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Audit Committee, 17 June 2015

## Internal Audit Report – Facilities Management

### Executive summary and recommendations

#### **Introduction**

As part of the Internal Audit Plan for 2014-15 Mazars have undertaken a review of arrangements for facilities management.

#### **Decision**

The Committee is asked to discuss the report

#### **Resource implications**

None

#### **Financial implications**

Mazars' agreed fees in 2014-15 are £24,000 including VAT and expenses.

#### **Appendices**

Internal Audit Report – Facilities Management

#### **Date of paper**

9 June 2015



Internal Audit Report

**Facilities Management  
(08.14/15)**

**April 2015**

**FINAL REPORT**

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### Appendix 1 – Definitions of Assurance Levels and Recommendations

#### AUDIT CONTROL SCHEDULE:

<b>Client contacts</b>	Greg Ross-Sampson: Director of Operations  Steve Hall: Facilities Manager	<b>Internal Audit Team</b>	Graeme Clarke: Director  James Sherrett: Manager  Christopher Wingrove: Senior Auditor
<b>Finish on Site \ Exit Meeting:</b>	16 October 2014	<b>Management responses received:</b>	24 April 2015
<b>Draft report issued:</b>	4 March 2015	<b>Final report issued:</b>	27 April 2015

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#### Status of our reports

*The responsibility for maintaining internal control rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy of the internal control arrangements implemented by management and perform testing on those controls to ensure that they are operating for the period under review. We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone are not a guarantee that fraud, where existing, will be discovered.*

*Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work.*

## 1. INTRODUCTION

- 1.1 As part of the Internal Audit Plan for 2014/15, we have undertaken an audit of the Health and Care Professions Council's (HCPC) processes in relation to facilities management. The audit was included in the Plan due to the number of facilities-related risks identified in HCPC's Risk Register and also this area had not been subject to an internal audit review in over four years.
- 1.2 We are grateful to the Director of Operations, Facilities Manager and other members of staff for their assistance during the course of the audit.
- 1.3 This report is for the use of the Audit Committee and senior management of HCPC. The report summarises the results of the internal audit work and, therefore, does not include all matters that came to our attention during the audit. Such matters have been discussed with the relevant staff.

## 2. BACKGROUND

- 2.1 Facilities management supports the core business of regulating health and care professions through maintaining the facilities and ensuring that the buildings HCPC occupy can support the Council's strategic objectives. The on-going costs of facilities management can often represent one of the highest elements of revenue expenditure in an organisation after pay expenditure.
- 2.2 Within HCPC, executive management responsibility for facilities management lies with the Director of Operations. On a day-to-day basis, this is delegated to the Facilities Manager, who is assisted by a Facilities Team consisting of a Supervisor two facilities officers and three receptionists.
- 2.3 On an annual basis, the Facilities team prepare a budget for the forthcoming year, which incorporates annual planned works, on-going cyclical maintenance and expected responsive repair costs. Once approved, this is monitored on a monthly basis through a budgetary report provided by Finance.
- 2.4 Reactive repairs are reported through the Absolute Software package Helpdesk system. Planned Maintenance of mechanical and electrical installations, as well as cleaning and a degree of more specialised responsive repairs, are undertaken by a selection of contractors. These are currently engaged annually and invoiced per works completed.
- 2.5 As at the end of Month 10, non-payroll related facilities management costs were approximately £1.081m, a positive variance against budgeted expenditure of approximately £67k. The most recent reforecast also shows that year-end outturn expenditure is forecast to be below the budgeted level.

## 3. SCOPE AND OBJECTIVES OF THE AUDIT

- 3.1 Our audit considered the following risks relating to the area under review:

- Staff do not know what they are responsible for, or how they should carry out their duties, leading to non-compliance with HCPC policy and procedures;
- Operational difficulties arising from poorly maintained, fit for purpose accommodation and staff work space;

- Failure to achieve and demonstrate value for money / comply with HCPC's procurement requirements; and
- Ineffective monitoring and review of the financial and operational performance of any third party contractors, potentially resulting in poor value for money and / or poor service provision.

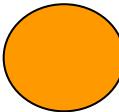
3.2 In reviewing the above risks, our audit considered the following areas:

- Policies and procedures;
- Roles and responsibilities of the Facilities Department;
- Review of in-house and key outsourced facilities management contracts and services;
- Procurement of contracts and services – including one-off and long term arrangements;
- Ongoing maintenance, for example repairs, testing and servicing, identification, allocation, and prioritisation of repairs works (including helpdesk system);
- Audit trail to support work undertaken and services provided;
- Performance monitoring of contracts with third parties / contractors;
- Monitoring of staff satisfaction with repairs, cleaning, security and other relevant services – e.g. through feedback surveys; and
- Monitoring and reporting to Senior Management / Council.

3.3 The objectives of our audit were to evaluate the adequacy of controls and processes for facilities management and the extent to which controls have been applied, with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment, it should be noted that assurance cannot be absolute. The most an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

3.4 We are only able to provide an overall assessment on those aspects of the controls and processes for facilities management that we have tested or reviewed. The responsibility for maintaining internal control rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy of the internal control arrangements implemented by management and perform testing on those controls to ensure that they are operating for the period under review. We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone are not a guarantee that fraud, where existing, will be discovered.

#### 4. AUDIT FINDINGS: ONE PAGE SUMMARY

Assurance on effectiveness of internal controls	
	Adequate Assurance

Recommendations summary	
Priority	No. of recommendations
1 (Fundamental)	None
2 (Significant)	2
3 (Housekeeping)	4
<b>Total</b>	<b>6</b>

Risk management	
HCPC have a number of facilities management related risks in its Risk Register. Some of these relate to health and safety and business continuity planning. These include 'Interruption to electricity supply (Risk 2.7)' and 'Basement flooding (Risk 2.11)' which were reviewed as part of our review of Disaster Recovery - BCP in 2013/14 (report 03.13/14 refers). In order to ensure more robust health and safety controls, the Council is introducing a new Health and Safety Policy and contractor permit form that each contractor will be required to sign on visits. In 2013/14, we also conducted an internal audit of Health & Safety (report 08.13/14 refers) which provided Substantial assurance.	

Value for money	
Value for money implications arise in this area through the extent of any maintenance programmes and the procurement of external contractors. We have found that there is scope for entering more formal contracts with a number of current contractors who carry out regular maintenance. It was noted, however, that HCPC maintains a number of good relationships with the current contractors used.	

## 5. SUMMARY OF FINDINGS

### Overall conclusion on effectiveness and application of internal controls

5.1 Taking account of the issues identified in paragraphs 5.2 to 5.3 below, in our opinion the control framework for facilities management, as currently laid down and operated at the time of our review, provides **adequate** assurance that risks material to the achievement of HCPC's objectives are adequately managed and controlled.

### Areas where controls are operating effectively

5.2 The following are examples of controls which we have considered are operating effectively at the time of our review:

- Members of the team have a variety of expertise include plumbing, electrical, general caretaker work and cleaning;
- There is an email-based Helpdesk system of reporting repairs. The system is capable of generating detailed performance reports over pre-set timeframes;
- There are controls in place to ensure there is segregation of duty and approval from the Director of Finance when setting up new suppliers on the Lotus supplier system;
- Sample testing confirmed that appropriate controls were in place in respect of the raising and authorisation of purchase orders, and these were subsequently checked and matched to invoices received and BACs payments made;
- Budgetary reports are provided to the Facilities department on a regular basis enabling effective monitoring of departmental spend to date; and
- Updates are provided to Council on estates matters through the annual Operations report.

### Areas for further improvement

5.3 We identified certain areas where there is scope for further improvement in the control environment. These matters arising have been discussed with management. The recommendations have been, or are being, addressed as detailed in the management action plan (Section 6 below).

## 6. ACTION PLAN

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
6.1	<p><i>Observation:</i> The Facilities department service policy is stated via the staff Intranet service standards which outline the responsibility and commitment to a number of tasks.</p> <p>In review of this, we noted a service standard had not been defined in respect to how repair works will be managed via the Helpdesk by Facilities. These are also no guidance procedure to accompany this process.</p> <p>In addition, in review of the Facilities department procedures held on the Intranet, we found that the Disposal of Fixed Assets procedure had not been completed.</p> <p><i>Risk:</i> Staff do not know how to carry out processes in respect of facilities leading to matters being unresolved.</p>	<p>HCPC Facilities should ensure all facilities procedures on the intranet are up-to-date.</p> <p>This should include procedures in respect of the process for reporting repairs through the Helpdesk and that the Facilities SLA responsibilities to the Helpdesk are documented on the Facilities Intranet service standards page.</p>	3	All Facilities Department Service Standards on the Intranet have been reviewed and are up to date.	Immediate

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
6.2	<p><i>Observation:</i> It was found that for a number of the planned on-going maintenance works, such as fire checks by Chubb or security checks by Secom, there were no formal contract agreements in place. In our experience, given the cyclical nature of such checks we would expect to see a formal agreement in place.</p> <p><i>Risk:</i> HCPC are vulnerable to negligent supplier works without appropriate mechanisms in place to remedy these.</p>	For the regular maintenance contractors such as fire checks and security, HCPC should put in place formal contractual arrangements over fixed term periods.	2	<p>There are informal written agreements for all maintenance works. i.e. Fire Extinguishers, Fire Alarms, CCTV, Access Control, Intruder alarms, lifts, franking machine, vending machines.</p> <p>The informal written agreements for the Fire Extinguishers and Fire Alarm systems are based upon annual pre-payment for these services</p> <p>The lifts are covered by a 3 year contract which commenced commencing January 2014 and provide for 12 service visits per lift per annum, paid for quarterly in advance.</p>	By September 2015  To be updated to provide detailed contracts specifying costs, number of maintenance visits per annum and length of agreement

	<b>Observation/Risk</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Management response</b>	<b>Timescale/ responsibility</b>
6.3	<p><i>Observation:</i> From our sample test of contractor payments we found that for one piece of work above £8K (Parkeray £18,658 – 16 April 2014) there was no evidence that three written quotations had been obtained as per Procurement Policy guidelines.</p> <p>It was found that it had been adequately raised via a purchase order and was approved by the Chief Executive.</p> <p><i>Risk:</i> Best value is not obtained and procurement guidelines are not followed.</p>	<p>HCPC should ensure that competitive quotes are obtained for all contracted works and purchases in line with the procurement guidelines.</p> <p>Evidence of these quotations should be retained.</p>	3	<p>In order to meet an urgent business need, these building works were done expeditiously.</p> <p>The requirements of the procurement process was balanced against the urgent business need and the management decision was taken to proceed with the urgent works with an existing supplier.</p> <p>All Facilities team members have been reminded of the procurement process tendering limits within this process.</p>	Immediate
6.4	<p><i>Observation:</i> We found, in our sample testing of contractor payments processing, that two cleaning contractor works for different periods, but with identical descriptions as per the invoice, had been coded and posted to different budget codes on the SAGE system. One item was posted to 'Cleaning Materials - 2405' while the other was to 'Cleaning Contractors - 2406'. The description for both works reflected cleaning contractor work by Apollo, as per code 2406.</p> <p><i>Risk:</i> Financial accounts and budgets are not allocated properly.</p>	<p>HCPC Facilities and Finance should ensure contractor works are coded appropriately and entered into the correct cost centre on the Finance system.</p>	3	<p>One payment was for the cleaning activity, one was for the cleaning materials used.</p>	No change required

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
6.5	<p><i>Observation:</i> For four of the eight sampled contractor payments it was found that the purchase order (PO) had been raised after the invoice date and works completed. We were informed by the Facilities Manager that often in the case of emergency works the contractor needs to come in at short notice and a retrospective PO may be raised. However, of the four cases, one case related to security costs payable to Secom Plc for annual fees for key-holding, maintenance and fire monitoring. A further two cases related to monthly fees for cleaning services from Apollo Cleaning Services Ltd.</p> <p><i>Risk:</i> Financial control over contractor spend is not maintained.</p>	<p>HCPC and the Facilities department should ensure that, where possible, POs are raised in advance of invoices being received and payments made.</p>	2	<p>By their nature, emergency works are carried out at zero notice, and even short delays may increase the level of damage and associated remedial costs to repair such.</p> <p>Any delay is thus inappropriate.</p> <p>Cases mentioned were an oversight by Facilities and the team have been reminded to plan better to capture advanced costs to ensure that processes for invoices and purchase orders are followed in good time to ensure continuity of service.</p> <p>Purchase orders for future periods are being put into place to ensure this does not occur again.</p>	Immediate

	<b>Observation/Risk</b>	<b>Recommendation</b>	<b>Priority</b>	<b>Management response</b>	<b>Timescale/ responsibility</b>
6.6	<p><i>Observation:</i> It was found that there is currently no formal KPI or other performance monitoring practice applied to the Facilities department.</p> <p>We identified that the Helpdesk repairs logging system is capable of having parameters set to generate reports on performance, including such measures as completion of works against deadline, number of jobs outstanding and works by type or department raised.</p> <p>We also found that although there is an overall staff survey undertaken every two years, on review there is no reference to staff satisfaction with facilities services or quality of facilities maintained.</p> <p>The Facilities department do not issue their own feedback surveys.</p> <p><i>Risk:</i> Facilities do not get adequate feedback on the work carried out and data is not used to help drive forward planning.</p>	<p>HCPC should consider applying a more formalised performance monitoring structure for facilities that ensures department performance information is reported to EMT on a periodic basis.</p> <p>KPIs, and other key information such as Helpdesk incidents by type and department, based on data from the Helpdesk system, should be harnessed.</p> <p>In addition, consideration is given to the overarching HCPC staff survey including reference to the Facilities department service. This data could also feed into the performance reporting framework for Facilities.</p>	3	<p>As part of the Facilities Work plan for 2015-16, a report of Service desk repairs will be presented to EMT by July 2015.</p> <p>Any relevant feedback from the HCPC employee survey is fed back to the team informally.</p>	July 2015

## Appendix 1 – Definitions of Assurance Levels and Recommendations

We use the following levels of assurance and recommendations in our audit reports:

Assurance Level	Adequacy of system design	Effectiveness of operating controls
Substantial Assurance:	While a basically sound system of control exists, there is some scope for improvement.	While controls are generally operating effectively, there is some scope for improvement.
Adequate Assurance:	While a generally sound system of control exists, there are weaknesses which put some of the system objectives at risk.	While controls are generally operating effectively, there are weaknesses which put some of the system objectives at risk.
Limited Assurance:	Control is generally weak leaving the system open to significant error or abuse.	Control is generally weak leaving the system open to significant error or abuse.

Recommendation Grading	Definition
Priority 1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose HCPC to a high degree of unnecessary risk.
Priority 2 (Significant)	Recommendations represent significant control weaknesses which expose HCPC to a moderate degree of unnecessary risk.
Priority 3 (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.