

**Bolsover, Chesterfield and North East Derbyshire District
Councils'**

Internal Audit Consortium

Internal Audit Report

Authority:	Chesterfield Borough Council
Subject:	Non Housing Property Repairs
Date of Issue:	1st March 2018

Report Distribution:	Head of Kier Contract Director of Finance and Resources
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INTERNAL AUDIT REPORT

Non Housing Property Repairs

Introduction

In July 2015 an audit of non- housing property repairs was undertaken and a conclusion of “unsatisfactory” was reached. In April 2016 a follow up review took place however as it was deemed that little progress had been made the conclusion remained at “unsatisfactory”. A further high level review has now been undertaken to establish the progress made and current situation.

Scope and Objectives

The scope and objectives of this audit was to establish the progress made against the recommendations of the previous 2 audits in terms of being able to demonstrate that there is a clear plan in place based on up to date condition surveys for the repairs and maintenance of non- housing properties.

Conclusion

Progress has been made since the previous audit however this progress has been slow and is behind schedule. In September 16 the Head of Kier Contract reported to the Standards and Audit Committee that the top 16 properties would be reviewed and have a new 10 year maintenance plan based on condition surveys by February 2017. By February 2018 Kier are in the process of finalising the reviews of the top 11 properties before they go out to managers. Kier’s review has also incorporated an analysis of potential capital expenditure.

The overall conclusion of the audit is that “**Limited Assurance**” can be given. Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed. (See Appendix 1 for all classification definitions).

The findings together with recommendations to address any outstanding issues are highlighted in the following report.

Findings and Recommendations

Current Position

1. As at February 2018 Kier has reviewed the repairs and maintenance requirements of the top 11 properties. The final details and report in respect of this review and the financial implications are in the process of being finalised. The next 9 assets to be reviewed have been agreed in principle with Kier.
2. The means of financing non- housing property repairs is likely to change. There is to be much more focus on capitalising repairs where possible. For the 11 properties identified above Kier have established which of the repairs over the next 10 years can be capitalised and which still have to be paid for out of revenue.

3. The impact of this will be a larger capital programme. Large items of capital repairs e.g. lifts, boiler renewals etc. have always formed part of the capital programme however this will now be expanded further. The Capital Accountant confirmed that currently there is sufficient headroom on borrowing limits to enable this to take place.
4. This will also mean that the property repairs fund budget will be reduced with just a working balance being retained. This will ease some of the pressure from the general fund revenue account. The property repairs fund is used for day to day repairs such as electrical checks, servicing of boilers and fire alarms etc.
5. The next step is for Kier to finalise their review of the top 11 properties and to forward the details to the Director of Finance and Resources. The Director of Finance and Resources will then take a paper to the Corporate Management Team. Once Corporate Management Team have agreed the revised approach, property managers will be provided with the details and also given a definition of what falls in to capital and what falls in to revenue expenditure.
6. It was also agreed between the Director of Resources and Head of Kier Contract that the system for ordering repairs will be documented and distributed to property managers.
7. Following on from this Kier will need to identify and agree with the Director of Corporate Resources the next tranche of properties for review.
8. No steps have been taken to review the contribution levels of services for their respective repairs and maintenance.

Recommendations:	
R1	That the review of the top 11 properties repairs and maintenance requirements be concluded as soon as possible. Following this the Director of Finance and Resources should present the findings of the review to CMT and CMT should make a decision as to how non- housing property repairs should be funded in future. This should also apply to those properties not covered by the property repairs fund. (Priority: High)
R2	Property Managers should be instructed as to what is a capital repair and what repairs can be funded from the property repairs budget and also be reminded of the procedure for requesting repairs. (Priority: Medium).
R3	The review of the second phase of properties should be commenced and completed as soon as possible with the results being fed back to CMT (Priority : High)
R4	Contribution levels should be reviewed to ensure they are set at a realistic level (Priority : Low)

Internal Audit Report – Implementation Schedule

Report Title:	Non Housing Property Repairs – Follow up Audit.	Report Date:	1st March 2018
		Response Due By Date:	N/A

	Recommendations	Priority (High, Medium , Low)	Agreed	To be Implemented By:		Disagreed	Further Discuss ion Require d	Comments
				Officer	Date			
R1	That the review of the top 11 properties repairs and maintenance requirements be concluded as soon as possible. Following this the Director of Finance and Resources should present the findings of the review to CMT and CMT should make a decision as to how non-housing property repairs should be funded in future. This should also apply to those properties not covered by the property repairs fund.	H	Y	Director of Finance and Resources	03/18			Agree this be completed by the end of year March 2018 meeting to finalise in diaries
R2	Property Managers should be instructed as to what is a capital repair and what repairs can be funded from the property repairs budget and also be reminded of the procedure for requesting repairs.	M	Y	Capital Accountant	03/18			The finance department will draft up guidance by the end of March 2018
R3	The review of the second phase of properties should be commenced and completed as soon as possible with the results being fed back to CMT	H	Y	Director of Finance and Resources	04/18			9 assets have been identified and work will commence from April 2018.

Recommendations		Priority (High, Medium , Low)	Agreed	To be Implemented By:		Disagreed	Further Discuss ion Require d	Comments
				Officer	Date			
R4	Contribution levels should be reviewed to ensure they are set at a realistic level	L	Y	Chief Accountant	Annua lly			This will be done by finance annually when setting and managing budgets

Please tick the appropriate response (✓) and give comments for all recommendations not agreed.

Signed:		Date:	
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Internal Audit Consortium Opinion Definitions

Assurance Level	Definition
Substantial Assurance	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.
Reasonable Assurance	The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.
Limited Assurance	Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.
Inadequate Assurance	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives.