

**AUDIT REPORTS WITH MODERATE OR LOW LEVEL OF ASSURANCE  
ISSUED QUARTER 4 2013/14**

**Data Protection – 18 February 2014**

**1 SCOPE AND OBJECTIVES OF THE AUDIT**

- 1.1. The purpose of the audit examination was to report a level of assurance on the adequacy of the corporate framework in ensuring compliance with the Data Protection Act 1998.
- 1.2. The examination comprised an evidential risk-based overview of Data Protection governance focusing on the following themes:
- § roles and responsibilities
  - § accuracy of registration
  - § training
  - § data collection
  - § data sharing and disclosure
  - § subject access
  - § prevention of unauthorised access
  - § compliance monitoring
- 1.3 The examination was conceived as an assignment to be undertaken jointly with the Council's IT audit consultants and used an evaluation model supplied by them (attached as Appendix 1). The scope was mostly confined to the management of Data Protection at corporate level. The findings are based on discussions with Graham Leach, Democratic Services Manager, and examination of relevant documentation and records.

**2 FINDINGS**

2.1 General Comments

- 2.1.1 This audit coincided with a planned timetable for a management review of policy and processes relating to Data Protection, Freedom of Information and Environmental Information Regulations. This is scheduled for completion by the end of July 2014.
- 2.1.2 At the time of the audit, initiatives were already in place to address known issues in areas such as policy updating, awareness management, training and complaints handling.

2.1 Roles and Responsibilities

- 2.1.1 A three-level hierarchy is in evidence here. The Deputy Chief Executive and Monitoring Officer is designated as the Senior Information Risk

Owner for the Council as defined in the information risk management standard ISO 27001. The Democratic Services Manager (also Deputy Monitoring Officer) is designated as corporate Data Protection Officer (DPO).

- 2.1.2 The DPO role is defined as ensuring that "the position of the Council in relation to personal data is protected". This specifically includes being the central point of control for subject access requests and other requests for disclosure of personal data. Apart from this, the DPO role is defined more as an advisory rather than a corporate leadership one, although in practice this includes recommending Council policy on Data Protection and managing the data controller registration process.
- 2.1.3 The third level relates are Council staff generally and their responsibilities are coded in a Staff Guidelines document. The document is in printed booklet form only and is not currently published electronically. It is also advised that new starters do not currently receive welcome packs so the Staff Guidelines would not be issued automatically under the standard induction process.
- 2.1.4 An initiative is known to be in place to implement a software-driven policy awareness solution designed to capture a range of corporate policies. Properly implemented and managed this will be a more effective alternative to welcome packs with features that include enforcing mandatory on-line reading of policies and procedures covered, answering test questions and signing up.
- 2.1.5 As a practical guide, the Staff Guidelines come across as narrowly focused not recognising that required standards for compliance have become fused with other policies and procedures, including the Information Security and Conduct Policy and subsidiary policies arising from the Government Code of Connection (now Public Sector Network) standards (e.g. Data Handling, Incident Management, Remote Working). Cross-references to these should ideally be incorporated.
- 3.1.6 Another area that could be usefully covered in the Staff Guidelines a clear statement to pre-empt any confusion with access rights under the Freedom of Information which is sometimes invoked in requests for personal data disclosure.

**Risk**

***Staff may commit personal data breaches due to lack of understanding of their responsibilities and rights of access by other parties.***

**Recommendations**

**(1) The Data Protection Staff Guidelines should be reviewed with consideration given to cross-referencing to other relevant policies and legislative/regulatory relationships.**

**(2) Following review, the Data Protection Staff Guidelines**

**published electronically on the Intranet and incorporated within policies to be released on implementation of the awareness management software solution.**

2.2 Accuracy of Registration

2.2.1 Review and renewal of the data controller registration is handled directly by the DPO. The registration details originate from a local authority template of typical purposes and further details added to expand on the relevant activities. These are rarely subject to change – the last significant change was around four years ago when the Council took on on-street car parking enforcement.

2.2.2 A scan of the current registration entry in the Information Commissioner's web site did not raise any queries or indication of omission.

2.3 Training

2.3.1 There is currently no mandatory requirement for staff to undertake training on Data Protection leaving it to the judgement of service managers to establish need. The DPO has traditionally arranged courses with external providers covering Data Protection, Freedom of Information and Environmental Information Regulations.

2.3.2 Training is now being commissioned from Warwickshire County Council Legal Services and will be incorporated in the corporate Learning and Development Programme.

2.3.3 It was also advised that the scope of the corporate induction programme does not include Data Protection or data handling disciplines generally.

2.3.4 An awareness survey undertaken jointly by Internal Audit and Haines Watts had been envisaged as part of the audit, but has been subsequently shelved due to time constraints. It is proposed to pursue this in the 2014/15 audit year targeting those staff who handle personal data on a day-to-day basis.

**Risk**

**Data Protection training is not effectively targeted according to awareness needs**

**Recommendation**

**An awareness survey should be commissioned to gauge understanding of Data Protection matters among those staff handling personal data.**

2.4 Data Collection

2.4.1 The standard means of complying with the first Data Protection Principle (fair and lawful processing) is the 'privacy notice' provided to

the data subject at the point of data collection. Also referred to as 'fair processing notices', these tend in practice to be inserted into advisory clauses and/or declarations in applications forms for services.

- 2.4.2 This is not an area of compliance that is managed at corporate level and a comprehensive review by Service Area could not be accommodated within this assignment. A brief review of on-line and downloadable forms on the Council's website showed a mixed picture.
- 2.4.3 In terms of the minimum information that should be imparted (see Appendix 1 Ref. CO4.1), the hackney carriage and resident parking permit application forms came across as fully complying. The Housing Application form, while appearing mostly compliant, fails to make clear that the information supplied may be used to prevent and detect fraud.
- 2.4.4 The on-line form for reporting an environmental pollution issue comes across as especially weak in this regard.
- 2.4.5 The above are only examples and to obtain a fuller picture across the board would require a canvass exercise over the Council as a whole.

**Risk**

***The Council may be in breach of fair processing provisions of the Data Protection Act by not giving sufficient details of processing and sharing at the time of personal data collection***

**Recommendation**

**A review of personal data collection arrangements should be undertaken across the Council to identify instances where fair processing notices are not provided to proper standard at the point of collection and institute remedial action taken where required.**

2.5 Data Sharing and Disclosure

- 2.5.1 In recognition that systematic data sharing between organisations is widespread, the Information Commissioner has produced a Data Sharing Code of Practice Code that includes checklists for justifying and managing sharing and promotes data sharing agreements as good practice.
- 2.5.2 Again this is an area not actively managed at corporate level and review by Service Area could not be accommodated within this assignment. It is also noted that the corporate Data Protection Policy makes no provisions on how the Council seeks assurance that organisations with which it systematically shares personal data process the data lawfully and to proper standards.

**Risk**

***Data sharing arrangements may be difficult to justify in case of challenge.***

## **Recommendations**

- (1) A review of systematic data sharing should be undertaken across the Council to gauge compliance with the Information Commissioner's Code of Practice and recommend formal data sharing agreements where not already applied.**
- (2) The Data Protection Policy should be updated to reflect systematic data sharing with other organisations and how it is managed.**

2.5.3 Requests for disclosure of personal data should normally be routed via the DPO who logs them (the requestors are typically the Police and other local authorities). However, it is not certain to what extent requests are handled directly by the Service Areas without reference to the DPO.

2.5.4 This is seen as bound up with two of the main areas examined – roles/responsibilities and compliance monitoring. Recommendations made under these areas would be seen as addressing uncertainties about conformance with disclosure request procedures.

### 2.6 Subject Access

2.6.1 The DPO acts as central point of contact for subject access requests and maintains a spreadsheet log. The DPO also handles responses where the requests are for personal data processed by more than one Service Area.

2.6.2 The volume of incoming subject access requests is not especially high (around 20 over the last twelve months). However, the Council's record in meeting requests within the 40-day statutory timeframe is poor – over the last twelve months the period was exceeded in 85 per cent of cases.

2.6.3 At the time of the audit, a separate investigation was conducted into a particularly extreme case in this regard connected with an unauthorised disclosure that occurred in providing the requested information. It was clear in this case that the critical delays were within the applicable Service Area after the request had been circulated among the managers/team leaders.

2.6.4 This is seen as indicative of a generally low profile for Data Protection among managers when pitted against the service delivery demands, combined with perceived lack of appreciation of the potential consequences of not respecting data subject rights.

2.6.5 What was also noticed in this case, however, is that that almost two week had elapsed after the request date before it had been circulated to the managers/team leaders in the first place. A significant proportion of this time period relates to the forwarding by Democratic Services.

2.6.6	A further observation here is that a tentative request had been received from the same party five weeks before the effective request date but had not been actioned or responded to in the interim. What may be significant is the earlier request invoked the Freedom of Information Act 2000 (FOI) and not the Data Protection Act.
2.6.7	It should be recognised that the average data subject may not understand the distinction between the two and incoming requests should not be assumed to relate to FOI simply because they quote it.
2.6.8	<p>The case also highlighted:</p> <ul style="list-style-type: none"> <li>§ potential complications where 3<sup>rd</sup> parties submit requests on behalf of data subjects, especially in circumstances where official complaints are involved;</li> <li>§ possible shortcomings regarding existing redaction methods.</li> </ul>
2.6.9	<p><b><u>Risk</u></b>  <b><i>Continued failure to handle subject access requests in accordance with legislative requirements may lead to reputational damage for the Council and sanctions from the Information Commissioner</i></b></p> <p><b><u>Recommendation</u></b>  <b>The current arrangements for handling subject access requests should be reviewed to determine and implement actions for improving compliance.</b></p>
2.7	<u>Prevention of Unauthorised Access</u>
2.7.1	The Council's Information Security and Conduct Policy provides the base standards on ensuring that access to personal data is restricted to those persons that can demonstrate a genuine operational need. These are expanded in subsidiary policies relating to specific areas including data handling, e-mail, remote working and removable media.
2.7.2	Access control is evaluated as standard in ongoing audits of all aspects of IT infrastructure, databases, business applications and remote working facilities. A high level of assurance is consistently reported from these audits.
2.7.3	It was advised that the DPO and ICT Services Manager are consulting on a project to implement document marking as a means of improving security arrangements.
2.8	<u>Compliance Monitoring</u>
2.8.1	Absence of effective compliance monitoring is a common area of weakness reported by the Information Commissioner's Office from its reviews of local authorities. It would appear that Warwick District Council is no exception with no tangible framework in place for

proactive compliance monitoring.

2.8.2 In the past, the Council instituted network of 'information champions' to help support Data Protection, Freedom of Information and (where applicable) Environmental Information Regulations compliance within the Service Areas. This arrangement effectively lapsed several years ago.

2.8.3 Management should have regard to the need to bring compliance monitoring up to the standard expected by the Information Commissioner's Office and the potential benefits of re-establishing a network of suitably trained Service Area representatives in helping to achieve this.

**Risk**

***Avoidable data breaches may occur through ineffective compliance management over the Council as a whole.***

**Recommendation**

**A framework for active monitoring of compliance with Data Protection legislation and good practice should be established with consideration given to reconstituting a network of Service Area representatives.**

**3 CONCLUSIONS**

3.1 The overall picture on Data Protection governance shows a mix of strengths, weaknesses and some uncertainties which qualify the level of assurance.

3.2 Taking into account improvement actions in hand, the Council shows itself generally strong in areas such as data controller registration, defining responsibilities, training and access security.

3.3 However, lack of visible corporate leadership on areas such as fair processing and systematic data sharing creates uncertainties that can only be resolved by further review and, in the case of the latter, clearer policies.

3.4 Subject access and compliance monitoring come out as particular areas of weakness.

3.5 In view of the above, the findings only give **LIMITED** assurance that risks in respect of Data Protection compliance are effectively managed. Further more in-depth review would be a pre-requisite to ascribing a more favourable assurance level.

## **Town Hall Lettings – 19 March 2014**

### **1. SCOPE AND OBJECTIVES OF THE AUDIT**

- 1.1 The audit was undertaken in order to establish and test the management and financial controls in place over Town Hall lettings.
- 1.2 The audit programme identified the controls that were expected to be in place and the possible risks arising from the absence of those controls.
- 1.3 The control objectives examined were as follows:
- a) Responsibility for Town Hall lettings is clearly defined.
  - b) There is a system in place for dealing with lettings and appropriate records are maintained.
  - c) The correct charges are applied to all lettings.
  - d) Charges are accurate, complete, raised promptly, properly accounted for and pursued if necessary.
  - e) There are appropriate security and insurance measures in place.
  - f) Budgetary control procedures are in place.

### **2. BACKGROUND**

- 2.1 There are a number of rooms at the Town Hall of different sizes available for a variety of purposes, the main one being the conduct of council business. Rooms that have not been allocated for council business are available to the public for hire within the confines of appropriate use and compliance with the Town Hall's premises licence. Public hirings cover such activities as weddings, parties, record and craft fairs, training events, blood donor sessions and meditation classes. Some hirings are one offs while others are of a long standing nature and take place regularly through the year.
- 2.2 Some of the accommodation at the Town Hall is occupied on a permanent basis by the University of Warwick and by Bromford Housing Association. These lettings are governed by property leases and not through the lettings system which was the prime focus of the audit. The income was still considered as part of the audit.
- 2.3 The estimated income for lettings in 2013/2014 is £71,000 and for service charges associated with the two leases £12,700.

### **3. FINDINGS**

- 3.1 In overall terms, the audit drew the conclusion that there are sound controls in place over the management of Town Hall lettings.



3.2	In terms of the control objectives listed at 2.3, the findings are as follows:
3.3	<b>Responsibility is clearly defined</b>
3.3.1	The management of the Town Hall has for many years been within the purview of Cultural Services. The day to day management of the building and of lettings was for a long time left to the post of Town Hall Superintendent and with some reservations this arrangement worked reasonably well. The reservations concerned the administration of lettings which left a lot to be desired.
3.3.2	At some point the management of the Town Hall was formally placed under the control of the Royal Spa Centre Manager but this brought no improvement in the situation.
3.3.3	More recently the Town Hall and the Royal Spa Centre have in effect merged and there has been an alignment of management, systems and procedures. Responsibility for lettings lies with the Deputy Manager and part of her job description states " To be the primary contact for booking requests from internal and external customers and manage them in conjunction with the General Manager and management team."
3.4	<b>There is system in place for managing lettings</b>
3.4.1	Historically there always was a system in place to manage lettings but it was somewhat informal and inconsistent particularly with regard to regular and trusted hirers. Any audit recommendations aimed at achieving improvements in administration and control were accepted but somehow the message failed to get across such that the overall management remained somewhat relaxed.
3.4.2	This was still the situation at the beginning of this year and it was evident that there was no formality to the lettings process and often very little by way of evidence to support what had been agreed with the hirer.
3.4.3	This situation changed dramatically around September time when a system called Artifax was introduced to manage all of the events at the Royal Spa Centre and the Town Hall. As with most systems these days it is very sophisticated and offers quite a range of options but inevitably it lacks some features that management, accountancy and audit would ideally like to see in place. It is understood that as the implementation of Artifax is still very much a work in progress any potential improvements identified locally will be put to the system supplier as part of a Wish List.
3.4.4	Artifax is primarily a means of recording and storing information around a letting. There will still be meetings with potential hirers to reach agreement on dates, cost and terms and conditions. A key part of this procedure is the signing by both parties of a formal contract

governing all aspects of the letting.

3.4.5 One of the clauses states that "Total hire fees must be cleared to Warwick District Council a minimum of 7 (seven) days before the first date of the hiring." This is not enforced.

3.4.6 The following clause says that WDC can require a deposit up to the full amount of the estimated cost. Given the local knowledge of the reliability of the regular hirers and local organisations a deposit is not always requested. When deposits are paid they are either £100 or 10% of the estimated cost of the letting. On occasion a deposit of this size may be inadequate and leave the council open to a potential significant loss as was the case with an incident a few years ago. A pre wedding party in June 2008 resulted in a charge of £1325. A deposit of £100 was paid but the balance was written off as the hirer was supposedly abroad.

3.4.7 Whenever an event is likely to result in a charge running into thousands of pounds, a wedding for example, and there is no knowledge of the hirer then either payment in full in advance or a much larger deposit would be more appropriate.

***Risk***

***Requesting a small deposit on a high value letting leaves the council open to the possibility of a significant loss.***

***Recommendation***

***Whenever management deem it appropriate, payment in full in advance or a sizeable deposit should be considered for high value lettings.***

**3.5 Correct charges are applied**

3.5.1 Until a few years ago the charges approved by council for room hire at the Town Hall were specific to each room and categorised between actual event time and preparation time and commercial and non-commercial bookings. Since 2011/2012 the approval has been "All charges are by negotiation."

The charges are not publicised anywhere but they are input to Artifax and used to compile a quotation when an enquiry is made.

3.5.2 The charges input to Artifax are based broadly on the last set of approved detailed charges (2010/2011) uprated for inflation. "By negotiation" does not mean that individual charges are applied depending on the nature of the event and the status of the hirer. Charges are applied consistently and equally.

3.5.3 The charges for five lettings from the last six months were examined in details and in all cases they were comparable with the charges approved in 2010/23011.

3.6	<b>Charges are accurate, complete , raised promptly, accounted for and pursued</b>
3.6.1	In most cases charges are fairly straightforward. Most lettings involve room hire only and they will be the same as the charge quoted in the offer letter. Some lettings will involve a charge for staff or equipment, linen or security hire. When this is the case these charges are included in the quotation and exact charges input to Artifax when the invoice is received.
3.6.2	A flowchart supplied detailing the lettings process from the initial enquiry through to final settlement claims that all lettings are signed off on the Monday after they have taken place so that a settlement document can be prepared and forwarded to the Cultural Services Business Support Team at Riverside House. They then take the necessary steps to produce an official WDC invoice to send out.
3.6.3	A sample of invoices selected to check the delay between a letting taking place and the invoice being produced indicated that the delay was often several weeks if not months.
	<p><b><i>Risks</i></b></p> <p><b><i>Producing invoices several weeks after an event results in unreliable budgetary control information.</i></b></p> <p><b><i>Long delays between a service being provided and a charge being made gives the impression of an inefficient organisation.</i></b></p> <p><b><i>Recommendation</i></b></p> <p><b><i>Invoices for Town Hall lettings should be produced on a regular basis and at least monthly.</i></b></p>
3.7	<b>There are appropriate security and insurance measures in place</b>
3.7.1	Most events that take place at the Town Hall are of a type that will be unlikely to result in any sort of disturbance and so fairly relaxed security measures are applied. Lettings with a potential for incidents will not be approved.
3.7.2	Whenever alcohol is to be supplied as part of an event it is a condition of the letting that accredited security staff are provided with the cost being recharged to the hirer.
3.7.3	<p>The contract covering the hire agreement states at clause 7 that "It is the responsibility of the hirer to effect and maintain adequate insurance policies to cover all statutory liability of at least £5 million and including Public Liability ..."</p> <p>This requirement of the contract is not being applied and no evidence is therefore requested or retained.</p>

3.7.4 It is likely that certain organisations will either have their own cover or be covered by their own national organisation e.g. The Labour Party or Save The Children. However, it is probably very unlikely that a couple booking their own or one of their children's wedding reception would hold any cover. Any claims resulting from a letting where no cover was in place could be protracted with the council in some way bearing a cost.

3.7.5 A Hirers policy could be taken out by the council to cover claims resulting from lettings with the cost being recovered from hirers. The implications of this and of the current practice of not asking to see appropriate cover would be better discussed with the council's Insurance and Risk Officer.

***Risk***

***A claim resulting from a letting where there is no insurance cover in place could mean that the costs fall on the council.***

***Recommendation***

***The insurance implications of Town Hall lettings should be discussed with the Insurance and Risk Officer and procedural changes introduced as appropriate.***

3.8 **Budgetary control procedures are in place**

3.8.1 Corporate budgetary control procedures are in place with the Theatre and Town Hall Manager having overall responsibility. He is assisted in this task by an accountant from Finance and, in addition, Cultural Services staff will play some part in budget monitoring.

3.8.2 The income budgets for the years 2011/2012 and 2012/2013 show some variation in performance but nothing too significant.

3.8.3 An examination of the current year's income budget did highlight two significant issues which have fallen through the budgetary control net. The budget was originally showing that income was well below estimate but that will all change as a result of the errors identified.

3.8.4 The first and lesser issue involves a payment of £1,993 in respect of a wedding reception. Payment was made by cheque in October 2013 but the cheque bounced and so was debited to the council's bank account. Another cheque was presented but somehow in the confusion the ensuing accounting adjustments meant that the credit was eventually posted to the Royal Spa Centre. This has been referred to the accountant for Cultural Services and will be corrected.

3.8.5 Of more significance it was noted that two invoices totalling £10,000 payable by Warwick University for the use of office space at the Town Hall had not been raised. They relate to the quarters beginning 1<sup>st</sup>

	October 2013 and 1 <sup>st</sup> January 2014. Invoices for the first two quarters of the year had been raised.
3.8.6	As a result of raising the issue two invoices for £5,000 were raised on 11 March 2014. Normally when income of a fixed amount is due on a regular basis it is dealt with automatically using the periodic income feature of the debtors system as opposed to relying on memory or a diary reminder.
	<b>Risks</b>
	<b><i>Regular fixed income not billed automatically will be overlooked.</i></b>
	<b><i>Late billing damages the council's reputation.</i></b>
	<b>Recommendation</b>
	<b><i>The rental for the use of office space at the Town Hall by Warwick University should be collected using the periodic income feature of the debtors system.</i></b>
<b>4.</b>	<b>CONCLUSION</b>
4.1	The audit concluded that in overall terms there are reasonably sound systems and procedures in place to manage Town Hall lettings but as identified some important aspects of control need to be improved.
4.2	The audit can therefore give a <b>MODERATE</b> level of assurance that the systems and procedures in place are appropriate and working effectively.

<b>Leaseholder Service Charges – 24 March 2014</b>	
<b>1.</b>	<b>SCOPE AND OBJECTIVES OF AUDIT</b>
1.1.	The purpose of the audit examination was to report a level of assurance on the adequacy of systems in place for setting, levying and collection of leaseholder service charges to ensure compliance with legislation, inclusion of all chargeable persons and effective recovery of applicable service and management costs.
1.2.	The examination focused on policies and procedures for the setting, levying and collection of service charges due from leaseholders of former HRA dwellings for which the Council retains the freehold. The elements of the process reviewed were:

- § accounting for leasehold dwellings and liable persons;
- § formulation of annual charges;
- § billing;
- § communication and liaison with leaseholders.

1.3 The recommendations from the previous audit report were considered and implementation status ascertained.

1.4 The findings are based on consultations with Anna Monkton, Leasehold Officer, and reference to relevant documentation and records. Data matching and exception testing was to verify the integrity of key records.

## 2. **RECOMMENDATIONS FROM PREVIOUS REPORT**

2.1 The current position in respect of the recommendations from the audit reported in September 2011 is shown below:

<b>Recommendation</b>	<b>Management Response</b>	<b>Current Status</b>
Concerted efforts should be made to ensure that a new Leaseholder Management System is put in place. <i>(Medium risk)</i>	Other authorities using the MIS system to be consulted on establish how they use the system for leasehold management.	Management have been looking at a Scheme Accounting module to run on MIS. The Leasehold Officer has a remit to prepare a business case (in progress at the time of this report).
Discussions should be held on a regular basis between Technical Administration staff and Surveyors (and other relevant staff) to ensure that Technical Administration are aware of any major works projects that are forthcoming for which leaseholders need to be recharged. <i>(Medium risk)</i>	Advised that this had become a standing item discussed at the weekly Managers' briefing in Housing and Property Services.	The Leasehold Officer advised that there is still an issue with this area. The post has a remit to improve awareness of consultation responsibilities.

	<p>The leaseholder handbook should be updated and reissued as soon as possible.</p> <p style="text-align: right;"><i>(Medium risk)</i></p>	<p>Advised that this was being addressed in consultation with the Chair of the Leaseholder Action Group.</p>	<p>The current version of the Leaseholder Handbook was updated in August 2013 and is retrievable on the Council's website.</p>
<b>3.</b>	<b>FINDINGS</b>		
3.1	<u>General Matters</u>		
3.1.1	<p>The review was undertaken at a time of considerable change in Housing and Property Services with a service redesign programme in full flow. A new temporary post of Leasehold Officer (reporting to the Business Support Manager) has only recently been created and the appointee to the post officially took over the duties during the audit itself.</p>		
3.1.2	<p>The main contact officer for the previous audit is still in the Council's employ, but on protracted absence due to injury so has not been available for consultation in conducting this assignment. Also the procedures have not been documented in detail to date despite their intricacy and painstaking nature (this is just one of several inter-dependent matters to be addressed as part of the Leasehold Officer's role).</p>		
3.1.3	<p>It also became clear that the property database previously underpinning the charging process has been decommissioned. Although the current housing and property business application (MIS ActiveH) has been populated with basic data on the leasehold properties and their respective leaseholders, the functionality of the application does not extend to attributing chargeable service, repair and maintenance costs to facilitate charging by individual property.</p>		
3.1.4	<p>The effect is that the formulation of charges centres around an Excel spreadsheet model processed independently of MIS, which in turn draws on other independently compiled Excel workbooks. A major part of the audit centred around familiarisation with these spreadsheet operations and the testing performed has had a dual purpose of gaining assurance on the completeness and integrity of key data resources and supporting the more immediate priority tasks being undertaken by the Leasehold Officer.</p>		
3.1.5	<p>The Leasehold Officer has lead responsibility for a programme over 12 months to develop and improve the service to leaseholders. A key element of this is to formulate proposals for implementing the MIS Scheme Accounting module that, if approved, will greatly transform the processes and have the potential to make them more robust and efficient.</p>		

- 3.1.6 The following sections summarise the findings under the discrete areas reviewed.
- 3.2 Accounting for Leasehold Dwellings and Liable Persons
- 3.2.1 At the time of the audit there were recorded 539 leasehold dwellings subject to service charge. The core database of these properties identifying the leaseholders is now established on the MIS system.
- 3.2.2 The Right to Buy process highlights up-and-coming leases and the completion statements received from Shared Legal Services (and distributed by e-mail to various recipients within the Council) traditionally constitute the primary source for updating the relevant asset records.
- 3.2.3 The updating process has been seen over time as duly robust, but a recent discovery showed it to be not entirely failsafe — the Leasehold Officer recently traced a property that had escaped charging since its sale in 2007. That the core records of leasehold properties were at the time isolated from MIS has to be considered a contributory factor.
- 3.2.4 This property in question has now been incorporated into the charge formulation process for 2014/15 onwards and data match tests have confirmed conclusively that no other leasehold properties have been omitted to date.
- 3.2.3 Where there is a change of leaseholder, the picture is not quite so clear. While Shared Legal Services are again involved, they often first come to light when service charge bills are queried by recipients or during the annual insurance renewal process. A data match exercise highlighted two changes of leaseholder not updated to MIS, although both were fairly recent. The Leasehold Officer advised that this area is being looked at in consultation with Shared Legal Services.
- 3.3 Formulation of Annual Charges
- 3.3.1 The annual income from service charges shows a tendency to fluctuate, averaging around £150,000. For illustrative purposes, an approximate breakdown of the expected total for 2013/14 into the cost elements that make them up is given below with reference to their respective sources.

<b>Cost Element</b>	<b>Data Source</b>	<b>Amount (000)</b>
Site cleaning	Flat supervision and services estimates	26
Repairs to building and communal parts	MIS repairs extract	17
External decorations	Decorations contract valuations spreadsheet	16



Communal electrical checks	MIS repairs extract	15
Caretaking	Flat supervision and services estimates	14
Administration charge	Flat supervision and services estimates	14
Communal electricity supply	MIS repairs extract	10
Communal electrical repairs	MIS repairs extract	10
Repairs to development - external area	MIS repairs extract	9
Internal decorations	Decorations contract valuations spreadsheet	8
Ground rent	(Standard fixed amount carried over year-on-year)	5
Grass cutting	Flat supervision and services estimates	3
Door entry repairs and maintenance	MIS repairs extract	2
Lifts - repairs and maintenance	MIS repairs extract	1
Window cleaning	Flat supervision and services estimates	1
Other	Flat supervision and services estimates	2
Total		<b>153</b>

- 3.3.2 The flat supervision and services estimates are put together annually into a spreadsheet by Finance. They include notional unit costs for various elements, some of which are no longer used for charging as they have been replaced by extracts of actual amounts from MIS Repairs.
- 3.3.3 The decorations contract valuations spreadsheet is supplied from the Asset Management division of Housing and Property Services. Factoring in costs from the MIS repairs extract is by far the most intricate and painstaking part of the whole process and this is where potential for streamlining the process through the Scheme accounting module is seen as most marked.
- 3.3.4 One element missing in the above breakdown is major building works affecting leasehold properties. There is a long standing issue where the Council has been constrained from charging leaseholders what would otherwise be regarded as a fair contribution towards major works from which they have benefited because of statutory consultation provisions.
- 3.3.5 Section 20 of the Landlord and Tenant Act 1985 requires, in effect, advance consultation on any proposed works for which a contribution exceeding £250 is to be sought from any leaseholder affected. Failure to follow the strict Section 20 procedures deprives the Council of the

	right to seek any contribution.
3.3.6	It has not been possible to gauge the extent of income foregone by reason of failure to institute Section 20 procedures. Ensuring effective Section 20 consultation is a prominent area within Leasehold Officer's remit and the improvement programme outlines communication and staff engagement measures to facilitate it.
3.4	<u>Billing</u>
3.4.1	The billing process utilises the Total Debtors periodic income module and is overseen by Finance (FS Team). The responsible officer in Housing and Property Services has been required annually to populate a spreadsheet prepared by the FS Team with the total charge for each property (at the time of this report the task is shortly to be undertaken for 2014/15 by the Leasehold Officer). Comparison with previous year charges is a built-in factor of this process and increases of more than 25 per cent are flagged up for re-checking.
3.4.2	Testing covering the current financial year showed the charges levied to cover all properties except for a recent Right to Buy and the omitted property discovered (see 4.2.3 above). Data matching of the charges themselves showed a significant incidence of variance between the Housing and Property Services figures and the billed amounts (around 6 per cent of cases). The great majority proved to be accounted for by agreed reductions of charge for various reasons, although it is not clear whether any of them have a Section 20 connection.
3.4.3	The data match outcomes have been provided to the Leasehold Officer to assist with the charge determination for 2014/15.
3.4.4	It has been advised that use of the Scheme Accounting for billing is being considered in place of Total, assuming that the package is implemented. It should be borne in mind that in such an eventuality the collection and recovery service provided by the FS Team would be impaired if not discontinued outright.
3.4	<u>Communication and Liaison with Leaseholders</u>
3.4.1	An up-to-date Leaseholder Handbook is published on the Council's website as the main reference on respective rights and responsibilities. Other resources include reference to the Leaseholder Action Group (LAG) established to represent the interests of leaseholders of Council dwelling.
3.4.2	Contact details for Housing and Property Services are incorporated in the Leaseholder Handbook and are quoted on all invoices for service charges.
3.4.3	An annual statement showing the breakdown of the service charge is now sent to the leaseholder to dovetail with the first invoice for the year being raised. The statements are despatched independently and,

invariably in the past, after the invoices. The Leasehold Officer has re-designed the statement format as a Word merge document with the aim of a mailshot for 2014/15 in advance of the invoices.

#### **4. CONCLUSIONS**

4.1 The transitional state of the leaseholder service aside, several issues serve to qualify the level of assurance. Two of these are effectively carried over from the previous audit:

- § a more robust and efficient alternative to the current system for formulating service charges still to be actioned;
- § continued doubts over the effectiveness of communication on major works with potential adverse impact on income from inability to undertake Section 20 consultations.

4.2 The service charges function has traditionally relied on the expertise of a single officer to handle somewhat intricate, and to date virtually undocumented, processes. It is recognised, however, that a clear change agenda has taken hold through the remit of the temporary Leasehold Officer post which includes addressing the above issues as part of a wider programme of improvements.

4.3 While the programme is in its early stages at the time of this report, it is noted that significant progress has already been made.

4.4 As things currently stand, we are able to give **MODERATE** assurance that the systems in place are adequate to administer leaseholder service charging economically, efficiently and effectively. However, in the light of the programme in place committed to addressing the known issues, formal recommendations are not considered necessary in this instance.

#### **Markets & Mops – 31 March 2014**

#### **1. SCOPE AND OBJECTIVES OF THE AUDIT**

1.1 The audit was undertaken to ensure that appropriate management and financial controls are in place and are operating effectively.

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

Markets:

- Markets are run by an appropriately appointed operator in accordance with a signed agreement.
- The council receives rental income from the markets as appropriate.
- Appropriate budgets are set and monitored.
- The risks of operating the markets have been appropriately assessed, with liability for varying aspects having been assigned as appropriate.

Mop Fairs:

- The Mop Fairs are run in an appropriately licensed manner.
- All costs are appropriately recharged, so the events are 'cost neutral' (at worst) for the council.
- Monies are held to cover defaults against the license.
- The risks of operating the Mop Fairs have been appropriately assessed, with liability for varying aspects having been assigned as appropriate.

## **2. BACKGROUND**

- 2.1 The Council works in partnership with E.G. Skett & Co to provide a range of different markets across the district, including traditional markets in Kenilworth and Warwick, Farmers' Markets in Kenilworth, Leamington Spa and Warwick and a number of themed markets that operate occasionally in the three towns.
- 2.2 The Warwick Mop Fairs run over two weekends in October. A formal agreement had been in place with the Showmen's Guild of Great Britain to hold these fairs, although this has now been formally transferred to Wilson's Amusements.
- 2.3 The management of the fairs has historically been undertaken by the relevant Town Centre Manager. However, this role has now transferred to the dedicated Events Managers within Cultural Services.
- 2.4 The future of the Mop fairs is currently under review with a formal project board being in place and public consultation being undertaken. A decision is due to be reached prior to the issuing of any new licenses (i.e. before the end of 2014).

## **3. FINDINGS**

### **3.1 Markets**

**Markets are run by an appropriately appointed operator in accordance with a signed agreement.**

- 3.1.1 A contract is in place with E.G. Skett & Co (Sketts) for the 'management' of the Council's markets. This runs from February 2007 until 31 January 2015. Appendix 1 of the contract documentation sets out the regular markets that are to take place in the three towns (both 'traditional' and

farmers markets), although, this does not cover the themed markets that are held.

3.1.2 The last procurement exercise was undertaken in 2006 for the award of the contract to Sketts. As such, the contract in place is the same as was in place at the time of the previous audit.

3.1.3 The Business Manager (Town Centre) (BMTC) advised that early steps had been made to get tender documentation drawn up for the re-let of this contract and the Procurement Manager confirmed that she was aware of the need to re-let this contract and that contact had been made with relevant staff.

**The council receives rental income from the markets as appropriate.**

3.1.4 A fee is set for each stall and the council receives a percentage of this, depending on the number of stalls at each market. The percentage brackets are set out in the contract and it was confirmed upon review that these figures were accurately included in the fee setting reports that had been presented to Executive.

3.1.5 The actual payments received from Sketts are based on estimates of the number of stalls to be held at each market, with invoices being raised by the council in specific months. However, a number of issues were noted with regards to the invoices raised for the current year and the amounts being charged for each stall.

3.1.6 The current contract in place sets out that a meeting should be held in April each year to agree an amount for the first six months, spread across five invoices (May to September). A discussion should then take place in October to review the actual number of stalls that had been in place at the markets and to then agree a new figure for the remaining six months, taking account of any discrepancies from the first half of the year, spread across five further invoices (November to March).

3.1.7 An email chain between the BMTC and a representative from Sketts highlighted that some estimates were sent through by Sketts in May 2013. This highlighted that two payments had already been made for the current financial year, relating to the first two invoices which had been raised at the 'old year' rate of £3,900, but that ten more invoices should be raised for £3,113 (i.e. two more in total than the number set out in the contract).

3.1.8 These two additional invoices were not raised, although it appears that Sketts had paid these amounts anyway (a payment is shown on TOTAL as being 'on account').

3.1.9 There is a further discrepancy in that their email calculations show that an estimated amount of £36k should be charged for the year. The email then sets out that this would be made up of the ten payments of £3,113 plus an overpayment from the previous year of approximately £4,870

(assumed to be based on actual figures for the year compared to the estimates). However, this does not take account of the two payments of £3,900 already made.

- 3.1.10 There was nothing else provided which suggested that a review was undertaken in October to discuss any discrepancies between the payments made for the first half of the year and actual stall numbers. The BMTC did, however, advise that regular meetings and telephone conversations were held during the year with Sketts and finances would be discussed, although he agreed that the half-yearly meetings needed to be formalised.

**Risk**

**Inaccurate payments are made for the year.**

**Recommendation**

**Formal meetings should be held to discuss / review invoice figures at appropriate stages of the year, in line with the (current) contract, with the FS Team being made aware of the correct figures to be used on the invoices in a timely manner.**

- 3.1.11 Upon review of the fee setting reports to Executive it was noted that fees for 2013 (from 2 January 2013 onwards) were agreed in October 2012, which included the approval of a previously unreported increase. Fees for 2 January 2014 onwards were subsequently approved in October 2013. It was, however, noted that there was a disparity between when the fees were actually being increased by the operator and when the reports to Executive suggested that the new fees should come into force.
- 3.1.12 The email chain (see above) showed that fees were being discussed in February 2013 for implementation from April 2013 for the financial year. However, Appendix 3 of the contract highlights that fees would be agreed at the October Executive meeting for implementation from the following April, although this was based on the old fee setting regime at the Council.
- 3.1.13 As a result of the above, the fees being charged by Sketts (as per the email trail) from April 2013 were not actually agreed by Executive until the following October. The BMTC subsequently advised that the fees for the forthcoming year (2014/15) had been held, pending a scheduled meeting with Sketts.

**Risk**

**Market stall holders are incorrectly charged.**

**Recommendations**

**The fee setting process should be adhered to (i.e. fees to be agreed for the production of the October Executive report for the following year), with notes to the report highlighting that these will be implemented**

**from April, not January as stated in the report (unless agreed differently in the new contract).**

**If new fees are being agreed to come into effect from April 2014, an update report should be presented to Executive as appropriate.**

3.1.14 As suggested above, the council will receive fees based on the number of stalls in place at each market held. However, the BMTC confirmed that there are no formal processes in place for monitoring the number of stalls at each market, although some ad-hoc inspections are undertaken by the individual Town Development Officers.

#### **Risk**

**The council does not receive market fees to which it is entitled.**

#### **Recommendation**

**Formal monitoring should be undertaken to ascertain the number of stalls in place at markets held.**

**Appropriate budgets are set and monitored.**

3.1.15 The main aspect of the budget on TOTAL for markets is the income to be received. The BMTC advised that the budget would have been set based on the previous income levels, although he had not had a direct input into the process.

3.1.16 Upon review, the income budget was slightly below last year's outturn, but was within a reasonable margin and had only been slightly exceeded, so was considered appropriate.

**The risks of operating the markets have been appropriately assessed, with liability for varying aspects having been assigned as appropriate.**

3.1.17 Upon review of the Development Services risk register that was presented to the Finance & Audit Scrutiny Committee in November 2013, it was established that there was no mention of the operation of markets included.

3.1.18 However, Sketts had produced an Event Risk Assessment form, along with supporting documentation covering guidance to stallholders relating to fire risks and risks associated with LPG usage and the use of generators.

3.1.19 The BMTC advised that the council's responsibilities only include the provision of a 'proper and sufficient market place' and to allow the operator to earn income from running the markets.

3.1.20 Therefore, whilst not specifically stated, any liabilities would seem to rest with the market operator and clause 3.3 of the contract indicates that the company needs to maintain valid and adequate professional indemnity cover in connection with their listed duties. However, the

BMTC advised that the position was not clear, and legal advice was to be sought to confirm the position.

- 3.1.21 Evidence was provide which confirmed that Sketts hold an appropriate level of public liability insurance (cover up to £10m). However, the BMTC advised that there was, at present, no formal mechanism for checking that insurance cover was being renewed each year.

#### **Risk**

**The council is held liable for relevant claims received.**

#### **Recommendation**

**Annual reminders should be set up to ensure that updated insurance cover details are received from the market operator upon expiry of the certificates provided.**

### **3.2 Mop Fairs**

**The Mop Fairs are run in an appropriately licensed manner.**

- 3.2.1 A license was in place with the Showmen's Guild of Great Britain for the holding of the Warwick Mop Fairs. The license covered the period 2005 to 2014. However, in 2011, the license was formally signed over to Wilson's Amusements for the remainder of the license term.

- 3.2.2 Upon review of the copy of the (license) document provided, it was found to be suitably detailed.

**All costs are appropriately recharged, so the events are 'cost neutral' (at worst) for the council.**

- 3.2.3 The Events Manager (SP) advised that the costs for the Mop Fairs are based on quotes received from all relevant agencies and contractors. The relevant charges were identified on TOTAL upon review of the Mop budget code and it was confirmed that an appropriate recharge invoice had been raised, although this has not yet been paid.

- 3.2.4 There is no officer time charged for the Mop Fairs, as the work forms part of the Event Management team's normal role.

**Monies are held to cover defaults against the license.**

- 3.2.5 The Events Manager (SP) advised that a cheque had been received in respect of the agreed bond (£25,000) and this had been handed back to the organiser following the fairs. This had not been banked.

**The risks of operating the Mop Fairs have been appropriately assessed, with liability for varying aspects having been assigned as appropriate.**

- 3.2.6 The Events Manager (SP) advised that there is an overarching risk assessment performed by Wilson's Amusements as part of their



operations procedure. This covers risks to public and staff under the following headings:

- Presence of moving equipment (entrance to and egress from)
- Danger of overcrowding in parts of the fair
- Fire
- Multiple accident
- Evacuation of the public in the event of a serious incident
- Severe storm
- Safety notices and public disorder
- Transport within the area of the fair.

3.2.7 Separate documents were also provided covering the ADIPS (Amusement Device Inspection Procedures Scheme) compliance documents which confirm that the rides have passed the appropriate inspections.

3.2.8 The Events Management team also produce an operation order for the fairs and this includes the abovementioned risk assessment and ADIPS documents as an appendix. The operation order also includes other appendices, such as evacuation plans and contact details of staff so that any issues can be dealt with appropriately.

3.2.9 The production of this operation order document is in line with the mitigation / control detailed against the generic Events Management risk included in the service risk register for Cultural Services.

3.2.10 Any liabilities that may arise due to the holding of the fairs are the responsibility of the Showmen's Guild. This is adequately covered in the license agreement.

3.2.11 The operations procedure document provided by Wilson's Amusements included evidence of the insurance held by them for specific rides as well as employer's liability and fair organiser's cover. The liability cover for each ride is shown as £1m.

3.2.12 The Showmen's Guild also provides 'top up' cover for £9m on top of the £1m that is required to be arranged by the individual rides owners. However, it was noted that all of the documentation provided covers the rides operated directly by Wilson's Amusements and, upon review of the ADIPS documents provided, it appears that a number of other individuals operate some of the rides.

3.2.13 The Events Manager (TD) advised that no insurance documentation had been requested in respect of these rides, with reliance having historically being placed on Tommy Wilson, as the fairs organiser, to ensure that appropriate cover was held.

#### **Risk**

**The council is held liable for relevant claims received.**

**Recommendation**

**Insurance documentation is obtained in respect of all rides operated at the Mop fairs.**

**4. SUMMARY & CONCLUSION**

4.1 Following our review, we are able to give a **MODERATE** degree of assurance that the systems and controls in place for the management of the markets and the Mop Fairs are appropriate and are working effectively.

4.2 Issues were identified relating to:

- the review and agreement of invoice amounts payable by the markets operator
- discrepancies in relation to the timing of market fee increases
- the lack of formal monitoring of the actual number of stalls in place at the markets held
- insurance documentation

**Street Cleaning – 31 March 2014****1. SCOPE AND OBJECTIVES OF THE AUDIT**

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

1.2 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.

1.3 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 cleansing of the areas 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.

## **2. BACKGROUND**

- 2.1 The street cleansing 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 Veolia and commenced in April 2013. The current value of the contract is around £1.63m a year.
- 2.2 Client side management of the contract is carried out by staff in the Contract Services section of Neighbourhood Services.

## **3. FINDINGS**

### **3.1 Contract Award**

- 3.1.1 The street cleansing contract was let following a large tendering exercise covering a number of different lots. The process followed was considered to be appropriate.
- 3.1.2 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.
- 3.1.3 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. Veolia (the successful tenderer) did not submit the lowest priced bid, but had the highest quality score and the best combined score.
- 3.1.4 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. One issue was noted in the formula applied to one of the combination bids which included the relevant street cleansing lot, with the wrong cell being included with regards to the lowest price score. However, this did not affect the outcome for the award of this contract, as the combination of the individual prices still scored higher than those with the discount offered.
- 3.1.5 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.

- 3.1.6 A deed of agreement is in place for the street cleansing contract. This is signed and sealed by the council and signed as a deed by directors of Veolia.

### **3.2 Contract Amendments & Variations**

- 3.2.1 As the contract is only in its first year, there has not been any formal identification of new areas to be permanently included in the new contract. The Senior Contract Officer (SCO) advised that the work of the Rapid Response Units will be reviewed to ascertain if any recurring themes can be identified so that these can be placed within the work of specific area teams, although this has yet to be performed.
- 3.2.2 He advised that other sources would also be used (e.g. the work of other staff within the council) to identify new areas as appropriate, and steps would be taken to identify whether streets had been adopted etc. before the contract was formally varied to include them.
- 3.2.3 Where amendments are required, variation orders (VOs) will be raised to formally notify the contractor of any changes to the contract specification. The SCO provided a list of the VOs that have been processed since the start of the contract (April 2013) and advised that the majority were for one-off events, as opposed to the identification of new areas to be included in the contract.
- 3.2.4 One new area included was identified on the sample variation order regarding the cleansing of the recycling centre at the new Morrisons store. However, it was noted that the recycling facility was known to the council, so it was not something that required specific 'identification'.
- 3.2.5 The individual Contract Officers will ensure that these amendments have been undertaken as part of their normal reviews of the areas (see below for further details regarding performance monitoring).
- 3.2.6 A 'schedules database' spreadsheet is maintained which shows all of the areas covered under the contract. A review was performed to ascertain whether the changes included in the contract variation (see 4.2.4 above) had been reflected on the database.
- 3.2.7 A filter was applied to the spreadsheet to show all recycling centre cleansing that was included in the current schedules and Morrisons was not included. The VO also included some sites to be removed and, whilst some did not appear on the schedule, two of the sites were still included, although one of these had a different cleaning frequency.

#### **Risk**

**Contractors and council staff are not aware of which sites should be cleaned under the contract.**

### **Recommendation**

**The schedules spreadsheet should be reviewed to ensure that it reflects the current agreement.**

3.2.8 Veolia generally submit two invoices each month: one for the main 'core' contract; and another for any additional works undertaken. The variation invoices submitted were reviewed against the VOs that were in place and a number of issues were noted:

- The VO number often differed between the invoice submitted and the corresponding VO held.
- A figure had been agreed for the provision of a fifth Rapid Response Unit team, but additional figures were being charged over and above this. These additional amounts were separately identified on the invoices and the SCO advised that they related to extra hours worked. There was no separate VO to cover these extra amounts.
- One VO had a different figure for each month. However, the figures for two months seemed to be incorrectly calculated as there was insufficient information available for the calculation to be completed, with a previous month's figure being used instead. One other month was not included on the calculations held.
- There was a discrepancy between the amount on the invoice and the corresponding VO in one instance, leading to a potential overcharge of £65.90 (NB two other discrepancies were noted, but they only amounted to 4p each time).
- One charge was made for which there was no corresponding VO. The number on the invoice tied in with an approved VO, but this related to another event which was subsequently charged for.

### **Risk**

**The council is incorrectly charged for services provided.**

### **Recommendations**

**A full review should be undertaken between the variation orders approved and the amounts charged to ascertain if any payment amendments need to be processed.**

**All future invoices should be checked appropriately against approved variation orders, with any discrepancies being rectified.**

## **3.3 Performance Monitoring**

3.3.1 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 Veolia, one of which includes a specific section on the 'method of ensuring that work is fully completed to the required standard'.

3.3.2 The SCO advised that Contract Officers are undertaking performance

monitoring as part of their 'rounds'. One of the Contract Officers advised Internal Audit that no formal inspection documentation is maintained for the individual inspections, although he advised that some informal notes will be made. Sample evidence was provided that these inspections had been performed, with a copy email from the Contract Officer to the contractor being examined which highlighted issues that had been noted during such an inspection.

- 3.3.3 The SCO also advised that joint inspections are performed with the relevant Contract Officer reviewing performance alongside representatives from the contractor and, again, sample documentation was reviewed.
- 3.3.4 Liaison meetings are also held with Veolia 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.
- 3.3.5 The SCO advised that there had not been many formal complaints relating to the new street cleansing contract and highlighted that any formal complaints would be logged on Flare.
- 3.3.6 Although attempts to obtain a report from Flare of all relevant complaints were made, 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 street cleansing aspect of the service.
- 3.3.7 Elements of street cleansing were only mentioned in nine records and a sample of these cases was discussed with the SCO. Three were considered relevant complaints, although one of these related more to the previous contractor. In the other case, the level of detail recorded made it hard to ascertain whether there was actually a complaint being made. 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 are 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.**

- 3.3.8 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.
- 3.3.9 Specific reports were produced relating to the 'Area Dirty & Littered' and

'Road Not Cleared' 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.

- 3.3.10 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.**

- 3.3.11 The contract in place allows for penalty charges to be imposed in the event of sub-standard performance. No penalties have been imposed to date, although the SCO provided a copy email in which a potential penalty had been threatened.

### **3.4 Budget Setting & Management**

- 3.4.1 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. The budget, as per TOTAL, was checked to the latest valuation spreadsheet provided and the figures agreed (allowing for rounding to the nearest £100).
- 3.4.2 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 street cleansing) and these are discussed with the Head of Neighbourhood Services.
- 3.4.3 A copy of the latest (completed) budget review spreadsheet was provided which included comments to explain variances and proposing action where considered necessary.
- 3.4.4 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.

### **3.5 Payments & Recharges**

- 3.5.1 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.
- 3.5.2 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.
- 3.5.3 The majority were signed by the SCO and the Head of Neighbourhood Services who are both authorised signatories. However, three were signed by a Customer Services Adviser who is not an authorised signatory, although she had been authorised in a previous role in Housing & Property Services, which may have resulted in this issue not being identified by the FS Team.
- 3.5.4 As these were early in the financial year, and authorised signatories have since been reviewed, it is not felt necessary to include a recommendation in relation to this issue.
- 3.5.5 As part of the contract, some work is undertaken on behalf of other council departments (e.g. cleansing of housing land). The costs of these works are coded directly to the relevant codes at the invoice stage, so there is no requirement for any recharges to be processed.

### **3.6 Insurance & Risk Management**

- 3.6.1 The contract document includes a section on the level of insurance that the council requires the contractor to hold.
- 3.6.2 Copies of the insurance certificates held were provided which confirmed that the contractor held the relevant level of public and employer's liability provision in line with the contract. However, at the time of the audit, the SCO could not locate evidence to confirm that the contractor held professional indemnity cover as required.

#### **Risk**

**The council is held liable for relevant claims received.**

#### **Recommendations**

**The contractor should be asked to provide evidence that they hold professional indemnity insurance in line with the contract conditions. Annual reminders should also be set up to ensure that updated copies are received upon expiry of the certificates provided.**

- 3.6.3 The Neighbourhood Services risk register includes a specific section on refuse, recycling and street cleansing related risks. This includes the risk of service disruption.



- 3.6.4 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.
- 3.6.5 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.
- 3.6.6 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.
- 3.6.7 Subsequently, the successful contractor had been asked to submit copies of the detailed risk assessment for all relevant areas of operation covered by the contract. These were provided by Veolia, although a number of them referenced grounds maintenance operations rather than street cleansing. However, they covered issues that were still relevant to the contract lot that they had been awarded.

#### **4. SUMMARY & CONCLUSION**

- 4.1 Following our review, we are able to give a **MODERATE** degree of assurance that the systems and controls in place for the management of Street Cleansing are appropriate and are working effectively.
- 4.2 Issues were identified relating to:
- the work schedules spreadsheet differing from agreed variations
  - differences between the agreed variation orders and the detail included on the invoices submitted, including prices in some instances
  - the level of detail recorded on Flare in relation to complaints and the consistency of classifying these cases
  - the lack of current evidence relating to the professional indemnity insurance held by the contractor.

## **1. SCOPE AND OBJECTIVES OF THE AUDIT**

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

1.2 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.

1.3 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.

## **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. FINDINGS**

#### **3.1 Contract Award**

- 3.1.1 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.
- 3.1.2 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.
- 3.1.3 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.
- 3.1.4 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.
- 3.1.5 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.
- 3.1.6 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.

#### **3.2 Contract Amendments & Variations**

- 3.2.1 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.
- 3.2.2 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.

3.2.3 The SCO advised that contract amendments have been notified to the contractor by email, with spreadsheets being produced to detail the exact changes.

3.2.4 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.**

3.2.5 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).

3.2.6 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.

3.2.7 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).

3.2.8 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.

3.2.9 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.

3.2.10 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.**

3.2.11 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.

3.2.12 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.**

**3.3 Performance Monitoring**

3.3.1 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'.

3.3.2 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.

3.3.3 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.

- 3.3.4 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.
- 3.3.5 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.
- 3.3.6 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.
- 3.3.7 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.**

- 3.3.8 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.
- 3.3.9 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.
- 3.3.10 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.**

3.3.11 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.**

3.3.12 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.

**3.4 Budget Setting & Management**

3.4.1 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.

3.4.2 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.**

- 3.4.3 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.
- 3.4.4 A copy of the latest (completed) budget review spreadsheet was provided which included comments to explain variances and proposing action where considered necessary.
- 3.4.5 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.

### **3.5 Payments & Recharges**

- 3.5.1 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.
- 3.5.2 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.
- 3.5.3 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.
- 3.5.4 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.
- 3.5.5 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.
- 3.5.6 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.

### **3.6 Insurance & Risk Management**

- 3.6.1 The contract document includes a section on the level of insurance that the council requires the contractor to hold.
- 3.6.2 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.**

- 3.6.3 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.
- 3.6.4 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.
- 3.6.5 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.
- 3.6.6 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.
- 3.6.7 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.

3.6.8 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.

#### **4. SUMMARY & CONCLUSION**

4.1 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.

4.2 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.