

## INTERNAL AUDIT REPORT

**FROM:** Audit and Risk Manager  
**TO:** Head of Housing Services  
**C.C.** Chief Executive  
Deputy Chief Executive (BH)  
Head of Finance  
Sustaining Tenancies  
Manager  
Tenancy Manager  
Neighbourhood Estates  
Manager  
Portfolio Holder (Cllr. Phillips)

**SUBJECT:** Building Cleaning Services  
**DATE:** 20 March 2018

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### 1 Introduction

- 1.1 In accordance with the Audit Plan for 2017/18, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. This topic was last audited in June 2015.
- 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.

### 2 Background

- 2.1 The current building cleaning contract was transferred to Kingdom Services Group (KSG) in June 2016 and an agreement was signed in November 2017. The contract is now managed by the Neighbourhood Estates Manager.
- 2.2 The contract covers the cleaning at public conveniences, car parks, waste disposal facilities, corporate buildings and housing blocks and the contract value is £3,058,311 for seven years.

### 3 Scope and Objectives of the Audit

- 3.1 The objective of the audit was to test the controls in place to ensure that the Building Cleaning contractor performs the duties expected of them, in line with the contract in place.
- 3.2 The audit covered the following control objectives:
- Service provision and monitoring
  - Contract amendment and variations
  - Finance
  - Contingency planning and risk management.

## 4 Findings

### 4.1 Recommendations from Previous Report

4.1.1 The current position in respect of the recommendations from the audit reported in June 2015 is as follows:

Recommendation	Management Response	Current Status
1 Copies of emails / quotes relating to additional works ordered should be retained.	A system to retain all copies of e-mails and quotes, relating to additional works, has been set up (25/06/15).	Records for additional works are retained and this was confirmed upon review. See 4.4.8.
2 Formal monitoring documents should be drawn up and used.	Will be discussed at the next meeting with Ocean on 29/06/15.	Now in place for Kingdom. See 4.2.9 and 4.2.14.
3 Formal performance meetings are held in the future which are minuted appropriately.	All future meetings will be minuted appropriately and the minutes will be retained, starting with the next meeting (29/06/15).	Meetings have recently been agreed and scheduled. See 4.2.15.
4 A formal log of complaints received should be maintained, including details as to how they have been investigated and resolved as appropriate.	A system to log complaints, including details of how they have been investigated and resolved, has been set up.	All complaints are logged. See 4.2.19.
5 For both rectification & default notices, formal numbering should be introduced, along with a summary document, to track what has been issued & when.	A system to number the rectification and default notices has been set up.	This is now in place. See 4.2.21.
6 The budget for Town Hall cleaning should be amended in line with the actual contract value.	A meeting is to be arranged with the relevant Principal Accountant to discuss the issue.	This was completed at the time of the previous audit.
7 The current situation with regards to the services provided at the Althorpe Enterprise Hub and the Glasshouse and the associated costs should be formalised by issuing a new variation order.	The situation with the Althorpe Enterprise Hub and the Glasshouse is to be confirmed and a new variation order will be issued.	This was completed at the time of the previous audit.

Recommendation	Management Response	Current Status
8 The next payment to Ocean should be amended to take into account all of the penalties that have been levied as per the default notices issued.	We are currently carrying out an exercise to check which penalties, relating to the default notices issued, are outstanding so that we can amend the payment to Ocean.	This was completed at the time of the previous audit.
9 A performance bond should be obtained in relation to the contract, whether or not it is re-let.	A performance bond has been requested from Ocean (26/06/15).	A Performance Bond is in place for Kingdom. This was confirmed upon review. See 4.5.3.
10 Up-to-date insurance documentation should be obtained from Ocean.	Up to date insurance documentation has been obtained from Ocean and is on file.	Up to date insurance documentation is retained for Kingdom. This was confirmed upon review. See 4.5.4.
11 An officer should be appointed to obtain new insurance documents following the annual insurance renewals.	A generic electronic diary / calendar is to be set up for the Cleaning Contract administration and renewal dates will be entered onto the calendar to remind the contract administrator to obtain new insurance documents following the annual insurance renewals.	Now monitored by the Neighbourhood Services Manager.
12 The insurance documents, once received, should be checked to ensure that insurance is held in line with the contract requirements.	Insurance documents were checked by the Insurance Officer on 18/06/15.	Now checked on annual basis.
13 Risks relating to the cleaning of buildings should be included in the Housing & Property Services risk register as appropriate.	To be added to the risk register.	Now added. This was confirmed upon review of the register. See 4.5.5.

## 4.2 Service Provision & Monitoring

- 4.2.1 It was established that there is currently no strategy in relation to provision of building cleaning.

## **Risk**

**There may be a lack of understanding of cleaning services provided by the Council and residents expectations may not be met leading to reputational damage.**

## **Recommendation**

**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 available to the public to enable better understanding of expected services.**

- 4.2.2 The contract was originally awarded to Ocean Contract Cleaning Limited with effect from 01 April 2013 to 31 March 2020, with a provision to extend for a further nine years if both parties were satisfied. The company subsequently went into liquidation and the contract was taken over by Kingdom Services Group (KSG) in June 2016.
- 4.2.3 An agreement was signed with KSG in November 2017, which was a variation to the original contract. As highlighted above, the contract value is £3,058,311 for seven years.
- 4.2.4 A Building Cleaning Specification and Bill of Quantities was provided as part of the contract which detailed a schedule of cleaning for public conveniences, car parks, waste disposal facilities, corporate buildings and housing stock. This was reviewed and found to be appropriate.
- 4.2.5 Performance standards are also set out in the formal contract and specification documents that are in place. These are supported by agreed method statements that were submitted by KSG, for each cleaning area / type, listing the sequence of operations.
- 4.2.6 The Neighbourhood Estates Manager (NEM) is now responsible for managing the contract and confirmed that cleaning is completed to the agreed schedule and specification. To this end, a team of four Neighbourhood Officers (NOs) undertake weekly and monthly inspections to review the cleaning.
- 4.2.7 The specification document sets out the working times for the contract and this highlights that changes to the cleaning schedule should be limited and would need approval from the Contract Administrator (NEM).
- 4.2.8 Key Performance Indicators (KPIs) are detailed in the tender document, which states that the contractor provides seven key categories of KPIs.
- Quality
  - Staffing and Resourcing
  - Innovations
  - Environment
  - Staff Training
  - Management Information
  - Health & Safety

- 4.2.9 Due to Ocean going into liquidation and various staff changes the KPI reports were not prepared. KSG are to develop KPIs but these may be different to Ocean's and the Council is not yet aware of what these may be.

### **Risk**

**Performance reporting arrangements may be ineffective and inappropriate.**

### **Recommendation**

**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.**

- 4.2.10 As highlighted above, the NEM confirmed that she and her team of four NOs undertake weekly and monthly inspections to review the cleaning undertaken by the operatives.
- 4.2.11 The inspections had been in place with Ocean and the Council has since continued its own inspections of the blocks and corporate properties. Any standards that are not met by KSG would be reported to the contractor for rectification.
- 4.2.12 Should KPIs not be met when the contract is performing normally, then rectification notices and defaults will be issued should lower level intervention not succeed.
- 4.2.13 Spreadsheets are completed to document each inspection. Issues identified during the inspections will be raised directly to the operative with any areas of concern highlighted by the Council officers being addressed at the time.
- 4.2.14 Meetings were previously held with the contractor on an ad hoc basis when required by either party. However, now that the management of the contract has been passed to the NEM, regular monthly meetings have been introduced, scheduled and agreed.
- 4.2.15 The first meeting was held on 8 December 2017 and minutes taken currently provide a summary of each area cleaned and any issues that have arisen. However, there is no set agenda and the minutes of the following meeting do not include a formal follow-up of the actions agreed at the previous meeting.

### **Risk**

**Agreed actions may not be followed up appropriately.**

### **Recommendation**

**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.**

- 4.2.16 There is currently no routine survey undertaken to establish customer satisfaction levels. Instead, the number of complaints received is relied upon to monitor satisfaction.
- 4.2.17 To this end, tenants and residents are able to access a 'Cleaning Defects' email address and send details of any complaint they may have in relation to cleaning.
- 4.2.18 Any complaint received is recorded on a spreadsheet which, at the time of the audit, listed thirteen complaints received in 2017. For each one there is a record of the action taken by the Council, but nothing is recorded to confirm whether the complaint had been resolved or if the complainant had been informed of the outcome of action taken.

### **Risk**

**Residents may be dissatisfied with action taken, leading to reputational damage.**

### **Recommendation**

**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 outcome to ensure they are aware that the complaint has been dealt with.**

- 4.2.19 Whilst no regular surveys are performed, the Council's Service Improvement Team issued a formal survey in December 2017. This was for a single building and there were only 21 respondents. 60% of (20) respondents to the specific question regarding satisfaction with the service stated that they were either very satisfied or satisfied with the level of cleaning at the property.

### **Risk**

**Residents may be dissatisfied with the service they are receiving, leading to reputational damage.**

### **Recommendation**

**The results of the Service Improvement Team's survey should be formally assessed and action taken to address the issues raised.**

- 4.2.20 The Council has a process for dealing with defaults and issuing rectification notices, which mirrors contract services. If cleaning is not up to standard a complementary clean will be completed. The process is not used, however, as any issues are dealt with and resolved informally during the inspection process. Discussion with the NEM confirmed that this has developed a strong relationship with KSG and ensures full co-operation when issues are identified.

### 4.3 **Contract Amendments and Variations**

- 4.3.1 Variation Orders (VO) are formally agreed, signed off and authorised by the NEM. The weekly and monthly inspections sometimes identify additional cleaning needs and in these cases a VO is raised. However, there are very few actual VOs that lead to additional costs being incurred, as the vast majority are for incidental additional work with no further costs.
- 4.3.2 Where actual VOs are required due to additional, chargeable works, the details would be emailed to KSG, who will advise on the cost of additional works. These costs will then be reviewed and agreed by the NEM. Written copies would be retained as well as a log of the requests. However, at the time of testing, no VOs have been required during the current financial year.

### 4.4 **Finance**

- 4.4.1 The Tenancy Manager is the budget holder and is therefore involved in the budget setting process. The budgets are set in advance of the financial year and are allocated to the relevant cost centre to which the service applies.
- 4.4.2 The budget setting process is consistent with the service area planning process and the Fit for the Future Programme, with recent years focusing on reductions in budgets and efficiencies.
- 4.4.3 Under the monthly budget review process, budgets are amended as soon as changes are identified. Accountants work with Service Areas to identify budget variances and changes and these are reported to the Senior Management Team on a monthly basis. Reports are then submitted for consideration by the Executive and Scrutiny Committees on, at least, a quarterly basis.
- 4.4.4 The contract cleaning budget is held on a specific subjective code (2705) on several different cost centres spread throughout the Council. In addition, there is a working paper to the budgets which is not detailed in the budget book itself. These were both reviewed and no issues were found.
- 4.4.5 The Tenancy Manager meets regularly (monthly) with the relevant Assistant Accountant at which the budget position will be discussed with queries being raised as appropriate.
- 4.4.6 In terms of paying for the contracted services, the core invoice amount is the same each month, with an annual Purchase Order (PO) being raised for each service area.
- 4.4.7 When invoices are received by the Neighbourhood Estates Team, they are checked to the PO, approved and passed to Finance for payment. A spreadsheet is retained to record all invoices.
- 4.4.8 Upon review of the spreadsheet, it was identified that there were two additional cleaning invoices for services provided at the Crematorium. Both were for £195.91. It was confirmed that the original request was made to the NEM, who received a quote from KSG, which was approved before the work was undertaken. The invoices were also reviewed to confirm this.

- 4.4.9 There were two further invoices assumed to be for additional payments, for cleaning provided at Williams Wallsgrove and Charles Gardener, for £411.65 and £205.82 respectively. Further investigation established that the invoices had been miscoded and paid on the wrong PO. A journal was subsequently raised to correct the error.

## **Risk**

**Ledger and accounts information may be inaccurate.**

## **Recommendation**

**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.**

## **4.5 Contingency Planning & Risk Management**

- 4.5.1 As highlighted above, KSG has recently taken over the contract from Ocean. Issues had been encountered over contract performance before Ocean went into liquidation. Therefore, business continuity and contingency arrangements were of paramount importance for the new contract.
- 4.5.2 The hard copy contract was reviewed and found to include business continuity arrangements and reference to KSG's Business Continuity Plan (BCP). This was also reviewed. KSG state that the BCP:
- Will be updated and tested on a regular basis.
  - Includes key details and actions needed to continue all business operations.
  - Facilitates continuous operation through a range of business interruptions from minor requiring minimal change through to total loss of service in a major location.
  - Will be reviewed annually or as and when required or following any major incident.
  - Is held by all BCP Crisis Management Team stakeholders listed.
  - Forms part of regular governance meeting agenda.
- 4.5.3 The Novation (Performance Bond) has now been signed and is included within the contract. This was reviewed in hard copy and found to be appropriate.
- 4.5.4 Copies of the contractors insurance are provided on an annual basis and saved in the appropriate folder. The certificates are provided for both Employers Liability and Public Liability and these were reviewed and confirmed to be current.
- 4.5.5 The Housing Services risk register includes a number of specific risks relating to the provision of services, including contractor service. It was updated in August 2017, following approval by the Finance and Audit Scrutiny Committee in January 2017 and is currently subject to further review.



- 4.5.6 Risk number six addresses "Failure of contractor to deliver effective service", for which the mitigating control was, "Effective procurement and contract management procedures in place including regular contractor meetings".
- 4.5.7 The relevant action to address this was, "Ensure cleaning contract transfer to Kingdom is completed, novated and bond in place", with the due date set for December 2017. It was confirmed that this action was completed.
- 4.5.8 It was established that KSG has identified the relevant risks and maintains detailed risk assessments for the methods used in providing the contracted services and these are contained within the method statements, which were reviewed and found to be appropriate.

## 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:

Level of Assurance	Definition
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 Issues were identified relating to:

- The lack of a formal strategy.
- KPIs still being developed.
- Meetings arranged do not have formal agendas, with minutes not reflecting the completion of agreed actions.
- No records are maintained of complaint resolution.
- A survey performed relating to the cleaning at Stamford Gardens needs to be assessed and addressed.
- Additional works invoices had been miscoded.

5.4 Whilst there are still a few recommendations, it is acknowledged that significant improvements have been made and the recommendations from the previous audit have been addressed appropriately.

## 6 **Management Action**

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

Richard Barr  
Audit and Risk Manager

## Action Plan

## Internal Audit of Building Cleaning Services – March 2018

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.1	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 available to the public to enable better understanding of expected services.	There may be a lack of understanding of cleaning services provided by the Council and residents expectations may not be met leading to reputational damage.	Medium	Neighbourhood Estates Manager	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 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.	June 2018
4.2.9	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.	Performance reporting arrangements may be ineffective and inappropriate.	Medium	Neighbourhood Estates Manager	KPIs have now been agreed with the Area Manager from Kingdom which are to reflect those that were in place with Ocean.	Completed

<b>Report Ref.</b>	<b>Recommendation</b>	<b>Risk</b>	<b>Risk Rating*</b>	<b>Responsible Officer(s)</b>	<b>Management Response</b>	<b>Target Date</b>
4.2.15	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 actions may not be followed up appropriately.	Low	Neighbourhood Estates Manager	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.	April 2018
4.2.18	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 outcome to ensure they are aware that the complaint has been dealt with.	Residents may be dissatisfied with action taken, leading to reputational damage.	Medium	Neighbourhood Estates Manager	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 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.	No further action required.

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.19	The results of the Service Improvement Team's survey should be formally assessed and action taken to address the issues raised.	Residents may be dissatisfied with the service they are receiving, leading to reputational damage.	Low	Neighbourhood Estates Manager	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.	Not applicable.
4.4.9	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.	Ledger and accounts information may be inaccurate.	Low	Neighbourhood Estates Manager	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.	No further action required.

\* 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.