

INTERNAL AUDIT REPORT

FROM: Audit and Risk Manager
TO: Head of Neighbourhood Services
C.C. Chief Executive
Deputy Chief Executive (BH)
Head of Finance
Contract Services Manager
Senior Contract Officer
Portfolio Holder (Cllr M-AG)

SUBJECT: Street Cleansing
DATE: 28 September 2017

1 Introduction

- 1.1 In accordance with the Audit Plan for 2017/18, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. This topic was last audited in 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 street cleansing contract was let as part of a large exercise covering a number of different services provided by Neighbourhood Services. The 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 Scope and Objectives of the Audit

- 3.1 The audit largely followed the standard contract monitoring programme, although the contract award section was not reviewed as the contract was in place at the time of the previous audit. The scope therefore, covered the following areas:
- Service provision and monitoring
 - Contract amendment and variations
 - Finance
 - Contingency planning and risk management.

4 Findings

4.1 Recommendations from Previous Report

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

Recommendation	Management Response	Current Status
1 The schedules spreadsheet should be reviewed to ensure that it reflects the current agreement.	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.	The schedules spreadsheet is reviewed annually as the contractor continually make changes to ensure route optimisation.
2 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.	Variations are to be controlled via the Senior Contract Officer, who is also responsible for the contract payments.	Contract Officers raise their own variation orders by using the up-to-date Bills of Quantities and these are then signed off by the Senior Contract Officer and then sent over to the contractor. See 4.3 below.
3 All future invoices should be checked appropriately against approved variation orders, with any discrepancies being rectified.	Checks will be made as part of the monthly claim and payment.	Invoices are now checked appropriately by the System Development Officer with any discrepancies raised with the Senior Contract Officer who in turn will discuss with the relevant Contract Officer. See 4.4 below.
4 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.	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.	All Contract Officers have been re-trained on Civica by the Civica System Administrator and a review of the codes used by all Officers has been carried out. This was confirmed by review.

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.	All Contract Officers have been re-trained on Civica by the Civica System Administrator and a review of the codes used by all Officers has been carried out. This was confirmed by review.
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.	With a dedicated team in place in Business Support the consistency has improved.
7 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.	Up to date insurance certificates will be obtained from the street cleansing contractor.	An annual reminder has been set in the Outlook Calendar of the Senior Contract Manager, for 16 January every year to request such information from all contractors. See 4.5.4 below.

4.2 Service Provision & Monitoring

- 4.2.1 Veolia provide the street cleansing services and at a local level, Neighbourhood Services and the Contract Services team have a Team Operational Plan which includes a number of measures and other references to street cleansing.
- 4.2.2 The Operational Plan for Neighbourhood Services includes Street Cleaning and gives a service overview including details of the following.
- Service being delivered
 - Service purpose (customer perspective) and demands placed on it
 - Service customers / users (or those being affected) and what matters to them
 - Team role in delivering this service
- 4.2.3 Management of the contract is grouped together with Refuse Collection and Grounds Maintenance contracts.
- 4.2.4 There are a number of specific measures within the plan which are relevant to the provision of this service and which are reviewed monthly:
- Percentage of street cleansing operations completed to the acceptable standard

- Number of rectification notices issued for non-performance
- Number of defaults issued for non-performance
- Number of joint safety checks carried out

- 4.2.5 The Contract Specification document and appropriate appendices include the full area / location list which covers the type of cleanse and frequency of work carried out. It also sets out the working times for the contract and highlights that changes to the cleansing schedule would need approval from the Contract Administrator.
- 4.2.6 A Senior Contract Officer manages the day to day running of the contract and reports to the Contract Services Manager.
- 4.2.7 Performance standards are also set out in the Contract Specification document. 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".
- 4.2.8 Contract Officers undertake regular joint inspections with supervisors / management from Veolia which feed into the relevant performance measure. If any issues are highlighted, a formal process is in place to rectify these within an agreed timescale. Contract Officers also undertake regular safety checks which also feed into the relevant performance measure.
- 4.2.9 A sample of joint safety checks documentation was reviewed. It was noted that when a street is inspected following a clean, a grade is assigned based on the overall cleanliness and tidiness. This is recorded on an inspection sheet. Furthermore, an Excel spreadsheet is retained of the inspection grades as part of the performance monitoring process. This details all street inspections in a month and produces the overall KPI scores for number of inspections undertaken and number of inspections according to grades.
- 4.2.10 To the end of June 2017, there have been 607 inspections:

Number of gradings A rated	4	1%
Number of gradings B+ rated	458	75%
Number of gradings B- rated	100	16%
Number of gradings C rated	36	6%
Number of gradings D rated	0	0%
Number of gradings E rated	9	1%

- 4.2.11 Those inspections that are graded A have been cleansed to the agreed standard, with other grades being progressively worse, from acceptable levels of litter and / or weeds, through to high levels of unacceptable litter and / or weeds and finally those streets that have not been attended.
- 4.2.12 Alongside the grades, the spreadsheet details the action plan that needs to be followed to bring the streets up to the required standard.
- 4.2.13 Liaison meetings are held with Veolia every month to discuss the contract, and any performance issues and health and safety issues will be covered in these meetings. These meetings are formally minuted and Internal Audit

reviewed a small sample of minutes. It was confirmed that health and safety issues and performance measures are standing agenda items.

- 4.2.14 Customer satisfaction surveys are no longer used. However feedback is received from the Website Service Manager regarding information and processes available on the Council's website that are relevant to the services provided.
- 4.2.15 A website pop up survey is used, provided by SOCITM which is used across local government. This collates responses to various questions which are then used to calculate success / satisfaction percentages and benchmark this against other councils using the same survey. The survey collects data across various categories but street cleaning isn't a category in its own right, coming under 'Other'.
- 4.2.16 Web statistics are included in central management performance monitoring reports. Internal Audit reviewed the report and found that there was no reporting of customer satisfaction.

Risk

Lack of awareness of customer dissatisfaction and improvements not made.

Recommendation

Customer satisfaction with the street cleaning service should be formally monitored and reported.

4.3 Contract Amendment & Variations

- 4.3.1 Variation Orders (VOs) are formally agreed, signed off and authorised in accordance with the pricing from the Bills of Quantities before being passed to Veolia and subsequently included in the monthly variable valuation. If these variations are permanent at the end of the financial year they are added to the Bills of Quantities and will become part of the core invoice.
- 4.3.2 There were ten VOs on the list from April and May 2017 and a random sample was selected for testing. All were found to have been reviewed and signed.

4.4 Finance

- 4.4.1 The budgets are set in advance of the financial year and in line with the contract amount in the Bills of Quantities. These are allocated to the relevant cost centres to which the service applies.
- 4.4.2 The budget setting process is consistent with the service area planning process and the Fit for the Future Programme with recent years focusing on reductions in budgets and efficiencies.
- 4.4.3 The budget for 2017/18 is detailed in the budget book and is £1,310,800.
- 4.4.4 The basis for the budget is the previous year's allocation, with an uplift for inflation. In addition to this, there is liaison with Development Services to assess whether housing developments will increase (or decrease) the number

of properties (and streets) in the coming year. Where new properties are to be added then an additional financial allocation is secured from Finance.

- 4.4.5 The Contract Services Manager meets with the relevant Assistant Accountant on a monthly basis to discuss the budget position with queries being raised as appropriate.
- 4.4.6 At the start of the year, the Senior Contract Officer sets up a core invoice for the year ahead based on the approved budget. The core invoice amount is the same each month, based on the Bill of Quantities for 2017/18. For the current year the annual cost is £1,620,829.61 equating to £135,069.13 each month. In addition to this, variable orders are also raised for additional items and services.
- 4.4.7 Internal Audit reviewed the orders for April and May 2017 and found that the amount on the orders was different from that expected from the Bill of Quantities i.e. the amount was £136,494.56 instead of £135,069.13 as above, resulting in a total overpayment of £2,850.86.
- 4.4.8 It was established that the amounts were incorrect due to the Bills of Quantities not being agreed at the time. Therefore, in the June invoice the difference was deducted. However, the incorrect amount had been deducted leaving an outstanding amount of £1,083.73.

Risk

Overpayments made may not be recovered.

Recommendation

The review process should be strengthened to ensure that all orders are accurate and invoices are received for the correct amount.

4.5 Contingency Planning & Risk Management

- 4.5.1 No specific contingency plan document is in place, however a method statement submitted by Veolia regarding the provision of operations includes a section on the process for rescheduling work. This covers the main issues that are expected to be encountered, namely inclement weather and road closures and the processes that will be adopted to deal with them.
- 4.5.2 Internal Audit reviewed the contract to check whether arrangements were in place should the assigned vehicles be unavailable. Section 29 is headed 'Vehicles' and 29.2 states that the contractor "must ensure the availability of relief vehicles to cover every eventuality. A replacement vehicle must be brought in within 24 hours".
- 4.5.3 A performance bond is held by WDC and is stored securely in the Document Store. The bond amount is 10% of the annual contract sum (i.e. £163,038.60).
- 4.5.4 Copies of the contractor's insurance certificates are provided on an annual basis and saved in the appropriate IT folder. Certificates are provided for both Employers Liability and Public Liability.

- 4.5.5 The Neighbourhood Services risk register includes a number of specific risks relating to the provision of street cleansing. This document is a working document within the department, with notes to suggest where further work was required to update the position shown.
- 4.5.6 Veolia had also completed a method statement as part of the original tender submission detailing 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. Veolia also provide copies of their detailed risk assessments for all relevant areas which are saved appropriately and regularly reviewed. It was confirmed by observation that these are retained.

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 Street Cleansing are appropriate and are working effectively.

- 5.2 The assurance bands are shown below:

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

- 5.3 Minor issues were, however, identified relating to:
- Customer satisfaction with Street Cleansing services not being reported
 - The order and invoice review process not identifying inaccurate orders resulting in overpayments being made.

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 Street Cleansing – September 2017

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.16	Customer satisfaction with the street cleaning service should be formally monitored and reported.	Lack of awareness of customer dissatisfaction and improvements not made.	Medium	Senior Contracts Officer	Customer satisfaction surveys are no longer performed. However feedback is received from the Website Service Manager regarding information and processes available on the council's website that are relevant to the services provided.	N/A
4.4.8	The review process should be strengthened to ensure that all orders are accurate and invoices are received for the correct amount prior to payment being made.	Overpayments made may not be recovered.	Medium	Senior Contracts Officer	Performance checking is undertaken before payment of individual invoices to ensure that if works have not been performed to the required standard the penalties are deducted and the appropriate payment would differ from the original value.	N/A

* 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.