

## INTERNAL AUDIT REPORT

**FROM:** Audit & Risk Manager                      **SUBJECT:** Building Cleaning Services  
**TO:** Head of Neighbourhood Services            **DATE:** 10 December 2020  
**C.C.** Chief Executive  
Deputy Chief Executive (BH)  
Head of Finance  
Business Support & Development  
Manager  
Contract Services Manager  
Portfolio Holder (Cllr Grainger)

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### 1 **Introduction**

- 1.1 In accordance with the Audit Plan for 2020/21, an examination of the above subject area has recently been completed by Ian Davy, Principal Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.
- 1.3 The audit was undertaken during the COVID-19 pandemic. This has meant a slightly different approach has been taken to complete the audit. Rather than observing staff members and meeting staff face to face, correspondence has been via email or Teams video calls.

### 2 **Background**

- 2.1 Since the last audit, undertaken in March 2018, responsibility for the management of the building cleaning contract has transferred to Neighbourhood Services from Housing Services.
- 2.2 A new contract has also recently been let, with the service now provided by Churchill Contract Services Ltd. The contract should cover various corporate buildings, housing blocks and other buildings, such as public conveniences, although there have been some issues with the way the contract was set up which will be covered in detail within the Findings sections of this report.

### 3 **Scope and Objectives of the Audit**

- 3.1 The audit was undertaken to test the management and financial controls in place.

3.2 In terms of scope, the audit covered the following areas:

- Contract award
- Service provision and monitoring
- Contract amendments and variations
- Finance
- Contingency planning and risk management.

3.3 The control objectives examined were:

- The contract was awarded to the most appropriate company following an appropriate tendering exercise
- Staff are aware of what the Council aims to achieve in relation to the services that are being provided
- Contractors are aware of the services to be provided
- Works are undertaken to agreed standards
- Permanent changes to the contracts are formally agreed
- The Council only pays for work that has been previously agreed
- Budget variances are limited as the budgets are set appropriately in line with known areas of income and expenditure
- The Council is aware of any potential budget variances
- Payments are valid and accurate and processed in accordance with the appropriate conditions of contracts
- Contingency plans exist to ensure that the service continues to be provided
- The Council would not be financially disadvantaged should the contractor fail to provide a service
- The Council will not be liable for any claims received due to the work of the contractor
- The Council is aware of the risks in relation to the services provided (where it retains responsibility) and has taken steps to address them
- The contractor is aware of the risks in relation to undertaking the contracted services and has taken steps to address them.

## 4 Findings

### 4.1 Recommendations from Previous Reports

4.1.1 Whilst the responsibility for the management of the contract has now moved to a different service and the contract is provided by a different contractor, the current position in respect of the recommendations from the audit reported in March 2018 was also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
1 A strategy should be developed and implemented to outline the Council's position on cleaning of corporate buildings and all Council public buildings and spaces. This should be made	It is not felt that there is a need for a formal strategy. Information is posted in the locked communal notice boards in relevant properties so that tenants are aware of what to expect from the	The response to the previous report, insofar as it relates to the adoption of a strategy, is still relevant. The specification of the contract effectively sets out what is to be done, although does not

Recommendation	Management Response	Current Status
available to the public to enable better understanding of expected services.	contractor in terms of service levels. Notices are also on display in public toilets. A notice will now be introduced to the corporate buildings and a summary of all cleaning frequencies will be made available on the website.	provide 'justification' for why this is to be the case. The review of information displays was not considered relevant to this audit, especially in light of COVID restrictions.
2 A suite of KPIs should be agreed with Kingdom, ensuring only valid and necessary indicators are included, allowing the Council to measure service levels, efficiency, effectiveness and quality of services, as well as overall performance and satisfaction levels.	KPIs have now been agreed with the Area Manager from Kingdom which are to reflect those that were in place with Ocean.	KPIs are included in the new contract and are monitored at the monthly contract management meetings (see 4.3.8 below).
3 The current monthly meeting process should be further developed to include a meeting agenda with standing agenda items and should also document actions cleared from previous meetings.	Agreed. An agenda will be in place for the next meeting. Whilst not specifically recorded as such, the actions from the previous meeting are covered in the minutes of the subsequent meeting.	Whilst a specific agenda document was not seen during this audit, all the monthly meeting minutes that were provided followed a standard agenda. However, it was noted that, whilst actions were being recorded in the meeting minutes, there was nothing in the minutes to show whether actions had subsequently been addressed, as there was not agenda item to follow these up (see 4.3.9 below).
4 Where complaints are received, the Council should record the results of the action taken and confirm whether the complaint has been resolved. In addition, the complainants should be informed of the	The 'issues' recorded on the spreadsheet so far have not been formal complaints. These have been addressed straight away by Kingdom and, as such, there has not been a need to formally advise the 'complainant' of the outcome as it will be	The Business Support and Development Manager (BSDM) advised that there have been no formal complaints relating to the new contract, although some minor issues have been raised. He advised that he was

Recommendation	Management Response	Current Status
outcome to ensure they are aware that the complaint has been dealt with.	obvious that it has been addressed. Were a formal complaint to be received it would be addressed by the Tenancy Manager in the first instance and a formal response would be issued.	retaining records of these issues along with copies of any follow-up correspondence with the person who raised the issue, although there was no summary document recording these (see 4.3.10 & 4.3.11 below).
5 The results of the Service Improvement Team's survey should be formally assessed and action taken to address the issues raised.	Due to anonymous nature of the responses and the lack of detail as to what caused any dissatisfaction, it is not possible to address any 'issues'. The block in question is covered as part of the normal inspection routines and no issues have been noted during recent inspections.	The issues raised related to the performance of the previous contractor. No surveys have been undertaken in relation to the current contract due to COVID and the fact that the contract started during the pandemic. Inspections have been undertaken as part of the current contract, so any issues should be identified as and when they occur (see 4.3.7 below).
6 Invoices processed should be subject to independent review on a monthly basis to ensure any errors and miscodings are identified promptly and corrected to enable accurate month end accounts to be produced.	The issue noted arose during a pilot of the auto-matching process that is to be employed at the Council. In future, if an order number is not stated on the invoice, the invoice will be returned to the supplier. This should ensure that the payments are correctly coded.	This is no longer an issue. Auto-matching of invoices is now undertaken across the Council so the invoice will be paid automatically if it matches to an authorised order on the system.

## 4.2 Contract Award

- 4.2.1 The Senior Procurement Business Partner (SPBP) advised that the contract was awarded following a mini competition through an existing framework. The process was run through the CSW Jets system, with the opening process being undertaken directly on the system.
- 4.2.2 The agreement of the specification was undertaken by a member of staff that has subsequently left the Council (the previous Contract Services Manager (CSM)) in consultation with staff from relevant departments, although it subsequently transpired that some buildings had erroneously been left out of the specification (see section 4.4 below).

- 4.2.3 The SPBP highlighted that only two responses were received and only one of these was compliant. The compliant response was still evaluated and passed the relevant criteria and was subsequently awarded the contract.
- 4.2.4 The evaluation of the submitted tender was undertaken by four members of staff, covering different departments and buildings. Due to staffing changes, the person currently responsible for managing the contract (the Business Support and Development Manager (BSDM)) and the new CSM were not involved in the evaluation, although the BSDM did get involved towards the end of the process.
- 4.2.5 A formal, signed document is in place, which is available to all staff through the contract register on the intranet.

### 4.3 **Service Provision & Monitoring**

- 4.3.1 The BSDM advised that there is not a 'strategy' as such for which buildings are to be cleaned or the frequency of cleaning etc. However, the specification of the contract effectively sets out what is to be done, although does not provide 'justification' for why this is to be the case.
- 4.3.2 The BSDM highlighted that this had been agreed prior to his involvement in the contract, but believed that the previous CSM had spoken to relevant services to agree the specification although, as previously suggested, certain services / buildings had been omitted (e.g. sports pavilions, Green Spaces 'buildings').
- 4.3.3 The main contract document includes high-level method statements and more detailed 'job-specific' method statements are also set out as part of the risk assessment documents completed by the contractor. The contract and the associated Service Level Requirements also set out the quality standards to be applied.
- 4.3.4 The Service Area Plan for Neighbourhood Services contains a specific measure relating to the building cleaning contract (i.e. the percentage of buildings cleaned to the required standard). However, these figures have not yet been collated or reported for the first two quarters.
- 4.3.5 The BSDM highlighted that this measure was adopted prior to the new Head of Neighbourhood Services taking her role and it may, therefore, be amended. There has also been the COVID pandemic which has meant that a number of the buildings have not been open, so any figures could be misleading.
- 4.3.6 More relevant to the regular monitoring of the performance of the contractor are the inspections performed and the KPIs that are included within the contract.
- 4.3.7 The inspections performed are a mixture of direct reviews performed by the contractor and some joint inspections that the BSDM undertakes with the contractor. The BSDM provided copies of the documentation completed following the recent joint inspections to evidence the process.

- 4.3.8 The BSDM highlighted that the KPIs are reviewed as part of the monthly liaison meetings held with the contractor and this was confirmed upon review of the minutes of the meetings.
- 4.3.9 However, it was noted that parts of some of the minutes had not been updated (e.g. the KPIs section had been amended, but the financial and general sections and the date of the next meeting recorded were the same as previous months). There was also no reflection as to whether actions recorded had been addressed as there was no standing agenda item to cover the agreed actions.

### **Risk**

**Agreed actions may not be undertaken which could lead to underperformance against the contract.**

### **Recommendation**

**The agenda for the monthly contract liaison meetings should include a standing item to review previous minutes for accuracy and to follow up on progress against agreed actions.**

- 4.3.10 As evidenced by the minutes provided, there have been no formal complaints received in relation to the contract. However, where individual 'issues' are raised, the BSDM advised that these will be picked up and addressed as and when required.
- 4.3.11 He advised that he was retaining records of these issues along with copies of any follow-up correspondence with the person who raised the issue, although there was no summary document recording these.

### **Advisory**

**An issues log could be maintained in relation to 'informal complaints' received with regards to the service provided to enable any potential patterns to be identified.**

- 4.3.12 The BSDM advised that there had been no rectification notices issued. Whilst some issues may have ordinarily have led to rectification notices being required, the BSDM highlighted that the contractor has taken on a lot of additional items to help the Council address COVID-related issues and cover areas not included on the contract. To that end, it was suggested that it would not be in the Council's interest to penalise them.
- 4.3.13 He also highlighted that, where quality issues had been raised, these had been addressed and resolved wherever possible, although some issues were outside of the contractor's control due to COVID.

## **4.4 Contract Amendments & Variations**

- 4.4.1 The BSDM advised that there had been some requests for additions to the contract with regards to Housing properties (i.e. William Wallsgrove House

and Beauchamp House). He highlighted that a change request form from Procurement needed to be completed by the relevant Head of Service, including justification for the change, but this had not yet been fully accepted.

- 4.4.2 As previously highlighted, there are also a number of omissions from the original contract specification that need to be resolved, although some were included in a 'clarifications' document within the final contract document. The BSDM also advised that revised schedules had been set out for the works being undertaken.
- 4.4.3 A meeting held on 13 November with staff from the contractor along with Finance staff (the relevant Principal Accountant and the SBBP) was to cover a revised bill of quantities in order to identify exactly what the contractor is covering and what is believed to be in the contract. This was also to include discussion of extra works that have been taken on that are specifically in relation to COVID so that these can be separately costed out.
- 4.4.4 However, the BSDM highlighted that the contractor had not provided the required information, partly due to being very busy dealing with the second lockdown, but had advised that this would be provided in time for the next meeting on 30 November.
- 4.4.5 The BSDM provided a copy of the log that he has maintained for variation orders that have been raised to date. He advised that he had obtained a template from Contract Services to use for these variations and they would be based on requests received from relevant 'building managers'. There was no requirement for him to get these authorised by anyone, so he was signing them off.
- 4.4.6 He advised that these are based on specific prices quoted by the contractor for each item / piece of work as opposed to relating to a specific schedule of rates. However, the contract identifies provisional day work rates (hourly costs), so it may be that these should be applied for additional works undertaken, although they may not relate specifically to the additional works required due to COVID.

## **Risk**

**The Council may not be paying the correct rate for additional works undertaken.**

## **Recommendation**

**Variation orders in relation to additional works should be checked to prices included in the contract for day rates where applicable to ascertain whether the payments are in line with agreed rates.**

## **4.5 Finance**

- 4.5.1 The BSDM advised that he had not been involved in the budget setting, with the cost of the contract being split across the various cost centres for the relevant buildings.

- 4.5.2 The Assistant Accountant (AA) highlighted that the budget setting had been 'quite messy' for this new contract, with the figures based on estimates from Housing & Property Services who had managed the previous contractor. Some of the costs within the estimates had also been miscoded (William Wallsgrove House and Beauchamp House). The current budget does not, therefore, properly reflect the costs against each cost centre as per the order raised by the Systems Development Officer.
- 4.5.3 The AA provided various items of email correspondence that highlight the discussions held to identify and resolve the issues as well as copies of spreadsheets showing the changes required and the work that had been done for reviewing the current budget to enable the setting of next year's budget.
- 4.5.4 As suggested above, an order has been raised to cover the (current) contracted costs, so TOTAL shows the committed costs for the year in relation to the 'core' contract costs plus additional work / resources provided. That, coupled with the issues identified above with regards to the setting of the budget, make reviewing the current position and any variances against the budget difficult.
- 4.5.5 However, the BSDM highlighted that the overall contract costs are monitored in his monthly meetings with the AA (i.e. those against subjective code 2705), although it is up to the individual departments to monitor their cost centre budgets.
- 4.5.6 He also highlighted that he has asked for the additional works to be included on separate invoices to allow for these to be identified over and above the core contract costs. As some of this additional work related specifically to COVID, the BSDM suggested that he was looking to get some of these additional costs coded to a separate COVID cost code as they hadn't been included in the contract's budget.
- 4.5.7 As highlighted above, the BSDM highlighted that inspections had been performed and work standards are covered in the monthly liaison meetings and, whilst some issues had been noted, there was no issue with the work in terms of payment of the main contracted amount.
- 4.5.8 Of the payments made to the contractor, the majority (27 of 32) relate to non-contracted works and are supported by variations orders (VOs). Some of these VOs relate to consumables and those that relate to 'works' would be monitored in the same way as the contracted works. As such, there is nothing to evidence that the work relating to each invoice has been specifically checked, but is covered in overall terms.
- 4.5.9 Testing was undertaken to ensure that the orders supporting the invoices paid had been authorised by appropriate staff and that the payments were appropriate (i.e. related to contracted costs or variation orders included on the log provided by the BSDM). This test proved satisfactory.

#### 4.6 **Contingency Planning & Risk Management**

- 4.6.1 The BSDM advised that there was not a formal contingency plan in place for the provision of the cleaning contract. He highlighted that, as the contract



commenced during lockdown, reactionary changes have been implemented as required including using staff from other areas of the company to help service the Council's contract, adding additional work to ensure buildings were COVID secure and not cleaning other, closed, buildings.

- 4.6.2 The contract highlights that the service provider shall hold both employers' and public liability insurances with a limit of indemnity of not less than £10m.
- 4.6.3 Upon request, the contractor provided a letter from their insurance broker confirming that both public liability and employers' liability insurance was in place to the value of £25m. The insurance confirmation letter also highlighted that the cover is in place until 1 December 2020.
- 4.6.4 As previously highlighted, the responsibility for management of the contract is due to transfer to the new CSM in the near future, so would be responsible for obtaining updated details when required.

### **Advisory**

**The new Contract Services Manager should set a reminder to obtain confirmation that the insurance policies have been renewed at the appropriate date.**

- 4.6.5 The BSDM provided a copy of the Neighbourhood Services risk register. Upon review it was identified that, whilst other specific contracts are covered in the Contract Services section of the document (i.e. waste collection, grounds maintenance and street cleansing) and there are some generic risks that could relate to the provision of the contracted services, there is no direct reference to the building cleaning contract.

### **Risk**

**Risks relating to the provision of the building cleaning contract may not be appropriately identified and controlled.**

### **Recommendation**

**The Neighbourhood Services risk register should be updated to include reference to the building cleaning services contract.**

- 4.6.6 The BSDM highlighted that the contractor maintains a suite of risk assessments for the contracted services and provided sample copies. He also provided a copy of the electronic COSHH spreadsheet which covers the chemicals used by the contractor for cleaning.

## **5 Conclusions**

- 5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Building Cleaning Services are appropriate and are working effectively.

5.2 The assurance bands are shown below:

<b>Level of Assurance</b>	<b>Definition</b>
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

5.3 Whilst there are issues with the way that the contract was set up, action has been taken to try to resolve these matters. A couple of minor issues that require further action were, however, identified:

- Agreed actions are not followed up at subsequent contract liaison meetings
- Variation orders for additional works are not linked to the day works figures included in the contract
- The Neighbourhood Services risk register does not make reference to the building cleaning contract.

5.4 Further 'issues' were also identified where advisory notes have been reported. In these instances, no formal recommendations are thought to be warranted as there is no risk if the actions are not taken. If the changes are made, however, the existing control framework will be enhanced:

- An issues log could be maintained in relation to 'informal complaints' received with regards to the service provided to enable any potential patterns to be identified
- The new Contract Services Manager should set a reminder to obtain confirmation that the insurance policies have been renewed at the appropriate date.

## 6 **Management Action**

6.1 The recommendations arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr  
Audit & Risk Manager

## Action Plan

## Internal Audit of Building Cleaning Services – November 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.9	The agenda for the monthly contract liaison meetings should include a standing item to review previous minutes for accuracy and to follow up on progress against agreed actions.	Agreed actions may not be undertaken leading to underperformance against the contract.	Low	Contract Services Manager	Agreed. The agenda for all future meetings will include the review of previous minutes and the status of agreed actions.	January 2021
4.4.6	Variation orders in relation to additional works should be checked to prices included in the contract for day rates where applicable to ascertain whether the payments are in line with agreed rates.	The Council may not be paying the correct rate for additional works undertaken.	Low	Contract Services Manager	Agreed. All future variation orders will be checked where additional staffing is included to ensure that the correct rates are being used.	January 2021
4.6.5	The Neighbourhood Services risk register should be updated to include reference to the building cleaning services contract.	Risks relating to the provision of the building cleaning contract may not be appropriately identified and controlled.	Low	Contract Services Manager	Agreed. The issue will be raised at the next management team meeting when the risk register is reviewed to ensure that the contract is included.	March 2021

\* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.