

NHS Lothian

Internal Audit 2023/24

Backlog Maintenance

May 2024

FINAL REPORT

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It is the responsibility solely of NHS Lothian management and directors to ensure there are adequate arrangements in place in relation to risk management, governance, control and value for money.



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Executive Lead:	
• Morag Campbell, Director of Estates	
For action:	
• Tommy Logan, Head of Operations Hard FM (Estates)	
For Information:	
• Calum Campbell - Chief Executive	
• Craig Marriott - Director of Finance	
• Audit and Risk Committee	

Executive summary



Background

Efficient backlog maintenance is necessary in upholding statutory compliance, estates standards, and preventing deterioration. Our review will provide an impartial assessment of two primary areas of concern: Estates Backlog Identification and management, and financial controls pertaining to backlog maintenance within NHS Lothian.

To do this we will assess the prioritisation process to ensure it utilises risk-based criteria to identify and select essential maintenance needs within the estate. Allocation of capital resources should be based on priority and deliverability, with a thorough examination to ensure resources are effectively directed where needed most.

Additionally, considering the financial constraints faced by the NHS, we will examine the management of backlog maintenance works with a specific focus on ensuring appropriate cost controls are in place. This includes ensuring that backlog maintenance projects are developed based on well-defined criteria and reliable cost data. We will also assess the presence of mechanisms to promptly identify and mitigate cost overruns.

We will also review the completion verification process to ensure payments to external contractors are disbursed only upon satisfactory work completion and in accordance with contractual terms. Lastly, we will assess whether there is a system in place to link purchase orders (POs) and invoices to the individual backlog works carried out to ensure transparency in costs.

In summary, our objective is to assess the procedures and controls in place for managing NHS Lothian's backlog maintenance works programme.

Executive summary



Objectives

Our review focussed on the following potential risk areas split into two main areas:

Estates Backlog Risks:

- **Prioritisation Risk:** Inadequate prioritisation of backlog works may lead to non-compliance, estate deterioration, and inefficient budget allocation.
- **Cost Management Risk:** Inadequate estimation and control of costs resulting in failure to achieve value for money.
- **Completion Verification Risk:** Backlog works are not assessed upon completion, leading to the acceptance of substandard work.



Financial Control Risks:

- **Capital Allocation Risk:** Insufficient Allocation of capital for backlog maintenance risks resulting in failure to address critical maintenance needs
- **Recording System Risk:** Lack of a financial audit trail resulting in poor traceability in linking POs and invoices to backlog works

Limitations in scope

Our findings and conclusions will be limited to the risks identified above. The scope of this audit does not allow us to provide an independent assessment of all risks and controls associated with fraud.



Where sample testing is undertaken, our findings and conclusions will be limited to the sample tested only. Please note that there is a risk that our findings and conclusions based on the sample may differ from the findings and conclusions we would reach if we tested the entire population from which the sample is taken.

This report does not constitute an assurance engagement as set out under ISAE 3000.

Acknowledgement

We would like to take this opportunity to thank your staff for their co-operation during this internal audit.

Headline messages



Moderate Assurance

We have reviewed the processes and controls around the prioritisation, cost management and completion verification of backlog maintenance, along with a processes and controls around capital allocation and financial management of works and have concluded that the processes have provided **Moderate Assurance**. This was confirmed through testing in specific areas of the organisation and through discussions with management.

We have provided a 'Moderate Assurance' based on our findings, indicating that the controls upon which the organisation relies are suitably designed and mostly effectively applied. NHS Lothian do not have a risk on the risk register relating to the funding and deliverability of the backlog maintenance capital programme so this is not considered a strategic risk, any overspends are authorised at a Director level and NHS Lothian Capital Investment Group (LCIG) has implemented a process for categorising the risk of holding unfunded backlog maintenance, so this context has supported our Moderate Assurance rating.

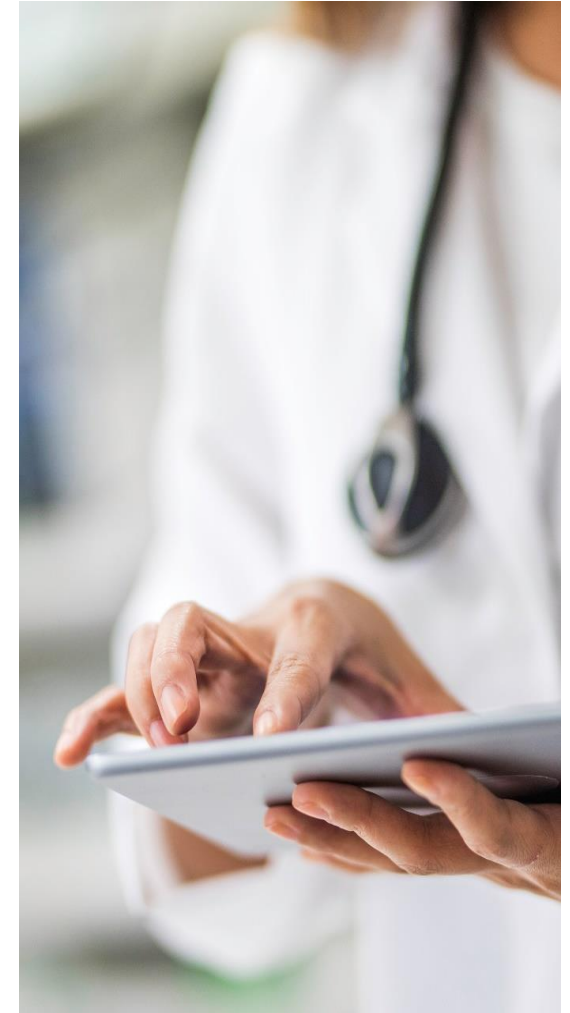
The review has noted the financial challenges faced by the Board and the impact of this on the delivery of the Backlog Maintenance Programme. The 2023/24 Estates Capital Investment Plan was initially £9.5m but reduced to £4.82m, resulting in NHS Lothian Estates prioritising urgent and essential Health & Safety actions or clinical criticality needs.

Whilst the Capital Investment Plan for backlog maintenance projects has been signed off by the Lothian Capital Investment Group, with financial updates routinely presented, the individual budgets for the projects are not an accurate indication of the overall costs associated with the projects and there are numerous overspends against the original budgets, where no formal approval has been received for the increase. There are a number of projects that are currently unfunded, relating to backlog maintenance and the wider estates capital investment plan, however, management has not yet utilised the Board's capital prioritisation processes and procedures to secure additional funding, with mitigating actions for some of these projects not in place. Improvement opportunities have also been noted around the reporting and monitoring of risks associated with backlog maintenance and the impact of reduced capital expenditure.

Testing of a sample of completed works has identified instances where the completion of the work had not been evidenced prior to payment and there is no documented procedures for handling sub-standard work and subsequent escalation process.

We note that significant work has been carried out in the past two years to evaluate asset condition and likelihood of failure, with the data from this exercise used in the prioritisation of backlog maintenance works. A comprehensive backlog maintenance workbook is in place derived from the Electronic Asset Management System and Strategic Asset Management System, which includes the risk ranking, alongside the costs of remedial actions.

We will review progress made as part of our recommendation tracking during 2024/25.



Headline messages



Conclusion

We have raised nine recommendations. The grading of these recommendations, based on risk, is summarised in the table below.

Objectives	Assurance rating	Number of recommendations			
		High	Medium	Low	Imp
Risk of inadequate prioritisation of backlog works, leading to non-compliance, estate deterioration and inefficient budget allocation.	Moderate Assurance	-	2	1	1
Risk of inadequate estimation and control of costs resulting in failure to achieve value for money.	Moderate Assurance	-	2	-	-
Risk that backlog works are not assessed upon completion, leading to the acceptance of sub-standard work.	Significant Assurance	-	-	2	-
Risk that insufficient allocation of capital for backlog maintenance risks results in failure to address critical maintenance needs.	Moderate Assurance	-	2	-	-
Risk that a lack of a financial audit trail results in poor traceability in linking POs and invoices to backlog works.	Significant Assurance	-	-	-	-

Summary of findings



Examples of where recommended practices are being applied

- The associated risks with the operation of estates is managed by a process of prioritisation of work, using professional expertise available across the health board. The process is led by the Head of Estates Hard FM working closely with estates managers and other members of the NHS Lothian estates team.
- In 2020, the Estates department introduced a capital asset management demand prioritisation methodology which assessed the likelihood of failure of an asset and the impact of failure. This methodology once applied is the management of risk associated with backlog maintenance. A backlog maintenance workbook has been developed using the results of the comprehensive analysis of the estate, which has applied the likelihood/impact scoring methodology.
- A Backlog Maintenance and Lifecycle Programme Board was created in September 2023 and is a Capital Finance Governance Group with delegated authority from Lothian Capital Investment Group (LCIG) for prioritisation of backlog maintenance and lifecycle works across NHS Lothian. The Group's remit is to be the key reference for all matters relating to the management of, and investment in, backlog maintenance with a responsibility to plan and implement a transparent process of prioritisation including unfunded projects. The establishment of this Group is good practice however, as it is new, we cannot provide assurance over its effectiveness until it is more fully established.
- The Capital Investment Plan for backlog maintenance (2023/24) has considered priorities which are deemed urgent to health & safety and/or clinical criticality. An integrated impact assessment was completed when developing the proposals and is also included in the Capital Investment Plan, based on an established risk matrix.
- Financial monitoring controls are in place through the routine review of the Purchase Order Tracker by Project Managers and the Head of Operations Hard FM, who also meets regularly with backlog maintenance Programme Managers to discuss the costs associate with specific projects prior to routine update to LCIG.

Detailed findings and action plan

1.1

Moderate Assurance

Risk of inadequate prioritisation of backlog works, leading to non-compliance, estate deterioration and inefficient budget allocation.

Finding and implication	Audit recommendation	Management response, including actions
<p><u>Mitigating actions are not in place for all unfunded projects</u></p> <p>For 2023/24, there are 19 unfunded projects recorded within the Estates Capital Investment Plan. All unfunded projects were reviewed to determine their current status and whether appropriate mitigating controls had been implemented by Estates. The risks associated with 11 projects are mitigated by a process of routine inspection and repair. A further three projects have been funded through either the capital or revenue budget allocation.</p> <p>However, the review of unfunded projects has noted that no mitigation controls are in place for four projects (SA2854, SA2808, SA2809, SA1814). Furthermore, the progress of unfunded project SA2885 (Replacement of Critical Ventilation – Leith CTC) currently sits with the Ventilation Steering Group and instruction is outstanding with regards on how to proceed.</p> <p>Failure to implement adequate mitigation against unfunded projects carry’s the risk of failure or further deterioration of an asset, leading to an increased risk to patient safety and increased costs to rectify.</p> <p><i>NB/ Our 2022/23 review of ‘Critical Infrastructure Systems – Ventilation’ focused on compliance with Part B of the Scottish Health Technical Memorandum (SHTM) 03-01 Specialised ventilation for healthcare premises, and identified the following high-risk areas which attracted high risk recommendations and required attention in NHS Lothian’s Annual Governance Statement:</i></p> <ul style="list-style-type: none"> • <i>Planned maintenance is not being carried out as and when required, or to the appropriate instruction</i> • <i>Actions arising from the annual inspection of critical ventilation systems are not subject to ongoing monitoring and review</i> 	<p>Recommendation 1</p> <p>Where mitigation or contingency arrangements (such as routine inspection and repair, or patient decant) are not possible for unfunded backlog maintenance projects, this should be clearly communicated to management and agreement obtained that they are acceptable under the current risk appetite, or additional work undertaken to reduce the risk associated with them, particularly where issues are longstanding.</p>	<p>Estates & Facilities Senior Management Team have already identified this as an area of vulnerability and are in the process of risk assessing the potential for failure (whilst recognising financial constraints) and implementing remedial actions.</p> <p>Actions:</p> <p>All unfunded projects will be risk assessed in order to ascertain the risk associated with the limited funding and therefore whether the current controls in place are suitable and sufficient.</p> <p>These risk assessments will be included in a larger scope of works (for which specific templates have been developed) assessing the financial impact of all projects whether funded or unfunded.</p> <p>This will be agreed and approved via Estates & Facilities SMT</p> <p>Responsible Officer: Tommy Logan</p> <p>Executive Lead: Morag Campbell</p> <p>Due Date: 31/05/24</p>

Detailed findings and action plan

1.2	Moderate Assurance	Risk of inadequate prioritisation of backlog works, leading to non-compliance, estate deterioration and inefficient budget allocation.	
Finding and implication		Audit recommendation	Management response, including actions
<p><u>Risks to the non-completion of backlog maintenance are not adequately recorded and assessed</u></p> <p>In August 2023, a report was prepared for the Lothian Capital Investment Group (LCIG), which listed unfunded projects costs and risks relating to the projects within Estates and Facilities.</p> <p>Subsequently, the risks associated with the projects were raised on the Estates and Facilities Risk Register, which is in turn overseen by the Estates and Facilities governance process.</p> <p>An extract of the Risk Register was obtained, and all risks associated with capital financing requirements and backlog maintenance were reviewed.</p> <p>The review noted that there was no specific entry in the Risk Register related to unfunded projects. Although controls in place for risk 3189 (NHS Lothian is unable to deliver an efficient healthcare service because of unsuitable accommodation and clinical environments) have recorded that a management process and structure for reporting of Backlog Maintenance has been implemented, including the LCIG, there is no mention of the Backlog Maintenance Lifecycle Programme Board. Furthermore, this risk was last reviewed in December 2022.</p> <p>We have not specifically tested the LCIG process for assessing risk and allocating backlog maintenance resource accordingly, but consider that with increasing costs, an aging estate and capital budgets which are stretched, a continual review of whether to escalate the risk should be implemented.</p>		<p>Recommendation 2</p> <p>Management should ensure regular review of risks on the Estates and Facilities Risk Register to ensure that each risk reflects the current position, and the level of residual risk is acceptable. Specifically, risk 3189 should be reviewed and updated to include the role of the Backlog Maintenance and Lifecycle Programme Board.</p>	<p>Estates & Facilities Senior Management Team have already identified this as an area of vulnerability and are in the process of risk assessing the potential for failure (whilst recognising financial constraints) and implementing remedial actions.</p> <p>Actions:</p> <p>The Estates & Facilities Risk Register is under periodic review and is currently undergoing updating with regards to the BLM Risk Assessments taking place in April.</p> <p>Risk number 3189 will be further reviewed and an update provided to the Auditor.</p> <p>Responsible Officer: Tommy Logan (in conjunction with Alex Crawford)</p> <p>Executive Lead: Morag Campbell</p> <p>Due Date: 31/05/24</p>
		<p>Recommendation 3</p> <p>A specific risk relating to the management of unfunded capital projects (including backlog maintenance) should be continually reviewed by the LCIG and if necessary, added to the Estates and Facilities Risk Register.</p>	<p>There are no actions required here however, unfunded projects have been risk assessed and added to the Risk Register where oversight will be maintained.</p>

Detailed findings and action plan

1.3

Moderate Assurance

Risk of inadequate prioritisation of backlog works, leading to non-compliance, estate deterioration and inefficient budget allocation.

Finding and implication	Audit recommendation	Management response, including actions
<p><u>Backlog maintenance responsibilities are not detailed in key job descriptions.</u></p> <p>As part of our audit, conversations were held with several Estates and Facilities staff members. From discussions held, it was noted that staff recognised that backlog maintenance was part of their current responsibilities however, these are not included within their job descriptions and are being picked up as extra responsibilities alongside their day-to-day jobs.</p>	<p>Recommendation 4</p> <p>Backlog maintenance responsibilities should be reflected in the relevant job descriptions at the next scheduled review dates to ensure responsibilities are allocated according to service need and the required capabilities are aligned to roles. This will also allow NHS Lothian to identify any situations whereby staff do not have capacity to take on additional responsibilities.</p>	<p>Estates & Facilities Senior Management Team have already identified this as an area of vulnerability and are in the process of risk assessing the potential for failure (whilst recognising financial constraints) and implementing remedial actions.</p> <p>Actions:</p> <p>During the next review of job descriptions (linked into PDPR), the relevant staff involved with BLM will have this reflected as a Key Result Area.</p> <p>Capacity to take on any additional or regular activities will continue to be a part of the regular 1:1 process and team communications</p> <p>By way of providing evidence of this, the Head of Hard FM should communicate this to his direct managers at the next scheduled Team Meeting; and provide minutes to that effect.</p> <p>Responsible Officer: Tommy Logan Executive Lead: Morag Campbell Due Date: 31/05/24</p>

Detailed findings and action plan

2.1 **Moderate Assurance** Risk of inadequate estimation and control of costs resulting in failure to achieve value for money.

Finding and implication	Audit recommendation	Management response, including actions
<p><u>Budgets associated with individual backlog projects are inaccurate</u></p> <p>On a monthly basis, NHS Lothian Capital Finance provide a backlog maintenance finance report to the Head of Operations (Hard Facilities Management). This report details all backlog maintenance projects, alongside their budgets, value of the purchase orders raised and actual expenditure. From review of the financial reports prepared by Capital Finance, we noted projects where expenditure has and continues to exceed the recorded budget.</p> <p>Five backlog projects were selected for review from a population of 25 projects listed in the November 2023 Capital Finance Report. Of the five, four have purchase orders raised that have exceeded the budgeted amount recorded in the Estates Capital Investment Plan for 2023/24. For example, project SA2894 (All sites EAMS Action - Significant Risk) has a recorded budget of £100k in the capital investment plan, however by November 2023, 43 purchases order totalling £544,370 had been raised and of this £294,895 receipted. The purchase orders raised for the remaining three have exceeded their budget by £209,706, £110,665 and £2,136 respectively, (projects SA2816, SA2887 and SA2898).</p> <p>A review of all 25 projects has noted 18 projects which had exceeded the original budget. In totality, purchase orders raised totalled £3.1 million, however, the total budget recorded in the Capital Investment Plan was £1.5 million. No formal approval is sought for any overspends and this is agreed between the Head of Operations and the Backlog Maintenance Project Manager.</p> <p>While it's noted that financial performance is being routinely reported to the LCIG, which indicates that the overall financial performance (Edinburgh Acute/West Lothian etc) is underbudget, the budget estimates associated with the live backlog maintenance projects are not accurately representative of the actual costs relating to each project and there is a risk that value for money is not being achieved.</p>	<p>Recommendation 5</p> <p>Management should develop a more accurate budget estimation methodology for the backlog maintenance works included in the Estates Capital Investment Plan and post completion, a review of each project should be undertaken comparing budgeted vs actual expenditure.</p>	<p>Estates & Facilities Senior Management Team have already identified this as an area of vulnerability and are in the process of risk assessing the potential for failure (whilst recognising financial constraints) and implementing remedial actions.</p> <p>Actions:</p> <p>Head of Hard FM and Business Manager to collaborate in a review of each project (noting the risk assessment associated with this) and provide suitable methodology as to how projects are costed and where the budget will come from.</p> <p>Secondly on completion of the works a 'look back' review should be completed to assess the estimated budget vs actual expenditure and providing a rationale where there is a disparity.</p> <p>By way of evidence to the auditor – one project should be selected and this reviewed as above and forwarded to the auditor – going forward this will become business as usual.</p> <p>Responsible Officer: Tommy Logan/Alex Crawford</p> <p>Executive Lead: Morag Campbell</p> <p>Due Date: 30/06/24</p>
	<p>Recommendation 6</p> <p>Formal approval should be sought to adjust the budget accordingly in advance of additional spend being occurred and unexpected increases to the project costs should be routinely communicated to the Lothian Capital investment Group.</p>	<p>Actions:</p> <p>Approvals will be discussed at SMT and comms forwarded to LCIG and a copy of any papers submitted sent to the auditor.</p> <p>Responsible Officer: Tommy Logan</p> <p>Executive Lead: Morag Campbell</p> <p>Due Date: 30/06/24</p>

Detailed findings and action plan

3.1	Significant Assurance	Risk that backlog works are not assessed upon completion, leading to the acceptance of sub-standard work.
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Finding and implication	Audit recommendation	Management response, including actions
<p><u>Completion of work is not evidenced and there is no formal process for reporting sub-standard work</u></p> <p>Prior to the receipt of the purchase order and approval of payment, evidence is required to confirm the completion of any backlog maintenance works. Depending on the nature of the works being undertaken, this can be photographic evidence of repairs or submitted survey/inspection reports.</p> <p>We completed testing of completion reports and sign-off documentation for a sample of completed backlog maintenance works to ensure that appropriate checks were in place with regards to quality standards. Of the 25 sampled items, 23 were confirmed as completed through either staff verification or evidence held on the Estates shared drive. In terms of the 2 remaining items:</p> <ul style="list-style-type: none"> Evidence for the completion of Purchase Order SWP13068585 was outstanding, despite this being receipted in PECOS and the invoice paid (value of £410). Evidence for the completion of Purchase Order SWP13105584 (value of £19,932) consisted only of scanned copies of the Purchase Order and Quote. <p>Additionally, it was noted that there are no escalation routes within Estates or documented procedures in place to record instances of sub-standard work. Instead, it was expected that payment for the works will be withheld until project managers are satisfied that works have been completed accordingly.</p> <p>Without proper review and assessment of completed maintenance works, there is a risk that the works are not completed to an acceptable standard and are insufficient in achieving their purpose, potentially impacting on the safety of staff, patients and visitors, and impacting the Board's ability to achieve value for money. Furthermore, should performance issues relating to particular contractors arise, there is a risk that these are not being appropriately addressed as they are not identified at an early opportunity.</p>	<p>Recommendation 7</p> <p>Management should implement a formal documented procedure to ensure an acceptable quality of backlog works is received and completion requirements are clearly outlined. This should include an escalation route for instances of unsatisfactory or sub-standard work and the ability to withhold payment.</p>	<p>Estates & Facilities Senior Management Team have noted significant assurance in this area but will seek to action the recommendations by way of continuous improvement.</p> <p>Actions:</p> <p>A suitable standard operating procedure for the quality checking of back log works will be developed.</p> <p>Responsible Officer: Tommy Logan</p> <p>Executive Lead: Morag Campbell</p> <p>Due Date: 30/06/24</p>
	<p>Recommendation 8</p> <p>Training should be provided to ensure staff are aware of the completion requirements including examples of acceptable evidence and the process for recording and storing evidence (on the Estates shared drive) prior to receipt and payment of invoice.</p>	<p>Actions:</p> <p>Head of Hard FM will ensure suitable training, information and instruction is provided to the Hard FM Teams – a copy of the training specification will be forwarded to the Auditor</p> <p>Responsible Officer: Tommy Logan</p> <p>Executive Lead: Morag Campbell</p> <p>Due Date: 30/06/24</p>

Detailed findings and action plan

4.1

Moderate Assurance

Risk that insufficient allocation of capital for backlog maintenance risks results in failure to address critical maintenance needs.

Finding and implication	Audit recommendation	Management response, including actions
<p><u>Capital prioritisation requirements are not properly assessed</u></p> <p>Currently, Estates has a number of large unfunded projects, of varying priority, which require review and formal approval. During 2023/24 and as part of the refreshed NHS Lothian Capital Prioritisation Process, rolling programmes were asked to bring forward large works requiring significant investment that couldn't be met within programme (i.e. costs too significant) through the local budget approval process and to be considered through the LCIG as part of the Capital Prioritisation Process.</p> <p>Subsequently, 12 Hard Facilities Management Projects were highlighted to the LCIG in August 2023 for further consideration and approval, alongside a list of emerging works that had arisen to form an updated backlog maintenance list. The total value of these works was in the region of £56m, although full costings had not been prepared for all projects.</p> <p>All projects which were highlighted as qualifying for submission for the Prioritisation Panel in September 2023 should have been accompanied by a completed proforma, designed to contain the relevant detail to aid further consideration by the Priority Panel. No forms have been completed by Estates for submission to the Panel.</p> <p>Unless the Capital Prioritisation Process is followed by Estates, there is a risk that larger unfunded programmes of work will not be carried out, which may in turn impact on the wider backlog maintenance programme or result in an increased risk to safety of patients and visitors.</p>	<p>Recommendation 9</p> <p>Management should, through the Backlog Maintenance and Lifecycle Board, identify the unfunded projects and emerging risks. For each project, these should be recorded within an update to LCIG to allow projects to fully understood before being managed through the Capital Prioritisation Process.</p> <p>Recommendation 10</p> <p>Once the appropriate projects have been identified by the Backlog Maintenance and Lifecycle Programme Board, the Prioritisation Proforma alongside the alternate options from no/reduced investment opportunity document should be prepared and submitted for consideration by the NHS Lothian Capital Prioritisation Panel.</p>	<p>Estates & Facilities Senior Management Team have already identified this as an area of vulnerability and are in the process of risk assessing the potential for failure (whilst recognising financial constraints) and implementing remedial actions.</p> <p>Actions:</p> <p>As part of the BLM Risk Assessment process for funded and unfunded works, the Head of Hard FM will provide a regular update for LCIG and provide the auditor with a copy of any papers presented.</p> <p>Responsible Officer: Tommy Logan Executive Lead: Morag Campbell Due Date: 30/06/24</p> <p>Actions:</p> <p>Any submissions to the Prioritisation Panel must be accompanied by the appropriate proforma. Hard FM must demonstrate adherence to this process.</p> <p>Responsible Officer: Tommy Logan Executive Lead: Morag Campbell Due Date: 30/06/24</p>

Appendices

Appendix 1: Staff involved and documents reviewed



Staff involved

- Tommy Logan, Head of Hard FM - Estates
- Owen McCabe, Project Manager – Estates
- Immy Tricker, Finance Manager
- Kenny Brennan, Assistant Management Accountant
- Andrea MacDonald SPM Masterplanning, Strategic Planning and Modernisation
- Adam Keenan, Team Leader, Estates
- Colin Ramsay, Facilities Maintenance Manager



Documents reviewed

- Backlog Maintenance and Lifecycle Programme Board Terms of Reference
- Backlog Maintenance and Lifecycle Programme Board minutes (Oct 2023, Nov 2023 and Jan 2024)
- Backlog Maintenance Workbook
- Rolling Programme Risk Assessment Data – Estate Surveys
- Fire Alarms Risk Assessment Data – Estate Surveys
- Backlog Maintenance Capital Investment Plan
- Estates and Facilities Risk Register
- LCIG Paper – Estates and Facilities Unfunded Projects, Costs and Risks 2023
- LCIG Paper – Backlog Maintenance Update June 2023, July 2023, November 2023 and January 2024
- LCIG Paper – Estates Capital Investment Plan – Request to Approve February 2023
- Backlog Maintenance Works – Quotes, Purchase Orders and Invoices
- Evidence of completion assessments of backlog Maintenance Works
- Capital Finance Reports – July 2023, September 2023 and November 2023
- Estates Capital Programme – All Purchase Orders Tracker



Appendix 2:

Our assurance levels

The table below shows the levels of assurance we provide and guidelines for how these are arrived at. We always exercise professional judgement in determining assignment assurance levels, reflective of the circumstances of each individual assignment.

Rating	Description
Significant Assurance	<p>The Board can take reasonable assurance that the system(s) of control achieves or will achieve the control objective. There may be an insignificant amount of residual risk or none at all.</p> <p>There is little evidence of system failure and the system appears to be robust and sustainable. The controls adequately mitigate the risk, or weaknesses are only minor (for instance a low number of findings which are all rated as 'low' or no findings)</p>
Moderate Assurance	<p>The Board can take reasonable assurance that controls upon which the organisation relies to achieve the control objective are in the main suitably designed and effectively applied. There remains a moderate amount of residual risk.</p> <p>In most respects the "purpose" is being achieved. There are some areas where further action is required, and the residual risk is greater than "insignificant".</p> <p>The controls are largely effective and in most respects achieve their purpose with a limited number of findings which require management action (for instance a mix of 'medium' findings and 'low' findings)</p>
Limited Assurance	<p>The Board can take some assurance from the systems of control in place to achieve the control objective, but there remains a significant amount of residual risk which requires action to be taken.</p> <p>This may be used when:</p> <ul style="list-style-type: none"> • There are known material weaknesses in key control areas. • It is known that there will have to be changes that are relevant to the control objective (e.g. due to a change in the law) and the impact has not been assessed and planned for. <p>The controls are deficient in some aspects and require management action (for instance one 'high' finding and a number of other lower rated findings)</p>
No assurance	<p>The Board cannot take any assurance from the audit findings. There remains a significant amount of residual risk.</p> <p>The controls are not adequately designed and / or operating effectively and immediate management action is required as there remains a significant amount of residual risk (for instance a number of HIGH rated recommendations)</p>

Appendix 3:

Our recommendation ratings

The table below describes how we grade our audit recommendations based on risks:

Rating	Description	Possible features
High	Findings that are fundamental to the management of risk in the business area, representing a weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> • Key activity or control not designed or operating effectively • Potential for fraud identified • Non-compliance with key procedures/standards • Non-compliance with regulation
Medium	Findings that are important to the management of risk in the business area, representing a moderate weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> • Important activity or control not designed or operating effectively • Impact is contained within the department and compensating controls would detect errors • Possibility for fraud exists • Control failures identified but not in key controls • Non-compliance with procedures/standards (but not resulting in key control failure)
Low	Findings that identify non-compliance with established procedures, or which identify changes that could improve the efficiency and/or effectiveness of the activity or control but which are not vital to the management of risk in the business area.	<ul style="list-style-type: none"> • Minor control design or operational weakness • Minor non-compliance with procedures/standards
Improvement	Items requiring no action but which may be of interest to management or which represent best practice advice	<ul style="list-style-type: none"> • Information for management • Control operating but not necessarily in accordance with best practice

