

**AUDIT REPORTS WITH MODERATE OR LOW LEVEL OF ASSURANCE  
ISSUED QUARTER 1 2015/16**

**Building Cleaning Services – 26 June 2015**

**1 Introduction**

1.1 In accordance with the Audit Plan for 2015/16, 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 August 2013.

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 Building cleaning was incorporated into the major contract re-let project undertaken by Neighbourhood Services, with the new contract with Ocean coming into force in April 2013. Following the award of the contract, the management of these services has transferred to Housing and Property Services (H&PS).

2.2 The contract covers the cleaning at corporate properties, communal areas of housing blocks, car parks, public conveniences and sports pavilions and includes window cleaning at relevant buildings.

**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:

- Service provision and monitoring
- Finance
- Contingency planning and risk management

3.3 The audit programme identified the expected controls. The control objectives examined were:

- Contractors are aware of the services to be provided
- Works are undertaken to agreed standards
- Budget variances are limited as the budgets are set appropriately in line with known areas of expenditure

- Payments are valid and accurate and processed in accordance with the appropriate conditions of contracts
- The council only pays for work that has been previously agreed
- 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 cleaning of the buildings that it is responsible for 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 Service Provision & Monitoring**

4.1.1 As highlighted above (see 2.1), a contract for building cleaning services is held with Ocean. A detailed specification is in place for the contract, with the supporting appendices showing the buildings that require cleaning along with details of what is required and the frequencies.

4.1.2 Method statements were provided at the time of the contract tendering although the Senior Estates Supervisor (SES) advised that updated method statements have been requested (see 4.3.10 below).

4.1.3 A deed of agreement is in place for the contract and this is signed and sealed by the council and signed as a deed by a director and a witness from Ocean Contract Cleaning Limited.

4.1.4 The SES advised that formal variation orders would be issued for permanent changes to the contract and a sample was provided. He also highlighted that temporary changes (e.g. ad-hoc works) would be communicated via email, with quotes being requested, although he advised that he would not necessarily retain the emails.

#### **Risk**

**Queries relating to the scope and cost of ad-hoc works cannot be resolved.**

#### **Recommendation**

**Copies of emails / quotes relating to additional works ordered should be retained.**

4.1.5 The specification and associated appendices of the contract include standards to be adhered to and the relevant cleaning methods for each location. The SES advised that there are no formal monitoring documents, but any issues identified would be supported by photos and emails to Ocean.

**Risk**

**A formal record is not in place to enable service standard issues to be raised and rectified.**

**Recommendation**

**Formal monitoring documents should be drawn up and used.**

- 4.1.6 He suggested that he will ensure that all sites included on the contract are visited, but doesn't use a formal rota so that the cleaning staff cannot spot any patterns indicating when he will be inspecting.
- 4.1.7 He advised that he has tried to get joint inspections undertaken with staff from Ocean but these have never happened. He suggested that this was mainly due to management changes at the contractor.
- 4.1.8 Some updates are also sought from staff in other council buildings as to any issues that they have come across. A specific request for information relating to the current standard of service delivery was also made to the relevant building managers when the council was looking into alternative service delivery options due to the issues that were being encountered (see 4.3.1 below).
- 4.1.9 The SES suggested that performance management meetings have taken place with the contractor, although recently these have been with Legal Services to try to resolve contract issues. Notes of a meeting held in October 2014 were provided, although these were not formal minutes.

**Risk**

**Performance issues are not raised at the earliest opportunity.**

**Recommendation**

**Formal performance meetings are held in the future which are minuted appropriately.**

- 4.1.10 The SES advised that any complaints made regarding the standard of cleaning and the conduct of the contractor's staff are investigated and acted upon as appropriate. Some documents were held on his network drive, although there was little detail held and these were mainly related to accidents / incidents as opposed to the standard of cleaning.
- 4.1.11 Other email evidence was held in the specific Cleaning Defects email account, with some emails being received via the 'contactus' email. The SES also advised that some complaints are addressed directly to him when he is out on site.
- 4.1.12 He advised that the complaints would be dealt with as and when they were received, although evidence was not generally being retained.

**Risk**

**Further enquiries relating to complaints made cannot be resolved.**

**Recommendation**

**A formal log of complaints received should be maintained, including details as to how they have been investigated and resolved as appropriate.**

- 4.1.13 As noted above, there is no formal monitoring paperwork maintained. However, during the opening meeting, the SES advised that regular rectification notices were being issued due to underperformance against the contract. Default notices were also having to be issued when these rectifications were not being dealt with appropriately.
- 4.1.14 The SES maintains folders on his network drive of the notices that have been issued. It was not clear, however, if copies of all notices were held, as they were not numbered and no summary documentation was maintained. Monthly folders were in place for January 2014 to October 2014 for rectification notices and January 2014 to May 2014 for default notices with only ad-hoc notices after this.
- 4.1.15 The SES advised that, due to the ongoing contract issues and the attempts to reshape the contract (see 4.3.2 below), grace periods had been given, so there were periods where rectification and default notices were not being issued.

**Risk**

**The council is unable to ensure that all rectification and default notices have been addressed.**

**Recommendation**

**For both rectification & default notices, formal numbering should be introduced, along with a summary document, to track what has been issued & when.**

**4.2 Finance**

- 4.2.1 Two extracts were run from TOTAL to identify all cost centres where the contract cleaning subjective code (2705) had been used and all payments that had been made to Ocean relating to 2014/15 invoices. The budgets and payments were then checked to the figures included on the bill of quantities that had been submitted by Ocean.
- 4.2.2 The budgets generally tie in with the figures on the bill of quantities and the payments made, although there were two specific issues noted.
- 4.2.3 The budget for cleaning at the Town Hall was approximately £5,000 above the actual costs, and this variance had been carried forward for a number of years. The relevant Principal Accountant was not able to provide an explanation as to why this variance existed.

**Risk**

**Budgets cannot be accurately monitored.**

**Recommendation**

**The budget for Town Hall cleaning should be amended in line with the actual contract value.**

- 4.2.4 The variation order that had been agreed with regards to the Althorpe Enterprise Hub (AEH) and the Glasshouse at the Jephson Gardens did not tie in with the amounts being charged or the current situation with regards to the cleaning provided by Ocean at the AEH.

**Risk**

**The contractor will be unsure as to what is required of them.**

**Recommendation**

**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.**

- 4.2.5 It was also noted that, despite a number of default notices being issued which included penalties, there was no evidence on the invoices received that these had been actioned by Ocean, with standard monthly invoices being submitted and paid. Only two credit notes could be located at the time of the audit, and neither of these related to the default notices issued since April 2014.

**Risk**

**The council is paying for a substandard service.**

**Recommendation**

**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.**

- 4.2.6 The SES advised that he had initially been signing some of the invoices, but he was not an authorised signatory. A sample of invoices was chosen from the payments made and all, except those signed by the SES, had been signed by an appropriately authorised individual.
- 4.2.7 Upon review of the payments made to Ocean for 2014/15, two ad-hoc jobs had been paid for. As highlighted above (see 4.1.4), the SES advised that he would have sent emails asking for these works to be undertaken and he confirmed that the jobs had been agreed prior to payment, although nothing had been retained to confirm these requests.
- 4.2.8 Invoices in relation to the provision of attendants for sports pavilions vary each month, based on the number of fixtures. The SES advised that he passes the invoices to the Business Support Manager(BSM) in Cultural Services to check that the details agree to the fixture lists he holds. The BSM confirmed that these checks are undertaken, and he signs the invoices to confirm the amounts.

### **4.3 Contingency Planning & Risk Management**

- 4.3.1 Whilst not a formal contingency plan as such, alternative methods of delivering the services have been looked at, with both in-house and other contractor options being explored, due to issues encountered with the current service provider. A project group has been established to look into these options, with the actual termination of the contract having been considered.
- 4.3.2 At the end of the audit testing, the position was clarified with the Sustaining Tenancies Manager who is managing the project. She advised that Ocean had suggested working to a reduced specification. However, Legal Services had advised that the change to the contract was too material to go ahead without re-procurement, so Ocean had been advised that they should continue working to the original specification. The service was, therefore, being reviewed and a new procurement exercise was being planned for this autumn.
- 4.3.3 As highlighted above, the building cleaning contract was let as part of an integrated waste contract (see 2.1). The need for performance bonds were set out in the terms of contract for each lot.
- 4.3.4 It has recently been identified, during an audit undertaken on one of the other contract lots (refuse collection and recycling), that copies of the performance bonds could not be located. The Head of Neighbourhood Services has been liaising with Legal Services (WCC) to try to track these down as emails were held which suggested that these had been deposited. However, a CMT briefing paper, which was drawn up with regards to the potential contract termination, suggests that the performance bond was not lodged for this contract.

#### **Risk**

**The council is financially disadvantaged.**

#### **Recommendation**

**A performance bond should be obtained in relation to the contract, whether or not it is re-let.**

- 4.3.5 The Senior Estates Supervisor advised that he did not hold a copy of Ocean's insurance documentation and he had not chased for updates, as he was not aware of the annual renewal dates.
- 4.3.6 During the course of the audit, Ocean were asked for copies of their relevant documents but these had not been provided by the time of the completion of the audit.

#### **Risk**

**The council becomes liable for claims related to the work of the contractor.**

## **Recommendations**

**Up-to-date insurance documentation should be obtained from Ocean.**

**An officer should be appointed to obtain new insurance documents following the annual insurance renewals.**

**The insurance documents, once received, should be checked to ensure that insurance is held in line with the contract requirements.**

4.3.7 The risk register for Housing & Property Services has recently been reviewed and presented to the Finance & Audit Scrutiny Committee. Upon review, it was noted that there is no direct mention of cleaning.

4.3.8 Some general risks could be related to the cleaning contract, such as failure to meet contractual obligations, although the actions suggested indicate that these were considered more in line with repairs and maintenance contracts, but no specific risks (e.g. risks relating to the use of various cleaning chemicals) were included.

## **Risk**

**The council does not identify relevant actions to address the risks associated with the provision of these services.**

## **Recommendation**

**Risks relating to the cleaning of buildings should be included in the Housing & Property Services risk register as appropriate.**

4.3.9 As part of the tender submission, one method statement included details of risks that the council had identified in relation to the provision of the services. Tenderers were asked to submit details of who they thought the risk should be allocated to, along with the mitigation measures that they would implement and any additional risks that they thought were relevant. This had been provided by Ocean as part of their tender submission.

4.3.10 The SES advised that each area should have its own health and safety folder and these would include the relevant method statements and items such as COSHH records for the different cleaning chemicals that were being used. However, he also advised that he had asked for updates to be provided for these, as he was aware that changes had been made, but they had not been forthcoming. As with the insurance documents, these records had still not been provided by the completion of the audit.

## **Risk**

**Council staff will not be able to identify inappropriate working practices during the monitoring performed.**

## **Recommendation**

**Updated method statements should be obtained and these should be reviewed for adequacy once received.**

4.3.11 The Civil Contingencies Officer (CCO) had separately advised Internal Audit that cleaning staff had been unsure what to do during a recent fire drill, with some cleaners staying in the building. The CCO was to ensure that the SES received a copy of the report relating to the drill.

**Risk**  
**Injury or loss of life.**

**Recommendation**  
**Ocean should be made aware of the issues encountered during the recent fire drill and should be provided with details of the fire evacuation procedures for all buildings in which they work.**

## **5 Summary & Conclusion**

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

5.2 A number of issues were identified during the course of the audit relating to:

- The retention of emails and quotations relating to ad-hoc works undertaken
- A lack of formal monitoring documentation and the need for minuted performance meetings
- The need for logging complaints, rectification and default notices
- The budget for the Town Hall cleaning being overstated
- The current specification and costs relating to works at the Althorpe Enterprise Hub and the Glasshouse not being accurately reflected
- Penalties not being imposed in relation to the default notices issued
- A performance bond not being lodged
- The lack of insurance documentation being provided
- Risks relating to cleaning services not being included in the Housing & Property Services risk register
- Out of date method statements being held
- The awareness of fire evacuation procedures by cleaning staff.

## **6 Management Action**

6.1 The recommendations arising above are reproduced in the Action Plan for management attention.

6.2 Some recommendations are relevant irrespective of whether a new contract is let and others will need to be taken into account when the new contract is being procured to ensure that the contract is appropriately specified.