

**BUCKINGHAMSHIRE COUNTY COUNCIL  
INTERNAL AUDIT AND RISK MANAGEMENT**

**INTERNAL AUDIT REPORT**

**Property Management 2017/18**



**Date Issued: February 2018**

## CONTENTS

Section	Page
<b>Management Summary</b>	<b>3</b>
<b>Overall Conclusions (Table 1)</b>	<b>5</b>
<b>Audit Findings and Action Plan (Table 2)</b>	<b>10</b>
<b>Low Priority Issues (Table 3)</b>	<b>11</b>
<b>Definition of Conclusions (Appendix 1)</b>	<b>12</b>
<b>Officers Interviewed (Appendix 2)</b>	<b>13</b>

### Audit Control:

<b>Closing meeting:</b>	30 January 2018
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## **Management Summary**

### **Introduction**

This audit of Property Management, BMKFA was undertaken as part of the 2017/18 Internal Audit plan as approved by the Overview and Audit Committee. The audit was undertaken during the fourth quarter of 2017/18.

The Fire Authority's property portfolio includes the HQ buildings and twenty fire stations; the Authority also owns one domestic dwelling which is to be sold. The key objectives for the management of property are detailed in the Strategic Asset Management Plan 2015-2025.

The Authority also has a Property Management Strategy 2013-18 which is currently under review for 2018-23. This will now be aligned with the Capital Investment Portfolio and Conditions Survey which also run to the same five year cycle. This has meant that all projects and activities are together and pointing in the same direction for a successful transition and easy management with the investment opportunities to deliver against the strategy and programme of works.

### **Audit Objective**

Internal Audit's objectives for this audit are to provide an evaluation of, and an opinion on, the adequacy and effectiveness of the system of internal controls that are in place to manage and mitigate financial and non-financial risks of the system.

This will serve as a contribution towards the overall opinion on the system of internal control that the Chief Internal Auditor is required to provide annually. It also provides assurance to the Section 112 Officer that financial affairs are being properly administered.

## **Scope of work**

The audit activity focussed on the following key risk areas identified in the processes relating to Property Management:

### Property Maintenance Information System

- ✓ To ensure that there is a system in place to report and manage repairs and damage to premises and to record the condition of all property held.

### Condition Surveys

- ✓ To ensure that regular condition surveys of all buildings are carried out within the property portfolio to build a schedule of future maintenance work and enable accurate operational planning and financial budgeting.

### Prioritisation of Works

- ✓ To ensure that there are processes in place to prioritise works to maintain property to the required standard and to comply with legislation. Additionally to prevent further deterioration or repair.

### Planned and Reactive Works

- ✓ To ensure that the execution of maintenance works is managed efficiently to enable unplanned or reactive maintenance to be kept to a minimum. Additionally to ensure the best use of resources.

The audit considered the controls in place at the time of the audit only. Where appropriate testing was undertaken using samples of transactions that occurred within the last nine months.

**Table 1 Overall Conclusion**

<b>Overall conclusion on the system of internal control being maintained</b>	<b>Substantial</b>
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RISK AREAS	AREA CONCLUSION	No of High Priority Management Actions	No of Medium Priority Management Actions
Property Maintenance Information System	Substantial	-	-
Condition Surveys	Substantial	-	-
Prioritisation of Works	Substantial	-	-
Planned & Reactive Works	Substantial	-	-
		-	-

Appendix 1 provides a definition of the grading for each of the conclusions given.

The overall conclusion of substantial assurance for the Property Management audit was concluded as there were no significant weaknesses in the control framework for the areas reviewed as part of this audit. There are areas for consideration in relation to Business Continuity, and formalisation of the capital project monitoring in cases of officer changeover, or unforeseen circumstances resulting in instant unavailability of the monitoring officer. However, given that the team, and management are so hands on with the projects, this risk has been accepted by the Authority.

Consideration should also be taken to enhance the facilities within the Red Kite Software to monitor whether the target timeframes have been met. Currently, the system is only able to close a job once the entire works have been completed, whereas the Authority have a four and 72 hour target to make safe on critical and urgent works. Where they have made safe, but waiting further parts / labour to fix the job, this will remain open, and affects the completion time compared to this target. This is a two stage process; however Red Kite is only able to record this in a single event. This has resulted in a lack of information being available to confirm whether these internal targets are being consistently met.

### Property Maintenance Information System

The Fire Authority has a Property Management Strategy in place for 2015-18. This is currently being reviewed, with a new 2018-23 Strategy being drawn up in the coming year. This Strategy will now be aligned with the Capital Investment Portfolio and Conditions Survey which also run to the same five year cycle. This has meant that all projects and activities are together and pointing in the same direction for a successful transition and efficient management with the investment opportunities to deliver against the strategy and programme of works.

The Authority use a management system, Red Kite, to monitor and maintain records of reactive maintenance across all sites at the Fire Authority. It was confirmed that each Station holds an asset monitoring unit, which is used to scan and report defects / maintenance work to the facilities team. This is completed by scanning the asset tag and providing a narrative description of the fault. Once completed, this job is emailed to the facilities generic email address and assessed by with the Facilities Supervisor, or Property Administrator. At the same time as the email coming through, a job is created on the Red Kite system.

The Property Administrator will review the job, assigning an appropriate grading to it for review and completion. This is a RAG Rated graded system. Red is a critical job required to be completed in four hours, Amber is within 72 Hours, and Green rated is an "as and when" job on the next visit. The Authority aim to use their in-house facilities officers to complete as much work as possible; if the jobs are beyond their expertise / competence, an approved contractor will be assigned. Once the job has been completed, and fully operational, the action is closed on Red Kite. There is currently no functionality to confirm when the job has been made safe in line with the above timeframes, but is still required to be open as the full action has not been completed. An example may be an open Bay Door at the Fire Station, which would be a critical function. Stage one, to complete within four hours is to close the door and secure the site. Further work may be required to repair the door and become fully functioning again which is completed outside of the four hour target. This has resulted in a lack of information to confirm whether these internal targets are consistently met or not as the job will only be closed once fully functioning.

The Authority hold all details in relation to the Fire Sites on an online system, Document Locker (DocLocker), operated by the OakLeaf Group. This is where all condition surveys, Asbestos, and Legionella Reports, and all other key documents in relation to the condition and capital state of the properties are held. The Oakleaf Group are also the organisation who has completed the Authority's last two Condition Surveys in 2014 and 2018.

### Condition Surveys

The Fire Authority complete have a condition survey completed every five years. The latest survey was has recently been completed and will help form the programme of works for the next three-five years along with the Property Management Strategy (2018-23).

The condition survey prior to this one being completed was in 2014, with £4.8 million worth of works identified as required, in the latest review, this has dropped to under £2.5 million. The survey will also prioritise works into four categories; Urgent Works, Essential Works, Desirable Works and Long Term Aspirational Works.

A condition survey was completed by Oakleaf at each of the sites owned and occupied by the Authority across the County. This is then broken down per site, but also includes an overarching survey and spreadsheet which covers all areas and works.

This spreadsheet also breaks the works into categories for easy manipulation and review by management. This is also helpful where works are required to be prioritised and fit into the programme of works.

Review of five BMKFA Sites confirmed that there was a specific site condition survey available on the Oakleaf DocLocker system to detail what works are required and a budgeted cost to bring up to the desired standard. This also feeds into a BMKFA wide Condition Survey which collates the findings into a centralised condition survey for all properties.

There is a five year schedule for the Programme of Works, which has an annual fund for £500K per year. This is in line with the Property Management Strategy, and allows the Property Manager to deliver the programme over the five years without the requirement of returning annually for approval of funds. The Programme of Works is "fluid", with no set works in the plan that must be completed within a certain timeframe. This is as the works required to be completed may change depending on development day-to-day, e.g. if there is a change in legislation requiring action, or there is a health and safety issue with one of the stations; this will take priority.

The Property Manager has autonomy to use the property budget as he sees fit, within the confines of the Property Strategy. This is reported on a monthly basis to the Deputy Director of Finance and Director of Finance on a monthly basis through the Outturn Report Finance & Assets. The Property Manager circulated the programme of works (capital schedule) for 2017/18, in July 2017. This highlighted the proposed works at each site from a capital perspective.

There is currently a £400,000 slippage on capital projects from 2017/18 to 2018/19, with only £250,000 of works completed in 2017/18. There was also a £150,000 carry forward from 2016/17. This was confirmed due to the six month knock on effect from having to re-tender the Blue Light Hub, a major construction project for the Authority, and with a £363,000 project being deferred at Aylesbury HQ due to unknowns in relation to the layout of the offices in the HQ Building. This project is a full renewal of the M&E Plant and requires the Authority to decide how they want the new office layout to be, prior to works being completed.

#### Prioritisation of Works

As part of the Condition Survey, the works are ranked and prioritised into Four Gradings, these Gradings are detailed within the breakdown per site, and in the form of a summary in an Estate Dashboard per property site within BMKFA. Review of the Estate Dashboard, it was confirmed that the following values had been identified under each of the gradings:

- ✓ Urgent Works - £303,720;
- ✓ Essential Works - £1,749,060;
- ✓ Desirable Works - £540,695; and
- ✓ Long Term Aspirational Works - £409,820

The Condition Surveys, along with the Property Strategy, and Budgeting Constraints are used to prioritise works. If there is non-compliance with legislation, health and safety, or operational capabilities, these will be urgent works and addressed as a high priority. Other areas which are important, but are not critical, may not be addressed given the long term focus of the Authority, i.e. sale of site to consolidate estates. This is only if none of the above categories are compromised.

Asbestos Surveys are completed on site on a periodic basis; there is a full review every four years to re-assess the sites. Review of five sites at BMKFA, stated below, confirmed that three sites have an asbestos survey and register in place, with the review being completed in 2014; with the next survey booked for 2018. The remaining two sites do not require an asbestos survey given the age of the building and not having asbestos present at the site. These are visually inspected during the health and safety audits at each site. The health and safety audits are completed on a regular basis, including visual inspection of the identified asbestos to see if this has deteriorated; the latest review being completed in September 2017.

There is a legislative requirement for the Authority to complete Legionella reports on a quarterly basis; the Authority aim to complete this on a monthly basis as part of their monthly processes. This is above the minimum legislative requirement. This is completed year on year, with all sites being completed under one Legionella Report. There is also a Legionella Risk Assessment completed every two years under legislation; with the latest assessment completed in November 2016.

Review of BMKFA sites confirmed that a Legionella Review has been reported on a monthly basis with an executive summary, and the work reports. As this is reported as a site as a whole, the last three were reviewed (September, November and December 2017). It was identified that there were a six sites who were non-compliant from the guidance in all months for Legionella Surveys, with the temperature in the hot water tank being under the recommended 60c, on average, this was at 57c; or that the hot water taps were above the recommended temperature of 39-43c. It was confirmed that the temperature valves are subsequently adjusted each month to correct the water temperature. Each site is also required to flush the water through each of the taps/showers for two minutes per week. A record of this is maintained per site and was reviewed whilst at the Aylesbury HQ. This is to be completed in line with the BFRS Premises Water Hygiene 2017 Procedure Document.

### Planned & Reactive Works

Testing of 10 Reactive Works jobs on Red Kite, between 01 November 2017 and 16 January 2018, confirmed that all jobs had the appropriate job status as open or closed. All jobs were appropriately RAG Rated, with an email being distributed to the Contractor/Facilities Officer for the works to be completed. In seven cases a quote had been provided and approved, two cases had been fixed at no cost by the facilities officers, and one was awaiting a second quote following a high initial cost quote from the first contractor. This also shows value for money initiatives to obtain the right price. There were also detailed and sufficient notes in place on each job to follow through the process and how the job was progressing / closed.

The Fire Authority have a project plan in place for each of the projects which is used to monitor the projects, including the winning contractor and the quotes that have been received elsewhere. There is also a short narrative from each of the quotes as to why it has been rejected. The Projects retain the PO Number, any additional project costs, and comments.



The Facilities Supervisor also holds each projects correspondence within a designated project folder for each project. This enables him to maintain a log of all communications and progress in relation to the Capital Projects.

Review of the Project Plan, which includes some projects from 2016; it was confirmed that there have been a total of 21 projects completed. In all cases there were three quotes attached to the job to ensure that there was value for money (VfM) opportunities and confirming the price in the market for the jobs to be completed. The Facilities Supervisor monitors and manages the projects, this is often very hands on, with informal communications to the Property Manager to maintain information and keep senior management informed of the progress. It was stated that the team is too small and the projects being completed one at a time, it would not be practical / efficient to formalise the reporting or programme schedules for the works being completed and managed by the Facilities Supervisor.

Finance & Assets Outturn Reports are produced on a monthly basis by the management and Principal Accountant on the forecast and information provided by the Budget Holder, the Property Manager. These reports are presented to the Deputy Director of Finance, and the Director of Finance. The reports cover all key areas, and include a summary spend from the Property Budget. This includes the Budget, year to date spend, committed spend, and forecast.

Property Maintenance (Reactive Works) is detailed separately within the report as this is a revenue item. This covers the 2017/18 budget, against the 2017/18 and 2016/17 Actuals. It is forecasted that there will be a slight overspend on the reactive works for 2017/18 from the projection provided; however it was confirmed that this is only a projection, and likely to curb towards the end of the year.

There is also a section on Capital (Section 5) of the Outturn Report. This shows that the original budget for 2017/18 at £500,000, plus the carry forward from 2016/17, £150,000. The forecasted outturn for the year is only £250,000, with a slippage of £400,000 into 2018-19. This has been RAG Rated as Green under the Capital Scheme. This is as the monies are able to be used at any point within the five year estates strategy plan, and is not required to only be spent within the single year

## Table 2 Detailed Audit Findings and Action Plan

Management actions have been agreed to address control weakness identified during the closing meeting and agreement of the draft Internal Audit report. All management actions will be entered on the Council's Performance Management Software and progress in implementing these actions will be tracked and reported to the Regulatory & Audit Committee.

We categorise our management actions according to their level of priority:

Priority High (H)	Major issue or exposure to a significant risk that requires immediate action or the attention of Senior Management.
Priority Medium (M)	Significant issue that requires prompt action and improvement by the local manager.
Priority Low (L)	Minor issues requiring action to improve performance or overall system of control.

### Table 3 Low Priority Issues

Minor issues to be noted or requiring action to improve performance or overall system of control, which do not present a material risk to the system of control.

	<b>Audit Finding, risk exposure and potential impact</b>	<b>Management Action</b>
1	<p><b><u>Red Kite Functionality</u></b></p> <p>Red Kite is used to log and monitor reactive works jobs for the Fire Authority. There are three RAG ratings for these jobs, each with an internal target for completion. These are Red, critical jobs, within four hours, Amber, urgent jobs, within 72 hours, and Green, low risk, which can be reviewed on the next visit.</p> <p>The red and amber targets are timeframes to make safe the situation, however further works may be required to close the job and return the fault to full working order. The Red Kite system is currently unable to log when the job has been deemed safe in line with the target timeframes above. The functionality is limited to only disclose when the job is fully completed. This is a two stage process, with current functionality limited to a single stage.</p> <p>Review of 10 Reactive Works jobs on Red Kite, identified two red rated jobs which were closed within 24 hours of the job being open, this cannot confirm whether it was made operationally safe within the four hour timeframe. There were also two Amber Rated jobs, one of which was closed within 72 Hours and the other 144 hours.</p> <p>Where the Authority are unable to hold record events as they become operationally safe, there is a lack of information available to confirm whether these internal targets are being consistently met.</p>	<p><b>Action</b></p> <p>As part of the latter phase of the BASI project it is intended to review the current asset management systems utilised by the Authority, part of this review will examine the case for improving the functionality of existing systems working with the suppliers to develop them accordingly. This work is currently scheduled for early 2019.</p> <p><b>Officer responsible:</b> G. Wylie – Property Manager</p> <p><b>Date to be implemented by:</b> During financial year 2019/20.</p>

## Appendix 1 Definition of Conclusions

Grading:	Substantial	Reasonable	Limited
<b>Overall conclusion on the system of internal control being maintained</b>	There is a strong system of internal control in place and risks are being effectively managed. Some minor action may be required to improve controls.	There is generally a good system of internal control in place and the majority of risks are being effectively managed. However some action is required to improve controls.	The system of internal control is weak and risks are not being effectively managed. The system is open to the risk of significant error or abuse. Significant action is required to improve controls.

## Appendix 2 Officers Interviewed

The following staff contributed to the outcome of the audit:

- ✓ Gordon Wylie, Property Manager
- ✓ Kelly Shaw, Property Administrator
- ✓ Rob Spearing, Facilities Supervisor
- ✓ Asif Hussain, Principal Accountant
- ✓ David Sutherland, Director of Finance and Assets

The Closing Meeting was attended by:

- ✓ Gordon Wylie, Property Manager
- ✓ David Sutherland, Director of Finance and Assets

The auditors are grateful for the cooperation and assistance provided from all the management and staff who were involved in the audit. We would like to take this opportunity to thank them for their participation.

## Disclaimer

Any matters arising as a result of the audit are only those, which have been identified during the course of the work undertaken and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that could be made.

It is emphasised that the responsibility for the maintenance of a sound system of management control rests with management and that the work performed by Internal Audit Services on the internal control system should not be relied upon to identify all system weaknesses that may exist. However, audit procedures are designed so that any material weaknesses in management control have a reasonable chance of discovery. Effective implementation of management actions is important for the maintenance of a reliable management control system.

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