

<b><u>MEETING</u></b> <b>AUDIT COMMITTEE</b>
<b><u>DATE AND TIME</u></b> <b>THURSDAY 20TH APRIL, 2017</b> <b>AT 7.00 PM</b>
<b><u>VENUE</u></b> <b>HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4BG</b>

Dear Councillors,

Please find enclosed additional papers relating to the following items for the above mentioned meeting.

Item No	Title of Report	Pages
5.	PUBLIC QUESTION AND COMMENTS (IF ANY)	3 - 18

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**AUDIT COMMITTEE  
THURSDAY 20 APRIL 2017**

**ITEM 5 – PUBLIC QUESTIONS AND COMMENTS**

**Note**

At the meeting, a time period of up to 30 minutes, is available for public questions and comments in total. If they wish the questioner at the meeting may ask one supplementary question to the original question, which will be answered without discussion. The supplementary question must be relevant to the original question put to the Chairman.

Qn No	Agenda Item No	Raised By	Question Raised	Answer
1.	<b>Item 7 – Appendix 2:</b> LBB response to Internal Audit Report – Health & Safety – Estates February 2017	Ms Musgrove	<p>According to this report it was only months ago that Capita was identified as having an inadequate standard of performance in compliance regarding responsibility for health and safety standards of the council's estate.</p> <p>How can it possibly be the act of a responsible local authority that this council is nearly four years into a ten year contract with Capita and is only now requiring the contractors to provide an adequate standard of compliance over something as fundamentally important as ensuring its own buildings are safe, and do not present a risk to the health and safety of staff members or members of the public?</p>	<p>Providing an adequate standard of building compliance has always been a fundamental requirement of the CSG contract since it commenced. The purpose of the audit was to identify any improvements that could be implemented for the Civic Estate. The recommendations to improve systems and processes are welcomed and action has been taken to address the issues raised.</p>

AGENDA ITEM 5

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2.	<b>Item 7 – Appendix 1:</b> Internal Audit Q4 progress report (Highways Programme)	Mr Dix	Given that this contract has been in place for 3½ years why have these issues not been previously identified by the council’s contract monitoring staff?	The audit was looking at the Network Recovery Plan, which was only a year old at the time of the audit.
3.	<b>Item 7 – Appendix 2:</b> LBB response to Internal Audit Report – Health & Safety – Estates February 2017	Ms Musgrove	<p>Only by October last year, was there any acknowledgement that there might be inadequate management and maintenance in terms of minimising risk in regard to "fire safety, gas safety, electrical safety, lift safety and asbestos &amp; legionella management". This is an extraordinary admission.</p> <p>What level of risk has been posed in the absence of adequate management of health and safety, to staff members, and members of the public, working in or visiting these buildings?</p>	Given the importance of Health and Safety, the audit was proactively commissioned by the council to look at where improvements could be made to the existing procedures and processes. The report has been helpful in this regard and actions have been taken where required. These have been set out in the Committee papers. Having scrutinised all the findings of the auditor’s report, CSG and the Council have concluded that where issues were identified, they did not result in any significant risk to council employees, residents or other users of the buildings
4.	<b>Item 7 – Appendix 1:</b> Internal Audit Q4 progress report (Highways Programme)	Mr Dix	The report states that no validation of the KPI information provided by the contractor was undertaken. By contractor do you mean Re or the highways contractor (Conway?)	We mean the highways contractor (Conway)

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5.	<b>Item 7 – Appendix 2:</b> LBB response to Internal Audit Report – Health & Safety – Estates February 2017	Ms Musgrove	In regard to legionella management, why is there no mention of library buildings, which are part of the estate managed by CSG?	The scope of the audit was restricted to nominated civic buildings. Libraries do not form part of this portfolio. Libraries compliance is managed in accordance with the CSG contract, Approved Code of Practice L8 and HSG274. The scope of the internal review of water safety measures will include those adopted to manage water systems in libraries.
6.	<b>Item 7 – Appendix 1:</b> Internal Audit Q4 progress report (Highways Programme)	Mr Dix	How many council contract monitoring staff have responsibility for monitoring the Highways Programme?	The overall accountability for management of the programme is led by the Commissioning Director Environment, supported by the Lead Commissioner Highways, and members of the Council’s Commercial Team. Operational management of the delivery of the programme is undertaken by the RE team.
7.	<b>Item 7 – Appendix 2:</b> LBB response to Internal Audit Report – Health & Safety – Estates February 2017	Ms Musgrove	As Capita are responsible, via CSG, for the maintenance of buildings, and responsible, via Re, for the enforcement of any breaches in statutory compliance, has the risk of conflict of interest, or the risk of perception of conflict of interest, been assessed by either internal or external audit? If so, please give details. If not, why not?	<p>Internal Audit undertook a review of Re Governance Arrangements in Q4 of 2014/15. The audit did not identify any evidence of undeclared conflicts of interest but did make recommendations to ensure oversight and transparency of declared conflicts.</p> <p>Audit followed this up and confirmed implementation of recommendations in Q1 of 2015/16.</p> <p>The external auditors, BDO, have not undertaken any review in this area.</p>

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8.	<b>Item 7 – Appendix 1:</b> Internal Audit Q4 progress report (Highways Programme)	Mr Dix	If there are no mechanisms in place to identify if performance indicator information is accurate how can accurate payments be paid to the contractor and is there a risk that payments have been made when they were not justified?	<p>The council is aware of the issues relating to the collection of performance information for the subcontractor Conway Aecom. RE does have verification processes in place, which are referenced in the audit report. Whilst there are issues in relation to the collection and exchange of information regarding KPIs, which officers are seeking to resolve, the audit report also concluded that there are controls in place to ensure that there is adequate oversight and quality assurance of the completion of works.</p> <p>For NRP or planned maintenance via Conway, KPI's are not in fact the triggers for payment. There is a robust contract in place that defines the quality of service and this is enforced through the defect notice (which require the contractor to put right any defective works at their own cost), and not through a KPI regime.</p>

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9.	<b>Item 7 – Appendix 2:</b> LBB response to Internal Audit Report – Health & Safety – Estates February 2017	Ms Musgrove	<p>In regard to this part of the report:</p> <p>"f. Escalation protocols: It was well understood by CSG Estates that LBB Head of Estates and LBB Head of Health, Safety and Wellbeing were to be informed by CSG Estates of any significant risk associated with building compliance without delay. However, the report noted that there was no written escalation protocol. In response, a protocol has now been drafted."</p> <p>If there is no written escalation protocol, and LBB not informed of significant risks associated with building compliance, is this not a very serious dereliction of statutory responsibility by the authority, in not requiring the establishment of such protocol, and ensuring significant risks are identified?</p>	An understood protocol has been in place and acted upon as required. The audit recommended that the protocol be formally documented, which has since happened.
10.	<b>Item 7 – Appendix 1:</b> Internal Audit Q4 progress report (Highways Programme)	Mr Dix	If there is no evidence that poor performance identified through KPI's is not addressed and appropriate action taken why are we paying Re a management fee and how much money has been wasted over the last 3½ years paying for poor performance?	The audit report highlights some issues regarding the overall performance management arrangements for the contract, which the council is currently addressing with RE and Conway. However, it also concludes that there are controls in place to ensure that there is adequate oversight and quality assurance of the completion of works.

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11.	<b>Item 7 – Appendix 2:</b> LBB response to Internal Audit Report – Health & Safety – Estates February 2017	Ms Musgrove	In regard to the same quote, is the failure of CSG to provide such information not a serious breach of contractual obligation, and if so, what penalties will ensue?	The audit report is not aimed at providing evidence of contractual failure, only recommendations to improve processes and procedures, which have now been put in place.
12.	<b>Item 7 – Appendix 1:</b> Internal Audit Q4 progress report (Highways Programme)	Mr Dix	Who is responsible for reviewing performance indicators: Re; Council Officers; or members of the Performance and Contract Management Committee?	RE KPIs are being reviewed as part of the year four review of the contract, led by the Commissioning Director Environment, supported by the Commercial Team, and in consultation with officers from RE. The review is being steered by a Member-led Working Group and the outcomes of the review will be reported to the Performance and Contract Management Committee in September.
13.	<b>Item 7 – Appendix 2:</b> LBB response to Internal Audit Report – Health & Safety – Estates February 2017	Ms Musgrove	When was the Head of Building Services 'replaced'?	March 2017



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14.	Item 7 – Appendix 1: Internal Audit Q4 progress report (Highways Programme)	Mr Dix	To what extent are the large number of complaints linked to the poor highways work related to the inadequate monitoring of this contract?	<p>Whilst there are known challenges in respect of the highways network, customer satisfaction with the service has improved from 51% in 2014/15 to 65% in 2016/17.</p> <p>For the second year of NRP programme which is being discussed in the report, Re have conducted a face to face questionnaire on completion of the works and over 90% of residents are satisfied with the works.</p> <p>Customer feedback will be considered as part of the year four RE contract review.</p>

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15.	<b>Item 7 – Appendix 2:</b> LBB response to Internal Audit Report – Health & Safety – Estates February 2017	Ms Musgrove	<p>" i. Sub-contractor management: CSG Procurement are supporting CSG Estates in appointing long-term supply chain members that satisfy LBBs policy and procedures and European regulations. This will be concluded by end of September 2017. Until this point the existing supply chain will be employed in the delivery of services and alternative providers may also be procured on a short-term basis."</p> <p>Does this mean that 'long-term supply chain members' until now have been appointed in circumstances that were not fully compliant with LBB's policy, procedures, &amp; European regulations?</p>	Existing contractors were appointed in compliance with all relevant procedures and regulations, as will any additional short and longer-term contractors..
16.	<b>Item 7 – Appendix 1:</b> Internal Audit Q4 progress report (Highways Programme)	Mr Dix	The agreed actions fail to address the fact that Barnet may have been paying for services which are poor or inadequate, or not what is required for the last 3½ years. Will you add an action that seeks to investigate how much has been overpaid to contractors and what compensation should be sought?	The audit report does not conclude that LBB may have been paying for services which are poor or inadequate. Nor does it make any recommendations in that respect. Therefore, it is not clear that it would be appropriate to conduct such an investigation.

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17.	<b>Item 7 – Appendix 2:</b> LBB response to Internal Audit Report – Health & Safety – Estates February 2017	Ms Musgrove	Is there a conflict of interest inherent in CSG procurement supporting CSG estates to remedy any contractual non-compliance in this context?	No. Each service operates independently from each other and is accountable to different parts of the council.
18.	<b>Item 7 – Appendix 2:</b> LBB response to Internal Audit Report – Health & Safety – Estates February 2017	Mr Dix	Can you clarify what elements of non-civic estate health & safety were included in the original CSG contract and what has subsequently been passed to Capita through the Special Projects (SPIR's) route.	Under the contract with Capita, responsibility for building compliance in all buildings that are maintained by the council lies with CSG. For buildings that are leased-out, responsibility often lies with leaseholders. For Community Schools, it lies with the school. For leased-in property such as NLBP, responsibility lies with the landlord, but CSG track & report the status. No additional responsibility has been passed to CSG through special projects. The special projects process has only been used to commission supplementary surveys and inspections to ensure that information relating to the maintained estate is as up to date and robust as possible.

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19.	<b>Item 7 – Appendix 2:</b> LBB response to Internal Audit Report – Health & Safety – Estates February 2017	Ms Musgrove	<p>4 Contracts (Operating Effectiveness)</p> <p>a) We will undertake a review of the contractors used to ascertain the number of contractors for which a signed contract cannot be located. We will investigate any instances where a contract cannot be retrieved and take appropriate action, ensuring there is an interim solution in place."</p> <p>"4. c) A listing of contractors and approved Subcontractors will be maintained."</p> <p>These two statements represent a most extraordinary admission.</p> <p>You do not have a list of contractors, or sub contractors, nor know how many contractors you are paying, with whom there is no signed contract.</p> <p>Is this not a repetition of the ' MetPro' situation of some years ago, in which council contracts were exposed by local bloggers as being largely non compliant?</p>	<p>No. Responsibilities are clearly defined in the contract and a framework of compliance testing and reporting has been in place. The audit was proactively commissioned to look at where improvements could be made to ensure that processes and procedures are as robust as possible. Action has been taken against each of the recommendations. We do hold a list of approved subcontractors (Term Maintenance Contractors) and know what is paid to each contractor.</p>

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20.	<b>Item 7 – Appendix 2:</b> LBB response to Internal Audit Report – Health & Safety – Estates February 2017	Mr Dix	How are SPIR's monitored given they are not covered by the CSG KPI structure?	Each SPIR sets out expected deliverables and expected benefits. The achievement of the deliverables and the benefits set out in SPIRs is monitored by the Senior Responsible Officer (SRO) for each relevant area.
21.	<b>Item 7 – Appendix 2:</b> LBB response to Internal Audit Report – Health & Safety – Estates February 2017	Ms Musgrove	How on earth has the council yet again allowed such a massive failure in contractual management to occur?	The findings of audit report do not suggest that a massive failure in contractual management has occurred. Rather, it makes recommendations in relation to processes and procedural improvements and actions have been taken as a result.
22.	<b>Item 7 – Appendix 2:</b> LBB response to Internal Audit Report – Health & Safety – Estates February 2017	Mr Dix	What mechanisms are in place for the council's contract monitoring team to review and assess the performance of SPIR's?	SROs, supported by the council's Contract, Performance Development Managers have responsibility for overseeing the performance of contracted services. Within this is a responsibility to review and assess the performance of SPIRs. This activity takes place through contract management forums and any issues are escalated to Partnership Operations Board (POB).

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23.	<b>Item 7 – Appendix 2:</b> LBB response to Internal Audit Report – Health & Safety – Estates February 2017	Ms Musgrove	Will there be a CAFT investigation into the circumstances of these non-compliant contracts?	Non-compliance is not necessarily fraud but may be due to non-adherence to policies or procedures. If this is the case it would be a matter for the delivery unit to investigate. The audit did not identify any cases of non-compliance that would require a CAFT investigation.
24.	<b>Item 7 – Appendix 2:</b> LBB response to Internal Audit Report – Health & Safety – Estates February 2017	Mr Dix	What mechanisms are in place to assess whether payments made for SPIR's are valid?	At the point when a SPIR is signed, a payment profile is agreed for the deliverables and expected benefits to be delivered. Each month, a detailed breakdown is provided of charges for each individual SPIR. An LBB officer reviews the invoice amount for each SPIR with the relevant budget holder and obtains assurance that services have been delivered as expected and obtains payment approval.
25.	<b>Item 7 – Appendix 2:</b> LBB response to Internal Audit Report – Health & Safety – Estates February 2017	Ms Musgrove	Will there be an independent investigation into any failure by the commissioning side of the council to monitor the regulation of payments to contractors and sub-contractors?	Management of LBB contracts is delegated to CSG as managing agents, under the CSG contract. There is no suggestion in the audit report findings that payments have not been properly regulated.

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26.	<b>Item 7 – Appendix 2:</b> LBB response to Internal Audit Report – Health & Safety – Estates February 2017	Mr Dix	Almost 4 years into this contract why are you still trying to clarify and confirm the roles and responsibilities with regards to estates health & safety functions and does this mean that it exposes to authority to the risk of prosecution for incidents that may have taken place during this period?	Roles and responsibilities are clear and there is no suggestion in the audit report or elsewhere that any incidents have occurred. The audit has made recommendations designed to strengthen procedures and processes and action has been taken in response.
27.	<b>Item 7 – Appendix 2:</b> LBB response to Internal Audit Report – Health & Safety – Estates February 2017	Ms Musgrove	Bearing in mind the contents of this report, and the context of ever increasing payments to Capita, does the Chair still feel that the contracts so easily approved by himself and his Conservative colleagues really do represent value for money for residents and taxpayers, and, as they promised us, deliver a range of services that are of a better standard?	Given the financial forecasts at the time that the contract was being negotiated and signed, I am happy that the Council is getting value for money. The fundamental review of the CSG contract which reported before Christmas confirmed this. However in a contract of this size there will always be room for improvement and the need to clarify interpretation of some parts of the contract. Again the CSG contract review has highlighted areas for improvement and these are being implemented under the oversight of the cross party member working group. In terms of the services provided, the alternatives for reducing the costs were considered and rejected, as were unpalatable increases in local taxation.
28.	<b>Item 7 – Appendix 2:</b> LBB response to Internal Audit Report – Health & Safety – Estates February 2017	Mr Dix	If reports to the ACB do not provide clear and useful data to provide sufficient oversight what other issues may have arisen over the last 4 years that they are not aware of?	Whilst it is accepted that reporting needs to be improved, this is not necessarily indicative of a lack of physical building compliance management. There is no suggestion in the audit report or elsewhere that any incidents have occurred.

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29.	<b>Item 7 – Appendix 2:</b> LBB response to Internal Audit Report – Health & Safety – Estates February 2017	Mr Dix	The agreed actions state that you may consider employing a client side Compliance officer. Am I the only one who is shocked that this was not already in place and will you change the action to <b>will</b> employ a client side Compliance officer immediately?	The agreed response is for the Capita National Compliance Team, to ensure to CSG are fulfilling their responsibilities along with adopting best practice through continuous improvement.
30.	<b>Item 7 – Appendix 2:</b> LBB response to Internal Audit Report – Health & Safety – Estates February 2017	Mr Dix	Will you refer this matter to the Performance and Contract Management Committee and ask them why it has taken a internal audit to identify these problems when they should have been picked up by the standard contract monitoring process which is evidently deficient.	The findings of audit report do not identify any significant problems with the CSG contract or contract management. Actions to strengthen processes and procedures have been taken forward in response to the audit recommendations.



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31.	Item 7 – Appendix 2: LBB response to Internal Audit Report – Health & Safety – Estates February 2017	Mr Dix	Will you commission a more detailed investigation into the overall contract monitoring procedures and resources for both the RE and CSG contract given they are evidently inadequate?	Contract management arrangements were reviewed as part of the Year 3 Review of the CSG contract. That review concluded that <i>“the council’s contract management approach has developed and been strengthened over the first three years of the contract, for example with additional client resource being put into the HR, Estates and ICT services. In broad terms, the current arrangements for governance and performance management of the contract are considered to be robust, but the Review has identified the potential for further enhancements to the contract management arrangements to streamline reporting arrangements and clarify accountabilities.”</i> These improvements are in the process of being implemented. The council is now conducting a similar review of the RE contract, which is also considering contract monitoring arrangements and may result in further improvements being identified. Council officers are committed to the concept of continuous improvement, rather than relying on one-off reviews to initiate changes, and Internal Audit plays an important role in identifying areas on which management should focus their improvement efforts.

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