

**FROM:** Audit and Risk Manager                      **SUBJECT:** Grounds Maintenance  
**TO:** Head of Neighbourhood Services                      **DATE:** 8 December 2016  
**C.C.** Chief Executive  
Deputy Chief Executive (BH)  
Head of Finance  
Contract Services Manager  
Senior Contract Officer

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## 1 **Introduction**

- 1.1 In accordance with the Audit Plan for 2016/17, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. This topic was last audited in March 2014.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

## 2 **Background**

- 2.1 The grounds maintenance contract was let as part of a large exercise covering a number of different services provided by Neighbourhood Services. The new contract was awarded to The Landscape Group and commenced in April 2013.
- 2.2 Client side management of the contract is carried out by staff in the Contract Services section of Neighbourhood Services.
- 2.3 Work is carried out not only for Neighbourhood Services, but also for Cultural Services (sports facilities), Health and Community Protection (cemeteries), Housing and Property Services, and the County Council.

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

- 3.1 The audit was undertaken to test the management and financial controls in place.
- 3.2 In terms of scope, the audit covered the following areas:
- Service provision and monitoring
  - Contract amendments and variations
  - Finance
  - Contingency planning and risk management.

3.3 The control objectives examined were:

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

3.4 The previous audit had covered the contract award process and, as the same contract was still in place, this area was not covered as part of this audit.

## 4 Findings

### 4.1 Recommendations from Previous Report

4.1.1 The current position in respect of the recommendations from the audit reported in March 2014 is as follows:

Recommendation	Management Response	Current Status
1 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.	Changes to the contract can come from a variety of sources. A new process will be put in place to document how those changes are taken account of in the contract.	Contract amendment forms are completed by the Green Space Development Officer. These are emailed to the Senior Contract Officer and the contractor as required.

<b>Recommendation</b>	<b>Management Response</b>	<b>Current Status</b>
2 Formal, authorised, variation orders should be maintained for changes to the grounds maintenance contract.	Variations are to be controlled via the Senior Contract Officer, who is also responsible for the contract payments.	Issues were noted with no evidence of authorisation being retained (or sought) as well as some additional works not having variation orders raised (as per contract liaison meeting minutes).
3 Checks should be undertaken to confirm that the invoices submitted relating to the hours worked by attendants etc. are accurate.	Checks will be made as part of the monthly claim and payment.	The Green Space Development Officer advised that checks are undertaken, although no supporting documents could be located at the time of the audit.
4 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.	This is a training issue for the Area Officers and contractors to ensure the appropriate level of detail is being recorded. Internal training will be arranged as appropriate.	Due to staff resourcing issues, Civica APP (Flare) is not routinely being used at present for recording complaints so the categorisation issues were not revisited. However, from the small sample of cases reviewed it appears that records included appropriate detail as to what had been done to resolve the issue.
5 A review should be performed of the categorisation and reporting arrangements on Flare to make it useful to the service.	This is a training issue for the Area Officers and contractors to ensure the appropriate level of detail is being recorded. Internal training will be arranged as appropriate.	
6 The need for consistency in the classification of calls received should be highlighted to relevant staff.	Classification of a complaint/enquiry/request for service can be difficult as they are open to interpretation. However, the issue will be highlighted.	

Recommendation	Management Response	Current Status
7 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.	This is a training issue focusing on any areas of the contract that they are unfamiliar with. Internal training will be arranged as appropriate.	The Senior Contract Officer highlighted that there was an ongoing issue over the different interpretation of the specification by each party. Relevant staff will be made aware of the agreed specification that the works need to be monitored against once this has been resolved.
8 Budgets for the relevant codes are set in line with the figures agreed in the contract.	To be checked monthly as part of the contract payment process.	Variances were again noted against relevant codes, with differences ranging from orders being roughly £7,300 under the budgeted amount to being approximately £10,000 over.
9 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.	Up to date insurance certificates will be obtained from the grounds maintenance contractor.	Up-to-date insurance documents were found to be in place at the time of the audit.

## 4.2 Service Provision & Monitoring

4.2.1 There are two relevant service measures included in the 2016/17 Service Area Plan (SAP) for Neighbourhood Services:

- Percentage of grounds maintenance operations completed as scheduled
- Percentage of rescheduled grounds maintenance operations completed within the specified period.

4.2.2 However, the Senior Contract Officer (SCO) advised that these measures are due to be replaced with ones that are more meaningful and are easier to compile the figures for although, at the time of the audit, these had not been formally agreed.

4.2.3 The services to be performed under the contract are set out in the specification held although these will change over time. The specification covers items such as the types of management or maintenance for different

areas (e.g. grassland, sports areas etc.) and is supported by detailed site lists and details regarding the different types of floral containers to be used.

- 4.2.4 Method statements were submitted as part of the overall tender submission, and the SCO advised that these have been agreed although, again, some changes will naturally occur over time.
- 4.2.5 The contract document sets out the high level standards of performance, highlighting that the services should be performed in line with the specification and the agreed method statements, one of which includes a specific section on the 'method of ensuring that work is fully completed to the required standard'.
- 4.2.6 Weekly update spreadsheets are sent to the council by the contractor and these are reviewed by the Area Contract Officers (ACOs) to ascertain whether performance to date is in line with where the contractor should be at that stage of the year (e.g. the grass has been cut the correct number of times).
- 4.2.7 An updated spreadsheet is to be introduced which sets out when each item should have been completed by in order to allow for the contract to be completed in full each year as a number of performance issues have been identified.
- 4.2.8 The SCO advised that reviews are undertaken by the ACOs to check that the work has been undertaken as per the submitted spreadsheets, with photos being taken as evidence of any issues noted.
- 4.2.9 Joint inspections with staff from the contractor have also been carried out to review whether work is being undertaken to the correct specification. However, the latest inspection details on the network were from July.
- 4.2.10 The SCO advised that they are not currently being undertaken. This is partly due to resourcing issues, with one of the ACOs being on long term sick, but is also due to a disagreement with the contractor over the need to inspect things where the council knows that the contracted actions haven't been performed.
- 4.2.11 Liaison meetings are held with staff from the contractor on a regular basis with the meetings being formally minuted. The meetings are meant to be monthly but, due to performance issues, they are currently being held on a fortnightly basis.
- 4.2.12 Project Board meetings are also held to cover higher-level items. These are meant to be held every six months but, again, due to current issues, these are being held more frequently at the moment with the next one being scheduled for early January 2017.
- 4.2.13 The SCO advised that formal complaints are rarely received relating to the grounds maintenance contract, as it is not 'personal' like some of the other services provided (e.g. waste collection).
- 4.2.14 He suggested that Civica APP (Flare) should be used to record the complaints but, due to staffing resources at present, this was not always happening.

However, a sample of recent complaints were provided and Flare had been updated with the action that had been taken.

- 4.2.15 Where performance issues are noted, the contractor will initially be issued with a rectification notice and then, if the issue is still not resolved or if works are not being performed, default notices will be issued.
- 4.2.16 91 rectification notices had been issued during the current financial year (all from July onwards), with 19 formal default notices also being issued over the same period, although some of these have subsequently been cancelled.
- 4.2.17 Some of the default notices include financial penalties. These have not yet been included on the invoices as the contractor is disputing some of the figures despite the fact that they had actually provided the information themselves.

### 4.3 **Contract Amendments & Variations**

- 4.3.1 One of the Green Space Development Officers (GSDO) advised that formal contract amendment forms are completed every two to three months, depending on the changes required.
- 4.3.2 The details are updated on the main site cost spreadsheet, the site plans are updated and the new price is calculated based on the Bill of Quantities. This information is then emailed to the SCO and the contractor.
- 4.3.3 Details of the latest changes were obtained and it was confirmed that the SCO and the contractor had been advised accordingly.
- 4.3.4 The SCO highlighted that, due to the issues with the contractor, there had not been many variation orders (VOs) processed during the current financial year. However, upon review of the sample liaison meeting minutes provided, it was noted that the contractor had raised an issue regarding the lack of VOs for some works where they should have been in place.
- 4.3.5 Copies of the two completed forms used were obtained and both had been signed by the officers raising the order although there was no formal authorisation on the forms.
- 4.3.6 The SCO advised that the ACO checked one of the VOs with him although the form was unclear as to how the rate for this job had been arrived at.
- 4.3.7 The other VO was raised by a GSDO. He advised that he does not get authorisation for these works, although he would do if they were for significant amounts (e.g. over £5,000). This form included details of the rate that was being used and the number of hours that were to be paid for under this rate.
- 4.3.8 As highlighted above (see 4.1), the previous audit had recommended that formal, authorised, variation orders should be maintained for changes to the contract with the management response suggesting that the variations would be controlled via the SCO. From the examples above, it is clear that this is not always happening.

## **Risk**

**Staff and the contractor may not be aware of what variations to the contract have been agreed.**

## **Recommendation**

**Formal, authorised, variation orders should be maintained for changes to the grounds maintenance contract with these being coordinated through a named officer.**

### **4.4 Finance**

- 4.4.1 The main, core, works are covered under a number of different ledger codes. The figures included in the budget on TOTAL for each of these codes were compared to the annual orders that had been placed and it was highlighted that there were variances against each code. This was raised as an issue during the last audit as well.
- 4.4.2 The Contract Services Manager (CSM) advised that the main contract amounts are split into twelve orders so this should be the basis of the budget figures, although there would be some differences to allow for variation orders.
- 4.4.3 He also highlighted that there may be some timing differences on some codes with additional works expected (e.g. new housing areas) not becoming the council's responsibility as soon as expected. However, the main orders are raised at the start of the year and only one of the budget codes had been amended since then, so the budgets should tie in with these known costs.
- 4.4.4 There was also an issue that some budgets are not controlled by the service, so they have no direct control over what figure is included on those budgets (e.g. housing and Riverside House).

## **Risk**

**Variations against the true budget may not be identified.**

## **Recommendation**

**Budgets for the relevant codes should be set in line with the known costs with budget managers for other codes being informed of the relevant figures to use.**

- 4.4.5 The CSM advised that monthly meetings are held with the relevant Assistant Accountant to discuss the budget position and to identify if there have been any miscodes or if any virements are required. He highlighted that he was mainly responsible for the main grounds maintenance contract budget, although was aware of the budget position for the other relevant codes.
- 4.4.6 The actual budget position for the year to date was reviewed on TOTAL and variances were identified against each code. These mainly related to the fact that only three monthly invoices had been paid with payments against the other invoices being withheld due to ongoing disputes with the contractor over the default penalties that have been issued.

- 4.4.7 The monthly variable invoices are supported by spreadsheets showing staff attendance and materials used. One of the GSDOs advised that the figures on the supporting spreadsheets are checked, with the hours of work being agreed in advance. He highlighted that timesheets could be checked if needed but these are held at the contractor's office.
- 4.4.8 Supporting spreadsheets could not, however, be located at the time of the audit for the invoices that had been paid. They had not been scanned and stored on TOTAL with the invoices and could not be located in the relevant network folders.

### **Risk**

**It may not be possible to resolve any queries raised.**

### **Recommendation**

**Supporting documentation should be retained for the variable invoices received.**

- 4.4.9 The only income received with regards to the grounds maintenance contract relates to works being recharged to Warwickshire County Council. The SCO advised that they pay a set figure each year, with an annual invoice being raised to cover this.
- 4.4.10 The invoice for the current financial year had not yet been raised although the relevant information had been provided to them so that they could raise their order. The invoice for 2015/16 had been raised and payment had been received accordingly.

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

- 4.5.1 The SCO advised that there is not a formal contingency plan in place for the grounds maintenance work. However, he suggested that, if necessary, works would be prioritised and, should the contractor fail, they would contact other contractors to see if they could fill in.
- 4.5.2 A performance bond was received in line with the terms of the contract. A copy of the bond deed document is held alongside the contract document in the document store.
- 4.5.3 The contract requires that the contractor maintains public liability, employer's liability, and professional indemnity insurance, with a £5m minimum limit of indemnity in each case. Copies of the contractor's current insurance documentation was provided and it was confirmed that the actual insurance held exceeds these minimum limits.
- 4.5.4 As part of the tender submission, one method statement included details of risks that the council had identified in relation to the provision of the services. Tenderers were asked to submit details of who they thought the risk should be allocated to, along with the mitigation measures that they would implement and any additional risks that they thought were relevant. This had been appropriately completed.



- 4.5.5 The contractor has also provided copies of the detailed risk assessment for all relevant areas of operation covered by the contract. The latest copies held show that reviews have, generally, been performed during the current calendar year.
- 4.5.6 Neighbourhood Services split their risk registers into a number of service specific registers along with another generic register. The register relating to the Refuse, Recycling, Street Cleansing, & Grounds includes a number of specific relevant risks, such as the contractor(s) not performing to the contract specification, and this is flagged as a particular concern for the grounds maintenance contract as the risk rating has recently moved into the high risk category.
- 4.5.7 One of the risk mitigation measures recorded against this risk is the undertaking of weekly joint inspections. However, as highlighted above (see 4.2.10), these are not currently being undertaken. As this is a known issue no formal recommendation is considered necessary.
- 4.5.8 The generic register also includes a number of risks relevant to the grounds maintenance contract including some more specific risks such as the failure of the grounds maintenance contractor to deliver the service.

## 5 **Conclusions**

- 5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Grounds Maintenance are appropriate and are working effectively.
- 5.2 The assurance bands are shown below:

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

- 5.3 Minor issues were, however, identified relating to:

- Variation orders not being authorised
- Budgets not being set in line with known costs
- Supporting documentation not being retained for variable invoices received.

6      **Management Action**

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

Richard Barr  
Audit and Risk Manager

## Action Plan

## Internal Audit of Grounds Maintenance – December 2016

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.8	Formal, authorised, variation orders should be maintained for changes to the grounds maintenance contract with these being coordinated through a named officer.	Staff and the contractor may not be aware of what variations to the contract have been agreed.	Low	Green Space Development Officer	Changes to the contract bill of quantities will be supported by formal contract variation orders in order to identify the changes made, both in terms of measurement and cost.	March 2017.
4.4.4	Budgets for the relevant codes should be set in line with the known costs with budget managers for other codes being informed of the relevant figures to use.	Variations against the true budget may not be identified.	Low	Green Space Development Officer	Where contract variations have an impact on the allocated budget, agreement will first be sought from the budget manager, who can then make the necessary budget allocations.	March 2017.
4.4.8	Supporting documentation should be retained for the variable invoices received.	It may not be possible to resolve any queries that are raised.	Low	Green Space Development Officer	Contract variation orders will be raised for any work over and above the core contract.	December 2016.

\* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.