

## **FINAL INTERNAL AUDIT REPORT**

### **ENVIRONMENTAL AND COMMUNITY SERVICES DEPARTMENT**

#### **REVIEW OF ARBORICULTURAL SERVICES AUDIT FOR 2018-19**

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**Prepared by:** Principal Auditor

**Date of Issue:** 18<sup>th</sup> April 2019

**Report No:** ECS/7/2018/AU

## REVIEW OF ARBORICULTURAL SERVICES AUDIT 2018-19

### INTRODUCTION

1. This report sets out the results of our systems based audit of Arboricultural Services 2018/19. The audit was carried out in quarter 3 as part of the programmed work specified in the 2018/19 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
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 Arboricultural Team delivers a statutory service of surveys and maintenance for the Councils tree stock in streets, parks and woodlands. The Bromley team undertake the 3 yearly surveys and respond to referrals from the public referring work to the contractor via the Confirm system. The Arboricultural maintenance contract was awarded to Contractor A in 2008 for an initial period of 9 years but extended to March 2019 by Deed of Variation signed in September 2017.
4. The budget for tree maintenance for 2018/19 is £748,690 with quarter 3 budget monitoring reporting a forecast actual spend of £776,920.

### AUDIT SCOPE

3. The scope of the audit was outlined in the Terms of Reference issued on 25<sup>th</sup> September 2018. .

### AUDIT OPINION

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

### MANAGEMENT SUMMARY

5. The audit review has considered the management and monitoring of the arboricultural maintenance contract. Given the current contract ends in March 2019 and a new contractor will be delivering the service, this audit seeks to highlight areas of weakness to be addressed to improve management and monitoring moving forward with the new contract.
6. It is acknowledged that the audit was been undertaken at a period of change for the service. The Arboricultural Service Manager left the Authority in August 2018 requiring the arboricultural officer to cover the role in the interim. This reduced the in-house team responsible for surveying and monitoring from 4 officers to 3 and as at January 2019 there were further vacancies as two arboricultural officers have left the Authority. The Interim Service Manager (ISM) is working with the project team to execute the exit plan whilst working on the new contract starting in April 2019.
7. Our testing identified the following issues which we would like to draw to management's attention:-
  - The payment process is undertaken by the Arboricultural Team rather than Performance and Business Support as evidenced for other services in ECS. Areas to be improved include separation of duties, accounting for payment certificates, insufficient information on the invoice to allow adequate reconciliation, no supporting documentation scanned with the invoice to support payment, informal documentation to support schedule of rates variances and no distribution expenditure codes specified on the purchase order since September.
  - A Confirm report showing open orders between 01/04/017 and 31/3/18 accounted for 558 jobs with a total value of £104,694. Subsequent meetings with the system administrator and Finance has highlighted issues with Confirm as committed payment certificates have not been cleared and limited information on the invoice did not allow reconciliation to payment certificates.
  - Performance monitoring of the contract has not been effective for 2018/19.
  - The team site indicates that no defaults have been issued since December 2017; the £50 penalty for a default notice has not been uplifted since the contract started in 2008 and the monitoring meeting minutes conflicts with the information shown on the monitoring spreadsheets maintained by the Arboricultural Team.

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- The 2008 contract held on Neighbourhood Management Contract Filing System (NMCFS) and the Contract Database was incomplete.
- There are two sites on One Bromley for the Arboricultural Service; Trees and Woodlands and the NMCFS. As with other Environment teams, Arboriculture contract information is uploaded and stored on the NMCFS site but the performance monitoring and operational procedure notes are stored on the Arboricultural team site (Trees and Woodlands).
- Procedure notes were informal, incomplete and needed to be revised, dated and owned
- The quality of the contract monitoring meeting minutes varies and needs to be standardised. Key monitoring information is not recorded and there is no cross reference to supporting documentation.
- The Contract Monitoring Framework (CMF) rolled out for all Environment contracts had not been utilised by the Arboricultural Service although it is acknowledged that the team will start populating the monthly matrices in preparation for using the templates in April 2019 when the new contract starts.
- The team use Confirm to generate the work and ORACLE for budget monitoring but the understanding of both systems and the capacity to extend the use of both systems should be realised via training.

### SIGNIFICANT FINDINGS (PRIORITY 1)

8. There are 4 significant findings reported as follows:-

#### Payment Process

9. The ISM evidenced the payment process that had been written by the previous Service Manager. The procedure notes were informal and have been updated by the ISM.
10. Unlike other contracts held by the Department, the payment process remains with the Arboriculture Team. The arboriculture officers, including the manager will raise jobs on Confirm to be undertaken by the contractor. At the end of the month the contractor will submit the payment schedule of all completed jobs. The ISM will check all jobs highlighted as “outside of

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contract price” i.e. jobs where the charge differed to the schedule of rates. Once all jobs are agreed the ISM will respond to the contractor to raise the corresponding invoice. The ISM will e-mail the Business Support Officer (BSO) in Highways to raise an I-Proc order. The Assistant Director of Environment is copied in to this e-mail request to prompt authorisation of the I-Proc order. The invoice is sent directly to the exchequer contractor for payment. This payment process is weak, the main issues are as follows:-

- The ISM is involved in all stages of the process. Technically there are three officers involved in the expenditure process given the Highways BSO raises an order but this is basically an administrative function that is too removed from the service to be an effective control or exercise any challenge. It was noted that for the latest purchase order (PO 4209918), raised on the 6/2/19, the ISM had initiated the order weakening the separation of duties further.
- The Confirm payment certificates are sequentially numbered but audit testing for invoices paid in 2018 show that payment certificate 317 is missing for August and 321 missing between October and November.
- Payment certificate 300, identified in finding 2 of this report as a potential problem and uncommitted, has been detailed as the document supporting the invoice for March 2018.
- For the 11 invoices checked, January to November 2018, payment certificates were only detailed on 4, allowing a cross reference from ORACLE to Confirm. Information on the invoices is limited to the month that the work has been completed in.
- The invoices selected for audit examination had been processed without the Confirm payment certificate scanned and attached as the supporting documentation.
- The ISM could not confirm how default notices would be represented on the invoice as the invoices were not received in the section prior to payment.
- The ISM will review all jobs claimed with a varying rate. This will include dialogue with the contractor and possibly joint site visits. The exchanges with the contractor and outcome are documented by e-mail held in the ISM's outlook folders. For other contracts using Confirm, the “payment request re-measurement sheet” is used as an authorised document retained to evidence the variation to contract price.
- As discussed in finding 3 of this report, the invoice is paid before the performance monitoring has been completed.

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- The first payment certificate submitted by the contractor with the “flagged” variances is not retained by the ISM and assumed that it would be available in Confirm. The IT system administrators were asked to access the initial payment certificates but these were not available.
11. During the process to match open orders in Confirm to ORACLE transactions it was identified that the ISM has not been using the cost code allocated to the job when raising the I-Proc order. A report of all Purchase Orders raised in 2018 shows that since the Service Manager left in August 2018 the invoice cost has been coded to main code “Tree Planting and Maintenance” rather than the various expenditure and project codes. The ISM will need to advise the Service Accountant of the correct expenditure codes to action journal transfers. For jobs such as crossovers, whereby the unique project code shows income and expenditure, not putting the tree expenditure to the project code creates a credit balance on the account.
  12. Previous Internal Audit reports had identified significant findings for contract management. In response to these findings the Department have developed the Contract Management Framework (CMF) and a robust payment process for ECS contracts. The Arboriculture contract was not transferred to the new payment procedures. During the course of the audit, discussions with management indicated that payment responsibilities for Arboriculture would be transferred to the Performance and Business Support Team.

### Open Orders and Confirm

13. During the review of budget monitoring a significant number of open orders was identified; these are allocated jobs on Confirm that have not been completed and charged and for accounting purposes will need to be shown as a sundry creditor at year end.
14. The IT support for Confirm generated a report of all open orders for Arboriculture. As at January 2019 there were 1,238 outstanding jobs between 1/4/17 and 3/1/19 with a total value of £185,880.

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15. Assuming that the jobs raised in December would still be open, these were removed from the report. This left a balance of 855 jobs 1/4/17 to 30/11/18 with a total value of £161,716. Of these, 558 jobs with a value of £104,694 related to the financial year 2017/18 and 297 jobs, value £57,021 related to 2018/19.
16. The volume of open jobs was further investigated with the Confirm IT Support Officers and the ISM. The primary concern was that these open orders either represented poor performance where allocated jobs had not been undertaken, poor housekeeping whereby cancelled jobs had not been deleted or a Confirm system problem. At a meeting on the 22/1/19 the live system was reviewed with IT (system administrator), ISM and Internal Audit. Issues arising were that:-
  - There were jobs with a “cancelled” status that should be deleted from the system by either the system administrator or by raising a job variation with a rate set at zero.
  - Jobs with a “cancelled” status were showing but the job had been completed.
  - The audit testing had been completed on payment certificate 320 and 322 for October and November respectively. Audit had queried why 321 was not allocated to an invoice. The Confirm check showed that there were three payment certificates that had not been committed on the system:-
    - Certificate 261 had 415 jobs, dated 17/12/16
    - Certificate 300 had 571 jobs, dated 31/3/18
    - Certificate 321 had 4 jobs, dated 31/10/18
  - During the meeting the system administrator committed certificate 321 and this was processed through to payment. For certificate 300, Confirm blocked the process to payment which suggested these jobs had already been paid.
17. The meeting did not generate a simple solution to the problem. It was agreed that the system administrator would look at some of the anomalies identified in Confirm and for the ISM to match payments from Confirm to payments reported in ORACLE.

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To support this reconciliation the Service Accountant generated a transaction report from ORACLE. A meeting was held on the 20/2/19 for Finance and the ISM to resolve the issue with open orders before year end and the end of the contract. The methodology was to cross check information held in Confirm and ORACLE by using payment certificates 261 and 300, (uncommitted on Confirm). A unique cost code assigned to a specific job on the payment certificate was identified in the transaction report on ORACLE and therefore a link to the paid invoice. Following this process for both payment certificates:-

- 261 value £61,412.01 was matched to invoice 33837 dated 30/11/16 net value £66,271.63. The outstanding balance of £4,859.62 could not be matched to payment certificates before or after 261 and therefore remains outstanding.
- 300 value £107,157.45 was matched to invoice 37234 dated 31/3/18 for £107,799.31. The balance of £641.86 was found on payment certificate 301.
- Although this has resolved £169,211.32 (£107,157.45 + £61,412.01) of the open orders outstanding on Confirm, there are still open orders for previous financial years that need to be identified and resolved.

18. This does represent poor contract management by the client team but Internal Audit acknowledges that this situation has been hampered by the departure of the previous Service Manager and inadequate handover to the ISM.

### Monitoring the contract

19. The monthly invoice is paid without inspections on completed work, monitoring is undertaken in arrears.
20. The payment certificate, held on Confirm, is downloaded to Excel and saved to the performance monitoring folder held on the Trees and Woodland site. Performance monitoring should be to inspect the ten highest value jobs each month (allocated to the ISM) and then 10% of all other jobs but to include all felled trees. The inspections are allocated to all arboricultural officers according to geographical area. Monitoring should be completed within 3 weeks of receiving the calendar alert on the team site with defaults and rectifications to be shown on the monitoring spreadsheet. The responsible officer should issue the notice to the contractor once authorisation has been obtained. The responsibility to coordinate and collate defaults had been assigned to one officer but this task has not been completed.



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21. For 2018, 6 excel performance monitoring spreadsheets were available on the team site. The audit considered the first report for payment certificates 293 to 299, relating to January and February 2018 and the latest monitoring report available, payment certificates 320 to 322 relating to October and November 2018. The main issues arising:-
- Payment certificate 293 to 299 has 1,597 jobs identified of which 321 were selected for monitoring. Bromley officers inspected 317 of the allocated jobs of which 20 were not completed by the contractor. The spreadsheet had not been updated to show that a rectification or default notice should be issued. At £50 per default these 20 jobs equate to £1,000. A further 6 jobs inspected had been marked as a default/ rectification but there is no trail to confirm that these were referred to the contractor for remedial action or financial compensation.
  - Payment Certificate 320 to 322 has 926 jobs of which 495 were selected for monitoring. As at 13/2/19, 43 jobs were shown as completed. All 43 shown as “Y” completed and therefore none due for default. However there are 452 jobs not inspected or no record of being inspected.
22. Internal Audit checked the remaining four monitoring spreadsheets and identified a further 41 defaults (£2,050) that were shown as defaults or work not completed but had not been progressed to notice and penalty. For payment certificate 315 to 319, 42 jobs had been allocated for inspection but as at 19.2.19, no monitoring information had been populated on the spreadsheet. This information has been shared with the ISM to confirm, issue notice and attempt recovery.
23. The expected level of monitoring is high and when compounded with resources issues (vacant posts and interim management responsibilities for one of the arboriculture officers) not achievable.
24. The performance monitoring for payment certificates 320 and 322 (October and November 2018 was checked in greater detail, the main issues arising were that:
- The top 11 jobs by cost, were listed to check but as this relates to two months this should have been top 20 (procedures state top 10 each month)

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- For the top 10 jobs, 2 of the inspection had been completed but the monitoring sheet not updated
- Of the top 10 jobs, 2 related to tree condition surveys, 2 related to the emergency call out work weekdays and weekends (considered as a separate a KPI) and 2 related to emergency root prunes.
- 5 of the 11 jobs checked related to ad hoc jobs.
- Of the 925 jobs reported on payment certificate 320 and 322, 495 jobs met the criteria for checking which represents were 53% of the total jobs submitted for payment.

25. It is acknowledged that this team have experienced significant resource issues during 2018/19. This has coincided with the award of the new contract and the termination of the contract with the incumbent contractor. These factors have had an impact on performance monitoring with the team prioritising tree surveys as the health and safety of the public is a significant risk.

### Defaults

26. Section 9 of the contract sets out the Default Procedure. The penalty cost for an instant default is £50. The ISM confirmed that although no defaults have been issued this year, the charge would be £50. Similarly rectification notices would be charged at £10 plus a further £10 if remedial work was not satisfactorily evidenced. The fees cited during the audit are the original charges detailed in the contract and relevant to 2008/09. Section 5 of the contract allows for an annual review of the schedule of rates with section 5.6 specifying rectifications and defaults to be increased by RPI. There was no evidence that this had been addressed during the ten years term of the contract.
27. At the start of audit testing in November 2018 the ISM was concerned that no defaults had been processed. Information available on the team site confirms that the last default notice issued to the contractor was 1/12/17. A review of invoices for work completed since January 2018 confirmed that there was no deduction or reference to default penalty charges. The ISM was unsure how the financial penalty would be represented on the monthly invoice and as the invoice goes directly to the exchequer contractor, no check is made of any default/rectification charges due or applied.

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28. Defaults are a standing item on the contract monitoring meetings. Minutes reviewed from April to October 2018 vary in the recording of defaults. Main issues arising were that:-
- In April the Contract Manager refers to “restarting” the rectification notices and that he was yet to review March 2018 monitoring.
  - In May minutes note that the contract monitoring framework should “include rectifications and defaults”
  - In July a new contact for defaults was minuted
  - In August and September the minute states that “all defaults and rectification work has been completed”.
  - In October the contractor raised issues with the LBB contact for the default process
29. The information minutes conflict with the other information gathered during the audit and indicates that the default procedure has not been operated according to the terms of the contract or agreed processes.
30. As discussed in finding 3 above, the audit testing on the monitoring spreadsheets evidenced defaults that had been identified but no default notice issued. Similarly jobs that were shown as “not completed” on the monitoring spreadsheet but no default was raised. As the invoices are paid prior to any inspections the jobs identified as not completed would have been charged and paid for. The value of these jobs should have been recovered as well as the default penalty. The total value of paid jobs and identified as not completed for 2018 is £6,357.86.

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

31. 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

32. 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	<p><b>Payment Process</b></p> <p>The ISM evidenced the payment process that had been written by the previous manager. The procedure notes were informal and have been updated by the ISM.</p> <p>Unlike other contracts held by the Department, the payment process remains with the Arboriculture Team. The Arboriculture officers, including the manager will raise jobs on Confirm to be undertaken by the contractor. At the end of the month the contractor will submit the payment schedule of all completed jobs. The ISM will check all jobs highlighted as “outside of contract price” i.e. jobs where the charge differed to the schedule of rates. Once all jobs are agreed the ISM will respond to the contractor to raise the corresponding invoice. The ISM will e-mail the Business Support Officer (BSO) in Highways to raise an I-Proc order. The Assistant Director of Environment is copied in to this e-mail request to prompt authorisation of the I-Proc order. The invoice is sent directly to the exchequer contractor for payment. This payment process is weak, the main issues are as follows:-</p>	Unauthorised expenditure incurred by the Authority	<p><b>The Department intend to transfer the payment process for the Arboriculture contract to the Performance and Business Support Team; this should be done immediately to address the issues raised in this audit review.</b></p>

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**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
1 cont	<ul style="list-style-type: none"> <li>The ISM is involved in all stages of the process. Technically there are three officers involved in the expenditure process given the Highways BSO raises an order but this is basically an administrative function that is too removed from the service to be an effective control or exercise any challenge. It was noted that for the latest purchase order (PO 4209918), raised on the 6/2/19, the ISM had initiated the order weakening the separation of duties further.</li> <li>The Confirm payment certificates are sequentially numbered but audit testing for invoices paid in 2018 show that payment certificate 317 is missing for August and 321 missing between October and November.</li> <li>Payment certificate 300, identified in Finding 5 below as a potential problem, has been detailed as the document supporting the invoice for March 2018.</li> <li>For the 11 invoices checked, January to November, payment certificates were only detailed on 4, allowing a cross reference from ORACLE to Confirm. Information on the invoices is limited to the month that the work has been completed in.</li> </ul>	<p>Failure to achieve a separation of duties whereby any checks and authorisation are meaningful.</p> <p>Payment certificates may not be accounted for</p> <p>Inadequate documentation to support the payment</p>	<p><b>All payment certificates should be accounted for and any gaps in the numerical sequence verified.</b></p> <p><b>There should be sufficient detail on the invoice, as specified on the I-Proc order, to cross reference the payment to Confirm.</b></p>

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**Identification of suggested areas for improvement**

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1 cont	<ul style="list-style-type: none"> <li>The invoices selected for audit examination had been processed without the Confirm payment certificate scanned and attached as the supporting documentation.</li> <li>The ISM could not confirm how default notices would be represented on the invoice as the invoices were not received in the section prior to payment.</li> <li>The ISM will review all jobs claimed with a varying rate. This will include dialogue with the contractor and possibly joint site visits. The exchanges with the contractor and outcome are documented by e-mail held in the ISM outlook folders. For other contracts using Confirm, the "payment request re-measurement sheet" is used as an authorised document retained to evidence the variation to contract price.</li> <li>As discussed in Finding 3 below, the invoice is paid before the performance monitoring has been completed.</li> <li>The first payment certificate submitted by the contractor with the "flagged" variances is not retained by the ISM and assumed that it would be available in Confirm. The IT system administrators were asked to access the initial payment certificates but these were not available.</li> </ul>	Inadequate audit trail to support changes to the payment certificate	<p><b>The invoice should be processed and scanned with adequate supporting documentation to support payment. For arboricultural services this will be the payment certificate.</b></p> <p><b>All communication with the contractor should be formalised and retained in a format and folder that can be accessed by appropriate officers.</b></p>

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**Identification of suggested areas for improvement**

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1 cont	<p>During the process to match open orders in Confirm to ORACLE transactions (see finding 2 below) it was identified that the ISM has not been using the cost code allocated to the job when raising the I-Proc order. A report of all Purchase Orders raised in 2018 shows that since the Service Manager left in August 2018 the invoice cost has been coded to main code "Tree Planting and Maintenance" rather than the various expenditure and project codes. The ISM will need to advise the Service Accountant of the correct expenditure codes to action journal transfers. For jobs such as crossovers, whereby the unique project code shows income and expenditure, not putting the tree expenditure to the project code creates a credit balance on the account.</p> <p>Previous Internal Audit reports had identified significant findings for contract management. In response to these findings the Department have developed the CMF and a robust payment process for ECS contracts. The Arboriculture contract was not transferred to the new payment procedures. During the course of the audit, discussions with management indicated that payment responsibilities for Arboriculture would be transferred to the Performance and Business Support Team.</p>	The Authority's accounts may not reflect actual service delivery	<p><b>The Authority's accounts must reflect actual activity. When expenditure has been incurred on specific jobs (outside the main "trees maintenance" code) the correct expenditure head must be allocated to the i-proc order so that the invoice total can be distributed correctly.</b></p> <p><b>The ISM should liaise with Finance to action corrective journal transfers for invoices paid since September 2018.</b></p> <p><b>Priority1</b></p>

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**Identification of suggested areas for improvement**



DETAILED FINDINGS

No.	Findings	Risk	Recommendation
2	<p><b>Open Orders and Confirm</b></p> <p>During the review of budget monitoring a significant number of open orders was identified; these are allocated jobs on Confirm that have not been completed and charged and for accounting purposes will need to be shown as a sundry creditor at year end.</p> <p>The IT support for Confirm generated a report of all open orders for Arboriculture. As at January 2019 there were 1,238 outstanding jobs between 1/4/17 and 3/1/19 with a total value of £185,880.</p> <p>Assuming that the jobs raised in December would still be open, these were removed from the report. This left a balance of 855 jobs 1/4/17 to 30/11/18 with a total value of £161,716. Of these, 558 jobs with a value of £104,694 related to the financial year 2017/18 and 297 jobs, value £57,021 related to 2018/19.</p> <p>The volume of open jobs was further investigated with the Confirm IT Support Officers and the ISM. The primary concern was that these open orders either represented poor performance where allocated jobs had not been undertaken,</p>	<p>Committed values shown in Confirm may not be due to the contractor.</p> <p>Budget monitoring may not reflect the actual financial position of this contract.</p>	<p><b>The open orders report generated from Confirm should be used to complete the monthly contract management of this contract.</b></p>

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**Identification of suggested areas for improvement**

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
2 cont	<p>poor housekeeping whereby cancelled jobs had not been deleted or a Confirm system problem. At a meeting on the 22/1/19 the live system was reviewed with IT (system administrator), ISM and Internal Audit. Issues arising were that:</p> <ul style="list-style-type: none"> <li>• There were jobs with a “cancelled” status that should be deleted from the system by either the system administrator or by raising a job variation with a rate set at zero.</li> <li>• Jobs with a “cancelled” status were showing but the job had been completed.</li> <li>• The audit testing had been completed on payment certificate 320 and 322 for October and November respectively. Audit had queried why 321 was not allocated to an invoice. The Confirm check showed that there were three payment certificates that had not been committed. Certificate 261 had 415 jobs, dated 17/12/16 Certificate 300 had 571 jobs, dated 31/3/18 Certificate 321 had 4 jobs, dated 31/10/18</li> </ul>	System anomalies or errors in the Confirm system may not be identified.	<p><b>The Department should liaise with Finance and the IT System Administrator to develop a suite of reports that would help the ISM to identify problems at the earliest opportunity and take remedial action.</b></p>

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**Identification of suggested areas for improvement**

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
2 cont	<p>During the meeting the system administrator committed 321 and this was processed through to payment. For certificate 300, Confirm blocked the process to payment which suggested these jobs had already been paid.</p> <p>The meeting did not generate a simple solution to the problem. It was agreed that the system administrator would look at some of the anomalies identified in Confirm and for the ISM to match payments from Confirm to payments reported in ORACLE.</p> <p>To support this reconciliation the Service Accountant generated a transaction report from ORACLE. A meeting was held on the 20/2/19 for Finance and the ISM to resolve the issue with open orders before year end and the end of the contract. The methodology was to cross check information held in Confirm and ORACLE by using payment certificates 261 and 300. A unique cost code assigned to a specific job on the payment certificate was identified in the transaction report on ORACLE and therefore a link to the paid invoice. Following this process for both payment certificates:-</p>		<p><b>The Department will need to complete the process to clear open orders or resolve what action is to be taken for unmatched open orders showing on Confirm at year end and contract end.</b></p> <p><b>The Department will need to authorise that the open orders in Confirm that have been matched to ORACLE invoices can be cancelled</b></p>

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2 cont	<ul style="list-style-type: none"> <li>261 value £61,412.01 was matched to invoice 33837 dated 30/11/16 net value £66,271.63. The outstanding balance of £4,859.62 could not be matched to payment certificates before or after 261 and therefore remains outstanding.</li> <li>300 value £107,157.45 was matched to invoice 37234 dated 31/3/18 for £107,799.31. The balance of £641.86 was found on payment certificate 301.</li> <li>Although this has resolved £169,211.32 (£107,157.45 + £61,412.01) of the open orders outstanding on Confirm, there are still open orders on Confirm for previous financial years that need to be identified and resolved.</li> </ul> <p>This does represent poor contract management by the client team but Internal Audit acknowledges that this situation has been hampered by the departure of the previous service Manager and inadequate handover to the ISM.</p>		<p><b>The Confirm system administrator should be requested to review and evaluate how these open orders remained in Confirm after the invoices were paid and assurance that any system anomalies have been addressed.</b></p> <p><b>The payment process will need to account for these payment certificates in sequential order.</b></p> <p><b>Priority 1</b></p>

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**Priority 1**

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**Identification of suggested areas for improvement**

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3	<p><b>Monitoring the contract</b></p> <p>The monthly invoice is paid without inspections on completed work, monitoring is undertaken in arrears.</p> <p>The payment certificate, held on Confirm, is downloaded to Excel and saved to the performance monitoring folder held on the Trees and Woodland site. Performance monitoring should be to inspect the ten highest value jobs each month (allocated to the ISM) and then 10% of all other jobs but to include all felled trees. The inspections are allocated to all arboricultural officers according to geographical area. Monitoring should be completed within 3 weeks of receiving the calendar alert on the team site with defaults and rectifications to be shown on the monitoring spreadsheet. The responsible officer should issue the notice to the contractor once authorisation has been obtained. The responsibility to coordinate and collate defaults had been assigned to one officer but this task has not been completed.</p> <p>For 2018, 6 excel performance monitoring spreadsheets were available on the team site. The audit considered the first report for payment certificates 293 to 299, relating to January and</p>	<p>Where contract performance is not monitored the contractor may be unaware of underperformance and non-compliance with contract terms. This may result in underperformance continuing without correction.</p>	<p><b>Performance monitoring of work completed should be completed before the corresponding payment is processed.</b></p>

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## DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3 cont	<p>February 2018 and the latest monitoring report available, payment certificates 320 to 322 relating to October and November 2018. The main issues arising:-</p> <ul style="list-style-type: none"> <li>• <b>Payment certificate 293 to 299</b> has 1597 jobs identified of which 321 were selected for monitoring. Bromley officers inspected 317 of the allocated jobs of which 20 were not completed by the contractor. The spreadsheet had not been updated to show that a rectification or default notice should be issued. At £50 per default these 20 jobs equate to £1,000. A further 6 jobs inspected had been marked as a default/rectification but there is no trail to confirm that these were referred to the contractor for remedial action or financial compensation.</li> <li>• <b>Payment Certificate 320 to 322</b> has 926 jobs of which 495 were selected for monitoring. As at 13/2/19 43 jobs were shown as completed. All 43 shown as "Y" completed and therefore none due for default. However there are 452 jobs not inspected or no record of being inspected.</li> </ul>	Rectification and default penalties due to the Council for uncompleted work or substandard work may not be collected	<b>The Service Manager will need to verify if the rectifications/defaults identified in the audit were followed up with the contractor. If not the default notices must be issued before the end of the financial year and end of the contract.</b>

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No.	Findings	Risk	Recommendation
3 cont	<p>Internal Audit checked the remaining four monitoring spreadsheets and identified a further 41 defaults (£2,050) that were shown as defaults or work not completed but had not been progressed to notice and penalty. For payment certificate 315 to 319, 42 jobs had been allocated for inspection but as at 19.2.19, no monitoring information had been populated on the spreadsheet. This information has been shared with the ISM to confirm, issue notice and attempt recovery.</p> <p>The expected level of monitoring is high and when compounded with resources issues (vacant posts and interim management responsibilities for one of the arboriculture officers) not achievable.</p> <p>The performance monitoring for payment certificates 320 and 322 (October and November 2018 was checked in greater detail, the main issues arising were that:</p> <ul style="list-style-type: none"> <li>• The top 11 jobs by cost, were listed to check but as this relates to two months this should have been top 20 (procedures state top 10 each month)</li> <li>• For the top 10 jobs, 2 of the inspection had been</li> </ul>		<p><b>The ISM should review the monitoring spreadsheets with a view to issuing default and recovering the penalty fee due.</b></p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3 cont	<p>completed but the monitoring sheet not updated</p> <ul style="list-style-type: none"> <li>Of the top 10 jobs, 2 related to tree condition surveys, 2 related to the emergency call out work weekdays and weekends (considered as a separate a KPI) and 2 related to emergency root prunes.</li> <li>5 of the 11 jobs checked related to ad hoc jobs.</li> <li>Of the 925 jobs reported on payment certificate 320 and 322, 495 jobs met the criteria for checking which represents were 53% of the total jobs submitted for payment.</li> </ul> <p>It is acknowledged that this team have experienced significant resource issues during 2018/19. This has coincided with the award of the new contract and the termination of the contract with the incumbent contractor. These factors have had an impact on performance monitoring with the team prioritising tree surveys as the health and safety of the public is a significant risk.</p>		<p><b>The procedures for monitoring to be reviewed to ensure that the planned coverage is achievable and representative. All inspectors to be to comply with performance monitoring within the timeframe allocated by management and recording results in the agreed format.</b></p> <p><b>Priority 1</b></p>

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DETAILED FINDINGS

No.	Findings	Risk	Recommendation
4	<p><b>Defaults</b></p> <p>Section 9 of the contract sets out the Default Procedure. The penalty cost for an instant default is £50. The ISM confirmed that although no defaults have been issued this year, the charge would be £50. Similarly rectification notices would be charged at £10 plus a further £10 if remedial work was not satisfactorily evidenced. The fees cited during the audit are the original charges detailed in the contract and relevant to 2008/09. Section 5 of the contract allows for an annual review of the schedule of rates with section 5.6 specifying rectifications and defaults to be increased by RPI. There was no evidence that this had been addressed during the ten years term of the contract.</p> <p>At the start of audit testing in November 2018 the ISM was concerned that no defaults had been processed. Information available on the team site confirms that the last default notice issued to the contractor was 1/12/17. A review of invoices for work completed since January 2018 confirmed that there was no deduction or reference to default penalty charges. The ISM was unsure how the financial penalty would be represented on the monthly invoice and as the invoice goes directly to the</p>	<p>Valid increase to default/rectification charges may not be applied</p> <p>Poor performance by the contractor is not challenged which results in potential losses to the authority</p>	<p><b>The Service Manager should ensure that the financial elements of the contract are reviewed and implemented, specifically uplifts to default and rectification charges.</b></p> <p><b>The default procedure should be reviewed. All monitoring officers should be reminded of the need to comply with default/rectification process; following agreed reporting, recording and charging procedures. The Service Manager should be aware of the number of defaults and rectification enforced with a view to accounting for</b></p>

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No.	Findings	Risk	Recommendation
4 cont	<p>exchequer contractor and no check is made of any default/rectification charges due or applied. Defaults are a standing item on the contract monitoring meetings. Minutes reviewed from April to October 2018 vary in the recording of defaults. Main issues arising were that:-</p> <ul style="list-style-type: none"> <li>• In April the Contract Manager refers to “restarting” the rectification notices and that he was yet to review March 2018 monitoring.</li> <li>• In May minutes note that the contract monitoring framework should “ include rectifications and defaults”</li> <li>• In July a new contact for defaults was minuted</li> <li>• In August and September the minute states that “all defaults and rectification work has been completed”.</li> <li>• In October the contractor raised issues with the LBB contact for the default process</li> </ul> <p>The information minutes conflict with the other information gathered during the audit and indicates that the default procedure has not been operated according to the terms of the contract or agreed processes.</p>		<p><b>and reconciling charges on the monthly invoice.</b></p> <p><b>As a key performance indicator, defaults should be considered at the monthly monitoring meetings. The meetings should reflect the volume of defaults, status, remedial action and financial charges.</b></p>

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No.	Findings	Risk	Recommendation
4 cont	As discussed in finding 3 above, the audit testing on the monitoring spreadsheets evidenced defaults that had been identified but no default notice issued. Similarly there were jobs that were shown as “not completed” on the monitoring spreadsheet and no default was raised. As the invoices are paid prior to any inspections the jobs identified as not completed would have been charged and paid for. The value of these jobs should have been recovered as well as the default penalty. The total value of paid jobs and identified as not completed for 2018 is £6,357.86.		<p><b>Given the imminent termination of the contract, management should identify defaults as a priority and recover any financial value due to the Authority; the £50 penalties and the £6,357.86 potential overpayment for jobs “not completed.”</b></p> <p><b>Priority 1</b></p>

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## DETAILED FINDINGS

No.	Findings	Risk	Recommendation
5	<p><b>Contract Documents</b></p> <p>The Contract Database and the Neighbourhood Management Contract Filing System (NMCFS) were reviewed to verify the contractual documentation held for the Arboricultural Services with Contractor A. The original contract 2008 to 2018 was extended to March 2019 by deed of variation.</p> <p>On both systems the signed contract does not include the last page which according to the contents page would be the Data Protection Section.</p>	<p>Incomplete contract documents may impact on the management and monitoring of that contract.</p>	<p><b>When uploading documents to the database and the NMCFS the officer should ensure that the documents are complete.</b></p> <p><b>Priority 2</b></p>

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No.	Findings	Risk	Recommendation
6	<p><b>One Bromley – Team Sites</b></p> <p>The Department use the NMCFS to standardise information and documentation for all contracts. As at the 13/2/19 the contact officer for Arboriculture is shown as the officer who left the Authority in August 2018.</p> <p>The Arboricultural Service are included on this site but have still retained the team site, used to store the monthly performance monitoring undertaken by the officers and the procedures to support the operational processes of the team.</p>	<p>Filing and recording of data on split sites may lead to access issues and an impact of business continuity as the agreed departmental standard is not followed</p>	<p><b>In line with other Environment contracts, documentation should be held within the NMCFS, compliant to the standard format developed by the Department. Relevant information relating to the Arboricultural Service should be transferred from the Trees and Woodlands team site, specifically the procedure notes and performance monitoring information.</b></p> <p><b>Information held on this site should be updated regularly to ensure accurate information is available for all users.</b></p> <p><b>Priority 2</b></p>

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No.	Findings	Risk	Recommendation
7	<p><b>Procedure notes</b></p> <p>The procedure notes for the operation of the Arboriculture Service are held on the Trees and Woodlands site on One Bromley</p> <p>The procedure notes filed in the “handover drawer” of the team site were the most recent but were of limited use. Although the payment process was detailed and included screen shots the terminology was informal and there were gaps and inaccuracies in the process. The default and rectification was a lift from the contract and did not address the routines to be adopted by the Arboricultural Officers at a local level.</p> <p>It is acknowledged that the ISM has revised the Monthly Reporting Procedure, the Contract Monitoring Procedure and the Payment Process but these procedures are not dated or owned and have no revision date.</p> <p>The start of the new contract will be a period of change and may necessitate changes to the administrative and financial procedures.</p>	<p>Operational, financial and administrative procedures may not be sustained if responsible officers are absent.</p> <p>Business continuity may be compromised when key officers leave the Authority.</p> <p>Good practice and compliance may not be evidenced if the agreed standard is not recorded.</p>	<p><b>The procedure notes should cover all aspects of the administrative and financial management of the Arboricultural Service.</b></p> <p><b>The procedures should include sufficient detail to allow business continuity.</b></p> <p><b>Procedure notes should be owned and dated with a revision date embedded in the document footer.</b></p> <p><b>Responsibility should be assigned to review procedures currently held on the team site and archive or delete out of date procedures.</b></p> <p><b>Priority 2</b></p>

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No.	Findings	Risk	Recommendation
8	<p><b>Contract Monitoring Minutes</b></p> <p>The minutes for the contract monitoring meetings were reviewed from April 2018 to October 2018. The main issues arising were that :-</p> <ul style="list-style-type: none"> <li>• The quality of the minutes varies through this period from brief notes, unconnected to subject matter to more comprehensive, detailed minutes.</li> <li>• The minutes refer to the performance data received but does not reference the documents to allow reconciliation and qualification.</li> <li>• The minutes refer to standing items in general terms without any specific numbers, data time frames.</li> <li>• Item 3 "KPI's Performance Statistics" should reference the 6 indicators rather than a general update on issues.</li> <li>• There are entries such "<i>Croydon Road Works?</i>" -16/8/18 item 5 (CFM) that has no context or purpose</li> <li>• The minutes do not reflect acceptance by all parties as a representation of discussion.</li> </ul>	<p>The minutes do not capture the discussion to support decisions or record agreed actions</p>	<p><b>The contract monitoring meetings minutes should conform to an agreed standard and detail.</b></p> <p><b>Documents discussed at the meeting should be referenced to allow an adequate audit trail.</b></p> <p><b>Standard items should be noted as "no discussion" and state the reason. Similarly "nil returns" to be minuted.</b></p> <p><b>The minutes should not include vague references; any points that the minute taker is unclear about should be verified before issue. Priority 2</b></p>

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No.	Findings	Risk	Recommendation
9	<p><b>Use of the Contract Monitoring Framework (CMF)</b></p> <p>At the start of the audit the team evidenced the CMF set up in the CFS for the Arboriculture Services. The standard documentation adopted by contract managers was set up in the relevant contract folder but none of the monthly templates had been populated.</p> <p>It was acknowledged that given the timeframe of this contract and the imminent termination it was not timely to adopt new routines and record keeping. However the framework offers a standard to collate data to monitor and manage the contract.</p> <p>As shown in the findings of this audit the contract management demonstrated at the time the audit, and possibly in previous years, did not offer the robust controls, scrutiny and challenge demanded by the contracts in Environment.</p> <p>At the initial audit meeting with the ISM and the Performance and Quality Management Assurance Officer, the KPI's were discussed. The 6 KPI's uploaded to the CMF were:-</p> <ul style="list-style-type: none"> <li>Contract monitoring – every month a list of all overdue</li> </ul>	Contract management and monitoring may not meet the required standard and data may not be collected and collated in a manner to support management of the contract.	<p><b>The CMF should be adopted for the management of the new contract commencing in April 2019</b></p> <p><b>During the course of a contract KPI's may be amended, deleted or replaced. These changes should be managed through a Change Control Notice to ensure both parties agree to the changes.</b></p>

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No.	Findings	Risk	Recommendation
9 cont	<p>works with a reason</p> <ul style="list-style-type: none"> <li>Contract management - the number of defaults and rectifications issued in a month</li> <li>Emergency Works – a list of all call outs including time of notification and attendance on site.</li> <li>Customer Services – public complaints</li> <li>Health and Safety – a list of all reportable incidents</li> <li>Staffing – to include recruitment and turnover.</li> </ul> <p>It was not clear if these were the original KPI's when the contract commenced in 2008. It was thought that these KPI's had been revised recently but this was not supported by a variation to contract. It was acknowledged that the original documentation would have been held by the previous Services Manager who left the Authority in August. The ISM agreed to evidence the original KPI's but this request for information is outstanding and given the limited time left until the end of contract timeframe has not been pursued by Audit.</p> <p>However there is a finding for the new contract that any changes to KPI would be subject to a Change Control Notice.</p>	<p>Where KPI performance is not monitored and reported management may be unaware of the contractor's performance and the successful delivery of the agreed contract, terms and conditions.</p> <p>Inadequate record keeping and poor handover procedures when a key officer leaves the Authority may result in the loss of knowledge and evidence to support a contract.</p>	<p><b>When key staff leave the Authority, management should ensure that the workforce amendment to terminate IT access requests time limited access to Outlook to ensure business continuity.</b></p> <p><b>Going forward, all officers involved in contract management and monitoring to upload any documentation including e-mails to the relevant shared area.</b></p> <p><b>Priority 2</b></p>

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## DETAILED FINDINGS

No.	Findings	Risk	Recommendation
	A more general finding concerns the access to supporting documentation when key officers leave the Authority and the arrangements to handover information.		
10	<p><b>Training – Confirm – Oracle</b></p> <p>During the course of the audit it was identified that the some of the audit findings stemmed from a lack of understanding about both ORACLE and Confirm. The handover notes inherited from the previous contract manager were informal and limited use. A greater understanding of both systems would benefit the officers responsible for contract management and monitoring.</p> <p>During the audit review, the system support team were requested to generate a series of reports from Confirm. These reports identified open orders and time specific jobs, 5 day and 28 day tasks, that had exceeded that timeframe.</p>	<p>The reporting capacity of the IT systems used to support the service may not be utilised if the officers do not have a good understanding and level of expertise for those systems.</p> <p>Historic processes may not be the optimum way to use the IT systems resulting in less effective working practices.</p>	<p><b>The Department should identify the training needs for key staff in this service with regard to ORACLE and Confirm.</b></p> <p><b>The Team should utilise the information held on both systems and generate exception reports to support contract management and contract monitoring.</b></p> <p><b>Priority 2</b></p>

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p><b>Payment Process</b></p> <p>The Department intend to transfer the payment process for the arboriculture contract to the Performance and Business Support Team; this should be done immediately to address the issues raised in this audit review. All payment certificates should be accounted for and any gaps in the numerical sequence verified</p> <p>There should be sufficient detail on the invoice, as specified on the I-Proc order, to cross reference the payment to Confirm.</p> <p>The invoice should be processed and scanned with adequate</p>	1	<p>Invoices are currently sent directly to the exchequer contractor for payment. A payment certificate is generated on Confirm which then generates the current monitoring list for the Arboricultural Team to inspect.</p> <p>More can be done as a desktop exercise moving forwards (looking at photographs to make a professional judgement of whether a task has been completed in line with the specification). Random site inspections will be generated based on a risk approach.</p> <p>ISM to clarify with the Business Support Team what the invoice logging procedure will be and</p>	ISM	April 2019

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1 cont	<p>supporting documentation to support payment. For arboricultural services this will be the payment certificate.</p> <p>All communication with the contractor should be formalised and retained in a format and folder that can be accessed by appropriate officers. The Authority's accounts must reflect actual activity. When expenditure has been incurred on specific jobs (outside of the main "trees maintenance" code) the correct expenditure head must be allocated to the I-Proc order so that the invoice total can be distributed correctly.</p>		<p>ensure that this is suitably documented.</p> <p>The ISM will provide a copy of the payment certificate from CONFIRM to act as verification of the invoice value. This certificate contains details of the job numbers and values. This will be checked by the Business Support Team.</p>	ISM	April 2019

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1 cont	The ISM should liaise with Finance to action corrective journal transfers for invoices paid since September 2018.		Finance has reallocated all previous orders to the correct cost codes.	ISM	Completed

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
2	<p><b>Open Orders and Confirm</b></p> <p>The open orders report generated from Confirm should be used to complete the monthly contract management of this contract.</p> <p>The Department should liaise with Finance and the IT System Administrator to develop a suite of reports that would help the ISM to identify problems at the earliest opportunity and take remedial action.</p> <p>The Department will need to complete the process to clear open orders or resolve what action is to be taken to unmatched open orders showing in Confirm at year</p>	1	<p>System errors within CONFIRM have led to this situation. The ISM is working with the IT contractor to resolve this and clear all outstanding open orders from the system.</p> <p>The IT engineers will go through the system to remove all old orders outstanding in Oracle that are completed as paid within CONFIRM.</p>	ISM	Beginning of July 2019

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
2 cont	<p>end and contract end</p> <p>The Department will need to authorise that the open orders in Confirm that have been matched to ORACLE invoices can be cancelled</p> <p>The Confirm System Administrator should be requested to review and evaluate how these open orders remained in Confirm after the invoices were paid and assurance that any system anomalies have been addressed.</p> <p>The payment process to account for the payment certificates in sequential order.</p>				

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3	<p><b>Monitoring the contract</b></p> <p>Performance monitoring of work completed should be completed before the corresponding payment is processed.</p> <p>The ISM will need to verify if the rectifications/defaults identified in the audit were followed up with the contractor. If not the default notices must be issued before the end of the financial year and end of the contract.</p> <p>The ISM should review the monitoring spreadsheets with a view to issuing default and recovering the penalty fee due.</p>	1	ISM will ensure (as per above) that monitoring of the works undertaken is completed prior to payment of invoices. The completed monitoring spreadsheet (filtered by risk) will be uploaded monthly to the CFS and will be used by the Business Support Team and the ISM as part of the Performance Management Framework to apply any deductions to payment as a result of underperformance	ISM to work with Performance Management Team to implement PMF as part of new contract.	June 2019

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3 cont	The procedures for monitoring to be reviewed to ensure that the planned coverage is achievable and representative. All inspectors to be to comply with performance monitoring within the timeframe allocated by management and recording results in the agreed format.				
4	<b>Defaults</b>  The Service Manager should ensure that the financial elements of the contract are reviewed and implemented, specifically uplifts to default and rectification charges.	1	Commencement from new contract as of 01.04.19 will resolve this issue as the defaults process is changing as part of the new PMF.	ISM is applying defaults to the March 2019 payment to service provider.	April 2019

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
4 cont	<p>The default procedure should be reviewed. All monitoring officers should be reminded of the need to comply with default/rectification process; following agreed reporting, recording and charging procedures.</p> <p>The Service Manager should be aware of the number of defaults and rectification enforced with a view to accounting for and reconciling charges on the monthly invoice.</p> <p>As a key performance indicator, defaults should be considered at the monthly monitoring meetings. The meetings should reflect the volume of defaults, status,</p>		<p>Performance will be discussed in the monthly meeting as part of the new PMF and all decisions relating to deductions for poor performance will be clearly documented and uploaded to the CFS.</p> <p>As part of the 'old' contract, ISM will apply all defaults in line with monitoring payment for March 2019's final payment to the service provider.</p>		

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
4 cont	<p>remedial action and financial charges.</p> <p>Given the imminent termination of the contract, management should identify defaults as a priority and recover any financial value due to the Authority; the £50 penalties and the £6,357.86 potential overpayment for jobs “not completed.”</p>				

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## MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
5	<b>Contract Documents</b>  When uploading documents to the database and the NMCFS the officer should ensure that the documents are complete.	2	Resource has been assigned to the Neighbourhood Management Team to undertake checks of all contract documentation held on the CDB and CFS to ensure this is complete. A Business Support Officer from the Business Support team has been tasked with this project and a report is expected to be presented to ECS DMT outlining progress during Q1 2019.	Interim Arboriculture Manager (ISM) to work with Business Support Officer (BSO) to ensure this is completed for Arboriculture contracts.	June 2019

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**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

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
6	<p><b>One Bromley – Team Sites</b></p> <p>In line with other Environment contracts, documentation should be held within the NMCFS, compliant to the standard format developed by the Department. Relevant information relating to the Arboricultural Service should be transferred from the Trees and Woodlands team site, specifically the procedure notes and performance monitoring information.</p> <p>Information held on this site should be updated regularly to ensure accurate information is available for all users.</p>	2	This task will be taken forward by the Business Support section through consultation with the ISM. ISM will undertake a review of the retention of the information on the Trees and Woodlands site and will arrange access to the CFS for all appropriate officers in the team.	ISM to arrange to provide access to the Business Support Officers via the Senior Performance Officer.	June 2019

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7	<p><b>Procedure Notes</b></p> <p>The procedure notes should cover all aspects of the administrative and financial management of the Arboricultural Service.</p> <p>The procedures should include sufficient detail to allow business continuity.</p> <p>Procedure notes should be owned and dated with a revision date embedded in the document footer.</p> <p>Responsibility should be assigned to review procedures currently held on the team site and archive or delete out of date procedures.</p>	2	<p>The procedures are currently being reviewed and updated.</p> <p>Financial Procedures will be delivered in conjunction with the Business Support team as part of the new contract so will be reviewed in partnership with that team to ensure that all parties have a clear understanding of the procedures and responsibilities moving forwards.</p> <p>The review of the procedure notes will be overseen by the Head of Performance Management and Business Support and the Interim Quality Assurance Manager.</p>	ISM to re-draft procedure notes for discussion with the Business Support Team.	June 2019

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## MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
8	<p><b>Contract Monitoring Minutes</b> The contract monitoring meetings minutes should conform to an agreed standard and detail.</p> <p>Documents discussed at the meeting should be referenced to allow an adequate audit trail.</p> <p>Standard items should be noted as “no discussion” and state the reason. Similarly “nil returns” to be minuted for completeness.</p> <p>The minutes should not include vague references; any points that the minute taker is unclear about should be verified before issue.</p>	2	Contract Meeting Minutes now conform to an agreed standard and level of detail.	ISM and Business Support	Complete

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## MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
9	<p><b>Use of the Contract Monitoring Framework (CMF)</b></p> <p>The CMF should be adopted for the management of the new contract commencing in April 2019</p> <p>During the course of a contract KPI's may be amended, deleted or replaced. These changes should be managed through a Change Control Notice to ensure both parties agree to the changes.</p> <p>When key staff leave the Authority, management should ensure that the workforce amendment to terminate IT access requests time limited access to Outlook to ensure business continuity.</p>	2	<p>The CMF has already been applied to the 'old' contract and training has been provided to the ISM. Support is being delivered by the Business Support Team who are responsible for administering the CFS in line with the CMF.</p> <p>The ISM is fully aware of the CCN procedure and this has been clearly set out as part of the contract documentation for the new provider from April 2019.</p> <p>Workforce Amendment Requests have been submitted to IT to terminate the Outlook accounts of all staff that have now left LBB (in addition to active licences being revoked for the use of CONFIRM).</p>	ISM is already adhering to the CMF and the team are aware of the requirements.	Complete

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MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	Going forward, all officers involved in contract management and monitoring to upload any documentation including e-mails to the relevant shared area.		ISM will ensure that all relevant contract discussions that are undertaken via email (outside of the regular contract meetings) are saved to the CFS.		

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## MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
10	<p><b>Training – Confirm – Oracle</b></p> <p>The Department should identify the training needs for key staff in this service with regard to ORACLE and Confirm.</p> <p>The Team should utilise the information held on both systems and generate exception reports to support contract management and contract monitoring.</p>	2	ISM has investigated training opportunities with Learning and Development and will ensure the team are suitably up to date. However, given the involvement in future with the Business Support Team in payments (and budget monitoring) there is now less of a requirement for the Arboricultural team to utilise these systems on a regular basis.	ISM	May 2019

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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.