

**Review of the contract management arrangements  
established to manage the school capital programme**

**Report of PricewaterhouseCoopers LLP**

**3 December 2010**

Section

Contents

Page

i Introduction

ii Executive Summary

iii Compliance with the established Contract Management Procedure

iv The Transfer of the Project to the Project Management Unit

v The Approval of the Procurement Contract Value

vi The Effective Operation of the Contract Management Account

vii An Assessment of the Project Management Procedures

viii Assessment of the Management of the Contract and Project

ix Summary of Recommendations

x Appendices

xi Exhibits

81

## Contents

<b>Section</b>	<b>Page</b>
I Introduction .....	4
II Executive Summary.....	6
III Compliance with the established 'Gateway' procedure.....	11
IV The transparency of the project's Agreed Maximum Price (AMP) .....	15
V The robustness of the process to manage contract variations.....	20
VI The effective completion of the project final account .....	22
VII An assessment of the project handover procedures .....	23
VIII Assessment of the general project documentation and procedures .....	24
IX Summary of recommendations.....	27
X Appendices .....	30
XI Exhibits .....	81

## Appendices

	<b>Appendix Number</b>
Project review – Whitmore High School	1
Project review – Canons High School	2
Project review – Park High School	3

## Exhibits

	<b>Exhibit</b>
Whitmore High School – project review evidence	A
Canons High School – project review evidence	B
Park High School – project review evidence	C

## I Introduction

- 1.1 The London Borough of Harrow Council ("the Council") instructed us to undertake an independent investigation into the contract management arrangements established by the Council to manage their school capital programme. The scope of our work is set out in our Works Order with the Council dated 15 October 2010 ("the Works Order").

### Background

- 1.2 The Council has a partnership agreement with Kier to provide design and build services for its schools capital programme. The instructing client within the Council is the Children's Services department. The Council has a special project team within the Community and Environment (C&E) department that acts as the Council's internal project manager. The C&E team act as the Council's nominated client represent in the partnership with Kier.
- 1.3 It has been brought to the attention of the Council's senior management that the schools capital programme is over budget for the 2010-11 financial year. We have been asked to undertake a review to support the Council's response to the identified budget overspend. The scope of our work is outlined below.

### Scope

- 1.4 The scope of our work, as set out in the Works Order, comprised:
- (i) an independent assessment as to whether the contract management procedures established by Harrow Council (specifically the Gateway and payment procedures) have been appropriately followed;
  - (ii) an independent assessment of the effectiveness of the established contract management arrangements in controlling project costs; and
  - (iii) an independent assessment of the contract management arrangements established by Harrow Council to manage the appointed contractor against industry best practice.
- 1.5 The remainder of our report is set out under the following headings:

	<b>Section</b>
Executive Summary	II
The compliance with the established 'Gateway' procedure	III
The transparency of the Agreed Maximum Price (AMP)	IV
The validity of project change orders	V

	<b>Section</b>
The project handover to Children's Services	VI
The project final account	VII
Assessment of the general project documentation and procedures	VIII
Summary of recommendations	IX

### **Limitations of scope**

- 1.6 Given the necessarily limited amount of testing and review that we have been able to conduct in the time available, we are unable to give an absolute assurance that we have identified all irregular transactions that may have occurred.
- 1.7 We have not carried out anything in the nature of a statutory audit nor, except where otherwise stated, have we subjected the financial or other information contained in this report to checking or verification procedures. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of the information in this report, except where otherwise stated.
- 1.8 This report has been prepared for and only for the Council in accordance with the Works Order, dated 15 October 2010 and for no other purpose. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by us in writing.
- 1.9 To the extent that our report touches on points of law it should not be taken as expressing an opinion thereon.
- 1.10 In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made there under (collectively, the "Legislation"), you are required to disclose any information provided to you by PwC (including but not limited to any Deliverables), you will notify PwC promptly and will consult with PwC prior to disclosing such information. You agree to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such information. If, following consultation with PwC, you disclose any such information, you shall ensure that any disclaimer which PwC has included or may subsequently wish to include in such information is reproduced in full in any copies disclosed.

## II Executive Summary

- 2.1 In order to undertake an assessment of the contract management arrangements designed to manage the Kier framework contract we have gained an understanding of the current contract management procedures and completed a detailed review of three projects within the Council's school capital programme. The three projects selected for review were chosen in consultation with the Council, and included, Whitmore High School, Canons High School and Park High School. To support the Council's ongoing assessment of the school capital programme we have provided our detailed working papers of the individual project reviews within Appendices 1, 2 and 3, with supporting evidence included in Exhibits A, B and C.
- 2.2 We have summarised the key findings from our detailed review of the three projects below.
- 2.3 In completing our review we utilised an approach consisting of six procedural steps, which included assessments of:
- i) The compliance with the established 'Gateway' project management authorisation procedure;
  - ii) The transparency of the Agreed Maximum Price (AMP);
  - iii) The validity of project change orders;
  - iv) The project final account;
  - v) The project handover to Children's Services; and
  - vi) The general project documentation and procedures, specifically including any observations in relation to contractual disputes, client dissatisfaction or expenditure miscoding.
- 2.4 A summary of the key findings is presented in the table overleaf.

Assessment criteria	Key observations	Whitmore High School	Canon High School	Park High school
<i>The project's compliance with the established 'Gateway' project management sign off procedure</i>				
	Internal Gateway authorisation obtained?	✓	x	x
	Contractual documents signed in line with Gateway authorisation?	x	x	x
	Contractual documentation signed prior to work commencing?	x	x	x
<i>The transparency of the project's Agreed Maximum Price (AMP).</i>				
	Was an agreed AMP present for the project?	✓	✓	✓
	Did the AMP include all expected project costs?	x	x	x
	Did the AMP represent all Kier's proposed costs?	✓	✓	✓
<i>The robustness of the process to manage contract variations</i>				
	Did the project utilise a change order system?	✓	✓	✓
	Was the change order process utilised in a timely manner?	✓	x	x
	Did the change order procedure require and obtain authorisation from Kier, Client Representative and Children's Services?	✓	✓	✓
	Have variations requested by the School been appropriately recorded and recharged to the School?	x	x	x
<i>The project final account</i>				
	Has the project final account been appropriately finalised, ensuring appropriate engagement with cost consultants?	N/A	✓	✓
	Has any action been taken to recharge the School were appropriate?	N/A	x	x
<i>The project handover to Children Services</i>				
	Has a formal handover process been completed?	N/A	✓	✓
<i>Upon completing the project review were there any general observations, specifically in relation to client engagement, contractual disputes, or expenditure miscoding?</i>				
	Is there no evidence of contractual dispute or client dissatisfaction?	✓	✓	✓
	Is there no evidence of expenditure miscoding?	✓	x	x
	Was there clear evidence of client engagement through the project?	✓	✓	✓
	Are there no opportunities to improve the existing contract management procedures?	x	x	x



- 2.5 As indicated above our review has highlighted a number of weaknesses in both the framework of contract management established by the Council, and a significant level of non-compliance with the current procedures. The combination of these factors has resulted in a lack of transparency, ownership and communication to effectively manage the school capital programme.

*Transparency*

- 2.6 There is a clear lack of transparency in relation to the total project costs and risks of the projects we have reviewed. Most significantly, we have identified that the Council's existing internal authorisation procedure (Gateway) does not present the total budgeted project cost, as it excludes the cost of works which will be undertaken directly by the Council, which in some cases can be significant. In addition to this omission, we have also highlighted a number of factors that have inhibited the transparency of the project costs. These include:
- i) *Non compliance with internal procedures:* Our review has highlighted a significant number of examples where projects have commenced prior to either appropriate Gateway authorisation or formal contractual arrangements being agreed with Kier. There is an absence of a comprehensive and clear set of contract management procedures has contributed towards the non-compliance with expected procedures.
  - ii) *Risk management:* An adequate risk management process has not been established to mitigate and manage project costs, particularly concerning client risks and provisional sums. This has resulted in a lack of control and concerns regarding value for money on projects.
  - iii) *Change orders:* We have identified that the existing procedures for the authorisation of work variations through change requests is not being sufficiently utilised on all projects. The lack of real time change control will clearly inhibit the Council's ability to effectively manage project costs;
  - iv) *Financial reporting:* Financial monitoring and reporting within the project files is sporadic. A focus on the development of project costings and progress is critical to ensuring effective project management;
  - v) *Expenditure miscoding:* In reviewing two projects' final accounts we identified examples of the final settlement figure being miscoded to another project. It is unclear if this miscoding was deliberate however, such miscoding will inhibit the ability of the Council to effectively manage individual project finances and the Council's overall financial position. A single code should be utilised for each project to clearly identify total costs.

### *Ownership*

- 2.7 In conducting our review it has become apparent that there has been an absence of project ownership which has contributed towards the lack of effective control being exercised over the project decisions and finances. We have identified three factors that have contributed towards the absence of project ownership:
- i) *Complex governance structure*: There are many interested stakeholders engaged with each project, which is not unusual, however, there are also a number of interested parties within the Council. In addition to the number of interested parties, we have also been unable to identify a document which defines the roles and responsibilities of these interested parties, especially within the Council. These two factors have led to the complex project governance structure which currently exists.
  - ii) *Individual roles and responsibilities*: The roles of individuals within the project have not been defined within the project documentation, or in some cases within the Council job descriptions of the key individuals.
  - iii) *Personal responsibility*: In completing our review it has been clear that there are a significant number of meetings where senior members of both the Children's Services and Community and Environment Departments have been present. This includes the steering group for the Kier partnership and the core group meetings for each project. Given the level of engagement with the workings of the partnership, and at an individual project level, there has been a significant period of opportunity for any personal concerns to be raised both within the partnership framework and with senior members of the Council's leadership team.

### *Communication*

- 2.8 It has become clear that there has been an absence of effective communication regarding the project finances and associated risks for all three projects. In completing our review we have identified that none of the projects reviewed had a defined communication framework. The introduction of a comprehensive communication framework would facilitate appropriate communication both within the project team and also with senior members of the Council.
- 2.9 In summary, our review has highlighted that a number of opportunities exist for the Council to improve their established contract management procedures, therefore allowing the Council to make more informed decisions. To support this process we have made a total of 23 recommendations, of which 10 are classified as high priority and are replicated in the table below:

Number	Report reference	Recommendation	Priority
1	4.15	A single master code should be established for each project, with appropriate sub-codes that allow an analysis of sub categories of costs as required.	High
3	3.8	The instructing client should be required to authorise all project Gateway authorisation forms.	High
5	3.10	It should be ensured that appropriate contractual arrangements have been established prior to any project work actually commencing.	High
7	4.10	The Gateway 2 documentation should include a provisional sum for works to be completed directly by the Council and appropriate contingency for any risks transferred to the Council.	High
9	5.4	The change order authorisation procedure is appropriately used on all projects.	High
11	6.3	Project costs should be coded to the appropriate project code.	High
16	8.6	A consistent project filing system, for paper or electronic documents, should be adopted within the C&E department.	High
17	8.6	A clear governance structure and chart of responsibilities should be developed for each project managed by C&E.	High
19	8.6	Comprehensive and contemporaneous project finance reports should be produced for all projects which specifically detail budgeted cost, actual cost to date, committed costs and a forecast outturn. It should be ensured that such reports are actively discussed and considered at core project meetings as a matter of course.	High
20	8.6	An up to date risk register should be maintained throughout the project.	High

- 2.10 Given the similarity of the issues identified in the three projects reviewed there may be limited value in reviewing further projects for the purpose of identifying further generic system weaknesses and improvement opportunities. However, it should be noted that examples of further mismanagement may exist within the remaining school capital programme recently undertaken by the Council.

### III Compliance with the established 'Gateway' procedure

#### Introduction

- 3.1 The Council has established an internal project management authorisation procedure which is known as 'Gateway'. The Gateway procedure requires appropriate management authorisation to allow projects to progress to defined contractual stages as allowed under the Council's framework agreement with Kier. At a summary level there are two Gateway stages. Gateway 1 authorises the Council to engage with Kier using the agreed PPC2000 contract for partnering. It also allows, dependent upon the authorisation provided by the Council, formal engagement with Kier to complete initial feasibility and preparation works. This may be achieved, for example, using a formal pre-possession agreement with Kier. However, what is critical is that the PPC200 partnering contract does not provide any contractual basis for specific works to be completed and that an additional contractual arrangement should be established which defines the works to be completed.
- 3.2 The Gateway 2 authorisation procedure is designed to provide an internal management sign-off prior to the commencement of full project works. The Gateway 2 procedure requires a fully costed project proposal to be agreed with Kier. Upon receiving Gateway 2 authorisation, the project team are able to engage with Kier for the full value of works through the use of a contractual commencement agreement.
- 3.3 It should also be noted that the Council is currently redesigning the existing partnership contract procedure.

#### Findings

- 3.4 The Gateway procedure established by the Council has been consistently utilised on the three projects we have assessed, with the Gateway 1 and 2 authorisation forms being completed for all projects. We also identified several iterations of the Gateway forms on the Post 16 projects of Canons and Park High Schools, to capture any subsequent escalations in the project cost over and above the original Gateway authorisation limit. We did not identify any examples of the Gateway procedure not being authorised by the appropriate staff, and in all cases several layers of management had authorised the Gateway 1 and 2 forms for all three projects, which included authorisation by the nominated Project Officer, Service Manager, Head of Service and Executive Director for C&E.
- 3.5 Whilst the Gateway procedure established by the Council appears to have been appropriately followed, upon further investigation we identified several examples of non-compliance with the

procedure, and also identified a number of observations in relation to the design of the Gateway procedure.

*Design of the Gateway procedure*

- 3.6 Gateway authorisation is recorded on a standardised template which should be retained on each project file. Gateway 1 approval should be sought prior to any work commencing in relation to the project, and will seek to gain authority to commence feasibility works and initially engage with a contractor. Gateway 1 approval will specifically provide authority to formally engage with the contractor, and in the case of Kier, this will be through the use of the partnership framework agreement. It is important to note that Gateway 1 will set a maximum spend limit allowable prior to Gateway 2 approval being sought.
- 3.7 Gateway 2 is the final approval stage prior to the Council fully engaging with a contractor. Gateway 2 should explicitly highlight the budgeted project costs, which once approved, represents the expenditure limit on the project. Gateway 2 will also provide the authority for the Council to fully engage with the selected contractor.
- 3.8 In completing our review, we noted the following limitations in the Gateway authorisation procedure;
- i) There is no clear approval date included within the Gateway documentation (some signatures are dated, others are not), therefore it is not definitive in all cases when Gateway authorisation is achieved;
  - ii) The instructing client (for example, Children's Services) is not required to authorise the project Gateway, hence there is a risk that the instructing department are not fully engaged in the project initiation phase; and
  - iii) Any subsequent revisions are captured through the resubmission of the Gateway documentation. The absence of a dedicated revision procedure has the risk that any subsequent revisions are not fully costed and sufficiently understood.
- 3.9 We have identified additional areas of weakness in completing our work, which are addressed in the appropriate section of our report. We have summarised all our recommendations in section IX.

*Non-compliance with Gateway procedure*

- 3.10 Upon reviewing compliance with the established Gateway procedure, we identified several examples of non-compliance, which included:
- i) We identified that the Whitmore High School project had incurred costs of £1.761m prior to the partnering contract entered into with Kier, and £5.647m prior to the pre-possession agreement agreed with Kier. In addition, we also noted that the pre-possession agreement had been approved on 1 October 2008 allowing expenditure up to the value of £8.258m by the end of October 2008.
  - ii) We identified that the Park High School project had incurred costs of at least £92,518 prior to the Gateway 1 authorisation.
  - iii) We identified that the pre-possession agreement on Canons High School project was approved on 31 October 2008, allowing expenditure of £662,872 up to 30 September 2008. Kier's invoice submission as at 2 October 2008 was for £660,747. Whilst Gateway 1 had allowed a drawdown of up to £670,809, no formal contractual arrangement had been made with Kier until the 31 October 2008, hence after the completion of such works.
  - iv) We identified that the formal contractual commencement agreement with Kier had been backdated and signed prior to Gateway 2 authorisation being received from the Council on both the Canons and Park High School projects.
  - v) We identified that significant volumes of work had been completed on both the Canons and Park High Schools projects prior to Gateway 2 authorisation. Specifically, £1.458m or 40% of the Gateway 2 (original) AMP value on Park High School, and between £1.045m and £1.324m or at least 27% of the Gateway 2 (original) AMP value on Canons High School.
- 3.11 These findings highlight that the Gateway procedure and formal contracting arrangements have not been appropriately followed on the three projects sampled. It is clear that on a number of instances projects, or key project stages, have commenced prior to either appropriate Gateway authorisation or formal contractual arrangements being agreed with Kier.

**Conclusion**

- 3.12 Our review has highlighted that the Gateway 2 approvals and contractual arrangements with Kier are not being utilised as a project management tool, but rather are being completed as a matter of internal requirement. Such non-compliance will clearly inhibit senior management's ability to

effectively manage projects and contributes towards the lack of transparency regarding project commencement and finances

- 3.13 To minimise the risk of the Council's capital projects experiencing difficulties, it must be ensured that a culture of compliance is adopted across the Council with regards to the established contract management procedures.

## IV The transparency of the project's Agreed Maximum Price (AMP)

### Introduction

4.1 In contracting with Kier the Council agree a price framework. This framework can be agreed as fixed sums, percentages, provisional sums or estimates, but typically in the projects we reviewed the majority of the project cost was included within an Agreed Maximum Price (AMP). We have identified that there are also additional categories of cost outside of the AMP, which include agreed provisional sums (known as 'below the line' items) which have been included within the price framework, and Harrow internal fees and direct costs, which are excluded from the price framework. A brief explanation of these cost categories is provided below:

- AMP: The Agreed Maximum Price for the works contracted to Kier based on an agreed scope and design specification.
- Provisional sums: These costs represent areas of work where no maximum price has been established. The works are planned to be completed by Kier but the actual cost has only been estimated and is outside the AMP, but within the price framework.
- Harrow internal fees: These fees represent the cost of project management support provided by the Council's Community & Environment (C&E) team and also consultants engaged by Harrow in supporting their project management work, for example, independent cost consultants.
- Harrow direct costs: These costs represent works where it has been agreed with Kier that Harrow will undertake the work directly.

4.2 Once reviewed and accepted by the Council, the AMP forms a significant part of the Gateway 2 authorisation procedure completed by the Council. The Gateway 2 authorisation documentation explicitly details the 'Total Project Budget', which is made up of the AMP cost, Harrow internal fees and provisional sums. It should be noted that Harrow direct costs are not included in the Gateway 2 'Total Budget Cost'.

### Findings

4.3 Our review identified that the AMP documentation had been completed and appropriately submitted by Kier, as part of their overall project proposal to the Council, in all of the projects reviewed. In addition, the Council had utilised independent cost consultants, Gardiner & Theobald (G&T) for the three projects reviewed, to complete an independent assessment of the proposals submitted by Kier.



3 December 2010

- 4.4 G&T completed an independent assessment of the price, risk and value for money of the project proposal submitted by Kier in all three cases, with their findings being presented in a formal report to the Council. Upon reviewing the submitted reports we identified that a direct consultation between G&T and Kier had taken place in all cases. In the three projects reviewed Kier had provided an AMP and associated documents in all cases, and there was no evidence recorded that indicated that the Council representatives or G&T had any concerns in relation to the proposal documentation submitted by Kier.
- 4.5 It should be noted that in completing our review we did identify that in completing their review of the Park High School project G&T stated that the "AMP has been fully substantiated in terms of trade contract prices and we are satisfied that Kier has adopted an appropriate method of procurement." [G&T report].
- 4.6 G&T also reported that the cost per square metre (sqm) of £2,346 was noted as being at the very top of what was considered an acceptable price (range £1,869 - £2,346/sqm) for the project. In reviewing this calculation we identified that G&T had assumed a gross floor area of 1,272 sqm. Upon further review we noted that the planning department letter (P/2161/09), dated 29 September 2009, used a gross floor area of 1,004 sqm. Assuming that the planning department letter is the correct floor area, recalculating the cost per sqm using this revised floor value gives a cost per sqm of £2,972. This represents an increase of 27% and is above the upper benchmark value stated in G&T's report. We have not been able to identify the reason for the different gross floor areas used.
- 4.7 Based on this finding it is recommended that an assessment of the quality of advice provided by G&T (cost consultants) for the school capital programme is undertaken.

*Client risks*

- 4.8 There was limited evidence retained on the project files within C&E of the negotiations that were held between the Council and Kier in agreeing the AMP and design requirements for each project. However, upon reviewing Kier's submitted proposals, we identified that certain works were excluded from the AMP, and were either classed as provisional sums or were to be directly undertaken by the Council.
- 4.9 Upon review of the risk registers submitted by Kier, we identified that there are three categories of risk analysed in all their submissions;
- (i) Risk retained by Kier and costed within their AMP. This risk will not impact on the final project cost beyond that cost agreed within the AMP, as it is retained by Kier;

3 December 2010

- (ii) Risk shared with the Council, where the cost is not included within the AMP but is classified as a provisional sum outside of the AMP, and is known as 'below the line'. Kier have agreed a provisional sum for these works, however, the cost is not 'capped' and may increase the final project cost;
  - (iii) Risk held by the Council, which relates to works classified as 'client risk' within Kier's risk register. These works are planned to be completed by the Council and whilst listed on the AMP submission are not costed. The completion of these works will directly impact on the final overall project cost. In the majority of cases for the three projects we reviewed, these risks represented requirements that were certain to materialise and therefore did not represent risk but actual project cost that had been transferred from Kier to the Council.
- 4.10 It is clear from Kier's submissions and the G&T assessment reports that these three categories of risk existed, that the client risk was not costed within the AMP or the Total Project Budget, and would directly impact on the total cost of the project. However, upon reviewing the Gateway 2 authorisation documentation there is no provisional sum included within the total project budget for works to be completed directly by the Council or contingency for risks transferred to the Council. It should also be noted that, the fact that the provisional sum costings may increase is not explicitly stated within the Gateway 2 documentation. The absence of all costs being included within the Gateway 2 authorisation requirement and the absence of any explicit reference to the risk associated with the proposed project total cost are clear weaknesses in the current procedures.
- 4.11 We have been unable to obtain a clear understanding as to why these costs were not included, and have not been able to form a view as to whether the exclusion of these costs represented a deliberate manipulation of the AMP to 'fit' the instructing client's budget. However, in reviewing the file documentation it is clear that both Children's Services and the C&E project team should have been aware of the exclusion of such costs and the implications for the final project cost if the risks materialised – which in the case of the 'client risks' was inevitable in most cases, as they represented works that had to be undertaken to satisfactorily complete the project.

*Cost escalation*

- 4.12 Given the lack of transparency surrounding the overall project costs and the reasons behind the cost escalation on each project, we attempted to gain an understanding of the key issues which have resulted in the costs escalating on the three projects we have reviewed. In completing our project reviews it became clear that there have been three broad categories of cost escalation from the instructing client's original budget, these include:

3 December 2010

- i) Original scope variations and design work estimations prior to the project commencement, which would explain the difference between the instructing client's original budget and the Gateway 2 authorised budget;
- ii) Increases in Kier's works costs and fees as a result of agreed change orders; and
- iii) Project costs incurred directly by Harrow Council which were never included within the original Gateway 2 submission documentation.

4.13 To complete an assessment of the key cost increases on the three projects reviewed we have attempted to reconcile the instructing client budget, original Gateway 2 authorised budget, the change orders instructed and the final project costs actually charged. The table below summarises this key data:

Description	Whitmore High School	Canons High School	Park High School
Instructing client original budget [A]	£40,000,000	£1,364,185	£2,498,111
Gateway 1 (original) budgeted cost	£37,500,000	£3,133,388	£3,053,247
Gateway 2 (original) budgeted cost [B]	£40,234,152	£3,826,568	£3,589,156
<b><i>Difference between instructing client budget and Gateway 2 budget [B-A]</i></b>	<b>£234,152</b>	<b>£2,462,383</b>	<b>£1,091,045</b>
Final Kier fees [C]	n/a	£4,161,011	£3,745,065
Harrow internal fees [D]	n/a	n/a	n/a
Harrow direct costs [E]	n/a	n/a	n/a
Total project cost [F]	n/a	n/a	n/a
<b><i>Difference between Gateway 2 budget and final Kier fees + Harrow internal fees [C+D-B]=[G]</i></b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Change Orders [F]	£1,909,645	£375,330	£209,746
<b><i>Unexplained variance [G-F]</i></b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

4.14 Our analysis in the table above highlights the absence of critical financial data on the Canons and Park High School projects. Whitmore High School is an ongoing project and hence the data is not available at present in many cases. Our discussions with the Council's finance team has highlighted that the financial data that would allow a total actual project cost to be understood, including all relevant project costs, is not currently available. We have been able to identify the final Kier costs from the final account settlements included within the project files. However, the

3 December 2010

actual costs charged to the project for Harrow internal fees (which includes other consultants) and Harrow direct works costs are not freely available at present.

- 4.15 The Council has a number of project expenditure codes established for each project, which appear to be 'set-up' from an income stream perspective rather than from a project expenditure perspective. Establishing the finance coding structure in this manner significantly inhibits the ability to interrogate the financial position of individual projects. We are aware that the Council's finance team are currently reviewing the coding of expenditure over the last three years. Once completed this exercise should allow a full reconciliation of project costs to be completed, in line with our proposed approach, which will provide a comprehensive understanding of the reasons behind the escalation in individual project costs.
- 4.16 The difficulties in providing a comprehensive report of the costs associated with individual projects are a demonstration of the inherent weakness that exists within the Council's existing financial monitoring framework. It is recommended that the Council ensure that a single project master code is established with appropriate sub-codes that allow an analysis of sub categories of costs as required, for example, Harrow internal fees.

### **Conclusion**

- 4.17 There is a clear lack of transparency in relation to the total project costs and risks of the projects we have reviewed. Most significantly we have identified that the Council's existing internal authorisation procedure (Gateway) does not present the total budgeted project cost, as it excludes the cost of works which will be undertaken directly by the Council, which in some cases can be significant.
- 4.18 In addition, we also believe that the Gateway documentation does not sufficiently highlight the provisional sums of the budgeted cost and the likelihood of these costs materialising.
- 4.19 In completing our review, and specifically considering the transparency of the contractual price, we believe that the Council would benefit from ensuring that a comprehensive understanding of the contractual arrangements with Kier are fully appreciated and actively pursued to minimise scheme costs. We believe that such a review would help to ensure that the Council is maximising the opportunities to achieve Value for Money (VfM) within the framework of the current contract.

## V The robustness of the process to manage contract variations

### Introduction

- 5.1 The provisions of the partnering framework with Kier allow either party to propose changes which benefit the project, or for the Client to implement required changes. Change submissions are subject to cost evaluation, and the Constructor is urged to minimise adverse effects on the AMP.
- 5.2 In order to control such changes the Council has developed a dedicated change order process which requires the authorisation of Kier, the Council and the instructing client (for example Children's Services) prior to the change being actioned. The change order notice explicitly details the estimated cost of the proposed change, specification details and impact on the project.

### Findings

- 5.3 If used effectively, the change control procedure developed by the Council should ensure that all project changes are appropriately authorised – ensuring affordability, reasonableness and suitable risk management arrangements have been established.
- 5.4 Our review identified significant non-compliance with the change order process adopted by the Council. All changes reviewed on the Park and Canons High School projects, a sample of 25% of the number of changes processed, had been authorised on the same day, 29 June 2009, by Kier, the Council's client representative and the instructing client (Children's Services). It should be noted that the formal project completion date was 30 July 2009. Our sample indicates that the change authorisation procedure has not been used appropriately on these projects.
- 5.5 Our review did identify that alternative supporting evidence had been retained for some of these changes, however, the evidence was inconsistent and difficult to assess in some cases. The absence of formal acceptance by the instructing party is likely to impact on the Council's ability to recharge the costs associated with changes which were as a result of direct School requests. E-mail evidence was retained on the Canons High School project of the School instructing/agreeing to the change however, in the absence of a formally approved document, difficulties in recharging these costs may be experienced.
- 5.6 Our review of the Whitmore High School project identified that the change request procedure was being appropriately used for the majority of change instructed by the Council. However, our sample identified that two of the nine change requests had no documentation retained. Of the remaining seven, Kier, the Council's client representative and the instructing client had authorised the change on a timely basis in line with the required procedure. Whilst we have found evidence that formal authorisation of the change request had been received from the School, when initiated

by the School, there was no evidence to demonstrate that such costs have been actively recovered from the Schools.

### **Conclusion**

- 5.7 We have identified that the existing procedures for the authorisation of work variations through change requests is not being sufficiently utilised on all projects. The lack of real time change control will clearly inhibit the Council's ability to effectively manage project costs.
- 5.8 The need to utilise the change request authorisation procedure is critical to allow the Council to effectively manage the project programme and finances, and to facilitate effective cost recovery when appropriate.

## **VI The effective completion of the project final account**

### **Introduction**

- 6.1 We sought to assess whether the project final account had been completed on a timely basis, and whether sufficient scrutiny was exerted by the Council over the proposed final account presented by Kier.

### **Findings**

- 6.2 Only Park and Canons High Schools have been completed, and therefore no final account has been prepared for Whitmore High School at present.
- 6.3 In reviewing the final accounts for Park and Canons High School we note two issues of relevance:
- i) We noted that there was a different finance code utilised for the final account settlements for both Canons and Park High Schools, valued at £16,510 and £147,325 respectively. In both instances the code utilised was for Whitmore High School. We were unable to identify who authorised the use of this code.
  - ii) We did not identify any evidence that the Council had actively sought to recharge the School for changes directly requested by the School.
- 6.4 These two issues will impact on the final project cost reported for both Park and Canons High School projects, leading to misreporting of the project cost and a missed opportunity to reduce the final project cost respectively.

### **Conclusion**

- 6.5 Evidence of the final settlement figure being miscoded to other projects is of significant concern and has directly impacted on the financial transparency of these projects. It is unclear if this miscoding was deliberate, however, such miscoding will clearly inhibit the ability of the Council to effectively manage individual project finances and the overall financial position of Council.
- 6.6 We have not been able to identify the authorising officer responsible for such miscoding, however, opportunities exist, particularly through the review of e-mail correspondence, to potentially identify those responsible for authorising the miscoding of project costs.

## **VII An assessment of the project handover procedures**

### **Introduction**

- 7.1 We undertook an assessment to identify what procedures are carried out by C&E to formally complete the project and handover to the instructing client.

### **Findings**

- 7.2 Our review highlighted that two procedures are undertaken upon project completion:
- i) A formal project completion certificate is issued: This was completed for the Canons and Park High School projects however, it only requires the signature of the nominated client representative (C&E project officer) and does not require authorisation of the instructing client, as it is a formal contractual document with Kier. The reason for the absence of a formal instructing client sign-off is clear, however, we believe there may be some benefit in introducing an internal project completion procedure which would act as an authorisation for the C&E department to formally sign off projects with Kier.
  - ii) A client satisfaction survey is undertaken with the instructing department: A client satisfaction survey was only completed for the Canons High School project

### **Conclusion**

- 7.3 Opportunities exist to enhance the project handover procedure that would allow greater engagement with the instructing client department.



## VIII Assessment of the general project documentation and procedures

### Introduction

- 8.1 In order to complete our in-depth review of the three projects we had access to the nominated client representative, instructing client and all project documentation retained by C&E. This access has allowed us to make a number of general observations on the project management arrangements adopted by the Council.

### Findings

- 8.2 We have detailed our observations below:

#### *Evidence of contractual dispute or instructing client dissatisfaction*

- 8.3 Our review did not highlight any significant contractual disputes, issues or areas of ongoing client dissatisfaction. We did note that the change orders for the Whitmore High School project are subject to dispute with Kier in some instances and will require further engagement from the Council to resolve these issues.

#### *Evidence of project expenditure miscoding*

- 8.4 We identified miscoding of the final account settlement on both the Canons and Park High School projects, valued at £16,510 and £147,325 respectively, as discussed in paragraph 6.3. No other specific examples were identified in completing our review however, it should be emphasised that this was not a specific objective of our review.

#### *Evidence of client engagement throughout the project*

- 8.5 In reviewing the project meeting minutes and general correspondence between the instructing client department (Children's Services) and C&E department, it is clear that the instructing client was fully engaged throughout the project. The instructing client attended a wide range of meetings throughout the projects including the Kier partnership steering group, individual project core group meetings and a variety of additional project meetings, for example, technical group meetings. In addition to the attendance at such meetings, the instructing client had free access to the C&E department and nominated client representative throughout the duration of all three projects. Our review also identified periodic e-mail correspondence retained within the project files between the instructing client and the C&E department.

3 December 2010

*Project management improvement opportunities*

8.6 Beyond the specific observations noted in our findings above, we have also identified a number of additional areas where we believe improvements to the existing arrangements could be achieved. We have highlighted these below:

- i) **Procedural documentation:** The Council's C&E department have established some documented procedures which define the Gateway authorisation process and overall contract management processes of the Council. We have not completed a comprehensive review of this documentation, however, we believe that opportunities exist to enhance the current level of documentation.
- ii) **Project filling structure:** In addition to the opportunities to improve the procedural documentation of the Council, we identified that there is no consistent project filling system, for paper or electronic documents, adopted within the C&E department. A consistent project filling system is essentially for business continuity and maximising the efficiency of project management activities.
- iii) **Complex governance arrangements:** The existing governance structure of the projects is complex with the involvement of a significant number of interested parties, which include for example, Harrow's Children's Services, Community & Environment and Finance departments, Kier, Independent cost consultants and additional consultants as required. The existence of several stakeholders within the Council inherently generates complexity in the governance arrangements.
- iv) **Absence of defined roles and responsibilities:** The inherent complexity of the governance structure of projects is complicated further by the absence of clear roles and responsibilities of the interested stakeholders. We have not been presented with a clear governance structure or chart of responsibilities for any of the projects reviewed. In addition to the absence of clearly defined project governance responsibilities, it has also become clear that the job descriptions of individuals engaged in the project are not up to date. The establishment of a clearly defined governance structure, with defined roles and responsibilities would significantly enhance the effectiveness of project governance. The existence of such a governance structure would create the conditions where individuals could to take ownership of their project responsibilities.
- v) **Financial reporting:** We did not identify any evidence of contemporaneous project finance reporting on any of the projects reviewed. We understand that periodic financial reports were generated, however, there was limited evidence of discussion or associated actions within the

3 December 2010

project files we reviewed. Accurate, timely and complete finance reports are critical to facilitating discussion and analysis that will result in effective project management.

- vi) Risk Management:** Kier produce a risk register as part of their project submission which is costed and subsequently incorporated within the price framework submitted for approval. In completing our review we identified a significant level of discussion, minuted at relevant meetings, which indicated that technical project risk management issues were being actively managed. However, we did not identify any examples of an updated risk register that was suitably costed through the duration of the project as new risks emerged and existing risks were mitigated. The utilisation of a properly costed risk register would facilitate the contemporaneous assessment of expected project cost outturn and associated budget management.
- vii) Communication plan:** In completing our review we have not identified the existence of a communication plan for any of the projects. The development of such a plan would facilitate greater project transparency and greater efficiency in the adopted approach.
- viii) Project Assurance:** There do not appear to have been any contemporaneous project assurance arrangements established by the Council. Given the size of the Council's capital programme, and the existence of significant individual projects such as Whitmore High School, we would expect a programme of ongoing project assurance to be present. Such a function would provide assurance that projects are adhering to the Council's internal control framework and should also highlight opportunities to share best practice amongst projects and departments.

## Conclusion

- 8.7 Our general observations of the contract management arrangements surrounding the school capital programme have highlighted a significant number of opportunities to improve the future project management arrangements of the Council. The implementation of our observations would allow the Council to move towards a position of best practice in the area of capital programme project management.

## IX Summary of recommendations

9.1 We have summarised our recommendations below to provide management with a comprehensive list of areas requiring future consideration.

Number	Report reference	Recommendation	Priority
1	4.15	A single master code should be established for each project with appropriate sub-codes that allow an analysis of sub categories of costs as required.	High
2	3.8	A clear approval date should be included within the Gateway documentation.	Low
3	3.8	The instructing client should be required to authorise all project Gateway authorisation forms.	High
4	3.8	Any subsequent revisions to the Gateway documentation should be completed through the use of a dedicated revision form that documents the need for the revision and the cost and schedule implications.	Medium
5	3.10	It should be ensured that appropriate contractual arrangements have been established prior to any project work actually commencing.	High
6	4.7	An assessment of the quality of advice provided by G&T (cost consultants) for the school capital programme should be undertaken.	Medium
7	4.10	The Gateway 2 documentation should include a provisional sum for works to be completed directly by the Council and appropriate contingency for any risks transferred to the Council.	High
8	4.19	The Council must ensure that a comprehensive understanding of the contractual arrangements with Kier/New contractor is established through a review of the existing contract. This will ensure that the Council is maximising the opportunities to achieve Value for Money (VfM) within the framework of the current contract.	Medium
9	5.4	The change order authorisation procedure is appropriately used on all projects.	High

Number	Report reference	Recommendation	Priority
10	5.5	As part of completing the change order process formal acceptance by the instructing party should be obtained, as it is critical if the Council is to recharge change order costs, where appropriate.	Medium
11	6.3	Project costs should be coded to the appropriate project code.	High
12	6.3	The Council should assess the value in attempting to identify those responsible for authorising the miscoding of project costs.	Medium
13	6.3	It should be ensured that all change orders instructed by the Schools are collated and actively recharged where deemed appropriate.	Medium
14	7.2	An internal project completion procedure should be established which requires the authorisation of the instructing department prior to the C&E department formally signing off projects with Kier.	Medium
15	8.6	A review of the existing documented procedures within C&E should be undertaken.	Medium
16	8.6	A consistent project filing system, for paper or electronic documents, should be adopted within the C&E department.	High
17	8.6	A clear governance structure and chart of responsibilities should be developed for each project managed by C&E.	High
18	8.6	It should be ensured that job descriptions for all individuals across the Council are appropriate and up to date.	Medium
19	8.6	Comprehensive and contemporaneous project finance reports should be produced for all projects which specifically detail budgeted cost, actual cost to date, committed costs and a forecast outturn. It should be ensured that such reports are actively discussed and considered at core project meetings as a matter of course.	High
20	8.6	An up to date risk register should be maintained throughout the project.	High
22	8.6	A comprehensive communication plan should be developed	Medium

Number	Report reference	Recommendation	Priority
		for individual projects.	
23	8.6	The Council should consider introducing a programme of independent project assurance that would provide assurance that projects are being managed in accordance with the Council's established procedures and also highlight opportunities to share best practice amongst projects and departments.	Medium

## X Appendices

### Investigation into the contract management of Harrow Council's school capital programme

#### Appendices

	Appendix
Project review analysis – Whitmore High School	1
Project review analysis – Canons High School	2
Project review analysis – Park High School	3

3 December 2010

Appendices

**Appendix 1: Project review – Whitmore High School**

<b>Project summary information</b>	
<b>Project name</b>	Whitmore High School
Client representative	[REDACTED]
Client instructing department	Children's Services
Project start date	01/07/2008 (Partnership contract signed)
Project end date	Not applicable as project is still ongoing. Target completion date is 20/12/2010.
<b>Gateway and Contract:</b>	
Gateway 1 sign off date	11/02/2008
Gateway 2 sign off date	03/04/2009
PPC2000 contract sign off date	01/07/2008
Pre-possession sign off date	03/03/2009
Commencement agreement sign off	08/05/2009
<b>Financial summary:</b>	
Instructing client original budget	£40,000,000
Agreed maximum price	£38,477,152
Budgeted costs outside AMP	£1,225,000
Budgeted Harrow internal fees (Gateway 2 Rev 2)	£512,000
Budgeted external fees (Gateway 2 Rev 2)	£20,000 (potential additional cost)
<b>Total project budget</b>	<b>£40,234,152</b>



Project review analysis – Whitmore High School		Implications / Conclusion
Review objective	Findings	
<p><b>Procedure one: Assess compliance with the established 'Gateway' project management sign off procedure.</b></p> <p>1.1 Evidence of sign off sheets being retained and appropriately signed in line with the Council's delegated authorities.</p>	<ul style="list-style-type: none"> <li>Our review identified a single version of Gateway 1 &amp; 2 authorised for the Whitmore High School.                             <ul style="list-style-type: none"> <li>Gateway 1 signed form: Gateway 1 11/02/2008, value of £37,500,000 [Exhibit reference: A.1(a)]</li> <li>Gateway 2 signed form: Gateway 2 03/04/2009, value of £38,477,154. Total value including 'below the line items' of £40,234,154 [Exhibit reference: A.2(b)]</li> </ul> </li> <li>The value stated in Gateway 2 forms part of the agreed AMP which was fully analysed by client's cost consultants Gardiner &amp; Theobald (G&amp;T). AMP costing was developed with support from [redacted], who completed an additional cost estimate as at April 2008. The total estimate equalled £37,404,110 and continued to include a series of exclusions. [Exhibit reference: A.3]</li> <li>Note: A third [redacted] cost estimate was issued by Kier in September 2008 - £34,684,023 but continues to include the series of exclusions [Exhibit reference: A.4]</li> <li>Evidence shows G&amp;T had a series of meetings with Kier on the estimated costs upon the submission of the original AMP in November 2008, before agreeing the final AMP on 26/03/2009 [Exhibit reference: A.2(b)]</li> <li>It is clear from the analysis submitted by G&amp;T that a number of risks existed outside of the AMP, including uncertainties surrounding the power generation and other excluded items. There appears to be limited risk provision for these items within Gateway 2.</li> <li>Gateway 2 also has evidence of an email from [redacted]</li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>Evidence of approval for Gateway 1 and 2 were signed by the delegated authorities based on all the information presented in the Gateway documentation. No additional information was provided to the delegated authorities outside the Gateway that could have influenced the signing of the Gateway.</li> <li>Gateway 1 includes emails and cost consultant reports supporting the total budget of £37.5 million. There is no indication of an Agreed Maximum Price (AMP) analysis undertaken in Gateway 1.</li> <li>Gateway 2 includes the agreed AMP, which was fully analysed by the client's cost consultants Gardiner &amp; Theobald (G&amp;T).</li> <li>There is evidence of approval of Gateway 2 in an email from [redacted] (Director- Schools and Children's Development), although she has not signed the Gateway 2 documentation.</li> <li>The AMP in Gateway 2 includes</li> </ul>

Project review analysis – Whitmore High School		
Review objective	Findings	Implications / Conclusion
<p>1.2 Any evidence of subsequent variations of the Gateway approvals (i.e. further increases that are either signed off or not) and if there are subsequent increases to recorded why / supported by appropriate evidence in line with Council delegated authorities.</p> <p>1.3 Evidence of signed contracts/pre-possession orders in line with Council delegated authorities.</p>	<p>█ (Director- Schools and Children's Development) dated 26/03/2009, indicating her approval to proceed to Gateway 2. [Exhibit reference: A.2(C)] █ however, has not signed the Gateway 2 official sign-off sheet.</p> <ul style="list-style-type: none"> <li>Known 'below the line' items presented in the AMP amount to £1,757,000, and additional non-costed items existed. █ email dated 26 March 2009 [Exhibit reference: A.2(C)] and Steering Group meeting minutes dated 26 January 2009 and 23 February 2009 [Exhibit reference: A.5] - indicates that client is aware of 'below the line items' as presented in the AMP.</li> <li>None</li> </ul>	<p>'below the line items' – indicating that the client is aware of the items being 'below the line'.</p> <p><b>Generic observations:</b></p> <ul style="list-style-type: none"> <li>There is no clear approval date included within the Gateway authorisation documentation.</li> <li>The instructing client (Children's Services) is not required to authorise the project Gateway sign-off.</li> </ul>
	<p><b>Sighted four contractual documents:</b></p> <ul style="list-style-type: none"> <li>i. <b>Main Contract</b> - PPC 2000 ACA Project Partnering Contract Project Planning Agreement (Whitmore High School – KHP Ref 8010): dated 01/07/2008. The document was signed by █ (Head of Service) and Legal (done by deed). There was no indication of value of works authorised on this document. [Exhibit reference: A.6]</li> <li>ii. <b>Pre-possession #1</b>: Pre-possession Agreement (between London Borough of Harrow and Kier Support Services Limited</li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>There is evidence to indicate that the project had started before the Main Contract, Pre-possession Agreement, Commencement Agreement and Gateway 2 were signed.</li> </ul>

Project review analysis – Whitmore High School		Implications / Conclusion
Review objective	Findings	
	<p>T/A Kier Harrow Projects) dated 01/10/2008. The document was signed by [REDACTED] (Operations Manager). The document states a value of £8,258,133 up to period 31/12/2008 comprising of the following:</p> <ul style="list-style-type: none"> <li>- Main Build costs: £2,227,978</li> <li>- Temporary costs: £3,982,706</li> <li>- Consultant fees: £2,047,449</li> </ul> <p><b>[Exhibit reference: A.7(a)]</b></p> <p>iii. <b>Pre-possession#2:</b> Pre-possession Agreement (between London Borough of Harrow and Kier Support Services Limited T/A Kier Harrow Projects) dated 03/03/2009. The document was signed by [REDACTED] (Project Officer), [REDACTED] (Operations Manager). The document states a value of £20,973,781 up to period 31/03/2009 comprising of the following:</p> <ul style="list-style-type: none"> <li>- Main Build costs: £14,394,167</li> <li>- Temporary costs: £4,172,935</li> <li>- Consultant fees: £2,406,677</li> </ul> <p><b>[Exhibit reference: A.7(b)]</b></p> <p>iv. <b>Commencement Agreement:</b> Commencement Agreement dated 08/05/2009. The document was signed by [REDACTED] (witness), [REDACTED] (Project Officer). The document states an AMP value of £38,477,152 <b>[Exhibit reference: A.8]</b></p>	

Project review analysis – Whitmore High School		
Review objective	Findings	Implications / Conclusion
<p>1.4 Agree the Gateway value authorised to the supporting documentation including the AMP documentation received from Kier.</p>	<p><b>Findings</b></p> <ul style="list-style-type: none"> <li>- Commencement agreement highlights that the risk register indicates that £2,960,000 of client risk exists outside of the AMP value of £38,477,152.</li> <li>- A review of the dates the contracts were signed, together with the sign-off of Gateway1 and 2 indicate that a proper sequence of approval was observed. However, there is evidence that the project commenced sometime 2007 – having sighted an email dated 10 September 2007, on fee breakdown and [redacted] providing a SAP charge code [Exhibit reference: A.9]</li> <li>- In addition, Valuation 2, dated 28/03/2008, indicates a project Valuation 1 value of £404,290.50, with Valuation 2 presenting a value of £504,775.27 allocated to Pre-possession activities – all this before the Main Contract, Pre-possession, Commencement Agreement and Gateway 2 were signed. [Exhibit reference: A.10]</li> </ul>	
<p>1.4 Agree the Gateway value authorised to the supporting documentation including the AMP documentation received from Kier.</p>	<ul style="list-style-type: none"> <li>• <b>Gateway 1:</b> <ul style="list-style-type: none"> <li>- Gateway 1 documentation does not show evidence that an AMP was prepared. Reliance was rather placed on costs estimates provided by [redacted] on behalf of Kier.</li> <li>- Funding Amount and total budget stated in Gateway 1 is £37,500,000. This is made up of the following items: [Exhibit reference: A.16]</li> </ul> </li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>• G&amp;T's report, which forms part of Gateway 2, is dated 06/04/ 2009, although the sign-off of Gateway 2 is dated 03/04/ 2009.</li> <li>• G&amp;T was fully involved in the review of Kier's AMP, up to the point it was agreed on 26/03/2009.</li> <li>• Comparing [redacted] reports of January and September 2008, indicates a reduction in the cost to build by £2,720,087. This is not in line with the values presented in</li> </ul>

Project review analysis – Whitmore High School		Implications / Conclusion																								
Review objective	Findings																									
	<table border="1"> <thead> <tr> <th colspan="2">Gateway 1 total budget for OSP</th> <th>Costs (£)</th> </tr> </thead> <tbody> <tr> <td>OSP Grant (in SAP code C07-112)</td> <td></td> <td>32,244,345</td> </tr> <tr> <td>From Adult services to support community facilities for the school (in SAP code C06-164)</td> <td></td> <td>700,000</td> </tr> <tr> <td>[redacted] approval to enhance sport facilities in OSP (in SAP code C07-112)</td> <td></td> <td>1,250,000</td> </tr> <tr> <td>School contribution (revised to £600,000)</td> <td></td> <td>250,000</td> </tr> <tr> <td>LSC Post 16 development (in SAP code C06-174)</td> <td></td> <td>800,00</td> </tr> <tr> <td>Education Modernisation (in SAP code C06-151)</td> <td></td> <td>2,255,655</td> </tr> <tr> <td><b>Total</b></td> <td></td> <td><b>37,500,000</b></td> </tr> </tbody> </table> <p>- [redacted] advised on the cost of the design in Gateway 1. [redacted] feasibility reports indicate the following:</p> <p>i. Feasibility estimate report dated January 2008 of value £37,404,110 [Exhibit reference: A.3]</p> <p>ii. Feasibility estimate report dated September 2008 of value £34,684,023 [Exhibit reference: A.4]</p>	Gateway 1 total budget for OSP		Costs (£)	OSP Grant (in SAP code C07-112)		32,244,345	From Adult services to support community facilities for the school (in SAP code C06-164)		700,000	[redacted] approval to enhance sport facilities in OSP (in SAP code C07-112)		1,250,000	School contribution (revised to £600,000)		250,000	LSC Post 16 development (in SAP code C06-174)		800,00	Education Modernisation (in SAP code C06-151)		2,255,655	<b>Total</b>		<b>37,500,000</b>	<p>Gateway 1 and 2, which indicates an increase in the cost to build by £977,152.</p> <ul style="list-style-type: none"> <li>Items below the line were already present in Kier's initial AMP dated 02/12/2008.</li> </ul>
Gateway 1 total budget for OSP		Costs (£)																								
OSP Grant (in SAP code C07-112)		32,244,345																								
From Adult services to support community facilities for the school (in SAP code C06-164)		700,000																								
[redacted] approval to enhance sport facilities in OSP (in SAP code C07-112)		1,250,000																								
School contribution (revised to £600,000)		250,000																								
LSC Post 16 development (in SAP code C06-174)		800,00																								
Education Modernisation (in SAP code C06-151)		2,255,655																								
<b>Total</b>		<b>37,500,000</b>																								

Project review analysis – Whitmore High School		Implications / Conclusion						
Review objective	Findings							
	<ul style="list-style-type: none"> <li>• <b>Gateway 2:</b> <ul style="list-style-type: none"> <li>- The Agreed Maximum Price (AMP) presented in Gateway 2 was fully analysed by Gardiner &amp; Theobald (G&amp;T) as stated in their report, dated 06/04/2009 [Exhibit reference: A.2(d)]</li> <li>- Evidence shows G&amp;T had a series of meetings with Kier on the estimated costs, before agreeing the final AMP on 26/03/2009 [Exhibit reference: A.2(b)]</li> <li>- Email from [REDACTED] (Director- Schools and Children's Development), dated 26/03/2009, states her agreement to proceed to Gateway 2 [Exhibit reference: A.2(c)].</li> <li>• <b>Initial AMP by Kier:</b> Kier submitted an initial AMP documentation, dated 02/12/2008. This document was submitted prior to the signing of Gateway 2. The initial AMP was valued at £39,504,228 (excluding below the line items). Below the line items in this initial submission was £3,670,000 [Exhibit reference: A.11].</li> </ul> </li> </ul>							
1.5 Are the correct documents approved prior to any work commencing on site?	<ul style="list-style-type: none"> <li>• It was noted that work valuations were being completed prior to internal approval or contractual agreements – key internal authorisation procedure (Gateway) and contractual sign-off dates were compared to valuation certificates. The key findings are noted below: <table border="1" data-bbox="1129 739 1276 1406"> <thead> <tr> <th>Invoice ref: and value</th> <th>Valuation submission date and Valuation date</th> <th>Comment</th> </tr> </thead> <tbody> <tr> <td>Valuation</td> <td>Submission:</td> <td>Only Gateway 1 was</td> </tr> </tbody> </table> </li> </ul>	Invoice ref: and value	Valuation submission date and Valuation date	Comment	Valuation	Submission:	Only Gateway 1 was	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>• Valuation 13, dated 27/02/2009 indicates that £9,261,000 had been certified as complete and authorised for payment. This is prior to the signing of Gateway 2, PPC2000, Pre-possession and the commencement agreement.</li> </ul>
Invoice ref: and value	Valuation submission date and Valuation date	Comment						
Valuation	Submission:	Only Gateway 1 was						

**Project review analysis – Whitmore High School**

Review objective	Findings				Implications / Conclusion
	No.1: £404,290 (identified from valuation cert. 2)	Not known (Valuation cert. 2 submitted on 28/3/08 Valuation: No documentation retained)	signed off at this point (11/2/08) – no contractual documentation.		
	Valuation No.5 £1,761,800	Submission: 30/06/08 Valuation: No documentation retained	No Partnering contract in place until July 2008.		
	Valuation No.8b £5,647,000	Submission: 03/10/08 Valuation: No documentation retained	No Pre-possession order or letter of intent in place.		
	Valuation No.13 £9,261,000	Submission: 27/2/09 Valuation: No documentation retained	Maximum Pre-possession value in place up to 31 December 2008 was £8,258,133.		
	Valuation No. 16 £14,469,188	Submission: 22/05/09 Valuation: 02/06/09	Commencement agreement in place and pre-possession value allowed up to £20.9m		

**Procedure 2: To assess the transparency of the Agreed Maximum Price (AMP):**

Project review analysis – Whitmore High School		
Review objective	Findings	Implications / Conclusion
<p>2.1 Assessment of evidence to support the build up of the AMP (i.e. detailed specification from Kier, Cost consultant evaluation).</p>	<ul style="list-style-type: none"> <li>Detailed AMP breakdown was submitted by Kier and fully analysed by Gardiner &amp; Theobald (G&amp;T) as stated in their report, dated 06/04/2009, which forms part of Gateway 2. [Exhibit reference: A.2(d)]</li> <li>Initial AMP by Kier was submitted prior to the signing of Gateway 2. The initial AMP value was £39,504,228 (excluding below the line items). 'Below the line' items in this initial submission were £3,670,000 – total value of £43.1m. [Exhibit reference: A.11]</li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>No evidence of items being moved from included in AMP to 'below the line items' in the final AMP</li> <li>Evidence indicates that the AMP value was reduced after initial Kier submission following reviews from G&amp;T.</li> <li>Evidence that 'below the line' items have been transferred from a costed provision to excluded cost provision – to be supplied by Harrow Direct.</li> </ul>
<p>2.2 Assessment of evidence supporting the authorisation of the AMP, specifically including any involvement of Children's Services Directorate ('the client') in agreeing the final AMP (For example: e-mail correspondence).</p>	<ul style="list-style-type: none"> <li>Gateway 2 also has evidence of an email from [redacted] (Director- Schools and Children's Development) dated 26/03/2009, indicating her approval to proceed to Gateway 2 [Exhibit reference: A.2(c)]</li> <li>There is no evidence to indicate that [redacted] or other representatives from the client have signed the Gateway 2 official sign-off sheet.</li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>Confirmation from the client to proceed to Gateway 2 with the agreed AMP.</li> </ul>
<p>2.3 Where feasible to review the cost consultant's assessment of the AMP.</p>	<ul style="list-style-type: none"> <li>The agreed AMP, presented in Gateway 2 was fully analysed by Gardiner &amp; Theobald (G&amp;T) as stated in their report, dated 06/04/2009 [Exhibit reference: A.2(b)]</li> <li>This report also states that G&amp;T were engaged in a series of meetings between Kier from the time Kier submitted their proposed AMP (28/11/2008), to the time the AMP was agreed</li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>No issues noted.</li> </ul>



Project review analysis – Whitmore High School		Implications / Conclusion																																				
Review objective	Findings																																					
<p>2.4 Document any items which are excluded from the AMP, known as being 'below the line'. What evidence is retained on file to support the agreement of these items being below the line?</p>	<p>(26/03/2009). This together with supporting documentations reviewed, indicate that G&amp;T were an integral part in the approval of the AMP. [Exhibit reference: A.2(b)]</p> <ul style="list-style-type: none"> <li>'Below the line' items and their relevant costs as presented in the AMP in Gateway 2 are as follows:</li> </ul> <table border="1"> <thead> <tr> <th>Additional Items</th> <th>outside</th> <th>Costs(£)</th> </tr> </thead> <tbody> <tr> <td><b>constructors AMP</b></td> <td></td> <td></td> </tr> <tr> <td><b>Provisional sum</b></td> <td></td> <td></td> </tr> <tr> <td>Room Data Sheets Issue 1 – Enhancements</td> <td></td> <td>55,000</td> </tr> <tr> <td>Drainage Attenuation</td> <td></td> <td>325,000</td> </tr> <tr> <td>EDF Energy Costs</td> <td></td> <td>180,000</td> </tr> <tr> <td>IT Cabling</td> <td></td> <td>280,000</td> </tr> <tr> <td>Hub Kitchen</td> <td></td> <td>265,000</td> </tr> <tr> <td>Fitness Suite</td> <td></td> <td>120,000</td> </tr> <tr> <td>Potential</td> <td></td> <td></td> </tr> <tr> <td><b>Potential additional costs</b></td> <td></td> <td></td> </tr> <tr> <td>Additional electric supply and substation capacity</td> <td></td> <td>20,000</td> </tr> </tbody> </table>	Additional Items	outside	Costs(£)	<b>constructors AMP</b>			<b>Provisional sum</b>			Room Data Sheets Issue 1 – Enhancements		55,000	Drainage Attenuation		325,000	EDF Energy Costs		180,000	IT Cabling		280,000	Hub Kitchen		265,000	Fitness Suite		120,000	Potential			<b>Potential additional costs</b>			Additional electric supply and substation capacity		20,000	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>Project risks have been identified by G&amp;T and submitted by Kier but excluded from the AMP and Gateway submissions. It is unclear from the evidence reviewed who had responsibility for taking this decision to exclude costings from the AMP and Gateway submissions.</li> <li>Evidence sighted indicate that the client was aware of the existence of 'below the line items'.</li> </ul>
Additional Items	outside	Costs(£)																																				
<b>constructors AMP</b>																																						
<b>Provisional sum</b>																																						
Room Data Sheets Issue 1 – Enhancements		55,000																																				
Drainage Attenuation		325,000																																				
EDF Energy Costs		180,000																																				
IT Cabling		280,000																																				
Hub Kitchen		265,000																																				
Fitness Suite		120,000																																				
Potential																																						
<b>Potential additional costs</b>																																						
Additional electric supply and substation capacity		20,000																																				

Project review analysis – Whitmore High School														
Review objective	Findings	Implications / Conclusion												
	<table border="1"> <tr> <td colspan="2">Harrow direct specialists</td> <td>Excluded</td> </tr> <tr> <td>Exclusions</td> <td></td> <td></td> </tr> <tr> <td>Harrow Direct Costs</td> <td></td> <td>512,000</td> </tr> <tr> <td>Total</td> <td></td> <td>1,757,000</td> </tr> </table> <p>[Exhibit reference: A.2(d)]</p> <ul style="list-style-type: none"> <li>We had sight of email evidence of Children's Services sign-off and clear discussion within Steering Group meeting of the awareness of 'Below the Line' items (23/2/09). Reference made to "Items that Harrow have agreed to procure directly". [Exhibit reference: A.5]</li> <li>Commencement agreement includes details of costed client risks (£2,960,000) however, no evidence of this value being openly discussed or managed in a formal manner.</li> <li>No clear evidence in records maintained.</li> </ul>	Harrow direct specialists		Excluded	Exclusions			Harrow Direct Costs		512,000	Total		1,757,000	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>No clear evidence of on-going active management of these risks.</li> </ul>
Harrow direct specialists		Excluded												
Exclusions														
Harrow Direct Costs		512,000												
Total		1,757,000												
2.5 Is there any evidence to support how any items 'below the line' would be managed from a risk perspective?	<ul style="list-style-type: none"> <li>See analysis above</li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>See analysis above.</li> </ul>												
<p><b>Procedure 3: To review and assess the project change orders.</b></p>														
3.1 Review the project change orders to ensure appropriate authorisation has	<ul style="list-style-type: none"> <li>We have reviewed a sample of nine change orders from the total of 121 client change instructions and 138 Kier change</li> </ul>	<p><b>Project observations:</b></p>												

**Project review analysis – Whitmore High School**

Review objective	Findings						Implications / Conclusion					
<p>been recorded in line with the Council's documented procedures.</p>	<p>instructions summary. <b>[Exhibit reference: A.12(a)]</b></p> <ul style="list-style-type: none"> <li>Total client change instruction was valued at £1,864,659 – with paid amounting to £1,606,959. <b>[Exhibit reference: A.12(b)]</b></li> <li>Total Kier change instructions was valued at £44,986 - of which £0 has been paid. <b>[Exhibit reference: A.12(b)]</b></li> <li>The following change orders were taken as samples during our review:</li> </ul>						<ul style="list-style-type: none"> <li>It was noted that the formal process to sign the change request forms were adhered to.</li> <li>All change request forms were signed by [redacted] and [redacted]. A Kier representative also signed the change request forms, but it is not possible to determine the personnel signing.</li> <li>On change request funded by School, a School representative signed the change request.</li> <li>Some documentary proof of the change request in our sample were missing from the records.</li> <li>Kier requested changes do not form part of the change request, and are classified by the client as disputed.</li> </ul>					
	Change Request No	Valuation cert date	Description	Funder	Costs	Change request form date	17c	10 July 2009	Appoint Grattes for Hub Kitchen	Harrow Direct	£311,005.37	Issue date: 12 Feb 2010 Sign off date: 09 Apr 2010
	24a	17 July 2009	Below the line provisional sum - FF&E	Harrow Direct	£71,859.10 (91% Complete – £65,695.36)	Issue date: 17 July 2009 Sign off date: 07 Dec 2009						

Project review analysis – Whitmore High School		Findings						Implications / Conclusion	
Review objective			EDF	AMP – Below the line item	Issue date:	Issue date:			
	34	2 Sept 2009			£151,759.85	02 Sept 2009	Sign off date: 01 Dec 2009		
	39	15 Oct 2009	Provide services for a space for a sink	Harrow Direct	£3,404.20	15 Oct 2009	Sign off date: 26 May 2010		
	44	16 Nov 2009	Gratts to proceed with design of deli bar	Harrow Direct	£92,000	16 Nov 2009	Sign off date: 26 May 2010		
	109	20 May 2010	Reception desk	Harrow Direct	£46,973	No evidence of change request form			
	89	19 March 2010	Proceed with installation of trophy	School	£7,596	No evidence of change			

**Project review analysis – Whitmore High School**

Review objective		Findings					Implications / Conclusion	
			display cabinet.	School (Evidence of school signature included in change request form)	£3,180	request form		
		15 Jan 2010	Provide 30nr call points			Issue date: 15 Jan 2010 Sign off date: 02 Mar 2010		
		119	40mm artificial grass	School (Evidence of school signature included in change request form)	£36,824.68	Issue date: 16 July 2010 Sign off date: 16 July 2010		
<b>Constructor's Request</b>								
Kier No	Date	Description	Originator	Cost	Remarks			
56		Provide flues to fixed fume cupboards	Kier requested	£20,000	Disputed.			
81		Provide additional door stops	Kier requested	£4,000	Disputed.			
101		Library detail design	Kier requested	£5,000	Disputed.			
<ul style="list-style-type: none"> <li>• Harrow Direct initiated change orders [Change Order No: 17c, 24a, 34,39, 44, 109]: - All sampled change orders were signed by [REDACTED]</li> </ul>								

<b>Project review analysis – Whitmore High School</b>		<b>Implications / Conclusion</b>
<b>Review objective</b>	<b>Findings</b>	
<p>3.2 Review and assess any evidence of correspondence and engagement with Children's Services in relation to major value change orders.</p>	<p>Although Kier signed these documents, it is unclear the representative that signed the document. [Applies to all Harrow Direct].</p> <ul style="list-style-type: none"> <li>- No evidence of Change Order 109 in the folder.</li> <li>• <b>School [Change Order No: 89, 78, 119]:</b> <ul style="list-style-type: none"> <li>- Change order 119 is signed by [REDACTED], [REDACTED].</li> <li>- [REDACTED]. Although Kier signed the document, it is unclear the representative that signed the document.</li> <li>- Change Order 78 and 89 - No evidence of Change Orders in the folder.</li> <li>- Change Order 89 [Exhibit reference: A.13]- Although there is no evidence of the Change Order in the folder, there is email evidence that [REDACTED] approved KHP to design, supply and install the display unit.</li> <li>• <b>Kier requested change [56, 81, 101]:</b> <ul style="list-style-type: none"> <li>- These do not form part of the change instructions and are classified as disputed. Note that the Kier requested change numbers are different to those of change request. [Applies to all Kier request].</li> </ul> </li> </ul> </li> <li>• All change request forms are signed by [REDACTED]. [REDACTED] is also the authority that gives the approval to raise the change request.</li> <li>• [REDACTED] is also involved in technical meeting with Kier, and agrees changes to designs as they arise [Exhibit reference: A.14].</li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>• No issues noted</li> </ul>
<p>3.3 To identify any variations which have been agreed as 'to be recovered from</p>	<ul style="list-style-type: none"> <li>• From our sample, the items agreed as 'to be recovered from the school' are as shown above.</li> </ul>	<p><b>Project observations:</b></p>

Project review analysis – Whitmore High School		
Review objective	Findings	Implications / Conclusion
the school' and how these were approved.	<ul style="list-style-type: none"> <li>Approval of these items were sent via the change request forms, where the representative from school had to sign the change order forms, in addition to [REDACTED] and a Kier representative.</li> </ul>	<ul style="list-style-type: none"> <li>No issues noted</li> </ul>
3.4 To identify when the project change order process was brought into operation;	<ul style="list-style-type: none"> <li>Our meeting with [REDACTED] indicates that the project change order process was introduced at the start of the project.</li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>No issues noted</li> </ul>
3.5 To reconcile the project change orders to the items included 'below the line' within the agreed AMP.		
<b>Procedure 4: To review the project final account.</b>		
4.1 Complete a comparison of the project final account cost against the AMP	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>
4.2 Identify when the final account was paid and settled.	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>
4.3 Review and assess the engagement with the appointed cost consultant in agreeing and approving the final account.	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>
4.4 Identify any evidence of school recharges (for variations) being actioned.	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>
4.5 Identify any correspondence or evidence of dispute in relation the final account.	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>
4.6 Is there any evidence in the project progress payments or in the final	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>

Project review analysis – Whitmore High School		
Review objective	Findings	Implications / Conclusion
account of an early payment discount being received by the Council?		
<b>Procedure 5: To review the project handover to Children Services.</b>		
5.1 An assessment of what procedures were followed to allow /authorise the handover of the completed project (i.e. Is there any evidence of a completion statement/ or e-mail?)	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>
<b>Procedure 6: To document any general observations, specifically including any observations in relation to:</b>		
6.1 To review correspondence between the Council and the cost consultants, recording any evidence of 'concern'/dissatisfaction.	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>
6.2 To review any correspondence with Kier, recording any evidence of 'concern'/dissatisfaction.	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>
6.3 To record any evidence of finance or progress reports being produced and issued to Children's Services directorate.	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>
6.4 Any evidence on file of correspondence relating to internal coding of project expenditure?	<ul style="list-style-type: none"> <li>We had sight of email evidence of School instructing the client to charge to a particular code. [Exhibit reference: A.15]</li> </ul>	<p><b>Project implications:</b></p> <ul style="list-style-type: none"> <li>No issue sighted</li> </ul>



**Appendix 2: Project review – Canons High School**

<b>Project summary information</b>	
Project name	Canons High School
Client representative	[REDACTED]
Client instructing department	Children's Services
Project start date	28/04/2008 Contract signed
Project end date	30/07/2009 - PPC 2000 Project Completion Certificate
<b>Gateway and Contract:</b>	
Gateway 1 sign off date	25/03/2008
Gateway 2 sign off date	17/12/2008
PPC2000 contract sign off date	28/04/2008
Pre-possession sign off date	31/10/2008
Commencement agreement sign off	04/09/2008
<b>Financial summary:</b>	
Instructing client original budget	£1,364,185 - (Post 16 Capital Bid Submission 2006)
Agreed maximum price	£3,769,170 - (per Commencement Agreement)
Budgeted costs outside AMP	No 'below the line' items included but items transferred to client
Budgeted Harrow internal fees (Gateway 2 Rev 2)	£74,401
Budgeted external fees (Gateway 2 Rev 2)	£307,756
<b>Total project budget</b>	Final amount paid to Kier £4,161,010.65 excluding VAT

Project review analysis – Canons high school		Implications / Conclusion
Review objective	Findings	
<p><b>Procedure one: Assess compliance with the established 'Gateway' project management sign off procedure.</b></p> <p>1.1 Evidence of sign off sheets being retained and appropriately signed in line with the Council's delegated authorities.</p>	<ul style="list-style-type: none"> <li>Our review identified multiple iterations of Gateway 1 &amp; 2 authorisations for the Canons High School project.                             <ul style="list-style-type: none"> <li>Two Gateway 1 signed forms: Gateway 1 (original) 25/03/2008, value of £3,133,388. Gateway 1 (revision) 06/11/2008, increased value of £3,889,771 [<b>Exhibit reference: B.1</b>]</li> <li>Four Gateway 2 signed forms, on 01/04/2010, 01/04/2010, 09/10/2009 &amp; 17/12/2008.                                     <ul style="list-style-type: none"> <li>I) Gateway 2 (original): £3,826,568</li> <li>II) Gateway 2 (final revision): £4,235,412</li> </ul> </li> </ul> </li> <li>Increase in Gateway 2 sign-off to allow purchase order approval as project costs increased due to change orders. Final Gateway 2 form agrees to the final account settlement. [<b>Exhibit reference: B.2 (a – b)</b>]</li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>Only Gateway 1 has "Instructing Department" formal sign-off, by Children's Services (██████████).</li> <li>Gateway 1 revision captures a budget increase of £756k, upon review supporting evidence was only available to explain £670k of the increase. The nominated client representative was unable to provide an explanation.</li> <li>Gateway 2 documentation includes email correspondence to evidence client buy-in, as formal sign-off from the client is not required on the Gateway 2.</li> </ul> <p><b>Generic observations:</b></p> <ul style="list-style-type: none"> <li>There is no clear approval date included within the Gateway authorisation documentation.</li> <li>The instructing client (Children's Services) is not required to authorise the project Gateway 2 sign-off.</li> <li>As opposed to a Gateway revision form, which would require specific details of any revisions and the reasons for such revisions, current practice is to revise the</li> </ul>

Project review analysis – Canons high school		
Review objective	Findings	Implications / Conclusion
1.2 Any evidence of subsequent variations of the Gateway approvals (i.e. further increases that are either signed off or not) and if there are subsequent increases to recorded why / supported by appropriate evidence in line with Council delegated authorities.	<ul style="list-style-type: none"> <li>See observations in procedural step 1.1.</li> </ul>	original Gateway documentation.
1.3 Evidence of signed contracts/pre-possession orders in line with Council delegated authorities.	<p><b>Sighted three contractual documents:</b></p> <ul style="list-style-type: none"> <li>i) <b>ACA Project Partnering Contract Canons High School:</b> dated 28/04/2008. London Borough of Harrow (LBH) signatory not legible. Building element cost breakdown of £1,364,185 for the project, consistent with that in the Post 16 Capital Bid Submission dated 16/04/2006.</li> <li>ii) <b>Pre-possession Agreement:</b> dated 31/10/2008. LBH signatory, [REDACTED] (Project Officer) value £662,872.10.                             <ul style="list-style-type: none"> <li>- PPA relates to work up to the 30 September 2008 however, was actually signed a month later. <b>[Exhibit reference: B.4]</b></li> <li>- Significant elements were allocated to budgets outside the specified AMP, for example the £197k music room relocation could be considered as "Temporary Decant Accommodation Relocation" as noted in the Cost Matrix. <b>[Exhibit reference: B.20]</b></li> </ul> </li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>It has been confirmed by the Project Officer that the Commencement Agreement had been backdated and should have been signed after the Gateway 2 authorisation at 01/12/08.</li> <li>The pre-possession agreement appears to be authorised after the interim works have been completed.</li> <li>The £197k Music room relocation cost may have been allocated against a separate budget, however, no evidence was identified to indicate the actual position – further clarification would be required.</li> </ul>

Project review analysis – Canons high school		
Review objective	Findings	Implications / Conclusion
	<p>iii) Commencement Agreement: dated 04/09/2008. LBH signatory, [REDACTED], stated as title but sign off by [REDACTED], (Project Officer). It is noted that the document appears to have been backdated – as AMP is included in Commencement agreement however, AMP not finalised until December 2008. AMP budget of £3,769,170 inconsistent with Gateway 2 original, (excludes Harrow direct fees and pre-possession amount).</p>	
1.4 Agree the Gateway value authorised to the supporting documentation including the AMP documentation received from Kier.	<ul style="list-style-type: none"> <li>The original Gateway 2 was signed by a Kier representative, and included the AMP for £3,769,170. Commencement agreement consistent with AMP sighted.</li> </ul>	
1.5 Are the correct documents approved prior to any work commencing on site?	<ul style="list-style-type: none"> <li>When comparing the commencement agreement dated 04/09/2008 (which we believe to be backdated from December 2008), to the first invoice for work under the AMP 20/02/2009 - see invoice ref 08080004 03/02/09 – the cumulative invoice value was £1,545,543.</li> <li>Upon further investigation it was noted that the work valuations were being completed prior to internal approval or contractual agreements - key internal authorisation procedure (Gateway) and contractual sign-off dates were compared to valuation certificates. The key findings are noted below.</li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>Prior to the Gateway 2 authorisation between £1.045m and £1.324m of work had been certified as complete and authorised for payment. This represents in excess of at least 29% of the approved AMP value.</li> <li>In summary - Gateway approvals and contractual documentation appear to 'follow' valuation certificates from Kier rather than act as a catalyst for work.</li> </ul>

Project review analysis – Canons high school		Implications / Conclusion	
Review objective			
Findings			
Invoice ref: and value	Valuation submission date and valuation date	Comment	
Valuation No.3: £660,747 [Exhibit reference: B.6 (a-b)]	Submission: 02/10/08 Valuation: 30/09/2008	<ul style="list-style-type: none"> <li>Gateway 1 allowed a total drawdown of £670,809. The PPA authorised £662,872 of work up to the end of September 2008.</li> <li>Kier application stated that Gateway 1 &amp; 2 and pre-possession agreement are in place, this is not the case, only Gateway 1 had been authorised.</li> </ul>	
Valuation No.4: £1,045,258 [Exhibit reference: ]	Submission: 28/11/08 Valuation: 05/12/2008	<ul style="list-style-type: none"> <li>Gateway 2 sign off 17/12/2008 and commencement agreement</li> </ul>	

Project review analysis – Canons high school			
Review objective	Findings		Implications / Conclusion
	B.6 (c-d)]	backdated, hence appears that work has commenced prior to contractual agreement being signed.	
	Valuation No. 5 - £1,324,991 [Exhibit reference: B.6 (e-f)]	Submission: 22/12/08 Valuation: 12/01/2009	<ul style="list-style-type: none"> <li>Gateway 2 authorised 17/12/2008 and commencement agreement backdated hence appears that work has commenced prior to contractual agreement being signed.</li> </ul>
<b>Procedure 2: To assess the transparency of the Agreed Maximum Price (AMP):</b>			
2.1 Assessment of evidence to support the build up of the AMP (i.e. detailed specification from Kier, Cost consultant evaluation).	<ul style="list-style-type: none"> <li>Detailed AMP breakdown provided by Kier and submitted to Gardiner &amp; Theobald (Appointed cost consultants (G&amp;T)) in December 08 for review – G&amp;T review document was attached to Gateway 2 documentation.</li> </ul>		[Exhibit reference: B.7]

Project review analysis – Canons high school		
Review objective	Findings	Implications / Conclusion
<p>2.2 Assessment of evidence supporting the authorisation of the AMP, specifically including any involvement of Children's Services Directorate ('the client') in agreeing the final AMP (For example: e-mail correspondence).</p>	<ul style="list-style-type: none"> <li>The client confirmed review of the AMP per email 18/12/2008 at 08:02 from [REDACTED] (Head of Capital &amp; Education Property developments) "to proceed in line with the budgets detailed in the Cost Matrix" [Exhibit reference: B.8]</li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>Confirmation from the client to proceed in line with the cost matrix (which we have assumed is the AMP) post dates the commencement agreement sign-off, 04/09/2008 (however, known to be back dated), and the Gateway 2 authorisation on 17/12/08.</li> <li>At point of Children's Services e-mail (18/12/08) 35% of the AMP value had been authorised for payment.</li> </ul>
<p>2.3 Where feasible to review the cost consultant's assessment of the AMP.</p>	<ul style="list-style-type: none"> <li>G&amp;T reviewed Kier's overall submission on price, risk &amp; VFM to support the Gateway 2 original submission - "AMP has been fully substantiated in terms of trade contract prices and we are satisfied that Kier has adopted an appropriate method of procurement." [G&amp;T report]. [Exhibit reference: B.7]</li> <li>In G&amp;T's analysis VFM cost per sqm £2,114/sqm was noted as being within the middle of the benchmark range (range £1,869-2,346/sqm).</li> <li>G&amp;T's analysis stated that fees were deemed to have been assessed under the framework agreement and therefore were not re-assessed.</li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>We have identified in steps 2.3 – 2.6 below that the identified AMP does not include all risks and therefore not all costs are included. Therefore benchmarking of the AMP budget which excludes identified risks against completed projects will not compare like for like, hence potentially weakening the VFM calculation further. For example, our review of the risk register clearly identifies the risk of surface water attenuation (i.e. need for storm drains) which has not been costed within the AMP. The project risk register also identifies a number of other client risks not included in the AMP which are</li> </ul>

Project review analysis – Canons high school		
Review objective	Findings	Implications / Conclusion
<p>2.4 Document any items which are excluded from the AMP, known as being 'below the line'. What evidence is retained on file to support the agreement of these items being below the line?</p>	<ul style="list-style-type: none"> <li>The AMP has no 'below the line' entries.</li> <li>G&amp;T reviewed the AMP considering price, risk &amp; VFM and identified eleven areas of risk where no provision has been made. These identified risks were completely excluded from the AMP total, rather these items were defined as at the client's risk and not costed. G&amp;T's formal report clearly identifies these risks however, no action to include such costs within the AMP or Gateway submission can be identified.</li> </ul>	<p>not costed.</p> <p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>Project risks have been identified by G&amp;T and within the risk register submitted by Kier but excluded from the AMP and Gateway submissions. It is unclear from the evidence reviewed who had responsibility for taking this decision to exclude costings from AMP and Gateway submissions.</li> <li>Project risks were presented within iterations of the Cost Matrix maintained in excel. The Cost Matrix was provided to the client as noted in the email from A Gibbons, 18/12/2008. Subject: Re: Post 16 – Approval of Budgets. [Exhibit reference B.8]</li> </ul>
<p>2.5 Is there any evidence to support how any items 'below the line' would be managed from a risk perspective?</p>	<ul style="list-style-type: none"> <li>G&amp;T report that these risk items will be established by Kier as 'below the line' items and the provisions will be verified and added to the AMP for reconciliation with the project budget. G&amp;T commit to reviewing these separately once completed. It has been identified that at least some of these risk items have been issued as change notices, as sampled in procedure 3 below.</li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>The submitted AMP did not include any 'below the line' costed items and there is no clear evidence to support how any 'below the line' items in the C&amp;E cost matrix would be funded.</li> <li>The approved AMP did not include costs and risks that were known to both Kier</li> </ul>



Project review analysis – Canons high school		
Review objective	Findings	Implications / Conclusion
	<ul style="list-style-type: none"> <li>• The cost matrix maintained by C&amp;E detailed the 'below-the-line' type of cost as follows:                             <ul style="list-style-type: none"> <li>i) Items to be undertaken by Kier. [Below the Line' costed items] - £116k had been allocated to temporary accommodation at the point of submission, and £409k of other costs were identified as actual/projected costs to be undertaken.</li> <li>ii) Items to be undertaken by the client [Project risk not costed within the AMP] - £147k allocated to ICT at the point of submission, and £521k of other costs were identified as actual/projected costs to be undertaken.</li> </ul> </li> <li>• Neither category of these anticipated costs were included within the AMP submission.</li> <li>• No provision was made for the nine areas of identified risk with the AMP budget, as detailed above (2.5).</li> </ul>	<p>and the Council, as identified through the Kier risk register and G&amp;T report.</p>
2.6 Is there any evidence of the 'below the line' items being manipulated to make the AMP fit the budget?		<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>• There is no evidence to confirm deliberate manipulation and further investigation would be required [specifically e-mail evidence and interviews] to reach any conclusion but clear indications of known exceptions have been identified.</li> </ul>

Project review analysis – Canons high school		Implications / Conclusion
Review objective	Findings	
<p><b>Procedure 3: To review and assess the project change orders.</b></p> <p>3.1 Review the project change orders to ensure appropriate authorisation has been recorded in line with the Council's documented procedures.</p>	<p>We have reviewed a sample of five change orders from the total of 21 listed per the change instructions summary - total change instruction value was £375,330.</p> <p><b>#1 Change notice 1: 29/06/09 Amount £197,174.17</b></p> <ul style="list-style-type: none"> <li>Approved by: [REDACTED], 08/10/09, for C&amp;E Community Property Development Officer, direct report to [REDACTED]. <b>[Exhibit reference: B10]</b></li> <li>Authorisation support for £197,174.17, title "Canons High School Music Room Alteration Price Breakdown", spent 18/07/08. Confirmed it was part of the pre-works approval from client.</li> </ul> <p><b>#2 Change notice 3: 29/06/09 Amount £41,969.70</b></p> <ul style="list-style-type: none"> <li>Approved by: [REDACTED], 08/10/09, for C&amp;E Community Property Development Officer, direct report to [REDACTED].</li> <li>Authorisation support: "8004 Canons High School Client Change Instruction 13 date 08/04/09" &amp; letter from Crossbrook furniture Ltd, ref 7912/KIER001.doc/MM/L45, dated 18/02/2009. Confirmed FFE was excluded from the AMP. <b>[Exhibit reference: B11]</b></li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>All formal change requests are dated 29 June 2009 and have not been utilised as intended. There is limited evidence of alternative authorisation being sought.</li> <li>Evidence identified that has confirmed that client approval was sought for some change orders sampled.</li> <li>Evidenced identified in our review that the change order process is being utilised to capture 'below the line' risks as well as genuine scope variations.</li> </ul>

Project review analysis – Canons high school	Findings	Implications / Conclusion
<p>Review objective</p>	<p><b>#3 Change notice 8: 29/06/09 Amount £19,583.42</b></p> <ul style="list-style-type: none"> <li>• Approved by: [REDACTED], 08/10/09, for C&amp;E Community Property Development Officer, direct report to [REDACTED]</li> <li>• Authorisation support: "8004 Canons High School Client Change Instruction 14 date 17/04/09" confirmed storm water drainage excluded from the AMP. [Exhibit reference: B.12]</li> </ul> <p><b>#4 Change notice 20 29/06/09 Amount £12,182.08</b></p> <ul style="list-style-type: none"> <li>• Recharge to school</li> <li>• Approved by: [REDACTED], 08/10/09, for C&amp;E Community Property Development Officer, direct report to [REDACTED]</li> <li>• Supporting email chain dated 26/05/09: [REDACTED], Acting School Business Manager, Subject: Re Canons High – Additional Work Urgent. Confirmed acceptance of at least £9K, subsequently agreed balance would be paid by increase to the IT allocation. E-mail from [REDACTED] 29/05/09, also confirming acceptance, prior to the commencement of work. [Exhibit reference: B.13]</li> </ul>	

Project review analysis – Canons high school		
Review objective	Findings	Implications / Conclusion
	<p>#5 Change notice 11 29/06/09 Amount £3,845.82</p> <ul style="list-style-type: none"> <li>Recharge to school</li> <li>Approved by: [redacted] 08/10/09, for C&amp;E Community Property Development Officer, direct report to [redacted].</li> <li>Supporting email chain, dated 26/05/09: [redacted], Acting School Business Manager, Subject: Re Canons High – Additional Work Confirmed acceptance of the cost for the sink. [Exhibit reference: B14]</li> </ul>	
3.2 Review and assess any evidence of correspondence and engagement with Children's Services in relation to major value change orders.	<ul style="list-style-type: none"> <li>Sighted email approval to increase budget from [redacted], sent on behalf of [redacted] 27/10/2009 to support the Gateway 2 revision 1 for £380,960. Code to book against is WBS C06-174E02. [Exhibit reference: B.15]</li> </ul>	
3.3 To identify any variations which have been agreed as 'to be recovered from the school' and how these were approved.	<ul style="list-style-type: none"> <li>Upon reviewing the change order summary eleven of the 21 items were referenced as being potentially re-charged to the school, a total of £48,376.25. Our sample testing did identify that confirmation had been received from the school that confirmed that they had agreed to the change instructions.</li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>No formal authorisation sought from the School to support the change orders to be re-charged to the school. However, we did identify e-mail evidence of school representatives authorising the change instructions.</li> </ul>
3.4 To identify when the project change	<ul style="list-style-type: none"> <li>From our testing in 3.1 above we are unable to</li> </ul>	

Project review analysis – Canons high school																						
Review objective	Findings	Implications / Conclusion																				
order process was brought into operation;	<p>identify when the change order approval process was introduced.</p>																					
3.5 To reconcile the project change orders to the items included 'below the line' within the agreed AMP.	<ul style="list-style-type: none"> <li>There were no official 'below the line' items on this project however, we did identify in our review that the change order process is being utilised to capture uncosted 'below the line' risks as well as genuine scope variations, see procedure step 3.1.</li> </ul>																					
<p><b>Procedure 4: To review the project final account.</b></p>																						
4.1 Complete a comparison of the project final account cost against the AMP	<ul style="list-style-type: none"> <li>Final billed amount agreed to final gateway 2 revision.</li> </ul> <table border="1"> <thead> <tr> <th>Description</th> <th>£</th> </tr> </thead> <tbody> <tr> <td>Final amount billed ex VAT</td> <td>4,161,011</td> </tr> <tr> <td>Gateway 2 total amount rev 1 excl Harrow fees</td> <td>3,769,170</td> </tr> <tr> <td>Difference between final amount billed &amp; Gateway 2 original</td> <td>391,841</td> </tr> <tr> <td>Change Instructions Summary</td> <td>375,330</td> </tr> <tr> <td><b>Unexplained variance</b></td> <td><b>16,511</b></td> </tr> <tr> <td><b>Gateway 2 final revision</b></td> <td></td> </tr> <tr> <td>Works</td> <td>3,853,255</td> </tr> <tr> <td>Kier Fees</td> <td>307,756</td> </tr> <tr> <td><b>Final amount billed ex VAT</b></td> <td><b>4,161,011</b></td> </tr> </tbody> </table>	Description	£	Final amount billed ex VAT	4,161,011	Gateway 2 total amount rev 1 excl Harrow fees	3,769,170	Difference between final amount billed & Gateway 2 original	391,841	Change Instructions Summary	375,330	<b>Unexplained variance</b>	<b>16,511</b>	<b>Gateway 2 final revision</b>		Works	3,853,255	Kier Fees	307,756	<b>Final amount billed ex VAT</b>	<b>4,161,011</b>	
Description	£																					
Final amount billed ex VAT	4,161,011																					
Gateway 2 total amount rev 1 excl Harrow fees	3,769,170																					
Difference between final amount billed & Gateway 2 original	391,841																					
Change Instructions Summary	375,330																					
<b>Unexplained variance</b>	<b>16,511</b>																					
<b>Gateway 2 final revision</b>																						
Works	3,853,255																					
Kier Fees	307,756																					
<b>Final amount billed ex VAT</b>	<b>4,161,011</b>																					

Project review analysis – Canons high school		
Review objective	Findings	Implications / Conclusion
4.2 Identify when the final account was paid and settled.	<ul style="list-style-type: none"> <li>The unexplained variance of £16,511 is not captured on the change instruction summary but has been included in the final Gateway 2 submission and therefore approved, however no detailed evidence made available to support cost.</li> <li>Final amount for £16,510.98 per invoice 09090020, approved to system print out with an annotation on the invoice sent to accounts (17/03/10) "confirm goods/services booked to WBS C09-151E08" [Whitmore high school code], the standard WBS per the valuation certificates is WBS C06-174E02. [Exhibit reference: B16]</li> <li>Agreed to PPC 2000 valuation certificate assigned to WBS C06-174E02. [Exhibit reference: B17]</li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>Discrepancy of WBS codes noted between the system print out of the confirmation of goods and the WBS for the project – such that the final project cost was charged to Whitmore high school rather than Park. Further investigation is required to identify who authorised the final code allocation.</li> </ul>
4.3 Review and assess the engagement with the appointed cost consultant in agreeing and approving the final account.	<ul style="list-style-type: none"> <li>Final price consistent with the Gateway 2 final revision signed off by Ainsley and Partners. [redacted] brought into mediate final approval [insufficient evidence available in C&amp;E files to draw full conclusion].</li> </ul>	
4.4 Identify any evidence of school recharges (for variations) being actioned.	<ul style="list-style-type: none"> <li>From our testing in procedure 3, it is clear that the client was aware of any amounts to be re-charged to the School. The change instructions summary details the amount for all of these instances. However, there is no evidence of an ongoing formal recharge process.</li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>No evidence identified that demonstrates that the Council were actively following up change orders identified as school re-</li> </ul>

Project review analysis – Canons high school		
Review objective	Findings	Implications / Conclusion
	<ul style="list-style-type: none"> <li>Evidence that the client was aware of this is per email sent from [redacted] 16/08/09 subject: Post 16 Cost Matrix 14Aug09 – Confidential which included the SPT Post 16 Cost Matrix report as a pdf. Sent to, amongst others, [redacted] (Client) &amp; [redacted] (Service manager) [Exhibit reference: B.18]</li> </ul>	<p>charges.</p> <p><b>Generic observations:</b></p> <ul style="list-style-type: none"> <li>No evidence of a formal process to capture School re-charges and to bill the school on a timely basis.</li> </ul>
4.5 Identify any correspondence or evidence of dispute in relation the final account.	<ul style="list-style-type: none"> <li>No issues noted.</li> </ul>	
4.6 Is there any evidence in the project progress payments or in the final account of an early payment discount being received by the Council?	<ul style="list-style-type: none"> <li>No evidenced identified to support any early payment discounts being available or applied.</li> </ul>	
<b>Procedure 5: To review the project handover to Children Services:</b>		
5.1 An assessment of what procedures were followed to allow /authorise the handover of the completed project (i.e. Is there any evidence of a completion statement/ or e-mail?)	<ul style="list-style-type: none"> <li>Sighted PPC 2000 Project Completion Certificate 30/07/09 – only requires signature of C&amp;E project officer.</li> <li>Sighted Customer Satisfaction Review issue noted relating the need to coordinate FFE with Kier. Names listed include representatives from Children Services, C&amp;E and the School.</li> </ul>	<p><b>Generic observations:</b></p> <ul style="list-style-type: none"> <li>The project completion certificate does not require authorisation of the ultimate client.</li> </ul>
<b>Procedure 6: To document any general observations, specifically including any observations in relation to:</b>		
6.1 To review correspondence between the Council and the cost consultants, recording any evidence of 'concern'/dissatisfaction.	<ul style="list-style-type: none"> <li>No evidence identified during our review</li> </ul>	
6.2 To review any correspondence with Kier, recording any evidence of	<ul style="list-style-type: none"> <li>No evidence of dissatisfaction.</li> </ul>	

Project review analysis – Canons high school		
Review objective	Findings	Implications / Conclusion
'concern'/dissatisfaction.	<ul style="list-style-type: none"> <li>It was noted that in completing the change order testing - we identified that [Kier] was insistent on requiring approval of the change order requests (via e-mail) prior to the commencement of any work undertaken. However, it is clear that this was not always forthcoming.</li> </ul>	
6.3 To record any evidence of finance or progress reports being produced and issued to Children's Services directorate.	<ul style="list-style-type: none"> <li>Sighted email from [redacted] 16/08/09 subject: Post 16 Cost Matrix 14 Aug 09 – Confidential which included the SPT Post 16 Cost Matrix report as a pdf. Sent to, amongst others, [redacted] (client) &amp; [redacted] (service manager). This detailed the variance to budget of £7.84m for the Post 16 programme.</li> <li>No evidence identified in C&amp;E files of standard financial reporting, although we are aware through conversations with the Children's Services finance business partner that monthly finance reports have been issued to [redacted] of Children's Services.</li> <li>Evidence that Kier supplied periodic progress reports to the overall Partnership Steering Group which covered Park High School.</li> <li>Steering group consisting of Kier, Community &amp; Environment and Client meet on a monthly basis to discuss over progress / partnership working etc. From our review of the meeting minutes there is no evidence of concerns raised out of the ordinary re: lack of financial control.</li> </ul>	<p><b>Project implications:</b></p> <ul style="list-style-type: none"> <li>Evidence identified that periodic finance reports and regular project meetings were attended by C&amp;E and the Client which would have allowed any concerns regarding cost, progress or quality to be raised.</li> </ul>



**Project review analysis – Canons high school**

Review objective	Findings	Implications / Conclusion
<p>6.4 Any evidence on file of correspondence relating to internal coding of project expenditure?</p>	<ul style="list-style-type: none"> <li>• Release of payments was against specified WBS codes as provided by the client. Sighted report "Special Projects Payment Information Sheet" and agreed the WBS code C06-174E02 allocation was consistent with the AMP.</li> <li>• We were provided with an e-mail dated 02/06/09, Subject: Fwd: Re Post 16 – IT cost breakdown, from [REDACTED]. This identified errors had been noted in the project expenditure coding and was to be followed up by the client.</li> <li>• It should be noted that our procedures in 4.2 identified that the final invoice 09090012, was booked to a different WBS code (Whitmore High School code).</li> <li>• Email From: [REDACTED]; To: [REDACTED]; Subject: [REDACTED]; Date: 25/09/2009 Subject Post-16 Payments to Kier "By way of this email I am authorising [REDACTED] / [REDACTED] to use code: C09 151 E08 for a payment of £377,995.49... ..to Kier for post-16 works of £140,000 at Canons High School" [Exhibit reference: B.19]</li> </ul>	<p><b>Project implications:</b></p> <ul style="list-style-type: none"> <li>• Our review has identified evidence that incorrect WBS codes were being utilised to allocate the costs of this project.</li> </ul>

3 December 2010

### Appendix 3: Project review – Park High School

<b>Project summary information</b>	
<b>Project name</b>	Park High School
<b>Client representative</b>	[REDACTED]
<b>Client instructing department</b>	Children's Services
<b>Project start date</b>	04/09/2008 Contract signed
<b>Project end date</b>	30/07/2009 PPC 2000 Project Completion Certificate
<b>Gateway and Contract:</b>	
<b>Gateway 1 sign off date</b>	27/03/2008
<b>Gateway 2 sign off date</b>	01/12/2008
<b>PPC2000 contract sign off date</b>	23/04/2008
<b>Pre-possession sign off date</b>	N/A only a CA used.
<b>Commencement agreement sign off</b>	04/09/2008
<b>Financial summary:</b>	
<b>Instructing client original budget</b>	£2,498,111 (Post 16 Capital Bid Submission 2006)
<b>Agreed maximum price</b>	£3,602,248 (per Commencement Agreement) £3,847,490 (Gateway 2 Rev 2)
<b>Budgeted costs outside AMP</b>	No below the line items included but items transferred to client direct
<b>Budgeted Harrow internal fees (Gateway 2 Rev 2)</b>	£70,478
<b>Budgeted external fees (Gateway 2 Rev 2)</b>	£288,292
<b>Total project budget</b>	Final amount paid to Kier £3,745,065 excluding VAT

Project review analysis – Park high school		
Review objective	Findings	Implications / Conclusion
<p><b>Procedure one: Assess compliance with the established 'Gateway' project management sign off procedure.</b></p> <p>1.1 Evidence of sign off sheets being retained and appropriately signed in line with the Council's delegated authorities.</p>	<ul style="list-style-type: none"> <li>Gateway 1: dated 25/03/08, value £3,053,247. Sign off consistent with delegated authorities (DoA), up to [REDACTED] no evidence of approval by Executive Director ([REDACTED]) [Exhibit reference: C1]</li> <li>Gateway 2: Evidence of multiple iterations retained</li> <li>Gateway 2 (original), dated 1/12/08, value £3,589,156. Sign off consistent with DoA, up to Executive Director. Gateway 2 approval represents an increase of £535,909 on Gateway 1.</li> <li>Gateway 2 (revision 1), dated 16/10/09, value £3,802,048. Sign off consistent with DoA, up to Executive Director. Gateway 2 approval represents an increase of £212,892 on Gateway 2 original.</li> <li>Gateway 2 (revision 2), dated 13/04/10, value £3,847,490. Sign off consistent with DoA, up to Executive Director. Gateway 2 approval represents an increase of £45,442 on Gateway 2 rev 1. [Exhibit reference: C.2 (a-c) Gateway 2 – three versions]</li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>There was no Executive Director sign-off for Gateway 1 on the Park high school project.</li> </ul> <p><b>Generic observations:</b></p> <ul style="list-style-type: none"> <li>There is no clear approval date included within the Gateway authorisation documentation.</li> <li>The instructing client (Children's Services) is not required to authorise the project Gateway sign-off.</li> <li>As opposed to a Gateway revision form, which would require specific details of any revisions and the reasons for such revisions, current practice is to revise the original Gateway documentation.</li> </ul>
<p>1.2 Any evidence of subsequent variations of the Gateway approvals (i.e. further</p>	<ul style="list-style-type: none"> <li>See observations detailed in 1.1 above.</li> </ul>	

Project review analysis – Park high school		
Review objective	Findings	Implications / Conclusion
<p>increases that are either signed off or not) and if there are subsequent increases to recorded why / supported by appropriate evidence in line with Council delegated authorities.</p> <p>1.3 Evidence of signed contracts/pre-possession orders in line with Council delegated authorities.</p>	<p><b>Sighted two contractual documents:</b></p> <p>iv) <b>ACA Project Partnering Contract Park High School:</b> dated 23/04/2008. London Borough of Harrow (LBH) signatory not legible. Building Elemental Cost Breakdown of £2,775,679 for the Project, consistent with that in the Post 16 Capital Bid Submission dated 16/04/2006.</p> <p>v) <b>Pre-possession Agreement:</b> No Pre-possession agreement sighted.</p> <p>vi) <b>Commencement Agreement:</b> dated 04/09/2008. [REDACTED] signed on behalf of LBH. It should be noted that the document appears to have been pre-dated as the Gateway 2 was authorised in December 2008. It is at this point that the Agreed Maximum Price (AMP) is finalised, which should precede the Commencement agreement sign off  <b>[Exhibit reference: C.4]</b></p>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>It has been confirmed by the Project Officer that the Commencement Agreement had been backdated and should have been signed after the Gateway 2 authorisation at 01/12/08.</li> </ul>
<p>1.4 Agree the Gateway value authorised to the supporting documentation including the AMP documentation received from Kier.</p>	<ul style="list-style-type: none"> <li>We noted one exception that the Original Gateway 2 signed by Kier, although agreed to the attached AMP for £3,602,248 (28/11/2008), was not consistent to the AMP presented in the Commencement agreement (04/09/2008).</li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>The Commencement Agreement AMP does not reconcile to the approved</li> </ul>

Project review analysis – Park high school		Implications / Conclusion											
Review objective	Findings												
<p>1.5 Are the correct documents approved prior to any work commencing on site?</p>	<p>which was for an additional £66,929.</p> <ul style="list-style-type: none"> <li>Key internal authorisation procedure (Gateway) and contractual sign-off dates were compared to valuation certificates – the key findings are noted below:</li> </ul> <table border="1" data-bbox="635 846 1313 1406"> <thead> <tr> <th>Invoice ref: and value</th> <th>Valuation submission date and valuation date</th> <th>Comment</th> </tr> </thead> <tbody> <tr> <td>Valuation No.1 - £92,518.88</td> <td>Submission: 29/02/08</td> <td rowspan="2"> <ul style="list-style-type: none"> <li>Gateway 1 did allow a total drawdown of £134,972 approved 25/03/2008, although it is noted that the invoice was not approved for payment until 27/03/08.</li> </ul> </td> </tr> <tr> <td>[Exhibit reference: C-5 (a-b)]</td> <td>Procurement order: 31/03/2008 (No valuation filed)</td> </tr> <tr> <td>Valuation No. 4 - £603,501</td> <td>Submission: 01/09/2008 Valuation:</td> <td> <ul style="list-style-type: none"> <li>Commencement agreement not signed at this date – (despite being back dated to</li> </ul> </td> </tr> </tbody> </table>	Invoice ref: and value	Valuation submission date and valuation date	Comment	Valuation No.1 - £92,518.88	Submission: 29/02/08	<ul style="list-style-type: none"> <li>Gateway 1 did allow a total drawdown of £134,972 approved 25/03/2008, although it is noted that the invoice was not approved for payment until 27/03/08.</li> </ul>	[Exhibit reference: C-5 (a-b)]	Procurement order: 31/03/2008 (No valuation filed)	Valuation No. 4 - £603,501	Submission: 01/09/2008 Valuation:	<ul style="list-style-type: none"> <li>Commencement agreement not signed at this date – (despite being back dated to</li> </ul>	<p>Gateway 2 AMP.</p> <p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>Gateway 1 approval is not obtained until after initial feasibility work has commenced and the commencement agreement being signed.</li> <li>At the point that Gateway 2 authorisation is obtained, work to the value of £1,458,636 had already been authorised for payment.</li> <li>In summary - Gateway approvals and contractual documentation appear to 'follow' valuation certificates from Kier rather than act as a catalyst for work.</li> </ul>
Invoice ref: and value	Valuation submission date and valuation date	Comment											
Valuation No.1 - £92,518.88	Submission: 29/02/08	<ul style="list-style-type: none"> <li>Gateway 1 did allow a total drawdown of £134,972 approved 25/03/2008, although it is noted that the invoice was not approved for payment until 27/03/08.</li> </ul>											
[Exhibit reference: C-5 (a-b)]	Procurement order: 31/03/2008 (No valuation filed)												
Valuation No. 4 - £603,501	Submission: 01/09/2008 Valuation:	<ul style="list-style-type: none"> <li>Commencement agreement not signed at this date – (despite being back dated to</li> </ul>											

Project review analysis – Park high school			
Review objective	Findings		Implications / Conclusion
	C.5 (c-d)]	15/09/2008	04/09/08
	Valuation No. 6 - £1,458,636 [Exhibit reference: C.5 (e-f)]	Submission: 28/11/2008 Valuation: 05/12/2008	• Gateway 2 not approved until 01/12/2008.
<b>Procedure 2: To assess the transparency of the Agreed Maximum Price (AMP):</b>			
2.1 Assessment of evidence to support the build up of the AMP (i.e. detailed specification from Kier, Cost consultant evaluation).	<ul style="list-style-type: none"> <li>Detailed AMP breakdown provided by Kier and submitted to Gardiner &amp; Theobald (Appointed cost consultants (G&amp;T)) in November 08 for review – G&amp;T review document was attached to Gateway 2 documentation. [Exhibit reference: C.6]</li> </ul>		
2.2 Assessment of evidence supporting the authorisation of the AMP, specifically including any involvement of Children's Services Directorate ('the client') in agreeing the final AMP (For example: e-mail correspondence).	<ul style="list-style-type: none"> <li>The client confirmed their review of the AMP per email 18/12/2008 at 08:02 from [redacted] (Head of Capital &amp; Education Property developments) "to proceed in line with the budgets detailed in the Cost Matrix" [Exhibit reference: C.7].</li> </ul> <p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>Confirmation from the client to proceed in line with the cost matrix (which we have assumed is the AMP) post dates the commencement agreement sign-off, 04/09/2008 (however, known to be back dated), and the Gateway 2 authorisation on 01/12/08.</li> <li>At point of Children's Services e-mail (18/12/08) 39% of the final project cost</li> </ul>		

Project review analysis – Park high school		
Review objective	Findings	Implications / Conclusion
<p>2.3 Where feasible to review the cost consultant's assessment of the AMP.</p>	<ul style="list-style-type: none"> <li>G&amp;T reviewed Kier's overall submission on price, risk &amp; VFM to support the Gateway 2 original submission - "AMP has been fully substantiated in terms of trade contract prices and we are satisfied that Kier has adopted an appropriate method of procurement." [G&amp;T report].</li> <li>In G&amp;T's analysis VFM cost per sqm £2,346/sqm was noted as being at the very top of what was considered an acceptable price (range £1,869-2,346/sqm).</li> <li>This calculation assumed a gross floor area of 1,272 sqm on G&amp;T submitted calculation. We note that the planning department letter P/2161/09 dated 29 Sept.09 used a gross floor area of 1,004 sqm. Recalculation using this gross floor value gives a figure of £2,972, an increase of 27% above the benchmark value used in G&amp;T's analysis. We have not been able to identify the reason for the different gross floor areas used. <b>[Exhibit reference: C.8 (a-c)]</b></li> <li>G&amp;T's analysis stated that fees were deemed to have been assessed under the framework agreement and therefore were not re-assessed.</li> </ul>	<p>had been authorised for payment.</p> <p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>Evidence of a discrepancy in the gross floor value used to benchmark the project could imply that the price per sqm was understated by 27%. If substantiated this would materially impact the VFM conclusion.</li> <li>We have identified in steps 2.3 – 2.6 below that the identified AMP does not include all risks and therefore not all costs are included. Therefore benchmarking of the AMP budget which excludes identified risks against completed projects will not compare like for like, hence potentially weakening the VFM calculation further. For example, our review of the risk register clearly identifies the risk of surface water attenuation (i.e. need for storm drains) which has not been costed within the AMP. The project risk register also identifies a number of other client risks not included in the AMP which are not costed.</li> </ul>

Project review analysis – Park high school		
Review objective	Findings	Implications / Conclusion
<p>2.4 Document any items which are excluded from the AMP, known as being 'below the line'. What evidence is retained on file to support the agreement of these items being below the line?</p>	<p>The AMP has no 'below the line' entries.</p> <ul style="list-style-type: none"> <li>G&amp;T reviewed the AMP considering price, risk &amp; VFM and identified eleven areas of risk where no provision has been made. These identified risks were completely excluded from the AMP total, rather these items were defined as at the client's risk and not costed. G&amp;T's formal report clearly identifies these risks however, no action to include such costs within the AMP or Gateway submission can be identified.</li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>Project risks have been identified by G&amp;T and within the risk register submitted by Kier but excluded from the AMP and Gateway submissions. It is unclear from the evidence reviewed who had responsibility for taking this decision to exclude costings from AMP and Gateway submissions.</li> <li>The costs are clearly presented in the Cost Matrix, reference by the client in email from [REDACTED] 18/12/2008. Subject: Re: Post 16 – Approval of Budgets [Exhibit reference - C.9]</li> </ul>
<p>2.5 Is there any evidence to support how any items 'below the line' would be managed from a risk perspective?</p>	<ul style="list-style-type: none"> <li>G&amp;T report that these risk items will be established by Kier as 'below the line' items and the provisions will be verified and added to the AMP for reconciliation with the project budget. G&amp;T commit to reviewing these separately once completed. It has been identified that at least some of these risk items have been issued as change notices, as sampled in procedure 3 below.</li> <li>The cost matrix maintained by C&amp;E detailed the 'below-the-line' type of cost as follows:                         <ul style="list-style-type: none"> <li>i) Items to be undertaken by Kier ['Below the Line' costed items] - £116k had been</li> </ul> </li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>The submitted AMP did not include any 'below the line' costed items and there is no clear evidence to support how any 'below the line' items in the C&amp;E cost matrix would be funded.</li> <li>The approved AMP did not include costs and risks that were known to both Kier and the Council, as identified through the Kier risk register and G&amp;T report.</li> </ul>



Project review analysis – Park high school		
Review objective	Findings	Implications / Conclusion
	<p>allocated to temporary accommodation at the point of submission, and £203k of other costs were identified as actual/projected costs to be undertaken.</p> <p>ii) Items to be undertaken by the client [Project risk not costed within the AMP] - £147k allocated to ICT at the point of submission, and £439k of other costs were identified as actual/projected costs to be undertaken.</p> <ul style="list-style-type: none"> <li>Neither category of these anticipated costs were included within the AMP submission. [Exhibit reference - C.9]</li> <li>No provision was made for the eleven areas of identified risk with the AMP budget, as detailed above (2.5).</li> </ul>	
2.6 Is there any evidence of the 'below the line' items being manipulated to make the AMP fit the budget?		<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>There is no evidence to confirm deliberate manipulation and further investigation would be required [specifically e-mail evidence and interviews] to reach any conclusion but clear indications of known exceptions have been identified.</li> </ul>
<b>Procedure 3: To review and assess the project change orders.</b>		
3.1 Review the project change orders to ensure appropriate authorisation has been recorded in line with the Council's documented procedures.	<ul style="list-style-type: none"> <li>We have reviewed a sample of four change orders from the total of 16 listed per the change instructions summary - total change instruction value was £209,746.</li> </ul> <p>#1 Change notice 1: 29/06/09 Amount</p>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>All formal change requests are dated 29 June 2009 and have not been utilised as intended. There is limited evidence of alternative authorisation being sought.</li> </ul>

Project review analysis – Park high school	
Review objective	Findings
	<p><b>£8,561.52</b></p> <ul style="list-style-type: none"> <li>No re-charge to school</li> <li>No evidence of the client signing the approval and approval date not relevant as all change orders are dated 29/06/09.</li> <li>Mitigation: It was noted in the Risk Register (risk - 10.2) which supported the commencement agreement – identified as CLIENT RISK – costed potentially at £2k by Kier. [Exhibit reference: C.10]</li> </ul>
	<p><b>#2 Change notice 3: 29/06/09 Amount £1,747.35</b></p> <ul style="list-style-type: none"> <li>School re-charge: "Requested by Client to understand appearance of internal Zen garden".</li> <li>No evidence of the client/school signing the approval. E-mail support noting call to [REDACTED] (Kier) 26/01/09 &amp; 14/01/09. [Exhibit reference: C.11]</li> </ul>
	<p><b>#3 Change notice 6: 29/06/09 Amount £107,831.39</b></p> <ul style="list-style-type: none"> <li>No re-charge to school: Planning condition excluded from AMP subject to approval post AMP with Drainage team.</li> <li>No evidence of the client signing the approval.</li> </ul>
Implications / Conclusion	<ul style="list-style-type: none"> <li>We have requested additional evidence to support client approval – this remains outstanding.</li> <li>Evidenced identified in our review that the change order process is being utilised to capture 'below the line' risks as well as genuine scope variations.</li> </ul>

Project review analysis – Park high school		Implications / Conclusion
Review objective	Findings	
	<ul style="list-style-type: none"> <li>Mitigation: Noted in the risk matrix supporting the approved Ga away – identified as CLIENT RISK – costed potentially at £40k by Kier.</li> </ul> <p><b>#4 Change notice 16 29/06/09 Amount £25,569.65</b></p> <ul style="list-style-type: none"> <li>No re-charge to school: Landscaping works to Zen garden, noted in risk register due to planning conditions 2 &amp; 3.</li> <li>No evidence of the client signing the approval.</li> <li>Mitigation: change details quote "...detailed cost breakdown and design approved by [redacted] and costs attributed against Risk Register item 2.1".</li> <li>Risk register detailed cost at £20k as a provided for sum. In final account provisional risk sums not charged and specific changes charged. <b>[Exhibit reference: C.13]</b></li> </ul>	
3.2 Review and assess any evidence of correspondence and engagement with Children's Services in relation to major value change orders.	<ul style="list-style-type: none"> <li>Sighted email approval to increase budget from [redacted] sent on behalf of [redacted] 27/10/2009 to support the Gateway 2 revision 1 for £212,892. Code to book against is WBS C06-174E06. <b>[Exhibit reference: C.14]</b></li> </ul>	
3.3 To identify any variations which have been agreed as 'to be recovered from the school' and how these were approved.	<ul style="list-style-type: none"> <li>Upon reviewing the change order summary six of the 16 items were referenced as being</li> </ul>	<b>Project observations:</b>

Project review analysis – Park high school								
Review objective	Findings	Implications / Conclusion						
	potentially re-charged to the school, a total of £12,228.04. Our sample testing did not identify any clear evidence to confirm that the School has agreed to the cost implications of the changes.	<ul style="list-style-type: none"> <li>No formal authorisation sought from the School to support the change orders to be re-charged to the school.</li> <li>We have requested additional evidence to support client approval – this remains outstanding.</li> </ul>						
3.4 To identify when the project change order process was brought into operation;	<ul style="list-style-type: none"> <li>From our testing in 3.1 above we are unable to identify when the change order approval process was introduced.</li> </ul>							
3.5 To reconcile the project change orders to the items included 'below the line' within the agreed AMP.	<ul style="list-style-type: none"> <li>There were no official 'below the line' items on this project however, we did identify in our review that the change order process is being utilised to capture uncoded 'below the line' risks as well as genuine scope variations, see procedure step 3.1.</li> </ul>							
<b>Procedure 4: To review the project final account.</b>								
4.1 Complete a comparison of the project final account cost against the AMP	<ul style="list-style-type: none"> <li>Final billed amount agreed to final gateway 2 revision.</li> </ul> <table border="1"> <thead> <tr> <th>Description</th> <th>£</th> </tr> </thead> <tbody> <tr> <td>Final amount billed ex VAT</td> <td>3,745,065</td> </tr> <tr> <td>Gateway 2 original total amount (excl Harrow fees)</td> <td>3,535,319</td> </tr> </tbody> </table>	Description	£	Final amount billed ex VAT	3,745,065	Gateway 2 original total amount (excl Harrow fees)	3,535,319	
Description	£							
Final amount billed ex VAT	3,745,065							
Gateway 2 original total amount (excl Harrow fees)	3,535,319							

**Project review analysis – Park high school**

Review objective	Findings	Implications / Conclusion														
4.2 Identify when the final account was paid and settled.	<table border="1"> <tr> <td>Difference between final amount billed &amp; Gateway 2 original (Excl. Harrow fees)</td> <td>209,746</td> </tr> <tr> <td>Change Instructions Summary</td> <td>209,746</td> </tr> <tr> <td>Unexplained variance</td> <td>-</td> </tr> <tr> <td>Gateway 2 final revision</td> <td></td> </tr> <tr> <td>Works</td> <td>3,853,255</td> </tr> <tr> <td>Kier Fees</td> <td>307,756</td> </tr> <tr> <td>Final amount billed ex VAT</td> <td>3,745,065</td> </tr> </table> <ul style="list-style-type: none"> <li>Final amount for £147,325.45 per invoice 09090012, approved to system print out of "confirm goods/services" booked to WBS C06-174E08 (Whitmore High) the standard WBS per the valuation certificates is WBS C06-174E06 as noted, annotation on invoice sent to accounts 17/03/10. <b>[Exhibit reference: C.15]</b></li> <li>Agreed to PPC 2000 valuation certificate assigned to WBS C06-174E06. <b>[Exhibit reference: C.16]</b></li> </ul>	Difference between final amount billed & Gateway 2 original (Excl. Harrow fees)	209,746	Change Instructions Summary	209,746	Unexplained variance	-	Gateway 2 final revision		Works	3,853,255	Kier Fees	307,756	Final amount billed ex VAT	3,745,065	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>Discrepancy of WBS codes noted between the system print out of the confirmation of goods and the WBS for the project – such that the final project cost was charged to Whitmore high school rather than Park. Further investigation is required to identify who authorised the final code allocation.</li> </ul>
Difference between final amount billed & Gateway 2 original (Excl. Harrow fees)	209,746															
Change Instructions Summary	209,746															
Unexplained variance	-															
Gateway 2 final revision																
Works	3,853,255															
Kier Fees	307,756															
Final amount billed ex VAT	3,745,065															
4.3 Review and assess the engagement with the appointed cost consultant in agreeing and approving the final account.	<ul style="list-style-type: none"> <li>Final price consistent with the Gateway 2 final revision signed off by Ainsley and Partners (cost consultants). Sighted email where Ainsley and Partners were challenging the costs presented by Kier, from [REDACTED] 09/02/2010 Subject: Park High – Post 16 Final Account.</li> <li>Final account settlement appears to be less</li> </ul>															

Project review analysis – Park high school		
Review objective	Findings	Implications / Conclusion
4.4 Identify any evidence of school recharges (for variations) being actioned.	<p>than the approved Gateway 2 (revision 2).</p> <ul style="list-style-type: none"> <li>From our testing in procedure 3 there is no clear documentation to show that the client was informed of any amounts to be re-charged to the school on an on-going basis.</li> <li>The change instructions summary details the changes which should/could potentially be recharged to the school.</li> <li>Evidence that the client was aware of this is per email sent from [REDACTED] 16/08/09 subject: Post 16 Cost Matrix 14 Aug09 – Confidential which included the SPT Post 16 Cost Matrix report as a pdf. Sent to, amongst others, the client [REDACTED] &amp; [REDACTED] (service manager). [Exhibit reference: C.17]</li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>No evidence identified that demonstrated that the Council were actively following up change orders identified as school re-charges.</li> </ul> <p><b>Generic observations:</b></p> <ul style="list-style-type: none"> <li>No evidence of a formal process to capture School re-charges and to bill the school on a timely basis.</li> </ul>
4.5 Identify any correspondence or evidence of dispute in relation the final account.	<ul style="list-style-type: none"> <li>No issues noted.</li> </ul>	
4.6 Is there any evidence in the project progress payments or in the final account of an early payment discount being received by the Council?	<ul style="list-style-type: none"> <li>No evidenced identified to support any early payment discounts being available or applied.</li> </ul>	
<b>Procedure 5: To review the project handover to Children Services.</b>		
5.1 An assessment of what procedures were followed to allow /authorise the handover of the completed project (i.e. Is there any evidence of a completion statement/ or e-mail?).	<ul style="list-style-type: none"> <li>Sighted PPC 2000 Project Completion Certificate 30/07/09, although it was noted that the certificate only requires signature of C&amp;E project officer. [Exhibit reference: C.18 ]</li> </ul>	<p><b>Project observations:</b></p> <ul style="list-style-type: none"> <li>No client satisfaction survey sighted.</li> </ul>

Project review analysis – Park high school		
Review objective	Findings	Implications / Conclusion
		<p><b>Generic observations:</b></p> <ul style="list-style-type: none"> <li>The project completion certificate does not require authorisation of the ultimate client.</li> </ul>
<p><b>Procedure 6: To document any general observations, specifically including any observations in relation to:</b></p>		
<p>6.1 To review correspondence between the Council and the cost consultants, recording any evidence of 'concern'/dissatisfaction.</p>	<ul style="list-style-type: none"> <li>No specific evidence of dissatisfaction with G&amp;T in the files reviewed although we do note that the cost consultants had changed at the end of the project.</li> <li>In completing our review we did identify that the cost consultants disclosed areas of concern presented in an email to Kier and Harrow in relation to the final account settlement.</li> <li>E-mail from ██████████ (Ainsley &amp; Partners), To ██████████ (Kier) &amp; ██████████ (Harrow). The information was required before a meeting on 17/02/10.</li> <li>Outcome of meeting unknown, but final settlement did not exceed the Gateway 2 plus the £210k per the Change Instructions Summary.</li> <li>The Change Instruction Summary was created to support the Gateway 2 revision 1, consistent with email from ██████████ 27/10/09, Subject Park High. [Exhibit reference: C.2 (a-</li> </ul>	

Project review analysis – Park high school		
Review objective	Findings	Implications / Conclusion
	<p>c) Gateway 2 – three versions]</p>	
<p>6.2 To review any correspondence with Kier, recording any evidence of 'concern'/dissatisfaction.</p>	<ul style="list-style-type: none"> <li>Only issue noted is detailed in 6.1.</li> </ul>	
<p>6.3 To record any evidence of finance or progress reports being produced and issued to Children's Services directorate.</p>	<ul style="list-style-type: none"> <li>Sighted email from [redacted] 16/08/09 subject: Post 16 Cost Matrix 14 Aug 09 – Confidential which included the SPT Post 16 Cost Matrix report as a pdf. Sent to, amongst others, the client [redacted] &amp; [redacted] (service manager). This detailed the variance to budget of £7.84m for all Post 16 programmes. <b>[Exhibit reference: C.17]</b></li> <li>No evidence identified in C&amp;E files of standard financial reporting, although we are aware through conversations with the Children's Services finance business partner that monthly finance reports have been issued to [redacted] of Children's Services.</li> <li>Evidence that Kier supplied periodic progress reports to the overall Partnership Steering Group which covered Park High School.</li> <li>Steering group consisting of Kier, Community &amp; Environment and Client meet on a monthly basis to discuss over progress / partnership working etc. From our review of the meeting minutes there is no evidence of concerns raised out of the ordinary re: lack of financial control.</li> </ul>	<p><b>Project implications:</b></p> <ul style="list-style-type: none"> <li>Evidence identified that periodic finance reports and regular project meetings were attended by C&amp;E and the Client which would have allowed any concerns regarding cost, progress or quality to be raised.</li> </ul>



Project review analysis – Park high school		
Review objective	Findings	Implications / Conclusion
6.4 Any evidence on file of correspondence relating to internal coding of project expenditure?	<ul style="list-style-type: none"> <li>Release of payments was against specified WBS codes as provided by the Client.</li> <li>Sighted report "Special Projects Payment Information Sheet" and agreed the WBS code C06-17402 allocation was consistent with the AMP. [Exhibit reference: C.19]</li> <li>Email provided 02/06/09 Subject: Fwd: Re Post 16 – IT cost breakdown, from [REDACTED] detailing project code breakdown. [Exhibit reference: C.20] This identified that there was errors in the coding and was to be followed up by the Client.</li> <li>It should be noted that our procedures in 4.2 identified that the final invoice 09090012, was booked to a different WBS code (Whitmore High School code) [Exhibit reference: C.21]</li> </ul>	<p><b>Project implications:</b></p> <ul style="list-style-type: none"> <li>Our review has identified evidence that incorrect WBS codes were being utilised to allocate the costs of this project.</li> </ul>

## **XI Exhibits**

### **Investigation into Investigation into the contract management of Harrow Council's school capital programme**

#### **Exhibits**

Whitmore High School – Project evidence  
Canons High School – Project evidence  
Park High School – Project evidence

#### **Exhibit**

A  
B  
C

3 December 2010

Exhibits

**Exhibit A -**

Whitmore High School - Project review evidence

Exhibit Reference	Description
A-1a	Gateway 1 Cover Sheet
A-1b	Gateway 1 – Email from [REDACTED] on total budget for OSP
A-2a	Gateway 2- Cover Sheet
A-2b	Gateway 2- G&T Report Summary of Analysis
A-2c	Gateway 2- Email from Schools and Children's Development
A-2d	Gateway 2-Agreed AMP
A-3	[REDACTED] – Feasibility Estimate Revision 1A (January 2008)
A-4	[REDACTED] – Feasibility Estimate Revision 3 (September 2008)
A-5	Steering Group Meeting Minutes
A-6	PPC 2000 - ACA Project Partnering Contract and Signatures
A-7a	Pre-Possession Agreement (01 October 2008) – Cover Sheet and Signatures
A-7b	Pre-Possession Agreement (03 March 2009) – Cover Sheet and Signatures
A-8	Commencement Agreement Cover Sheet and AMP
A-9	Email – From [REDACTED] on fee breakdown and SAP codes
A-10	PPC 2000 Valuation – Valuation Number 2
A-11	Initial AMP submission by Kier
A-12a	Schedule of Harrow Council Change Instructions
A-12b	Kier Application valuation Number 32 Cover Sheet
A-13	Email on Change Order 89
A-14	Technical Meeting Minutes
A-15	Email – School Instruction to Client on Codes

3 December 2010

Exhibits

**Exhibit B -**

Canons High School - Project review evidence

<b>Exhibit Reference</b>	<b>Description</b>
B-1	Gateway 1
B-2a	Gateway 2 Original
B-2b	Gateway 2 Final Revision 2
B-3	Not used
B-4	Pre Possession Agreement - Canons High School
B-5a	Valuation No3
B-5b	Invoice Cert 4
B-5c	Valuation No 4
B-5d	Invoice Cert 3
B-5e	Valuation 5
B-5f	Invoice Cert 5
B-6	Not used
B-7	Canons High School G and T documents on Canons
B-8	The client's approval of the budgets.
B-9	Not used
B-10	Change Request 1
B-11	Change Request 3
B-12	Change Request 8
B-13	Change Request 20
B-14	Change Request 11
B-15	Email of client approving increases in budgets

3 December 2010

Exhibits

---

<b>B-16</b>	System print out of "Confirm Goods /Services" showing final invoice booked to a different WBS code
<b>B-17</b>	Project Completion Certificate
<b>B-18</b>	Email of Cost matrix 16.08.09
<b>B-19</b>	WBS codes to be used for payments to Kier
<b>B-20</b>	Cost Matrix

---

3 December 2010

Exhibits

**Exhibit C-**

Park High School - Project review evidence

<b>Exhibit Reference</b>	<b>Description</b>
C-1	Gateway 1 Cover sheets
C-2a	Gateway 2 Cover Sheet Original
C-2b	Gateway 2 Revision No 1
C-2c	Gateway 2 Revision No 2
C-3	Not used
C-4	Commencement Agreement - cover sheet only
C-5 a	Invoice from Kier 29/02/08
C-5 b	Procurement Order Form raised on 25/03/08
C-5 c	Invoice paid to Kier
C-5 d	Valuation certificate 4
C-5 e	Invoice paid to Kier
C-5 f	Valuation certificate 6
C-6	Park High School AMP
C-7	The client's approval of the budgets.
C-8a	Detail of G&T report
C-8b	G&T calculation for benchmarked cost
C-8c	Park High School - Town and Country Planning letter noting the SqM area of the project
C-9	Example of the Cost Matrix attached to the email C7
C-10	Harrow Council Change notification #1
C-11	Harrow Council Change notification #3

3 December 2010

Exhibits

---

C.12	Not used
C.13	Harrow Council Change notification #16
C.14	Email of client approving increases in budgets
C.15	Park high School Invoice for Certificate No 15 (final invoice)
C.16	Valuation certificate for final payment
C.17	Email of Cost Matrix 16/08/09
C.18	Project Completion Certificate
C.19	Special Projects Payment Information Sheet
C.20	Email indicating errors in WBS codes
C.21	System print out of "Confirm Goods /Services" showing final invoice booked to a different WBS code

---

© 2010 PricewaterhouseCoopers LLP. All rights reserved. "PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.