

REDACTED



## FINAL INTERNAL AUDIT REPORT

### ENVIRONMENT AND PUBLIC PROTECTION DEPARTMENT

#### REVIEW OF STREET LIGHTING

**Issued to:** Garry Warner, Assistant Director (Highways)  
Harry Marshall, Highways and Street Lighting Manager  
Sarah Foster, Assistant Director, Performance Management and Business Support (Final only)  
Keith Lazarus, Head of Finance, ECS and Corporate (Final only)  
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**Prepared by:** Principal Auditor

**Reviewed by:** Head of Audit & Assurance

**Date of Issue:** 23<sup>rd</sup> September 2020

**Report No:** ECS/01/2019/AU

## REVIEW OF STREET LIGHTING

### INTRODUCTION

1. This report sets out the results of our audit of Street Lighting. The audit was carried out as part of the work specified in the 2019/20 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. This was delayed due to the COVID-19 pandemic and carried forward into the Internal Audit COVID-19 Recovery Plan 2020/21. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. Maintenance of the Borough's street lighting stock, including street lighting columns, lit and unlit signs, bollards and name plates, forms part of the Highway Major Services Contract which, since 1<sup>st</sup> July 2018 has been operated by Contractor A.
3. Under the contract, the routine maintenance of street lighting is a fully managed service, for which the Council pays a fixed annual sum to maintain the street lights, illuminated signs and street furniture in working order. Defective street lights or signs are identified through the Contractor's monthly night inspection across the borough or raised through Fix My Street and telephone enquiries.
4. Routine maintenance incorporates the rectification of reported faults and undertaking a level of repair to ensure the assets remain 'in lighting', with non routine maintenance being the rectification of damage caused by structural corrosion or vehicle impact. The latter are subject to additional schedule of rate charges.
5. During 2019/20, circa 5,500 street lighting jobs were recorded on Confirm, (asset management software) as undertaken, of which 75% were designated 'routine'. The first quarter of 2020/21 saw circa 1,500 jobs recorded, with maintenance works continuing during the COVID-19 pandemic, subject to the availability of materials.
6. We would like to thank all staff contacted during this review for their help and co-operation.

### AUDIT SCOPE

7. The original scope of the audit was outlined in the Terms of Reference issued in July 2020, the objective of which was to 'review governance and management of the contract to ensure controls are satisfactory and mitigate risk. To ensure that any revised service delivery arrangements put in place in recent months as a result of COVID-19 have appropriate governance arrangements and that the current and future business needs of the service are maintained'.
8. The key risks reviewed within this audit were:-

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- Management information is not obtained from the contractor on a timely basis or checked for accuracy
- Contractor performance is not measured or monitored against performance standards and milestones as set out in the contract
- The financial position is not monitored throughout the term of the contract
- Changes to service delivery and relaxation of governance arrangements may lead to weaknesses in the controls previously in place

## AUDIT OPINION

9. Our overall audit opinion, number and rating of recommendations are as follows.

<b>AUDIT OPINION</b>	
<b>Reasonable Assurance</b>	(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)

Number of recommendations by risk rating		
<b>Priority 1</b>	<b>Priority 2</b>	<b>Priority 3</b>
<b>0</b>	<b>2</b>	<b>2</b>

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### SUMMARY OF FINDINGS

10. Our testing identified four areas which we would like to bring to management's attention:-

#### **Low Service Damages**

When manually overriding and 'allowing' jobs which the automated reporting identifies as breaching the Low Service Damage indicator criteria, the rationale is not documented.

Documentation in which Low Service Damages are reported lacks consistency of narrative, with the indicators being referred to as both 'working day' and 'calendar day'.

#### **Training**

Staff with management/monitoring responsibilities of the Contract have not undertaken the Local Authority's Contract training modules.

#### **Supporting Photographic Evidence**

Street lighting jobs are not routinely supported by 'before and 'after' photographs identifying the asset, its location, the date and time.

#### **Policy, Procedures and Resilience**

There is no definitive process map or a formal end to end written procedure for delivery of the Street Lighting Service.

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

11. 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, together with management's responses and timescales for implementation. Appendix B details the definition of the audit assurance and priority ratings.

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**DETAILED FINDINGS AND ACTION PLAN**

**APPENDIX A**

<b>1. Low Service Damages</b>	
<p><b><u>Finding</u></b></p> <p>i) Whilst the process for establishing which jobs breach the Low Service Damage parameters is automated, all breaches are then manually reviewed prior to agreeing the monthly percentage. In some instances, (e.g. UK Power Network (UKPN) involvement which is outside of the Contractor’s control), the decision may be taken to discount a job from the breach total. The rationale for the decision is not currently recorded.</p> <p>ii) Contractual performance is reported through a number of documents including narrative reports such as Committee Reports ES 19026, 9th April 2019 and ES 19081, 13th November 2019 and a performance framework. The Low Service Damage indicators are referred to as ‘working days’ in the narrative reports and ‘calendar days’ in the performance framework.</p> <p><b><u>Risk</u></b></p> <p>i) The current methodology does not provide an ‘audit trail’ as to the rationale behind each decision at the time. This could result in clarity issues with the Contractor when agreeing an amount of Low Service Damages to be charged at the year end.</p> <p>ii) Lack of consistency in the definition of reported figures.</p>	
<p><b><u>Recommendation</u></b></p> <p>i) The rationale for manually overriding and ‘allowing’ jobs which the automated reporting identifies as breaching the Low Service Damage indicator criteria should be clearly annotated and the output held in the SharePoint repository.</p> <p>ii) Documentation in which Low Service Damages are reported should be reviewed, and amended as appropriate, to ensure consistency of ‘working day/calendar day’ narrative.</p>	<p><b><u>Rating</u></b></p> <div style="background-color: yellow; border: 1px solid black; padding: 2px; text-align: center;"> <p><b>Priority 2</b></p> </div>

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<u>Management Response and Accountable Manager</u>	<u>Agreed timescale</u>
i) The justification for manually overriding and ‘allowing’ jobs which the automated reporting identifies as breaching the Low Service Damage indicator criteria will be recorded in the calculation and held in SharePoint  Highways & Street Lighting Manager	1 <sup>st</sup> September 2020
ii) A Contract Change Notice will be issued to clarify that all works durations are working days rather than calendar days  Assistant Director (Highways)	1 <sup>st</sup> October 2020

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<b>2. Training</b>	
<p><b><u>Finding</u></b>                  Staff with contract management/monitoring responsibilities have not undertaken the Local Authority's Contract training modules.</p> <p><b><u>Risk</u></b>                  Without having undertaken appropriate training, staff may not:-</p> <p>i) have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities                  ii) act in line with the current guidelines</p>	
<p><b><u>Recommendation</u></b>                  A review be undertaken of the training needs/requirements of staff managing/monitoring the contract as part of personal development plans. Training needs are fulfilled, and records retained.</p>	<p><b><u>Rating</u></b>                  Priority 2</p>
<p><b><u>Management Response and Accountable Manager</u></b>                  Training in commissioning and project management will be arranged for all contract management staff. From initial discussions with Learning &amp; Development on-line courses should be available by January 2021.                  Highways &amp; Street Lighting Manager</p>	<p><b><u>Agreed timescale</u></b>                  January 2021</p>

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3. Supporting Photographic Evidence	
<p><b><u>Finding</u></b></p> <p>Street lighting jobs are not routinely supported by ‘before and ‘after’ photographs identifying the asset, its location, the date and time.</p> <p>Whilst it is noted that photographic evidence would be of limited benefit for some, specifically routine maintenance jobs such as node/component change, a visual record would support both the initial order and the subsequent payment elements of the process, particularly those of a ‘non routine’ nature which do not form part of the monthly fixed fee payment and are subject to additional schedule of rate (SOR) charges.</p> <p><b><u>Risk</u></b></p> <p>Where there is no visual evidence supporting orders and payments, there is a risk that the Contractor is not delivering the service expected or achieving value for money.</p>	
<p><b><u>Recommendation</u></b></p> <p>Consideration should be given to:-</p> <ul style="list-style-type: none"> <li>ia) The Contractor’s staff supplying ‘before’ and ‘after’ photographs of jobs, particularly those of a ‘non routine’ nature which do not form part of the monthly fixed fee payment and are subject to additional schedule of rate charges.</li> <li>ib) Implementation of the Confirm asset management system’s ‘Workzone’ web based graphical interface.</li> <li>ii) The Street Lighting Contract Supervisor supplying photographs as part of the ‘Remeasurement’ process.</li> </ul> <p>All photographs should identify the asset, its location, the date and time.</p>	<p><b><u>Rating</u></b></p> <div style="border: 1px solid black; background-color: #90ee90; padding: 2px; display: inline-block;">Priority 3</div>

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<u>Management Response and Accountable Manager</u>	<u>Agreed timescale</u>
<p>The contractor is required to provide photographs of all out-of-hours jobs. Discussions will be held with the contractor to extend these requirements to include photographs of all non-routine jobs.</p> <p>Highways &amp; Street Lighting Manager</p>	<p>October 2020</p>
<p>While use of the Confirm asset management system for works orders and payments is a requirement of the contract, Confirm 'Workzone' is a separate system procured by the contractor. As this system has been successfully used for minor highway works, discussions will continue to encourage its use for street lighting routine and non-routine works.</p> <p>Highways &amp; Street Lighting Manager</p>	<p>On-going</p>
<p>When undertaking post works inspections, the Street Lighting Contract Supervisor will include photographs of completed installations.</p> <p>Highways &amp; Street Lighting Manager</p>	<p>October 2020</p>

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<b>4. Policy, Procedures and Resilience</b>	
<p><b><u>Finding</u></b>                      Whilst the underlying governance process for delivery of the Street Lighting Service is contained within the Highway Major Services Contract, and elements of the workstreams undertaken by staff managing/monitoring the contract are documented, there is no definitive process map or a formal end to end written procedure.</p> <p><b><u>Risk</u></b>                      The lack of documented procedures may lead to:-</p> <ul style="list-style-type: none"> <li>i) the process not being carried out consistently</li> <li>ii) business continuity issues within the service in the event of staff absence/turnover.</li> </ul>	
<p><b><u>Recommendation</u></b>                      The Street Lighting Service procedure should be formally documented and accessible.</p>	<p><b><u>Rating</u></b>  <span style="background-color: #90EE90; padding: 2px;">Priority 3</span></p>
<p><b><u>Management Response and Accountable Manager</u></b>                      Processes involved in delivering the Street Lighting service will be captured and documents, with agreed procedures accessible in SharePoint.                      Highways &amp; Street Lighting Manager</p>	<p><b><u>Agreed timescale</u></b>                      January 2021</p>

**OPINION DEFINITIONS**

**Assurance Level**

<b>Assurance Level</b>	<b>Definition</b>
<b>Substantial Assurance</b>	There is a sound system of control in place to achieve the service or system objectives. Risks are being managed effectively and any issues identified are minor in nature.
<b>Reasonable Assurance</b>	There is generally a sound system of control in place but there are weaknesses which put some of the service or system objectives at risk. Management attention is required.
<b>Limited Assurance</b>	There are significant control weaknesses which put the service or system objectives at risk. If unresolved these may result in error, abuse, loss or reputational damage and therefore require urgent management attention.
<b>No Assurance</b>	There are major weaknesses in the control environment. The service or system is exposed to the risk of significant error, abuse, loss or reputational damage. Immediate action must be taken by management to resolve the issues identified.

**Recommendation ratings**

<b>Risk rating</b>	<b>Definition</b>
<b>Priority 1</b>	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
<b>Priority 2</b>	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
<b>Priority 3</b>	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.