

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager

TO: Head of Neighbourhood
Services

C.C. Chief Executive
Deputy Chief Executive (AJ)
Head of Finance
Senior Contract Officer

SUBJECT: Grounds Maintenance

DATE: 31 March 2014

1. Introduction

- 1.1 In accordance with the Audit Plan for 2013/14, 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 November 2010.
- 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 grounds maintenance contract was let as part of a large exercise covering a number of different services provided by Neighbourhood Services. The new contract was awarded to The Landscape Group and commenced in April 2013. The current value of the contract is around £880k a year.
- 2.2 Client side management of the contract is carried out by staff in the Contract Services section of Neighbourhood Services.
- 2.3 Work is carried out not only for Neighbourhood Services, but also for Cultural Services (sports facilities), Health and Community Protection (cemeteries), Housing and Property Services, and the County Council.

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
 - Contract amendments and variations
 - Performance monitoring
 - Budget setting and management
 - Payments and recharges
 - Insurance and risk management.

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

- The contract was awarded to the most appropriate company following an appropriate tendering exercise
- Permanent changes to the contract (i.e. areas to be covered) are formally agreed
- The council only pays for work that has been previously agreed
- Works are undertaken to agreed standards
- 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 contract
- The council receives all money that is due to it for works undertaken on behalf of others
- 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 maintenance of the grounds 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 Contract Award

- 4.1.1 The grounds maintenance contract was let following a large tendering exercise covering a number of different lots. The process followed was considered to be appropriate.
- 4.1.2 A detailed specification document is in place, which covers all of the services to be provided under the contract, along with the bills of quantities for the contract and appendices detailing, amongst other things, all of the areas to be covered under the contract.
- 4.1.3 Detailed spreadsheets are held showing all of the scores that were awarded for both the price and quality aspects of the bids received, with the documentation supporting these scores also being held. The Landscape Group (the successful tenderer) did not submit the lowest priced bid, but had the highest quality score and the best combined score.
- 4.1.4 The evaluation spreadsheets also showed the outcomes in relation to discounts offered where companies had bid for more than one lot. None of these combinations proved successful.
- 4.1.5 Letters were also held, advising the successful companies that they had been awarded the different lots as well as letters to the unsuccessful companies. These included details of how the company had scored in relation to the quality aspects of their bids, along with comparisons to the successful company's score where appropriate.
- 4.1.6 A deed of agreement is in place for the grounds maintenance contract. This is signed and sealed by the council and signed as a deed by directors of The Landscape Group.

4.2 Contract Amendments & Variations

- 4.2.1 The Senior Contract Officer (SCO) advised that there was no one way of identifying new areas to be included in the contract. Some recent changes (as per the variations held) were notified by Warwickshire County Council. Others will be identified during the rounds performed by the Contract Officers and others will be based on requests by the public.
- 4.2.2 The Green Space Development Officer (GSDO) highlighted that, when the new areas are flagged as potential areas for inclusion, plans and other relevant documentation will be looked at to ascertain if the parcel of land is the responsibility of the council or another body / individual. No specific evidence is retained to document that these checks have been performed, although the GSDO suggested that the works would not be agreed without these checks being performed.
- 4.2.3 The SCO advised that contract amendments have been notified to the contractor by email, with spreadsheets being produced to detail the exact changes.

- 4.2.4 To date, these notifications have been undertaken by the GSDO. However, the SCO advised that his team had only recently taken over responsibility for this contract, and he had not been formally made aware of these changes.

Risk

Responsible officers are unable to appropriately monitor the contract against the agreed, amended, specification.

Recommendation

A formal process should be established for notifying the Senior Contract Officer of any changes to the contract specification that are agreed by other officers.

- 4.2.5 The SCO also advised that, as his team had only recently taken over responsibility for monitoring the work performed under the grounds maintenance contract, it was harder for them to ensure that the amended specifications were being applied (see below for further details regarding performance monitoring).
- 4.2.6 Upon review, the detailed site lists in place were found to not include the updates as per the change notifications that had been produced. The SCO advised that he was aware of this and this work was in hand to be addressed. As this had already been identified, it was not felt necessary to include a recommendation in relation to this.
- 4.2.7 A number of invoices paid to The Landscape Group included contract variations. A 'Notification of Change' spreadsheet was attached to one of the invoices on the system and this applied to the majority of the invoices paid (although it had only been scanned onto the system as an attachment to one invoice).
- 4.2.8 The SCO advised that there was not a formally signed document to authorise this variation, although he indicated that the amendment would have been agreed by the Head of Neighbourhood Services.
- 4.2.9 A further amendment was also included on the two latest invoices (as paid at the time of audit testing), relating to the provision of a Play Team. There was no formal variation order for this amendment, although the SCO provided a copy email highlighting again that the Head of Neighbourhood Services had approved this amendment.
- 4.2.10 As well as the 'notified' changes included within the core invoices, there were also other invoices for further additional works. These fell into two categories:
- Provision of attendant staff at the outdoor sports facilities as well as a yard person and materials.
 - Ad-hoc additional works.

There were no formal variation orders relating to any of these invoices.

Risk

Staff and the contractor are not aware of what contract amendments have been agreed.

Recommendation

Formal, authorised, variation orders should be maintained for changes to the grounds maintenance contract.

- 4.2.11 The hourly cost of the attendants as included on the invoices (based on the two examples where supporting documentation had been scanned onto TOTAL) was lower than that quoted on the bill of quantities for the contract. No specific cost for the yard person could, however, be located.
- 4.2.12 The SCO advised that no specific checking was being performed to confirm the hours had actually been worked by these contract staff.

Risk

The council is paying for services not received.

Recommendation

Checks should be undertaken to confirm that the invoices submitted relating to the hours worked by attendants etc. are accurate.

4.3 Performance Monitoring

- 4.3.1 Performance standards are set out in the formal contract and specification documents that are in place. These are supported by agreed method statements that were submitted by The Landscape Group, one of which includes a specific section on the 'method of ensuring that work is fully completed to the required standard'.
- 4.3.2 The SCO advised that Contract Officers are undertaking performance monitoring as part of their 'rounds'. One of the Contract Officers spoken to advised that no formal inspection documentation is maintained for these inspections, although he advised that some informal notes will be made. Whilst no sample documentation could be located, correspondence between the Contract Officer and the contractor was provided which set out what work was required to be undertaken along with a spreadsheet that the Contract Officer advised would be the basis of the inspections performed.
- 4.3.3 At present, there are not any joint inspections performed with representatives from the contractor. However, it is expected that these will be implemented in the near future and formal documentation will be put in place to record these. As plans are already in place to implement these, no formal recommendation regarding the need for formal inspection documentation was thought to be warranted.
- 4.3.4 Liaison meetings are also held with The Landscape Group each month to discuss the contract, and any performance issues will be covered in these meetings. Sample copy minutes were provided which confirmed that relevant issues were being discussed.

- 4.3.5 The SCO advised that there had not been many formal complaints relating to the new grounds maintenance contract and highlighted that any formal complaints would be logged on Flare.
- 4.3.6 Attempts to obtain a report from Flare of all relevant complaints were made, however, the level of detail available on the reports was limited. The report produced included 435 records, but only 125 of those had any relevant text to show what the complaint related to. The majority of the 125 cases related to refuse and recycling issues, as it was not possible to limit the report to issues specific to the grounds maintenance aspect of the service.
- 4.3.7 Elements of grounds maintenance were only mentioned in four records and these cases were discussed with the SCO. Three were considered relevant complaints but, the other case was more of a service request for something that was not included in the contract. Details on the system also highlighted the action taken although, again, the level of details varied in each case, with some responses being minimal.

Risk

Staff are unable to ascertain whether an issue has been resolved.

Recommendation

Staff should be reminded of the need to ensure that an appropriate level of detail is recorded on Flare so that anyone else reviewing the case can ascertain exactly what has been done to resolve the issue.

- 4.3.8 There are also other classes of 'enquiry' on Flare. These are not formally called complaints, although the line between whether an enquiry is classed as a complaint or not seemed to be fairly blurred.
- 4.3.9 Specific reports were produced relating to the 'Grass Cutting' and 'Unwanted Vegetation' categories on Flare. Similar issues to the 'complaints' log were also noted on these reports, with limited information available on the reports in the relevant text / detail fields. It was also apparent that some similar complaints / enquiries were being recorded under different categories.
- 4.3.10 Sample cases from these spreadsheets were discussed with the SCO who agreed that some should probably have been classed as complaints.

Risk

Complaints raised regarding the standards of work performed by the contractor are not dealt with appropriately.

Recommendations

A review should be performed of the categorisation and reporting arrangements on Flare to make it useful to the service.

The need for consistency in the classification of calls received should be highlighted to relevant staff.

- 4.3.11 The SCO advised that the Contract Officers should, in theory, identify any sub-standard work during the inspections that they perform, although as this area was new to the team, they were inexperienced in terms of identifying whether specific jobs had been performed to the exact specification.

However, if any obvious issues were notified, it would be raised directly with the contractor by the Contract Officers on site, enabling it to be dealt with at the time.

Risk

Substandard work is not highlighted.

Recommendation

Contract Officers should receive appropriate training to allow them to identify whether the work performed under the contract is in line with the agreed specification.

4.3.12 The contract in place allows for penalty charges to be imposed in the event of sub-standard performance. The SCO advised that no penalties have been necessary in relation to the work undertaken for the grounds maintenance contract.

4.4 Budget Setting & Management

4.4.1 The SCO advised that the budget (for the relevant codes) would be set in line with the contract. These figures are covered in the monthly valuations.

4.4.2 The budget, as per TOTAL, was checked to the latest valuation spreadsheet provided and a number of variations were noted. Neither the SCO or the relevant Assistant Accountant were clear why these differences were included. The one exception to this was that the main grounds maintenance budget had been increased by £15,000 during the year as a result of a virement to cover the refurbishment of a depot.

Risk

Variations against the true budget are not noted.

Recommendation

Budgets for the relevant codes are set in line with the figures agreed in the contract.

4.4.3 The SCO also advised that budget monitoring is undertaken on a monthly basis. The relevant Assistant Accountant provides a spreadsheet detailing all relevant budget codes (for the service as a whole, not just grounds maintenance) and these are discussed with the Head of Neighbourhood Services.

4.4.4 A copy of the latest (completed) budget review spreadsheet was provided which included comments to explain variances and proposing action where considered necessary.

4.4.5 The contract also covers a number of areas that fall under other budgets that are not held by Neighbourhood Services. The SCO advised that monitoring these figures would be the responsibility of the relevant section, although again highlighted that they should tie in with the relevant budget figures, with the contract payments being 1/12th of the total amount unless variations had been agreed.

4.5 Payments & Recharges

- 4.5.1 No specific checking of works being performed to the required standard is undertaken prior to the payment of individual invoices. The SCO highlighted that the performance checking is undertaken at an earlier stage (see above), and only if penalties were to be deducted would the payments be differed.
- 4.5.2 During the testing undertaken on the approval of contract variations (see above), testing was also undertaken to ensure that the invoices had been appropriately authorised. The testing confirmed that all invoices were signed by the SCO and the Head of Neighbourhood Services who are both authorised signatories.
- 4.5.3 As highlighted above, some of the contracted work is undertaken on behalf of other council departments and also for Warwickshire County Council. The costs of the works for other council departments are coded directly to the relevant codes at the invoice stage, so there is no requirement for any recharges to be processed.
- 4.5.4 Works for the county council are, however, recharged via the raising of quarterly invoices. Upon review of the charges made to the county council it was noted that the amounts they had paid exceeded the amounts charged by the contractor.
- 4.5.5 The Head of Neighbourhood Services advised that, when the new contracts were being tendered for, the county council could not commit to paying the new prices, as they did not know if they would increase. When the new prices came in below those in the old contract, they agreed to keep the old budget figures.
- 4.5.6 The Head of Neighbourhood Services also highlighted that the county council had previously not paid the full amount for grass cutting, with the district council having to pay a top-up figure of £20,000. There are also other areas of work which the county council do not pay for (such as the clearing of vegetation from the highways), and he advised that this difference is retained to offset these costs.

4.6 Insurance & Risk Management

- 4.6.1 The contract document includes a section on the level of insurance that the council requires the contractor to hold.
- 4.6.2 Copies of the insurance certificates held were provided. However, these were out of date and were actually out of date at the time the contract was awarded and when the insurance details were provided (cover as per the certificates ended on 31 January 2013). Based on the expired certificates, the contractor had relevant insurance provision, in line with that specified in the contract documentation.

Risk

The council may be liable for incidents caused by the contractor.

Recommendation

The contractor should be contacted to ask for copies of current insurance certificates to ensure that cover is still held. Annual reminders should also be set up to ensure that updated copies are received upon expiry of the certificates provided.

- 4.6.3 The Neighbourhood Services risk register includes a specific section on grounds maintenance. This includes a number of tree related risks, risks associated with open spaces and play equipment and others such as delivery of the green space strategy.
- 4.6.4 Also, within the more generic aspects of the register, there are a number of risks related to the performance of the contractor, including the failure to deliver services and their ability to deliver services if the service grows. The risks detailed, along with the mitigation measures suggested seem appropriate.
- 4.6.5 It was also noted that the risk register is a working document within the department, with notes to suggest where further work was required to update the position shown. This was considered to be an example of good practice.
- 4.6.6 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 appropriately completed.
- 4.6.7 Subsequently, the successful contractor has been asked to submit copies of the detailed risk assessment for all relevant areas of operation covered by the contract. These were received during the course of the audit.
- 4.6.8 A risk matrix was included with the documents provided which shows a list of all of the relevant assessments. These detailed assessments were found to be in place, although it was noted that these were due for review.

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 for the management of Grounds Maintenance are appropriate and are working effectively.
- 5.2 Issues were identified relating to:
- the processes for notifying the relevant officer of changes to the contract specification and the formal approval of changes to the monthly contract value
 - the lack of checking of certain types of invoices submitted by the contractor
 - the level of detail recorded on Flare in relation to complaints and the consistency of classifying these cases
 - the identification of training needs for Contract Officers to ensure that they can identify works that have not been performed to the correct specification
 - the budget lines not being set in accordance with the corresponding entries in the contract
 - the lack of current evidence relating to the insurance held by the contractor.

6. Management Action

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

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