explained.	Future Committee monitoring reports will be amended, in line with recommendations of Audit Scotland, to identify cumulative project expenditure to date against the budgeted cost together with estimated future expenditure. This will be implemented across the Council, with Care and Learning using the revised approach for Committee. Explanations on project budget amendments will also be include in each report.	Head of Resources (C&L)	30/11/15 (Complete)
Action taken		As mentioned in previous points, a new process for capital monitoring has now been adopted across the Council which reports on capital projects on a project life (multi-year) basis. This has been in place for Care and Learning since November 2015.				

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4.3.2	Medium	Although a considerable amount of cost analysis and forecasting was undertaken by the Quantity Surveying Service, the information was not used in Service Committee reports, either in the financial reporting or accompanying narrative.	The Quantity Surveying resource should be used effectively with information used to better inform cost forecasting and monitoring.	The Service, as part of the implementation of revised monitoring and Committee reporting arrangements (see other actions), will review arrangements in relation to the use of data available from the Quantity Surveying Service.	Estates Strategy Manager (C&L)	31/03/16 (Complete)
Action taken			Cost reports are being collected in a central location so as accessible to relevant officers on a monthly basis, and are being reviewed to inform the capital monitoring process.			

Appendix 2

Lessons Report - Ben Wyvis Primary School 2013

Significant Lessons

The following table summarises the most significant lessons to be learned from this project under the main themes of PRINCE2.

Issue	Effect	Causes/Trigger	Recommendations
Business Case Theme			
None			
Organisation Theme			
Resources	Delays in dealing with issues or responding to queries	Resources in ECS and HAPS were stretched at times	• Both services to ensure that adequate resources are in place at the start of a project and are maintained at the required level throughout; continuity to be maintained wherever possible
Roles and responsibilities	Communication problems	Lack of clarity over certain roles and responsibilities	• In future, these should be in line with revised procedures (ECS – PRINCE2, as agreed at ACS Committee; HAPS – Consultancy/Project Management procedures)
Stakeholder engagement	Community kitchen had to be re-designed	Layout did not meet the expectations of users	• Formally log all types of communication with external stakeholders • Identify all existing users at the outset and consult where necessary • Continue stakeholder group meetings beyond handover
Action Taken (update March 2016)			*Resource and capacity issues within Care & Learning and Development & Infrastructure are kept under regular review. Since the production of this lessons learnt report, a revised structure has been agreed for the Care and Learning Estates Team to improve capacity. Where necessary project resources are prioritised to ensure resources are targeted at the correct projects, and realistic timelines set.* *New corporate project management guidelines have been introduced effective 1 April 2016, to which all Services must adhere. This ensures all Council projects follow proper project management principles. Stakeholder groups are used as the means to communicate with external stakeholders for major projects. Minutes and agendas are held online for ease of access.*

Lessons Report - Ben Wyvis Primary School 2013

Issue	Effect	Causes/Trigger	Recommendations
Quality Theme			
Quality management	Handover of building with extensive snagging issues	Contractor performance	• Work with contractors to achieve zero defects at handover • Do not agree to handover of building until it is completed to an acceptable standard • Allow more time for handover, commissioning and occupation stages
Action Taken (update March 2016)			*A number of steps have been taken to ensure this action has been followed. Firstly, there have been recent projects whereby consideration has been given to delay the handover as a result of quality issues. Also, there is a structural change in process regarding the management of Maintenance Officers which will improve the inspection on major projects. Project Programmes must be realistic and allow for some flexibility to take account of possible unforeseen circumstances and Property will continue to work with Project sponsors to ensure adequate time is available to complete projects to the required standard.*
Plans Theme			
Planning generally	Ambiguity over expectations and communication	Communication and control issues	• Review all project activities, assess dependencies and allocate resources • Formal communication management strategy to be implemented • Ensure programme is clear and has been shared with all parties • Ensure that the boundaries and extent of the project scope are clear
Action Taken (update March 2016)			*New corporate project management guidelines have been introduced effective 1 April 2016, to which all Services must adhere. This ensures all Council projects follow proper project management principles.*
Risk Theme			
Risk management	Uncertainty over impact on project objectives	Significant events	• Formal risk management procedure to be fully implemented on all projects from the outset and actively managed throughout
Action Taken (update March 2016)			*New corporate project management guidelines have been introduced effective 1 April 2016, to which all Services must adhere. This ensures all Council projects follow proper project management principles, including the assessment and monitoring of risk.*
Change Theme			
Issue and change control	Uncertainty over impact on project performance targets	Significant issues and changes	• Formal issue and change control procedure to be fully implemented on all projects from the outset and actively managed throughout
Action Taken (update March 2016)			*Project procedures are currently in place and include for the change control process to be used from the outset of a project and there are templates in place to support this procedure.*

Lessons Report - Ben Wyvis Primary School 2013

Issue	Effect	Causes/Trigger	Recommendations
Progress Theme			
Assessment of potential problems	Late escalation meant that corrective action not achieved earlier	Communication and reporting issues	• Clear reporting structures to be adopted along with escalation routes • Project Boards to be established for all major projects to review progress
Action Taken (update March 2016)			_New corporate project management guidelines have been introduced effective 1 April 2016, to which all Services must adhere. This ensures all Council projects follow proper project management principles, including the assessment and monitoring of risk. Escalation arrangements are also covered through Project Boards now reporting to the Capital Programme Board chaired by the Director of D&I._

The Highland
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INTERNAL AUDIT
FINAL REPORT

CARE & LEARNING SERVICE

SELF DIRECTED SUPPORT

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REF: HAF03/001

Contents

1.   INTRODUCTION

The purpose of the audit was to carry out a review of the administration of Self Directed Support for children and young people with disabilities as part of the 2015/16 Audit Plan.

On the 1st April 2014, the Social Care (Self-directed Support) (Scotland) Act 2013 came into force. The Act created a statutory framework to support, promote and protect the human rights and independent living of care and support users in Scotland. It aimed to ensure care and support were delivered in a way that supports choice and control over one's own life and which respects each person's right to participate in society. The Act also imposes a new duty on the Local Authority to provide four options for provision of support to all children and carers eligible for support or in receipt of services.

The four options are:

Option 1 -   a direct payment as defined under Section 12B of the Social Work (Scotland) Act 1968.

Option 2-   designed to provide greater transparency and control for the supported person without the requirement to take this support as a direct payment. There is a degree of discretion for the Local Authority in how it can develop and deliver this option but it should take steps to ensure that this differs in nature from both Option 1 and Option 3.

Option 3 -   where the authority arranges any services on the person's behalf.

Option 4 -   a mix of the first 3 options for different aspects of the person's support.

Currently option 2 is unavailable but a report to the Education, Children and Adult Services Committee (ECAS Committee) on the 20th January 2016 provided details of proposed changes in order to support the implementation of improved choice and access to SDS including tendering for a Brokerage service which would enable option 2 to be provided. However, this was not agreed and the decision was deferred until the March Committee. The Council administers Self-directed Support (SDS) personal budgets for children affected by disability and those in transition to adulthood. The SDS Team employed by NHS Highland operates SDS direct payments (Option 1) on behalf of the Council with all other SDS payments made directly by the Council.

Implementing SDS involves changing the way the Council supports children and families with staff working together with the clients to support what they want and what best suits their needs. Children and their families may choose to use new and different types of support which they had not considered before.

There is no new or additional funding associated with SDS, budgets require to be transferred from traditional services and resources to support SDS personal budgets.

2.   REVIEW OBJECTIVES

The objectives of the review were to ensure that:

(i)   There is an adequate framework for the administration of Self Directed Support.

(ii)   Appropriate methods have been developed to assess the impact of Self Directed Support by monitoring how successful the improvements are to people's lives.

(iii) There is a clear plan and effective arrangements for managing the risks to successfully implementing Self Directed Support.

(iv)   There is a plan of how to allocate money to pay for support for everyone who is eligible as demand for service increases.

3.   SCOPE, METHOD & COVERAGE

The audit reviewed the management of SDS from implementation to July 2015. During the audit the Chair of the SDS Screening Panel, Development Officer Disability, Children's Service Managers, Team Managers, Practice Lead Health & Disability, Legal Manger, Service Finance Team, Business Support Team, SDS Team (NHS) and Team Leader Projects & Technology (NHS) were all consulted. An SDS Screening Panel was attended to observe the procedures in place and access was granted to all of the applications to the Screening Panel for detailed review.

Guidance referred to during the audit process included The Audit Scotland report on Self-directed support, published June 2014, Self Directed Support: practitioner guidance, published by ADSW, the Charted Institute of Public Finance & Accountancy, Self Directed Support guidance. Statutory guidance to accompany the Social Care (Self-directed Support) (Scotland) Act 2013, and Guidance Notes for Self Directed Support for use by Council Staff.

4.   MAIN FINDINGS

The main findings of the review, referenced to the above review objectives, are as follows:

4.1   SDS Framework

This objective was partially achieved, as the client and their family together with the Lead Professional complete a Child's Plan which includes the Resource Allocation System (RAS) section. The RAS is based upon the SHANARRI wellbeing indicators Safe, Healthy, Achieving, Nurtured, Active, Respected, Responsible and Included and provides a point score and an indicative budget which is agreed which the local Team Manager. The Lead Professional, client and their family agree a Support Plan, identifying how they would like to use the indicative budget to suit their required need. This Plan should detail the desired outcomes against the SHANARRI indicators, what the outcomes mean for the child and family, how this will be achieved, who will be involved, cost over 12 months and breakdown of this against the different options. Once this is agreed with the Team Manager, the Support Plan is submitted to the SDS Screening Panel for consideration. The SDS Screening Panel evaluates the supporting evidence to establish whether the needs identified in the Child's Plan can be met by the RAS score, Personal Budget and that the planned outcomes meet the support needs of the child and family. The Panel is Chaired by an Area Manager with membership comprising of District Managers and the Development Officer Disability.

4.1.1   Within the Support Plan there is limited information regarding the reasoning behind the proposed items of expenditure, and on occasions seen out of context, the expenditure could be seen as inappropriate. Given the current budget situation clear justification of expenditure is required. The recent CIPFA guidance refers to managing public resources, achieving Best Value, ensuring that accountability for the use of public resources is maintained and service monitoring.

4.1.2   Review of a sample of approved SDS packages proved problematic as there is no single record. Instead, three spreadsheets with details of applications to the SDS panel exist; one used up to the end of 2014, a new spreadsheet used from January 2015 to the present day and a spreadsheet used for a desktop exercise. The earlier spreadsheet is particularly ambiguous, some clients were unidentifiable, it was unclear under which options the funding had been approved

and if there would be an effect on an existing service. All clients receiving a Direct Payment (option 1 & 4) could be traced through the SDS Team, however, there was no central record of all children and young people with an SDS Personal Budget. Therefore, it could not be established how many children were receiving SDS Personal Budgets, the total value of funding committed, and under which option they were funded. The SDS Screening Panel up until this point had received no Business Support time and Area and District Managers were attempting to administer and record the Screening Panels with no assistance. The recent allocation of Business Support time to the SDS Screening Panel should assist in ensuring that a complete and accurate record of SDS Personal Budgets exists.

4.1.3 Direct payments were already provided under section 22 (1) of the Children (Scotland) Act 1995. Report number ECAS 34/14 to the ECAS Committee on 28th August 2014, paragraph 1.4 stated *"Priority is being given to a review of all cases where there is an existing Direct Payment, including the number of very exceptional cases. This will provide a reasonable sample in order to gauge the cost implications of the choices being made and project potential cost for 2015 and beyond"*. However, during the audit a comparison between the list of clients receiving SDS through Direct Payments against the two spreadsheets of clients with approved SDS packages identified 54 clients still receiving Direct Payments but had yet to be assessed using RAS and approved by the SDS panel. This point has been acknowledged and these are recognised priority cases but there is currently a back load of such cases priority.

4.1.4 From attendance at a meeting of the Screening Panel an issue was identified with the Council directly purchasing services/activities on behalf of clients. Following advice from the Council's Legal Manager, staff have been informed they should ensure that the service/activity is suitably registered and their staff have undergone the appropriate Protecting Vulnerable Groups checks, before these are used. Where families are directly purchasing services/activities, they should also be advised to make the same checks. This would also apply to any potential Brokerage Service.

4.1.5 Under option 3 and as part of option 4, the client's services are organised on their behalf using existing Council resources or a combination of this and purchasing services from other providers. In the South Area, due to the variety of services available to clients, the District Child Health and Disability Team are responsible for administering an ever increasing number of payments from the client's personal budget to a variety of suppliers. Currently no electronic records are maintained; instead a hard copy expenditure record is kept on the case file. However, this is updated after the invoice has been paid, therefore it would be possible to overspend the available budget. Although Carefirst Finance has been in place for a number of years only the payments made through the SDS Team are recorded in the system. It was confirmed with the NHS Highland's Team Leader (Projects & Technology) there is a module available where all balances and payments are shown specifically for SDS and they are looking to use this module in the future but there is no firm date for implementation.

4.1.6 The maximum level of funding available through the RAS process is £21,000. However, a number of clients are in receipt of personal budgets over this limit where Direct Payments were already provided to the client under the section 22 (1) of the Children (Scotland) Act 1995. These individuals have very complex needs and it is considered that their budgets cannot be reduced to the threshold. However, there is no formal process in place for staff in how such exceptions should be addressed both to assess and process new applications over the £21,000 threshold or for existing personal budgets over £21,000.

4.2 Monitoring Arrangements

4.2.1 This objective was not achieved as there is no system in place to record and monitor how successful the improvements are to people's lives from receiving SDS. Whilst the SDS support plan identifies the desired outcomes and what these mean to the family, the actual outcomes are not recorded and evidenced although this will be known to the staff working with families. The actual outcomes could be recorded in the SDS support plan and used if there was a system in place to monitor the impact of SDS. The Audit Scotland report on Self-directed Support included a self-assessment checklist for Council Officers which identified monitoring the impact of SDS as an important issue for Councils when implementing SDS.

The need for monitoring is also emphasised by the CIPFA guidance which states *"A key focus for service monitoring will be the extent to which the support plan is supporting the achievement of outcomes. This implies that outcome for the supported person will be monitored and reported over time"* *"All staff involved, with the financial and non-financial responsibilities for the supported person, should liaise to ensure that the monitoring undertaken is co-ordinated, comprehensive and fully informed"*. However, the only financial monitoring of payments is for Direct Payments which is carried out by the NHS SDS Team.

4.3 Managing the risks of implementing SDS

4.3.1 This objective was partially achieved as the implementation of SDS is included as an Improvement Priority within "For Highland's Children Four". The corresponding work plan has 5 target areas, outlined below, and 11 action points:

A - identify future funding requirements for SDS and options for budgetary reconfiguration within Children's Services.

B - develop clear processes and governance structures to ensure consistency, financial assurance and monitoring of SDS.

C - engage with service providers to ensure greater choice but continue to support and safeguard individuals and their families.

D - ensure staff involvement, commitment and competence in SDS.

E - alignment of assessment, support and payment processes with adult services.

Whilst there is a clear plan in place, 7 of the actions are "RAGGED" as Amber (a little behind time) and 4 as Green (on time). In addition, it is unclear who is responsible for the implementation of the plan as the original Implementation Group is no longer in existence and now any issues arising are dealt with at the end of the SDS Screening Panel.

4.4 Financial planning

This objective was partially achieved. The Statutory Guidance that accompanies the Act states *"the Local Authority can take into account its overall resources when determining eligibility criteria. However once it has decided that the person's needs are such that they require provision of services (i.e. are 'eligible needs') the authority cannot then refuse to meet those needs because of budgetary constraints"*. The report to the ECAS Committee on the 20th January 2016 outlined the need to move money from traditionally provided Council services into more flexible SDS individual budgets. The three main changes proposed and agreed to be introduced incrementally over the next 3 financial years are: reconfiguring the use of residential respite and reconfiguring the Resource Allocation System from April 2016: introducing the true cost of services when calculating Support Plans from April 2018. From April 2016, service users will have information provided regarding agreed true costs of services and it is intended these will be phased in over a 3 year period.

4.4.1 The Council's guidance notes for staff highlight that under the Section 22(4) of the Children (Scotland) Act 1995, local authorities have discretionary powers to charge contributions for children's services where the means of the family are sufficient. To date no charges have been applied for children's services, however given the current budget situation this should be investigated fully.

5. CONCLUSION

This audit has highlighted a number of issues with the administration of SDS for children and young people with disabilities. In particular, the absence of a single, complete and accurate record of clients and in receipt of SDS and the associated agreed budget/ costs and the absence of any monitoring process are of concern.

There are 9 recommendations made as a result of this audit, 5 high, and 4 medium grades. All of these have been accepted by management who have already completed some actions with the final one due to be completed by 30/11/16.

6. AUDIT OPINION

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Limited Assurance** can be given in that Weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk.

7. ACTION PLAN

The Action Plan contains **9** recommendations as follows:

Description
Major issues that managers need to address as a matter of urgency.
Important issues that managers should address and will benefit the Organisation if implemented.
Minor issues that are not critical but managers should address.
Total recommendations

Priority	Number
High	5
Medium	4
Low	0
	9

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	TARGET DATE
4.1.1	High	The justification for the agreed expenditure within individual Support Plans is not always clear. This is contrary to the CIPFA guidance which refers to managing public resources, achieving Best Value and ensuring that accountability for the use of public resources is maintained.	This guidance should be adhered to and clear justification for the agreed expenditure demonstrated in the Support Plan.	New Guidance drafted and disseminated which clarifies that the outcomes to be achieved must be outlined in greater detail. This addresses the issue of being clear about best value and justification for spend. This will be kept under review.	Implementation Group	31/10/16 for review
4.1.2	High	There is no single and complete record of all the children and young people receiving an SDS Personal Budget. As a result, the number of clients, the associated financial commitment and the relevant funding option(s), could not be established.	A complete and accurate record of SDS Personal Budgets should be created and maintained.	Now all on one spreadsheet for each financial year.	SDS Screening Panel	Completed
4.1.3	Medium	CIPFA guidance refers to managing public resources, achieving Best Value and ensuring that accountability for the use of public resources is maintained.	This guidance should be adhered to and clear justification for spend demonstrated in the Support Plan.	As above. As reported Business Support now in place which will enable us to record the information in an efficient way.	Children's Services Manager North	Completed

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
4.1.4	Medium	Approximately 54 Clients were still in receipt of Direct Payments and have not yet been assessed using the RAS and approved by the screening panel.	All clients who are receiving an existing Direct Payment should be assessed using the RAS as a priority to ensure the clients are receiving an appropriate level of support.	Progress made with reviewing these clients. An audit will be undertaken to identify any outstanding cases which will be actioned accordingly.	Children's Services Manager North	31/07/16
4.1.5	High	Services were being purchased on behalf of clients without ensuring that these were suitably registered and staff had the appropriate PVG checks.

Following advice from the Council's staff have been informed they should make sure that the services/ activities. Once established this will also apply to the Brokerage Service. | Follow up checks should be undertaken to ensure this advice is being adhered to. | Advice and guidance given to staff and further scrutinised at the Panel. | Children's Services Manager North | Completed |

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
4.1.6	Medium	The District Child Health and Disability Team is responsible for administering an ever increasing number of payments from the client's personal budget to a variety of suppliers. However, manual records for each client are maintained and there is no electronic record kept on the clients approved personal budget, and spend to date. Furthermore, the present payment process means that invoices are paid before checking the available fund balance. Only Direct Payments are recorded against the client in Carefirst, and this is done by the NHS SDS Team. There is a module available where all balances and payments are shown specifically for SDS and NHS Highland is looking to use this module in the future but this has not been scheduled as yet.	Checks should be undertaken to ensure that the client still has available funds before any invoices are paid. The present process is ineffective and the option of using the Carefirst module should be pursued with NHS Highland.	Since July 2015, these cost sheets are all held electronically and there has been no package which has gone beyond its budget. A recent Rapid Process Improvement Workshop has identified a number of work streams to further improve much of this process across children's and adult's SDS packages. In addition, a separate expense head has been set up for such packages and there has been discussion with Business Support to help with developing a coordinated system for all such packages.	District Managers	31/10/16 for review
4.1.7	High	The maximum level of funding available through the RAS process is £21,000. In spite of this, a number of clients are in receipt of personal budgets over this limit. There is no process in place for dealing with budgets over £21,000.	A written procedure should be in produced for the relevant staff which sets out the process that should be followed where personal budgets exceed the maximum threshold and how any such exceptions will be approved. This should ensure that a consistent practice is followed.	This is now written into the Procedures. These cases are also now presented at Panel along with Child's Plan which must show justification for additional costs.	District Managers	Completed 31/10/16 for review

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
4.2.1	High	There is no system in place to record and monitor how successful the improvements are to people's lives from receiving SDS. Furthermore, only Direct Payments are subject to financial monitoring and this is undertaken by the NHS SDS Team.	A monitoring procedure should be developed and implemented in order to assess whether the expected outcomes and the improvements from SDS are being achieved. This procedure should also include the process for financial monitoring.	The teams are now moving to reviews and activities are placed on Care First to flag up the date for review of the SDS package, which will include a review of the outcomes identified.	District Managers	Ongoing
4.3.1	Medium	The implementation of SDS is recorded as an Improvement Priority within For Highland's Children Four. A work plan is in place which has 11 actions and 7 of these are ragged as Amber and 4 Green. It is also unclear who is responsible for undertaking this work plan. This was originally the Implementation Group but this no longer exists.	Ensure the FHC4 plan actions are up to date and accurate. The leadership of SDS needs to be clearly defined, particularly with the changes agreed at the ECAS Committee on the 20th January 2016.	The Screening Panel has been revised and will in future have fewer members, freeing up other staff to form an Implementation Group.	SDS Screening Panel	31/07/16
4.4.1	Medium	Section 22(4) of the Children (Scotland) Act 1995 states that local authorities have discretionary powers to charge contributions for children's services where the means of the family are sufficient. Applying these powers would enable the Council to increase the funds available for SDS, particularly as demands on this service are increasing and there is no additional budget to meet these costs.	The option to charge for services should be fully investigated by management to assess the implications of charging and the effect that this would have on the SDS budget.	This option will be assessed and presented to elected members for a decision.	Head of Service	30/11/16

The Highland
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INTERNAL AUDIT
FINAL REPORT

CARE & LEARNING/ DEVELOPMENT & INFRASTRUCTURE SERVICES

INSPECTION OF EQUIPMENT IN SCHOOLS (FOLLOW-UP)

AUTHOR

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REF: HAB01/004

DISTRIBUTION

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Head of Resources, Care and Learning Service

DRAFT DATE: 30/03/16
FINAL DATE: 06/06/16

Contents

1. INTRODUCTION

This audit was undertaken as part of the 2015/16 audit plan and records the findings of a recently completed follow-up audit in respect of the inspection of equipment in schools.

The original audit report was issued on 10/06/14 and had the audit opinion of "Limited Assurance". The report contained a total of 13 recommendations which were classified as follows: 2 high, 10 medium and 1 low grades. In response, there were 26 management actions, 4 of which were completed at the time of the previous audit. The majority of the remaining actions were due to be completed by the end of September 2014 with 1 longer term action for Fixed Electrical Inspection and Test reports to be held for all council buildings by the end of July 2016. Due to the number of recommendations and the audit opinion, it was decided that a follow-up audit should be undertaken.

The Property Management Section within the Development & Infrastructure Service are the contract administrators on behalf of other Council Services with the main client being Care and Learning.

There are 3 contracts for inspection of equipment in Schools:
- SER062 - Inspection & Testing of Plant & Equipment including Staging & Lighting, which commenced in August 2014.
- SER065 – Fixed Electrical Installations, which commenced in May 2014, and
- SER076 - Sports & Gym Equipment, which commenced in August 2014.

2. REVIEW OBJECTIVES

To ensure that the recommendations made in the previous audit report have been implemented and the following objectives can be achieved:

(i) There are appropriate contract arrangements in place for the inspection and testing of equipment and this is managed properly.

(ii) The Development & Infrastructure Service maintains up-to-date, accurate and complete records of all inspections and subsequent reports. Particular emphasis will be placed upon the process for the inspection of equipment in Schools.

(iii) The appropriate action is undertaken and the relevant officers are informed following receipt of the inspection reports.

(iv) There are appropriate monitoring arrangements in place to ensure that all remedial actions are addressed within the relevant timescale. Emerging themes or issues are promptly identified and escalated in order that any costs can be identified and notified to Care & Learning (C&L) Management.

3. SCOPE, METHOD AND COVERAGE

The audit reviewed the systems and databases used by the Development and Infrastructure Service to ensure these were up to date, complete and accurate. Again, this audit placed particular emphasis upon the process for the inspection of equipment in schools.

During the audit, officers within the Care and Learning Service were contacted in order that their current procedures and processes in relation to inspection contracts could be reviewed.

4.   MAIN FINDINGS

The main findings of the review, referenced to the above review objectives, are as follows:

As this is a follow-up report, the audit recommendations, agreed actions, responsible officer(s) and target date for implementation (in brackets) from the previous audit report are provided in the shaded boxes. The findings from the follow up audit are then detailed below. Where the findings have shown that the agreed actions have not been fully implemented, a further audit recommendation has been made.

4.1   Contract Arrangements

This objective was substantially achieved as 9 out of the 13 agreed actions across the 5 audit recommendations had been implemented.

Previous Audit Recommendation 3.1.1 (Medium grade)

The Property Management Section should ensure that:
(1) Appropriate polices are in place, up to date and reviewed regularly.
(2) I&T guidance is in place to ensure all involved individuals are aware of their role and responsibilities.
(3) All appropriate contract documentation is held, including any changes such as contract extensions.

Previous Management Agreed Actions

(1) All existing and future Inspection and Testing policies will be updated and subsequently reviewed annually or in response to legislative or other requirements.

Responsible officer: Property Risk Management Officer, Development & Infrastructure Service (29/08/14)

(2) Inspection and Testing procedures for contract management arrangements will be further developed to ensure individuals are aware of their role and responsibilities. New, robust management arrangements will ensure that this recommendation is achieved.

Responsible officer: Property Manager, Development & Infrastructure Service (26/09/14)

(3) Appropriate contract documentation is now held electronically in individual contract files.

Responsible officer: Property Manager, Development & Infrastructure Service (Complete)

Action (3) has been satisfactorily implemented as individual service contracts are arranged by contract number and type on the property drives, and contain the appropriate contract documentation.

Actions (1) & (2) have not been implemented as agreed and details are provided in sections 4.1.1 and 4.1.2 below.

4.1.1 Corporate policy

The corporate Health, Safety and Wellbeing policy contains references to all associated policies. However the Electricity at Work guidance still requires to be updated and guidance on the use, inspection and maintenance of gym equipment requires to be developed. To aid the Property Management Policy (see section 4.2), the Property Management Section are working towards documenting the Services' responsibilities for all the service contracts and this will include

information such as the duty holder, their responsibilities, budget holders, involved officers and guidance. This will also require the Care & Learning Service to develop the guidance for gym equipment following the pilot undertaken within Inverness schools to enable the Property Management Section to ensure compliance to this.

4.1.2 Guidance for Client Service representatives

The Responsible Premise Officers (RPO) Manual documents the Property Management Section's responsibilities and there is a flow chart for the Contract Administrators to follow. However, there is no guidance in place for the Client Service representatives. The Property Management Section has advised that it is for the Care & Learning Service to lead on this and define the roles and responsibilities for the Client Service representatives.

Previous Audit Recommendation 3.1.2 (Medium grade)

The Property Management Section should ensure that:
- Future contracts have agreed monitoring measures in place from the outset and these are adhered to.
- Any non-conformance with the contract is addressed with the contractor in a prompt manner.
- Where Contract progress meetings are held, the Service should ensure that appropriate records and minutes are held for future reference.

Previous Management Agreed Actions

- Contract monitoring measures for contract out-puts are now in place.
- Contract management meetings are now in place for service contracts. Non-conformance issues when identified will be dealt with in timeous manner.
- Contract progress Meeting Minutes are being held and minutes are being taken and recorded in relevant project files.

Responsible officer: Property Manager, Development & Infrastructure Service (Complete)

The above agreed actions have been implemented as contract progression meetings are held and minutes are retained. The performance of contractors is reviewed and they are held to account for any unsatisfactory performance issues.

Previous Audit Recommendation 3.1.3 (Low grade)

The Property Management Section should ensure that future contracts explicitly highlight what is required from the contractor in terms of reporting requirements, including compliance with statutory legislation and quality control requirements.

Previous Management Agreed Action

All future contracts will be explicit on what outputs are required from the appointed contractor and this will be enforced by the responsible Contract Administrator.

Responsible officer: Property Manager, Development & Infrastructure Service (Complete)

This agreed action has not been implemented as detailed at section 4.1.3 below.

4.1.3 Referencing within gym contract scope of works

The Council's instruction to the gym contractor on inspection reports is included within the scope of works. Paragraph 3.1 states *"the format and content of the report shall be submitted on OFTEC reports as detailed in paragraph 2.4 above"*.

However, there is no such paragraph number which could lead to confusion for the contractor. However, all 3 inspection contracts detail what is required with regard to compliance with legislation, reporting by the contractor and progress meetings.

> **Previous Audit Recommendation 3.1.4 (High grade)**
>
> The Property Management Service should ensure that contractual arrangements are adhered, in that:
> - All contract variations should be recorded, reconciled to contract annual sums and once submitted to contractor, the contract variation checked to ensure the appropriate action has been taken.
> - Contractors supply the appropriate schedule of works and all payments should be reconciled to this before authorisation.
> - Any annual price increase should be applied as set out in the contract and confirmed in writing.
>
> **Previous Management Agreed Actions**
>
> Additional resources have been allocated and will be supplemented when necessary to ensure that Contract Administrators are able to:
> - Record all variations
> - Reconcile contract payments
> - Apply annual contract price increases.
>
> Responsible officer: Property Manager, Development & Infrastructure Service (31/07/14)

Actions (2) and (3) have been satisfactorily implemented as contract payments submitted by the contractors are supported by application summaries. These summaries reconcile payment for the sites inspected to the tender amount. No contract price increases were required.

Action (1) has not been implemented as agreed and details are provided in section 4.1.4 below.

4.1.4 Contract variation supporting records

Despite variations being held for all 3 inspection contracts, the records were not sufficiently accurate to clearly evidence the changes to 2 contracts.

All 3 contracts had variations where sites/ equipment additions had the cost recorded as "*To be confirmed/ TBC*". As a result, the contract sum is inaccurate. Only the Plant and Equipment (P&E) Contract Administrator undertakes a reconciliation exercise to confirm the cost of the contract variations and update the contract value. For the Fixed Electrical Inspections (FEI) contract, variations are recorded on the "*SER065 Fixed Electrical Inspections Progress Summary*" spreadsheet but this did not contain the confirmed site addition costs. For example, contract variation CAI-02-14 only recorded the costs for 4 out of 65 sites and only these costs were included on the spreadsheet. The Property Management Section has since confirmed that the progress spreadsheet is now up to date.

Furthermore, there is no record documenting changes to the contract sum. The latest variation provided (CAI-09-15) quoted the contract sum as £279,955 but the Acting Head of Property stated that the contract sum was £303,733.

For the Gym contract, during the audit review, the monitoring spreadsheet used for site visits was out of date by 2 to 3 months and it was stated that this was due to limited staffing resources. The Property Management Section has since confirmed that this is now up to date.

All of the above actions have been satisfactorily implemented:

(1) The responsibility for payment of inspection contracts was transferred to the Development and Infrastructure Service.

(2) Contract payments are made following review of the application for payment and receipt of all inspection reports. However, as stated at 4.1.4 above, at the time of the audit the overall contract amount was not updated to show the full cost of any contract variation.

There was also an issue where remedial works had been requested by the site RPO following receipt of the inspection report and the Contract Administrator was unaware of this. The Client Service representatives should approve any remedial works and instructions to the contractor should be issued by the Contract Administrator. The contractor has been reminded of the correct process that should be followed.

(3) The recharging process has been realigned and takes account of actual costs incurred by Services.

4.2 Records of Inspection and Testing

This objective was partially achieved as only 4 out of the 8 agreed actions in response to the 5 audit recommendations had been implemented.

The agreed action has been implemented as the contract documentation requires contractors to use the Council's coding. However, an example gym inspection report viewed during the audit did not have this. The Property Management Section confirmed that the standard of reporting was an issue and a meeting was held with the contractor to address this. The contractor has agreed to make improvements in software and equipment by March 2016 in order to include the Council's coding information in future reports.

Previous Audit Recommendation 3.2.2 (Medium grade)

The Property Management Section should ensure that:
(1) The Property Management Section should work with Services to ensure that an accurate asset register is produced and verified with respective site Responsible Premise Officers.
(2) Services should then ensure that this information is kept up to date and can be verified to any inspection reports.

Previous Management Agreed Actions

(1) Consultation with Council service RPOs will take place to ensure that asset registers are verified.

Responsible officer: Property Manager, Development & Infrastructure Service (31/03/15)

(2) Property Policy will require Client Service Managers to ensure that service specific asset registers are verified and maintained at all times.

Responsible officer: Property Risk Management Officer, Development & Infrastructure Service (29/08/14)

Both actions have not been implemented as agreed and details are provided in sections 4.2.1 and 4.2.2 below.

4.2.1 Accuracy of asset registers

The Property Management Section had provided the contractor with asset lists which were based on available information including that supplied by the Services. The contractor should inspect all items found on site but the Acting Property Manager and the P&E Contract Administrator highlighted that RPOs did not always present all relevant equipment for inspection. It could not be established that accurate asset registers were maintained as:
- For the FEI contract, a spreadsheet asset list is maintained by the Property Management Section. The Acting Property Manager was requested to confirm what steps were taken to confirm the accurate and completeness of this information but no response has been provided despite a reminder.
- For the Gym contract, the Property Management Section stopped recording items on the asset list due to the size and quantity of items being recorded, including irrelevant items. Therefore, it is not known what equipment is held by the Care & Learning Service.
- For the P&E contract, the asset lists are recorded on a web based portal. Any items which cannot be not found and so not inspected, are recorded by the contractor, and reported to the Contract Administrator and the RPO using the inspection reports.

It is a requirement of the Council's Financial Regulations to maintain asset lists and is also included within the RPO manual. The Property Management Section is developing procedures for risk assessments/ pre-inspection with school staff, aimed at promoting self inspection and ensuring that all equipment is available for inspection however this requires full engagement from the relevant Services.

4.2.2 Property policy

The Property policy has not been finalised and is currently out for consultation with the Development & Infrastructure Service Management Team. It was stated that this requires more work required before it is completed and then sent to the by the Central Safety Committee for approval.

Previous Audit Recommendation 3.2.3 (Medium grade)

The Property Management Section should undertake a review to discover the full impact of:

- The under-inspection of fixed electrical inspection. There is a risk that sites are not compliant with inspection and testing regulations and risks are posed to individuals operating within the sites.
- The expanding programme of inspection and testing of equipment. There is a financial risk as additional expenditure may be incurred as a result of additional inspection & testing and remedial works.

Services should be notified of any risk highlighted from this review.

Previous Management Agreed Actions

- A review of inspection records has been undertaken and interim Inspection and Testing contracts have been put in place to resolve any risks that may exist due to any omissions of the previous Inspection and Testing contractor.

Responsible officer: Property Manager, Development & Infrastructure Service (30/09/14)

- Contract payments to the previous poor-performing contractor were reduced to mitigate the need to engage new contractors to carry out an enhanced programme of inspection and testing. Council Services are being notified where site risks are identified and any failed equipment/ installations are now taken out of operation until they can be repaired or replaced.

Responsible officer: Property Manager, Development & Infrastructure Service (Complete)

These actions have been implemented as agreed as the Property Management Section advised that interim contracts were put in place and known properties missed by the previous contractor have been inspected by the current contractor. In addition, monthly meetings are held with the Care & Learning Service to review expenditure and current progress of service contracts.

> **Previous Audit Recommendation 3.2.4 (High grade)**
>
> The Property Management Section should ensure that:
> (1) The downloaded Crimson data is cleansed to provide an accurate picture of when sites were last inspected. Any sites not listed on Crimson and those with inspection periods exceeding standard guidelines should be prioritised for inspection.
> (2) Services are notified that a back-up of Crimson inspection & testing reports is held.
>
> **Previous Management Agreed Actions**
>
> The Crimson data cannot be relied upon for the purpose described. More effective actions are:
> - 2 interim Fixed Electrical Inspection and Testing contracts were tendered and let in March 2014 in order to have sites that had gone out of date re-inspected and tested. These 2 contracts will conclude in September 2014.
>
> Responsible officer: Property Manager, Development & Infrastructure Service (26/09/14)
>
> - A further Fixed Electrical Inspection and Testing contract for all remaining Council Property has been awarded which will ensure that all council buildings will have a valid Fixed Electrical Inspection and Test report available by the end of July 2016.
>
> **Note**: Services have been notified that Crimson reports are available but due to their lack of validation the reports are deemed as being unreliable
>
> Responsible officer: Property Manager, Development & Infrastructure Service (29/07/16)

These actions have not been implemented as detailed at sections 4.2.3 and 4.2.4 below.

4.2.3   Completion of interim inspection contracts

The 2 interim FEI and testing contracts are finished however, 1 was not fully completed so the current contractor was instructed to inspect all outstanding sites. The FEI progress spreadsheet (see section 4.1.4) maintained by the Contract Administrator to monitor the contract did not record which sites were missed from the interim contract. However, the Acting Property Risk Manager has advised that there is now only 1 site awaiting inspection.

4.2.4   Completion of current inspection contract

Completion of the FEI contract is monitored by the Property Management Section through progression meetings with the contractor. Review of the meeting minutes show that progress was slower than expected and this was addressed with the contractor. In response, the contractor has taken on additional staff to increase the rate of site inspections in order to ensure that these are undertaken within the contract period.

In addition, to meet the Health and Safety requirement for a Corporate Safety Management system (to monitor and ensure that all property related statutory inspections are undertaken for all Council premises), a Monitoring Inspector is undertaking a review of all inspection contracts. A report was prepared; Electrical Risk Review (dated June 2015) which highlighted that completion of works across the contract as a whole stood at just 31%, there were a significant number of remedial works required and if these were undertaken, could result in a potential overspend on the available budgets across the Council. The Property Management Section has advised that a number of steps have been taken to address the report points and an action plan is being developed.

> **Previous Audit Recommendation 3.2.5 (Medium grade)**
>
> The Property Management Section should ensure that the inspection periods are monitored to ensure that these are in accordance with the contract's schedule of works and required standards. Any variances should be promptly addressed with the contractor.
>
> **Previous Management Agreed Action**
>
> Regular contract progress meetings are being held with the appointed service contractors to ensure that contract programmes are adhered to and that contract specifications are being followed.
>
> Any deviation from contract specifications would be discussed and resolved during regular progress meetings with the service contractors.
>
> Responsible officer: Property Manager, Development & Infrastructure Service (26/09/14)

This action was fully implemented as contractor deviations and performance are discussed at regular contract progression meetings.

4.3   Follow-up of Inspection and Testing Reports

2 audit recommendations were made and this objective was partially achieved as 2 out of the 4 agreed actions had been implemented.

> **Previous Audit Recommendation 3.3.1 (Medium grade)**
>
> The Property Management Service should remind Service contract representatives that the review and forwarding of all testing and inspection reports should be undertaken in a reasonable timeframe and the appropriate records updated to evidence this.
>
> **Previous Management Agreed Action**
>
> Service contract reports will be circulated timeously to Client Service Managers. Contract Administrators will monitor and record the circulation of inspection reports to Client Service Managers. The new Inspection and Testing contract has a web based portal which provides Council Premises Managers access to copies of all inspection certificates. In addition to this all inspection certification is now e-mailed out to Premises Managers for their review.
>
> Responsible officer: Property Manager, Development & Infrastructure Service (26/09/14)

This action has been implemented as agreed.

Inspection reports are sent to relevant officers however a delay in the FEI reports being received by the RPO was reported within the *Electrical Risk Review.* The RPO does not receive a copy of the electrical report until all the C1 (danger present) and C2 (potentially dangerous) category faults have been rectified. However, the Property Management Section advised that where serious faults are identified these are made safe and reported. In future it is expected that the inspection reports will be recorded on the K2 asset management system which is available to all RPOs.

Action (1) has been satisfactorily implemented as authorisation is obtained from the Client Service. Actions (2) and (3) have not been implemented as agreed and details are provided in sections 4.3.1 and 4.3.2 below.

4.3.1   Remedial work approval

A procedure is in place for all 3 contracts for the approval of remedial works by email. However, the Contract Administrator flow chart only provides guidance up to the point of arranging remedial works with the contractor rather than taking this to the completion of the works. The Property Management Section is working on documenting the respective Service responsibilities for all contracts which will include updating the guidance (see section 4.1.1).

4.3.2   Service contract listing

The Property Management Section maintains the "Service Contract Listing" which details all available service contracts and uses this to monitor and record the contract status. During the original audit, the Client Service representative stated that some remedial work was not undertaken due a lack of specialised contractors on the Framework Agreement. Therefore, during this follow-up, the Care and Learning Estates Officer was contacted to check whether appropriate contracts are

now in place. It was confirmed that these reflect the main areas where inspection arrangements are required. There is also an on-going process with further inspection arrangements being developed including water management, mechanical ventilation and addressing concerns following fire risk assessments.

It was also noted that the RPO manual incorrectly quotes contract SER068 as *"LEV testing (School)"* whereas this actually relates to the contract for non-domestic oil boilers.

4.4   Monitoring arrangements

This objective was not achieved as the agreed action was only partially implemented as detailed at 4.4.1.

Previous Audit Recommendation 3.4.1 (Medium grade)

The Property Management Section should remind the relevant Services to ensure that appropriate information is held to evidence that remedial works are actioned and completed.

Previous Management Agreed Action

A process of monitoring and reporting that contract remedial works are being completed to the required standards and timescales will be developed and implemented.

Responsible officer: Head of Support Services and Head of Property, Development & Infrastructure Service (26/09/14)

4.4.1   Monitoring of remedial works

Some measures to improve the monitoring of service contracts have been implemented including the introduction of a contractor performance sheet which records performance and contract compliance, monthly meetings with the Care & Learning Service to review expenditure and current progress of service contracts, and spot checks which review the standard of work performed by the contractor are undertaken by an appropriate officer. However, there are still a number of issues relating to the monitoring of remedial works which require to be addressed:

(1) The current process of addressing remedial works is to "batch" various works together and put these out to tender. The progress summary should then be updated with financial information and repair findings. A review of the details held on the progress summary showed that entries were not fully completed, with information missing such as remedial cost, confirmation that inspection report sent to RPO and whether faults were fully rectified.

The Acting Property Manager advised that the monitoring and recording completion of remedial works is a fluid process which is still being developed To assist with this a review of reporting is being undertaken with the Care & Learning Service. Also, as part of the migration to the K2 asset management system a review of tracking arrangements is being undertaken to improve the monitoring of remedial work.

(2) The Electrical Risk Review report states that from the properties surveyed "Documentation is not readily available to verify that remedial works have been completed". The Property Management Section has advised that the new remedial works framework has taken this into account, and that minimal information is to be held on site. In order to receive payment the remedial repairs reports will have to be completed by the contractor and submitted with the payment application to the Property Management Section.

(3) The FEI Contract Administrator advised that there is a lack of resource to manage issues such as the back-log of electrical reports required for public entertainment licenses. In addition, the lack of electrically trained staff/ maintenance officers was also highlighted. To address these issues, the

Property Management Section has reallocated staffing resource to assist in managing the back-log and proposing to create a contractors remedial works framework to enable a quicker resolution to outstanding remedial works.

(4) The Gym Contract Administrator commented on an issue surrounding the management of equipment including what happens to defective items. It would be expected that this would be addressed with relevant procedures for staff but no such guidance has been produced by the Care and Learning Service. It was advised that the contractor should either mark items as to be removed from use and/or pass details to school staff for them to action. As previously stated, the output from the Inverness schools pilot will be used to develop guidance for all schools.

(5) The Gym and P&E Contract Administrators advised that there was no process for monitoring the completion of approved works. The Property Management Section confirmed that this is outstanding, however, advised that some measures have been taken by improving the recording of remedial works, addressing resourcing issues and documenting the process. In order for this to be completed, the input from the Care and Learning Service is necessary.

5. CONCLUSION

It is recognised that efforts have been made with the Development & Infrastructure Service to address the findings from the original report. However, this is still a process in transition and there is still room for improvement in the way the inspection and testing contracts are recorded as a whole. Furthermore, there is a broader range of contracts in place than before and the Care & Learning Service is expending significantly above budget on these contracts which reflects the measures put in place and the maintenance being undertaken. To ensure that the contracts operate smoothly requires engagement from all Services to ensure roles and responsibilities are documented, accurate supporting documentation is held and appropriate monitoring is in place to hold contractors to account where necessary.

As a result, there are 2 high and 2 medium grade recommendations in this report.

6. AUDIT OPINION

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Limited Assurance** can be given in that weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk. The levels of assurance and their definitions can be found at Appendix 1.

7. ACTION PLAN

The Action Plan contains **4** recommendations as follows:

Description	Priority	Number
Major issues that managers need to address as a matter of urgency.	High	2
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	2
Minor issues that are not critical but managers should address.	Low	0
Total recommendations		**4**

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	IMPLEMENTATION TARGET DATE
4.1.1 – 4.1.4	Medium	4 of the management agreed actions have not been implemented: (1) The Electricity at Work guidance still requires to be updated and there is no specific guidance for the use, inspection and maintenance of Gym equipment.	(1) (i) The Property Management Section should ensure that the Electricity at Work guidance is updated.	Continue to develop guidance and populate the Property Sharepoint.	Acting Property Risk Manager, Development & Infrastructure	29/08/16
			(ii) The Care & Learning Service should ensure that the additional gym equipment guidance has been developed. This should be passed to the Property Management Section to circulate and monitor.	a) C&L will work with D&I to develop guidance as an output of the piloting work undertaken within Inverness area schools on revised arrangements for gym equipment inspection and pre-use checks. b) *Note: Flow charts for 'In-house' gym equipment Inspection and the Contractor Inspection process for PE teachers have been prepared and used in pilot training sessions.*	Estates Strategy Manager, Care & Learning and Property Manager, Development & Infrastructure	30/09/16

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REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	TARGET DATE
		Whilst some guidance has been produced detailing the roles of the RPO and the Contract Administrator, there is nothing for the Client Service representatives.	(2) The Care & Learning Service should ensure that I&T guidance is in place to ensure all involved individuals are aware of their role and responsibilities.	Further guidance will be developed for client service staff.	Estates Strategy Manager, Care and Learning	30/09/16
		The reference to the required format of reports does not exist within the contract documentation.	(3) The Property Management Section should ensure that the numbering and cross-referencing within future gym contracts is correct.	Continue to work with the Inspection Contractor to refine the use of an On-line portal with tablet data entry.	Acting Property Risk Management Officer, Development & Infrastructure	01/07/16
		A number of contract variations showed the price was to be confirmed. Only the P & E contract had the confirmed costs and contract value updated accordingly.	(4) The Property Management Section should ensure that the cost of all contract additions/ variations are established, agreed and added to the contract sum. These should be supported by the appropriate records.	a) Develop and include in the implementation of Property governance (via Property management policy) a procedure to improve the recording of additional equipment provided in properties at time of installation to reduce / minimise items discovered during inspections. b) Develop a change control procedure in conjunction with the inspection contractor to formally record reactive / short notice requests for inspections and related repairs resulting from e.g. Public Entertainment License and include provision for estimating cost and recording actual variations to contract.	Property Manager in conjunction with Acting Property Manager, Development & Infrastructure Service. Acting Property Risk Management Officer, Development & Infrastructure Service	31/03/17 29/08/16

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
4.2.1 – 4.2.4	High	(1) Accurate and complete asset registers are still not maintained.	(1) The Property Management Section should work with Services to ensure that an accurate asset register is produced and verified with the respective Responsible Premise Officers.	C&L will work with D&I to develop guidance as an output of the piloting work undertaken within Inverness schools on revised arrangements for gym equipment inspection and pre-use checks. *Note: Equipment owned and operated by C&L will be subject to pre-inspection and this process will improve the effectiveness of ensuring the presentation of all equipment at the time of inspection by the contractor who can make any adjustments to the contract Asset Register.*	Estates Strategy Manager, Care and Learning and Property Manager, Development & Infrastructure Service	31/03/17
		(2) The Property Policy has not been finalised.	(2) Once finalised, the Property Management Section should ensure the Property Policy is circulated to all appropriate Officers.	Present Property Management Policy to Weekly Business meeting and Central Safety Committee with a view to formal consultation for adoption by 30/9/16.	Property Manager, Development & Infrastructure Service	30/09/16
		(3) 1 interim contract fell short of completion and the progress spreadsheet did not indicate which sites were not inspected. The current contractor has been requested to undertake these and it has been reported that only 1 site inspection remains outstanding.	(3) The Property Management Section should ensure that sites included within the original North contract have been inspected.	Arrange to check that all sites included within the original North contract have been inspected.	Property Manager, Development & Infrastructure Service	Completed 28/05/16

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		(4) The "Electrical Risk Review" report highlighted a number of issues with the level and cost of remedial works identified across the Council.	(4) The Property Management Section should ensure that an action plan to address the findings from the "Electrical Risk Review" is considered by the Property Management.	a) Establish and pilot an Electrical Works Framework of contractors for 'call off' to assist in reducing delays in issuing orders for minor electrical works.	Acting Risk Management Officer	02/05/16 Complete
				b) Re-profile available revenue maintenance budget to target electrical remedial works. *Note: £50k only.*	Acting Property Manager	04/04/16 Complete
				c) Review Strategic Asset Management capital funding for scope to target electrical improvement works. *Note: Majority of repairs are not deemed capital.*	Head of Property and Acting Property Manager	01/08/16
				d) Source funding and establish a training programme to improve skills and knowledge of in-house designers and maintenance officers in electrical capabilities and to include RPO in general housekeeping/routine condition checks.	Head of Property in conjunction with Acting Property Manager, Development and Infrastructure	31/03/17
				e) As part of Property team re-structure, review resources allocated for contract administration and associated business and technical support with a view to improve processing of backlog volume.	Head of Property in conjunction with Acting Property Manager, Development and Infrastructure	30/09/16

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REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
4.3.1 – 4.3.2	Medium	(1) The flow chart for the Contract Administrator document stops short of providing guidance on the process that should be followed once the remedial works have been completed. (2) It could not be established if there were any issues with the provision of appropriate contracts for all remedial works required as no response on this matter was provided by the Care and Learning Service. Also, the RPO manual incorrectly quotes contract SER068 as LEV testing (School) rather than Oil boilers Non-domestic.	(1) The Property Management Section should update the flow chart to provide guidance on the process to be followed once the remedial works are completed and the appropriate Service is notified. (2) The Property Management Section should correct the RPO manual to show the correct details for the SER068 contract. The Section should consider placing the Service Contract listing online, with a web-link included within the RPO manual. This would enable the prompt updating of Service Contracts and RPOs access to the current contract listing.	Update the flow chart to provide guidance on the process to be followed once remedial works are completed. Arrange for the contract list in the RPO Manual to be updated.	Acting Risk Management Officer Property Manager, Development & Infrastructure Service	01/08/16 Completed 06/06/16
4.4.1	High	The agreed action in respect of monitoring arrangements was not implemented as: (1) The process for the monitoring and recording completion of fixed electrical remedial works has not been documented. In addition, work is required to ensure that supporting documentation is up to date for monitoring purposes. (2) The FEI Contract Administrator reported that there are issues with a back-log of electrical remedial works required which is compounded by a lack of electrically trained staff/ maintenance officers.	(1) The Property Management Section should document and improve the process of monitoring and reporting that the fixed electrical remedial works are complete. (2) The Property Management Section should continue to investigate courses of action to reduce the delays to undertaking remedial works.	Review resources allocated for contract administration and associated business and technical support to improve monitoring and completion checks. Review resources allocated for contract administration and associated business and technical support to increase rate of backlog reduction.	Head of Property in conjunction with Acting Property Manager, Development and Infrastructure Head of Property in conjunction with Acting Property Manager, Development and Infrastructure	30/09/16 30/09/16

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REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
		(3) No guidance has been produced by the Care and Learning Service for Head Teachers to follow where gym equipment has been reported as being defective or should be removed.	(3) The Property Management Section should work with the Care & Learning Service to address the issues with managing the gym equipment estate and provide guidance on the usage and removal of defective equipment.	C&L will work with D&I to develop guidance as an output of the piloting work undertaken within Inverness schools on revised arrangements for gym equipment inspection and pre-use checks.	Estates Strategy Manager, Care and Learning and Property Manager, Development & Infrastructure Service	31/03/17
		(4) The Gym and P&E Contract Administrators advised that there was no process of monitoring whether approved works are completed.	(4) The Property Management Section should work with the Care & Learning Service to implement a process of documenting, monitoring and reporting that Gym and P&E remedial works are being completed.	C&L will work with D&I to develop guidance as an output of the piloting work undertaken within Inverness schools on revised arrangements for gym equipment inspection and pre-use checks.	Estates Strategy Manager, Care and Learning and Property Manager, Development & Infrastructure Service	31/03/17

Internal Audit Opinion

Level	Definition
Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
Substantial Assurance	While there is generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Reasonable Assurance	Whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited Assurance	Weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk.
No Assurance	Control is generally weak, leaving the system open to significant error or abuse, and/ or significant non-compliance with basic controls leaves the system open to error or abuse.

The Highland
Council
Comhairle na
Gàidhealtachd

INTERNAL AUDIT
FINAL REPORT

CARE & LEARNING SERVICE

MANAGING SCHOOL ROLLS

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Contents

1. INTRODUCTION

The purpose of this report is to record the findings of a recently completed audit review of managing school rolls. The audit was undertaken as part of the annual plan for 2014/15 but delays in obtaining the necessary information has meant that the audit could not be completed during this year.

Having the correct capacity and school roll forecasts figures is vital in ensuring we can plan to provide the right number of school places in the right locations and where this is not the case, put both temporary and permanent solutions into place to achieve this.

In order to promote a more consistent approach to school capacity modelling amongst Local Authorities in Scotland, the Scottish Government produced guidance on "Determining Primary School Capacity" in October 2014. The Education, Children and Adult Services (ECAS) Committee of 12/11/14 agreed that the Council would adopt the Guidance.

2. REVIEW OBJECTIVES

The objectives of the review were to ensure that:

(i)   Current arrangements to calculate planning capacity in schools complies with all statutory requirements. School roll forecasts are calculated in accordance with the agreed methodology based on best practice and takes account of the lessons learned arising from pressures experienced in recent years.

(ii)   There are appropriate plans in place to ensure that the new Scottish Government's Determining Primary School Capacity Guidance (October 2014) is implemented by the agreed timetable.

(iii)   Appropriate plans are in place to manage the future demands at Bun-sgoil Ghàidhlig Inbhir Nis.

3. SCOPE, METHOD AND COVERAGE

The audit reviewed the arrangements for school roll forecasting and the calculation of planning capacity in schools. The main focus was on Inverness primary schools – Bun-sgoil Ghàidhlig Inbhir Nis, Holm, Kinmylies, Lochardil, Merkinch, Milton of Leys, and Smithton. This was due to issues which were reported to the City of Inverness Committee on 02/12/14 relating to increasing school rolls. Primary schools outwith Inverness with projected over-capacity were also looked at, namely Aviemore, Ben Wyvis, and Knockbreck (Tain).

The audit also examined the arrangements in place setting out short and long term plans to address roll pressures at Bun-sgoil Ghàidhlig Inbhir Nis.

School roll forecasting is within the remit of the Development Plans section, Development & Infrastructure Service (D&I) and the calculation of school planning capacity is within the remit of the School Estates section, Care & Learning Service (C&L). Both Services were consulted during the course of the audit.

4. MAIN FINDINGS

The main findings of the review, referenced to the above review objectives, are as follows:

4.1 School roll forecasting and planning capacity calculations

This objective was partially achieved. School roll forecasting is carried out by the Development Plans section (D&I) using a documented methodology. The forecasting technique used is a 'single year of age cohort survival model' in which

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pupil numbers recorded in the annual school census are rolled forward by one school year in the following September, with the Primary 1 intake forecast based on records of children registered with GPs. Other factors are taken into consideration such as placing requests, the number of new houses likely to be built, and population and birth rate projections. It is consistently applied apart from denominational and Gaelic schools where a different model is used due to the lack of a traditional catchment area.

The methodology is based on best practice guidance set out in the Department of Education and Skills (DfES) "UK Best Practice – Pupil Projection Guide", the aim of which is to assist Local Authorities to make accurate projections of pupil numbers in individual schools. There is no known standard roll forecasting technique recommended for use in Scotland.

4.1.1 One of the significant factors that affect school enrolment is the number of new build houses, and calculated pupils per new build house ratios which are used for different areas of the Highlands. These ratios are based on a 2008 Highland Council study which identified pupils living in 60 recently built developments across Highlands and provided 3 different ratios as follows:

- Major family friendly, edge of town, developments and new townships – 0.25 primary pupils per new house and 0.13 secondary pupils per new house

- General developments in all areas apart from Sutherland – 0.20 primary pupils per new house and 0.10 secondary pupils per new house

- Sutherland – 0.12 primary pupils per new house and 0.08 secondary pupils per new house.

However, as these ratios were last calculated in 2008, they may no longer reflect the current number of pupils per new house in the Highland Council area which could result in inaccurate school roll forecasts.

4.1.2 Draft school roll forecasts are supplied to the Care & Learning Service for comment prior to being finalised. However feedback from the Service and individual schools is by exception rather than on a more formal basis which would give assurance that forecasts are as accurate as possible. The Research Officer (D&I) has stated that more feedback would be welcomed as this would further validate the forecasts. It is understood that a review is already underway, involving officers of both Services, to review and improve the process relating to preparation and scrutiny of school roll forecasts.

4.1.3 Prior to the adoption of the Scottish Government Guidance in November 2014, school capacity calculations were based on work undertaken by an external Consultant, which was before the current Estate Strategy Manager was in post. The view of this Manager is that there was scope to improve consistency in the way in which they had been calculated, and better reflect the true capacity of a large number of schools.

Following the adoption of the Guidance, school capacity calculations were revisited by the Schools Estates section (C&L), starting with Inverness primary schools. The Guidance recommended that there should be no more than 2 measures of primary school capacity: Planning Capacity and Working Capacity. Planning Capacity is calculated as follows:

(i) Determine which teaching spaces will be included. The Planning Capacity should only include class bases and should not include ancillary or general purpose (GP) areas. The Guidance recommends that each primary school should have one GP per stream, with streams being calculated in multiples of 7.

(ii) Determine the size of selected class bases.

(iii) Determine the maximum number of pupils which could be accommodated in each class base by dividing total class size by 1.7m² and apply class size maxima (the Planning Capacity for each class base is capped by either the size of the room or the class size maxima, whichever is less).

(iv) The total Planning Capacity of the school can be found by adding together the Planning Capacity of each class base involved in the calculation.

Working Capacity is calculated in the same way as Planning Capacity but takes into account the organisational needs of a particular school session.

However, the Guidance does state that it remains a Local Authority's responsibility to choose how to calculate capacity in their area. Therefore, in light of lessons learned from the review of Inverness primary schools, approval was sought to further refine the guidance and methodology in a report to the ECAS Committee on the 18/05/16. It was felt that the revised approach would provide a more realistic measure of the likely impact on schools of fluctuating rolls and that this would be particularly useful in future investment planning, determining if school rolls should be capped and in establishing where developer contributions are justified. The following revisions were agreed and will now be used for capacity calculations:

- The focus should be on the likely number of classrooms required in the future based on the roll projections rather than a notional capacity figure

- Streams should be calculated in multiples of 8 in relation to GP rooms as opposed to 7 as suggested in the Guidance.

Revised capacity calculations were examined for Bun-sgoil Ghàidhlig Inbhir Nis, Lochardil and Milton of Leys. Planning and Working Capacity had been calculated as per the Guidance. In addition the optimal pupil distribution had been calculated, based on school roll forecasts, and the required number of classrooms for each year had been determined as per the agreed revisions noted above.

4.2   Scottish Government's Determining Primary School Capacity Guidance

This objective was not achieved. It was agreed at a meeting of the ECAS Committee on 12/11/14 that the Highland Council adopt the Scottish Government Guidance on Determining Primary School Capacity. The Guidance recommended that if Local Authorities chose to adopt the Guidance, it should be implemented from January 2015 for the start of the new school session in August 2015 where possible. The Council's intention was to have revised capacity figures in place for most Highland Council primary schools by August 2015.

Additional resources (a Graduate Estates Officer) were put into the Estates Team in order to update the capacity figure calculations and facilitate implementation of the Guidance by August 2015. However, in July 2015 the Estate Strategy Manager stated that the process was more complicated and time consuming than envisaged and was taking longer to complete than planned. Therefore, revised primary school capacity figures were not available in August 2015 as intended. In a further update in December 2015, it was stated that limited progress had been made since August 2015 and that the proposal was to complete and publish the revised capacity figures at the same time as updated roll projections although no timescale was given.

Subsequent changes to the way in which primary school capacity figures will be calculated (4.1.3) has meant that work is currently ongoing to revise these figures with a view to publishing them later in 2016 along with school roll forecasts.

4.3   Management of future demands at Bun-sgoil Ghàidhlig Inbhir Nis (BSGI)

This objective was fully achieved as officers are aware of the pressures facing BSGI and are pro-active in attempting to find a long-term solution. A review of

ECAS Committee minutes showed that regular updates to Members were provided. It was agreed at the ECAS Committee of 20/05/15 that a feasibility study would be undertaken into the implications of either remaining on the current site or building a new school on a different site as a long-term solution. Moving classes off-site was also identified as a possible short-term solution. The current position, as reported to the ECAS Committee on 18/05/16, is that options for increasing the capacity of BSGI are currently being considered as part of the wider review of investment requirements across Inverness schools.

5.   CONCLUSION

Whilst the school role forecasting undertaken by the Development Plans section uses a methodology compliant with best practice, one of the factors used for new builds was calculated 8 years ago and it is questioned whether this reflects the current position. This process could also be improved further if formal feedback was provided from the Care & Learning Service, though it is recognised that both Services have already initiated a process review in advance of the completion of this audit.

Revised primary school capacity figures, based on the Scottish Government Guidance, have not been completed within previously agreed timescales. However, as a result of lessons learned from the review of Inverness schools, a revised approach was agreed by Committee and work is ongoing to update capacity figures accordingly.

As a result of the audit, 1 high grade and 2 medium grade recommendations have been made. All of these have been accepted by management and the final agreed action is due to be implemented by 31/10/16.

6.   AUDIT OPINION

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Limited Assurance** can be given in that weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk.

7. ACTION PLAN

The Action Plan contains **3** recommendations as follows:

Description	Priority	Number
Major issues that managers need to address as a matter of urgency.	High	1
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	2
Minor issues that are not critical but managers should address.	Low	0
Total recommendations		**3**

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	IMPLEMENTATION TARGET DATE
4.1.1	Medium	The pupil per household ratios used to estimate the 'number of additional pupils' are based on a 2008 study. This is one of the factors used to forecast school rolls and there is a risk that this information many not reflect the current position.	A new study should be undertaken on more recent new build schemes to establish if there is a need to update the pupil per household ratios used in the school roll forecasting model.	(i) Carry out a new study using the 2008 methodology to determine if Inverness specific household ratios have altered. (ii) Compare Inverness ratios against figures from comparable Scottish cities to provide benchmarking.	Head of Planning & Environment	31/10/16

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
4.1.2	Medium	The school roll forecasts are prepared by the Development & Infrastructure Service but there is limited feedback provided from the Care & Learning Service. However, it is understood that a review is already underway, involving officers of both Services, to review and improve the process relating to preparation and scrutiny of school roll forecasts.	(i) Meetings should be held between Care & Learning and Development & Infrastructure officers to provide feedback on the school roll forecasts to ensure that this is accurate and reflects the future needs of the Care and Learning Service. (ii) The documented School Roll Forecasts Methodology should be updated to reflect any changes to the process agreed as part of the review.	(i) Put in place a programme of regular (2-monthly?) meetings between D&I and C&L to monitor current forecasts and any emerging development or educational pressures. (ii) As a result of staffing changes within D&I, discussions have already commenced between the two Services to review the process, roles and responsibilities in relation to forecasting. That review to be concluded over summer/autumn 2016, for review and sign off of roll forecasts to be published later in 2016. The documented methodology will be updated as part of this process.	Head of Resources/ Head of Planning & Environment Head of Resources/ Head of Planning & Environment	Immediate 30/09/16

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REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
4.2	High	Revised primary school capacity figures, based on the Scottish Government Guidance, have not yet been completed and published. However, some changes to the way in which capacity is calculated were agreed by the ECAS Committee on 18/05/16 and work will now begin to revise these figures with a view to publishing them later in 2016.	(i) Revised primary school capacity figures should be finalised as a matter of urgency. (ii) The methodology for calculating primary school capacity, including recently agreed revisions, should be documented in order to provide full transparency regarding the calculation of school capacity figures.	(i) ECAS Committee agreed to revisions to the methodology in May 2016, which will provide improved capacity estimates, and inform ongoing planning for future schools investment requirements. That revised approach will result in revised capacity figures by October 2016. (ii) Updated methodology note to be prepared and published within the same timescales as set out at 4.2 (i) above.	Head of Resources/ Estates Strategy Manager	31/10/16