

Oadby & Wigston Borough Council
Internal Audit Report 2018/19
Cleaning Contract
FINAL

September 2018



Bringing public value to life

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1. What we found in summary

Our review found that the **Council has put in place an appropriate system from monitoring delivery of the cleaning contract**, but that service delivery by the contractor has not been of an acceptable standard since the cleaning contract was let in September 2017. A significant amount of management time has been spent in protracted discussions with the contractor in an attempt to raise cleaning standards to an acceptable level. At the time the audit was completed, there were some early signs of service delivery improvement, but it remains to be seen whether this reaches a satisfactory level that is sustained for the duration of the contract. This report identifies a number of areas where improvements are required to the performance information being provided by the contractor. It also highlights areas where the Council can strengthen its monitoring processes; mainly in respect of ensuring that there is a sufficient management trail in place to demonstrate the contractor's failure to deliver an acceptable service should the Council need to take formal dispute action.

Assurance level

The key issues that management must address

Moderate Assurance

- Make improvements to the monitoring system currently in place to ensure that appropriate trail of evidence is maintained in respect of poor contract performance, particularly in view of possibility that Council may wish to take formal contract dispute action.
- Require contractor to make a number of improvements to the monthly performance report, including submission of supporting documentation to allow independent verification of reported KPI results.

System control objectives	Level of assurance				
	Full	Significant	Moderate	Limited	No
The service specification and contract includes sufficient detail on the level and standards of service to be provided, including appropriate key performance indicators.		✓			
There are robust reporting and monitoring processes in place to ensure that the service outlined in the specification and contract is properly delivered.			✓		
Payments are made in accordance with contract requirements and for work that has been delivered to the required standard.	✓				

2. The context for our review

General background

A contract for the cleaning of various council premises was signed with Pinnacle Housing Limited on the 8th September 2017, for a period of five years commencing 11th September 2017. The contract includes a detailed specification outlining the cleaning tasks and required frequency of clean for the following Council properties:

- Bushloe House
- Depot
- Customer Contact Centre
- Brocks Hill
- Community centres and pavilions
- Public conveniences
- East Street car park office
- Other council properties
- Shelter schemes

The annual cost of providing cleaning services to the above properties, as outlined in the contract, equates to £225,629.

What we agreed to do

The key risks

- The service may not be provided to the level and standard laid down in the contract.
- VFM may not be achieved if agreed specification of work is not met.
- Payments may be made for sub-standard or undelivered work.
- Contract KPIs may not be achieved.

System control objectives

- The service specification and contract includes sufficient detail on the level and standards of service to be provided, including appropriate key performance indicators.
- There are robust reporting and monitoring processes in place to ensure that the service outlined in the specification and contract is properly delivered.
- Payments are made in accordance with contract requirements and for work that has been delivered to the required standard.

The results of this review have been discussed with the Head of Planning, Development and Regeneration and the Property Manager. Action to resolve control weaknesses has been agreed where necessary.

This report highlights findings on an exception basis and does not therefore include detail of controls that the audit found to be operating satisfactorily. Our opinion, detailed in section one of the report, provides an overall assessment regarding the level of assurance we can provide regarding the controls operating in the system. The review will feed into the Head of Internal Audit Opinion, which in turn forms part of the assurance for the Annual Governance Statement. Implementation of recommendations will be monitored by the PFD Committee.

3. Our findings and how management has responded

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who and When
3.1 Dispute resolution	<p>It was noted that the contract does not include any financial penalty clauses for failure to deliver cleaning services to the required quality/standard. In the light of the Council's experience with regard to the contractor's failure to deliver cleaning of an appropriate standard, this omission limits the Council's options for ensuring that VFM is obtained from the contract and for taking action to ensure that cleaning meets the required standards.</p> <p>Section 20 of the contract does however provide a formal series of steps to be taken in the event of a dispute between the two parties, starting with providing written notice of the dispute, through to formal mediation through CEDR (Centre for Effective Dispute Resolution).</p>	<p>No contractual basis for charging financial penalties for poor performance.</p> <p>Disputes may not be resolved if formal process as described in contract is not formally followed.</p> <p>Insufficient evidence maintained to support formal dispute.</p>	3	<p>The Council should consider whether poor performance experienced to date is sufficiently serious to invoke the formal dispute resolution clause outline in paragraph 20 of the contract.</p> <p>It is recommended that this option only be taken once the Council has collated sufficient evidence to support any dispute raised.</p> <p>A copy of CEDR's Model Mediation Procedure (as referred to in paragraph 20) should be obtained and reviewed prior to commencing any formal dispute, to ensure that any such guidance is properly followed and any evidence collected to support the dispute is sufficient.</p> <p>Financial penalty clauses should be considered in any future exercise to appoint cleaning contractors.</p>	Agreed	<p>Adrian Thorpe</p> <p>John Stemp</p> <p>Feb 2019</p>

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who and When
3.2 Council contract monitoring arrangements	<p>Due to the Council's dissatisfaction with cleaning standards, a comprehensive monitoring and review programme has been put in place, whereby the Premises Officer (PO) checks all cleaning sites over a four week cycle. The audit was able to confirm that the monitoring system is effective, but there are some areas that require strengthening in order to improve the level of evidence available of poor performance, particularly if the Council decides to raise a formal contract dispute:</p> <ul style="list-style-type: none"> The PO raises some complaints about quality of cleaning by phone. In such cases there is likely to be no management trail in place to demonstrate the nature of the complaint made, or its subsequent resolution. The PO's site checks have identified numerous examples raised with the contractor concerning the poor standard of cleaning. Review of the complaints master spreadsheet maintained by the PO highlighted that whilst a date is recorded when the complaint was passed to the contractor, there is no column to record the date and/or relevant comments for when the complaint was successfully resolved. The PO completes a site visit form to assess the quality of cleanliness. Sample testing of these forms indicates that a score of 'adequate' will often still have some comments on specific instances where required standards were not achieved. These forms are emailed to the contractor for corrective action to be taken, but are not recorded on the master sheet as they are not classified as formal complaints. 	Lack of a fully documented trail to record all complaints raised by the Council to the contractor and evidence of subsequent resolution.	3	<p>The Council needs to maintain a master spreadsheet of all complaints and other requested corrective actions. This should include all telephoned complaints/action requests, which should also be supported by a subsequent email.</p> <p>The master spreadsheet should also include columns to record the outcome of the complaint/issue raised and the date resolved. This will enable the Councils to easily identify the length of time being taken by the contractor to implement corrective action.</p>	Agreed	<p>John Stemp</p> <p>November 2018</p>

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who and When
3.3 Attendance records	<p>The PO has noted numerous occasions where the cleaning attendance sheet that should be ticked by cleaners to evidence that a cleaning visit has occurred was not completed; indicating that cleaners had either not attended, or had forgotten to follow correct procedures. It was not possible at the time of audit to establish a detailed list of all occasions when the PO had noted unticked cleaning attendance sheets. This weakness is being addressed going forward. The PM has also recently instructed the PO to endorse any attendance records that have not been completed, to prevent the risk of attendance records subsequently being altered.</p> <p>The contractor does not send copies of completed attendance sheets in support of their claimed attendance statistics.</p> <p>The PM noted that there were no attendance sheets being maintained by the contractor for the Walter Charles Centre, the Cemetery Toilet and the Horsewell Lane Pavilion.</p>	<p>Lack of clear supporting evidence to clearly establish dates/sites where cleaners either did not attend, or did not follow the correct attendance evidencing procedure.</p> <p>Attendance statistics claimed by contractor cannot be confirmed back to source documentation.</p>	3	<p>A complete record of all occasions when attendance record sheets have not been completed should be maintained by the Council.</p> <p>The contractor should be required to provide completed attendance record sheets to support attendance statistics included in the monthly performance report. Record sheets for all sites included in the contract need to be maintained and provided by the contractor.</p>	<p>Agreed</p> <p>Contractor will be asked to provide attendance sheets on an 'on request' basis.</p>	<p>John Stemp</p> <p>November 2018</p>
3.4 Cleaning schedule	<p>At the time the audit was undertaken, the contractor had not provided a schedule detailing dates when sites were due to be cleaned, despite several requests to do so. It was subsequently noted that a schedule was provided towards the end of July 18, covering the period up to October 2018. Previously the PO's monitoring round was not formally documented to demonstrate when he checked cleaning sites. There is now an opportunity to formally document the PO's schedule of visits to correspond with the schedule provided by the contractor.</p>	<p>Without formal documentation of PO visit schedule, it may be more difficult to demonstrate that the Council has identified instances of missed cleans.</p>	3	<p>A formal schedule of monitoring visits undertaken by the PO should be maintained. This schedule should be aligned with the one provided by the contractor, to ensure that the PO checks sites immediately following a scheduled clean.</p>	Agreed.	John Stemp

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who and When
3.5 Level of monitoring required	The audit noted that the level of contract monitoring action currently required; whereby every site is checked by the PO over a four week rolling cycle; is significantly more than would normally be expected for a cleaning contract that is being effectively delivered. The high level of monitoring required is directly related to the quality of service thus far provided by the contractor not being of an acceptable standard. It is currently estimated that 40% of the PO's time is being spent on contract monitoring duties. It was also noted that the Property Manager and the Head of Planning, Development & Regeneration are also spending more time overseeing the cleaning contract than would normally be necessary.	Increased monitoring costs. Lost opportunity to deploy officer and management time on other important areas.	3	The current level of time spent managing and monitoring the cleaning contract needs to reduce to a more reasonable level. It is however noted that this can only be achieved if the contractor raises its performance to an acceptable standard.	Agreed	N/A
3.6 Other contract terms & conditions	The audit highlighted that the contractor has not provided the Council with the required supporting evidence/documentation for several important contract terms and conditions. These are summarised as follows: <ul style="list-style-type: none"> • P8, para 8.5 b - contractor to confirm to Council steps taken to prevent unlawful discrimination. • P11, para 14 - up-to-date details of all contractor employees employed on contract, including training records to be provided by contractor. • P12, para 15 - confirmation that DBS checks and clearance obtained for all contractor staff working on the contract. • P13, para 19 - service improvement report required from contractor every six months. • P15, para 22 - contractor to provide indemnities. • P17, para 26 - contractor to provide evidence to confirm compliance with GDPR. 	Potential for non-compliance with contract terms & conditions.	3	Supporting documentation/evidence for the various contract terms and conditions noted in this audit report should be shared by the contractor with the Council.	Agreed	Adrian Thorpe John Stemp December 18

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who and When
3.7 Equality & Diversity Policy	P8, para 8.5 a(iii) of the contract requires the Council to provide a copy of its Equality and Diversity Policy to the contractor. It is understood that this currently remains outstanding.	Contractor may not be complying with the Council's E&D Policy.	3	The Council should provide the contractor with a copy of the Equality and Diversity Policy as soon as possible and then seek written confirmation of full compliance from the contractor.	Agreed	Adrian Thorpe John Stemp September 2018
3.8 KPI reporting – customer satisfaction	KPI 1a - Customer satisfaction - general needs - 80% or over KPI 1b - Customer satisfaction - sheltered - 80% or over Review of the April 2018 performance report highlighted that it does not differentiate between KPI 1a and KPI 1b, so it is not possible to establish whether these KPIs were met. The report also gives no detail on the number of respondents to the questionnaire and was not supported by copies of actual questionnaires returned. The basis for the results reported by the contractor were queried by the Property Manager, but no satisfactory response was provided. Given the Council's view that service has thus far been unsatisfactory, it would be useful to see the detail behind contractor's questionnaire results.	Performance against KPI1a and KPI1b not separately reported. Basis for claimed customer satisfaction results not supported by evidence.	3	The contractor should be required to report separately on performance against KPI1a and KPI1b and should support the claimed results with details of surveys sent out, surveys received and copies of surveys received.	Agreed	Adrian Thorpe John Stemp October 2018
3.9 KPI reporting - complaints	KPI 2 - Complaints made to contractor - 97% dealt with within 5 days The April 2018 performance report indicates that only one complaint was received. This does not agree with Council records of complaints they have raised with the contractor, which do not appear to be included at all. Whilst detailed narrative about the complaint is included in the report and its resolution, information is not presented in a manner that allows OWBC to assess whether the target of 97% within 5 days is being achieved.	Inaccurate performance report. True level of complaints not reported on. Format of performance report does not readily demonstrate whether KPI 2 is being achieved.	3	The contractor should be instructed to report on all complaints raised, including those made directly by the Council as well as those from residents. The contractor should also be required to amend the reporting format to readily demonstrate the time taken to resolve each complaint and the overall performance against KPI 2.	Agreed	Adrian Thorpe John Stemp October 2018

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who and When
3.10 KPI reporting – quality / graded inspections	<p>KPI 3 -Quality/Graded inspections meeting grade 1 or 2 -90%</p> <p>The April 2018 performance report indicates that 20 joint inspections were undertaken during the month, all of which were marked as grade 2, which is understood to be acceptable. It was however noted that there is no information available to provide detail on how the grading system operates and what, in practical terms, constitutes the difference between a grade 1 and a grade 2, or what would constitute a fail (grade 3 or below). It is also suggested that the performance currently reported against this KPI could be improved, as none of the inspections were able to achieve a grade 1 score.</p>	<p>Lack of clarity on scoring system for inspections.</p> <p>None of the inspections were given the top grade.</p>	3	<p>The contractor should be required to provide further details on the scoring system used for joint inspections, which should then be formally agreed by the Council.</p> <p>The Council should also require improvements to be made to ensure that more inspections achieve a grade 1 score in the future.</p>	Agreed	<p>Adrian Thorpe</p> <p>John Stemp</p> <p>October 2018</p>
3.11 KPI reporting – site attendance	<p>KPI 4 - site attendance -98%</p> <p>The April 2018 performance report indicates that, other than September 17 (98.43% claimed), all other months to April 18 have been claimed 100% attendance. This has been queried by the Council given the knowledge that the PO has noted numerous uncompleted attendance record sheets during his monitoring visits. The contractor response was that attendance was 100% after corrective action was taken.</p>	Inaccurate KPI reporting.	3	<p>The contractor should be required to report attendance performance figures based on whether the initial, rostered clean took place, rather than reporting figures after missed cleans are corrected.</p> <p>(Please also see finding 3.4 for other controls that need to be put in place with regard to site attendance.)</p>	Agreed	<p>Adrian Thorpe</p> <p>John Stemp</p> <p>October 2018</p>
3.12 KPI reporting – management reports	<p>KPI 6 - Management reports to be produced - 100%</p> <p>There was no section for this KPI in the monitoring report, but it should have been marked as failed on the basis that April 18 was the first month that a management report had been received since the contract started in September 2017. It is however noted that monthly reports have subsequently been submitted by the contractor.</p>	KPI 6 not included in the performance report.	3	The performance report should include a section for KPI 6, which should also include other reports that the contractor is required to submit, for example the six monthly service improvement report required by paragraph 19 of the contract.	Agreed	<p>Adrian Thorpe</p> <p>John Stemp</p> <p>October 2018</p>

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who and When
3.13 KPI reporting - general	It was noted that the April 2018 performance report submitted by the contractor was not referenced to the specific KPIs included in the contract and was not ordered in the sequence that the KPIs appear in the contract.	Lack of clarity in KPI reporting.	4	The contractor should be required to number and order the performance report in accordance with the KPIs included in the contract.	Agreed	Adrian Thorpe John Stemp October 2018
3.14 Meetings with contractor	Review of meeting notes indicate that detailed narrative is available to evidence the discussions held. It was however noted that the format of notes does not clearly identify action points agreed, individuals responsible for taking the action and evidence that action points have been cleared. A separate action sheet, which should be reviewed and updated at each meeting, would provide a formal trail to clearly demonstrate that action points are implemented.	Lack of clear management trail to demonstrate that all action points have been allocated to named individuals and have subsequently been cleared.	3	A formal action sheet should be introduced that clearly outlines action required, by whom, date raised and date cleared. This should become an agenda item on the monthly meetings with the contractor.	Agreed	Adrian Thorpe John Stemp October 2018
3.15 Procedure documentation	Whilst the Council has developed a process for monitoring delivery of the cleaning contract, there are no formal procedure documents outlining the processes to be followed. Should the need arise to raise a formal dispute over the quality of service provided by the contractor, it may be necessary to demonstrate that the Council has followed its own monitoring procedures.	Correct processes may not be followed. Lack of clarity on processes to be followed.	3	Procedure documents should be produced that outline the monitoring processes in place in respect of the cleaning contract. These should include the control improvements recommended in this report.	Agreed. A bullet point list of the tasks required to monitor the cleaning contract will be compiled.	John Stemp December 2018

Appendix 1: Definition of our assurance levels and our risk rankings

Assurance level	Assessment rationale
No	The audit highlighted weaknesses in the design or operation of controls that have not only had a significant impact on the delivery of key system objectives, they have also impacted on the delivery of the organisation's strategic objectives. As a result, no assurance can be given on the operation of the system's internal controls to prevent risks from impacting on achievement of both system and strategic objectives.
Limited	The audit highlighted some weaknesses in the design or operation of control that have had a serious impact on the delivery of key system objectives, and could also impact on the delivery of some or all of the organisation's strategic objectives. As a result, only limited assurance can be given on the operation of the system's internal controls to prevent risks from impacting on achievement of the system's objectives.
Moderate	The audit did not highlight any weaknesses that would in overall terms impact on the achievement of the system's key objectives. However, the audit did identify some control weaknesses that have impacted on the delivery of certain system objectives. As a result, only moderate assurance can be given on the design and operation of the system's internal controls to prevent risks from impacting on achievement of the system's objectives.
Significant	The audit did not highlight any weaknesses that would materially impact on the achievement of the system's key objectives. The audit did find some low impact control weaknesses detailed in section four of this report which, if addressed, would improve the overall performance of the system. However these weaknesses do not affect key controls and are unlikely to impair the achievement of the system's objectives. As a result, significant assurance can be given on the design and operation of the system's internal controls to prevent risks from impacting on achievement of the system's objectives.
Full	The audit did not highlight any weaknesses that would impact on the achievement of the system's key objectives. It has therefore been concluded that key controls have been adequately designed and are operating effectively to deliver the key objectives of the system. As a result, full assurance can be given on the operation of the system's internal controls to prevent risks from impacting on achievement of the system's objectives.

Risk ranking	Assessment rationale
1	The system has been subject to high levels of risk that have, prevented the system from meeting its objectives and also impacted on the delivery of the organisation's strategic objectives.
2	The system has been subject to high levels of risk that has, or could, prevent the system from meeting its objectives, and which may also impact on the delivery of some or all of the organisation's strategic objectives.
3	The system has been subject to medium levels of risk that have, or could, impair the system from meeting its objectives.
4	The system has been subject to low levels of risk that has, or could, reduce its operational effectiveness.

Appendix 2: Statements

Responsibility statement

We have prepared this document solely for your use and, therefore, we believe that it would not be appropriate for it to be made available to third parties. If such a third party were to obtain a copy, without our prior written consent, we would not accept any responsibility for any reliance that they might place upon it. In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 you are required to disclose any information contained in this report, then you will notify CW Audit Services promptly and consult with us prior to disclosing such report. You agree to pay due regard to any representations which we may make in connection with such disclosure and apply any relevant exemptions which may exist under the Act. If, following consultation with us, you disclose this report or any part thereof, it shall ensure that any disclaimer which we have included, or may subsequently wish to include in the information, is reproduced in full in any copies disclosed.

Compliance with applicable standards

Our review of compliance against the applicable audit standards has confirmed that this engagement has been conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. In conducting this assignment we can confirm that there have been no impairments to our independence or objectivity, either as an organisation or as individual auditors involved in delivering this service.

General statement

This report highlights findings on an exception basis and does not therefore include detail of controls that the audit found to be operating satisfactorily. Our opinion provides an overall assessment regarding the level of assurance we can provide regarding the controls operating in the system. The review will feed into the Head of Internal Audit Opinion which in turn forms part of the assurance for the Annual Governance Statement. Implementation of recommendations will be monitored by the Audit Committee.

5 caretakers 5 years ago – huts on estates – under street cleaning. Own cleaning by caretakers with some multi tasking then a mix of caretakers and cleaning contracts, with cleaners in sheltered schemes

6 tupe staff, but only 5 went across. par

Kay Munder in finance Gary not being charged for his element 40% cleaning monitoring. Over monitored . management time