

**FINAL INTERNAL AUDIT REPORT**  
**ENVIRONMENT AND COMMUNITY SERVICES DEPARTMENT**

**REVIEW OF STREET CLEANSING AUDIT FOR 2014-15**

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## REVIEW OF STREET CLEANSING AUDIT FOR 2014-15

### INTRODUCTION

1. This report sets out the results of our systems based audit of Street Cleansing Audit. The audit was carried out in response to a management request to provide assurance on aspects of the street cleansing contract .
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 14/08/14. The period covered by this report is from 01/01/14 to 13/08/14.
4. The Street Cleansing Contract budget was £2,904,230 for 2013-14 with a contingency amount of £200,000 for additional works. The budget remains un-changed for 2014-15. Year actual spend as at 17/10/14 was £1,248,942.

### AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

### AUDIT OPINION

6. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

### MANAGEMENT SUMMARY

7. Controls were in place and working well in the areas of carrying out street cleansing contract reviews and presenting results of operational performance including the reduced levels of enquires, contract monitoring changes and the positive results of a public satisfaction survey to Environment PDS Committee. Street Cleaning Contract meetings are held regularly as expected to review contractor sweep results, confirm enquires and defaults.

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8. Audit reviewed the contract monitoring process by attending site visits with all inspectors working across the borough. Inspections were selected by inspectors from a sample of daily tasks shown on 'Nautoguide' a web-based IT system used for recording inspection findings and results. Defaults were recorded on site when applicable, along with mandatory supporting photographic evidence and associated grading to NI195 standards. Enquires and customer complaints raised were investigated daily as expected.
9. 5 out of 6 inspectors focused on evaluating the previous day's scheduled cleansing works while inspecting, so that grading and defaults can be raised throughout the whole day [as per the contract specification]. Inspectors made reasonable allowances with regards to any recent littering and detritus. However evaluating service performance from a Friday to Monday may cause default dispute issues, because of the lapsed inspection timeframe. One inspector evaluated the actual day's scheduled cleansing work, by reviewing cleanliness conditions in scheduled roads and re-attending after 3pm to give an accurate grade. This method resulted in less defaults and less disputes from the contractor when challenging cleanliness standards.
10. 'Nautoguide' IT system replaced 'Earthlight' which was previously used to record street cleansing inspection results up to 31/08/14. Inspectors were experiencing a number of issues with the new system which are being investigated by management.  
While these 'Nautoguide' issues mostly are not having a direct financial impact on service costs, one issue related to contractor defaults does have an impact on penalty fees. Currently the system does not differentiate between the 1st and 2nd default raised therefore all defaults are raised at a standard £50 rate, despite the contract highlighting that a 1st default penalty to the contractor is £50 and a 2nd default penalty £75. A consistent failures report has been created on the Nautoguide management screen which identifies re-occurring defaults where the failures are then passed back into the inspectors work queue for re-inspection. Other issues have the impact that system data is not complete which may affect service contract monitoring results.
12. Management records show that 1273 defaults totalling £63,450 have been raised since the contract began 01/01/12, however £36,750 only has been collected. Un-collected default charges refer mainly to 2014-15 and are detailed below in the findings. The number of defects reported are rising which indicates either better contract monitoring or poorer performance by the contractor.

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12. A report was generated from Oracle Financial System to confirm all contractual payment made since 01/01/14, showing the £235,319.33 monthly costs. The contracts manager confirmed additional contract works total £200,000 per year. The actual spend on additional works from 01/01/14 – 17/10/14 totals £108,866. These works are beyond the specification of the contract ie emptying additional overflowing bins / fly tipping / deep cleans. Additional contract works are raised on CONFIRM for payment, however these jobs not monitored as these are carried out on an ad hoc basis as immediately required.
13. Audit raise the following
- a report has not been generated from Nautoguide to confirm roads which have not been inspected so far this year so that management can confirm that all roads are contract monitored and a report to show the number of defects raised by inspectors.
  - inspectors do not evaluate the actual day's scheduled cleansing works and inspectors do not rotate areas within the borough to ensure consistency and transparency
  - a number of 'Nautoguide' IT issues were raised by inspectors.
  - the contractor is not invoiced promptly for the correct amount for defaults raised by inspectors.

### SIGNIFICANT FINDINGS (PRIORITY 1)

14. None

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

15. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

### ACKNOWLEDGEMENT

16. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	A report generated from Nautoguide on 28/10/14 confirmed that 664 items out of 3740, representing 17.7% of the total had not been inspected. Of the 82.3% inspected many have been inspected more than 5 times, some items as many as 150 times.	The Street Cleansing contract may not be properly monitored	<b>Ensure all roads/footpaths are inspected at some point throughout the year to confirm all the borough is monitored.</b> [Priority 2]
2	Audit attended visits with each inspector to verify that cleansing grading were given to NI195 standards.  5 out of 6 inspectors focused on evaluating the previous day's scheduled cleansing works while inspecting, so that grading and defaults can be raised throughout the whole day. Inspectors made reasonable allowances with regards to any recent littering and detritus. However evaluating service performance from a Friday to Monday sometimes caused default dispute issues, because of the lapsed inspection timeframe. One inspector evaluated the actual day's scheduled cleansing work, by reviewing cleanliness conditions in scheduled roads and re-attending after 3pm to provide an accurate NI195 grade. This method resulted in less defaults and less disputes from the contractor when challenging cleanliness standards.	Contract monitoring may not be accurate inspection results or be consistent across the borough	<b>Consideration should be given to focusing on inspecting the actual day's scheduled cleansing works to generate less disputes from the contractor when challenging cleanliness standards.</b> [Priority 3] <b>Management should rotate the areas assigned to inspectors to ensure consistency and transparency with cleanliness grading</b>

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>Some inspectors have been inspecting the same area for a number of years.</p> <p>A report generated from Nautoguide on 28/10/14 confirmed the number of defects raised by inspector. The maximum raised was 267 and the minimum 0.</p>		<p><b>across the borough</b>  <b>[Priority 2]</b></p>
3	<p>'Nautoguide' IT system replaced 'Earthlight' which was previously used to record street cleansing inspection results up to 31/08/14. Inspectors were experiencing a number of issues with the new system resulting in monitoring issues and potential losses from system faults</p> <ul style="list-style-type: none"> <li>• When new deep cleans are added to the system the routine cleans are not removed.</li> <li>• The system does not differentiate between the 1st and 2nd default raised therefore default charges are raised at a standard £50, despite the contract highlighting that a 1st default penalty to the contractor is £50 and a 2nd default penalty £75</li> <li>• Street cleansing grades cannot be adjusted on the system if entered in-correctly by inspectors.</li> <li>• 'Nautoguide' schedules do not always match the planned schedule of works as per the contract – found</li> </ul>	<p>Street cleansing contract monitoring outcomes may not be complete or accurate and may result in a potential loss of income to the Authority in default penalty fees.</p>	<p><b>Ensure the 'Nautoguide' IT system issues raised by inspectors are resolved, including e-mail linkage to the system.</b>  <b>[Priority 2]</b></p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	<p>during the test phase of implementation.</p> <ul style="list-style-type: none"> <li>Some inspections results are not recorded as the system has not been set to allocate specific roads to the correct inspector.</li> </ul> <p>Audit understand that management are currently investigating the above.</p> <p>The e-mail alerts from Nautoguide had been established but require appropriate allocation to the designated contract supervisor.</p>		
4	<p>Management records show that 1273 defaults totalling £63,450 have been raised since the contract began 01/01/12, however only £36,750 has been collected to date. The outstanding amount relates mainly to 2014-15. The £36,750 is in respect of 2012-13 &amp; 2013-14 and has only recently been collected from the contractor. As stated above currently the 'Nautoguide' system does not differentiate between the 1st and 2nd default raised by inspectors therefore there is also a shortfall on collection of penalty funds as 2nd defaults are currently charged at £50 and not £75 as per contract specification. In addition, re-occurring defaults cannot be added to the system resulting in potential loss of income.</p>	<p>Accountability of authority funds may be inaccurate. Potential loss of income in interest rates of monies not banked.</p>	<p><b>Ensure the contractor is invoiced promptly for the correct amount for defaults raised by inspectors or management consider deducting the default penalty fees from monthly payments made to the contractor.</b>  <b>[Priority 2]</b></p>

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**Identification of suggested areas for improvement**

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	Management confirmed there has been a delay in invoicing the contractor quarterly for default penalty fees for 2014-15 due to reliance and integrity of the new of the system.		

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	Ensure all roads/footpaths are inspected at some point throughout the year to confirm all the borough is monitored.	2	Management accept findings. Large proportion of network had been inspected through random sampling regime at the Audit stage. A monitoring report will be created within Nautoguide to confirm levels of completed inspections and identify list of outstanding inspections.	Systems Manager	January 2015
2	Consideration should be given to focusing on inspecting the actual day's scheduled cleansing works to generate less disputes from the contractor when challenging cleanliness standards.	3	Management accept findings.  All officers to receive management instructions and revised guidance notes to administer grading results. Management to review results on monthly basis to monitor trends.	Operational Contract Manager	November 2014
	Management should rotate the areas assigned to inspectors to ensure consistency and	2	Consideration of rotation of areas to be given as part of divisional reorganisation of Streetscene &	Head of Area Management	June 2015

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	transparency with cleanliness grading across the borough		Greenspace		
3	Ensure the 'Nautoguide' IT system issues raised by inspectors are resolved, including e-mail linkage to the system.	2	Management accept findings. Further software amendments to Nautoguide to ensure potential losses of income are captured through monitoring reports etc.	Systems Manager	March 2015
4	Ensure the contractor is invoiced promptly for the correct amount for defaults raised by inspectors or management consider deducting the default penalty fees from monthly payments made to the contractor.	2	Management accept findings. Process of Quarterly Performance Monitoring of results will align with applications for monthly payment by the contractor. Instruction issued to contractor to provide default details and show the agreed sum payable.	Head of Area Management	December 2014

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## OPINION DEFINITIONS

## APPENDIX C

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

### **Assurance Level**

### **Definition**

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.