



**FINAL INTERNAL AUDIT REPORT**  
**STREET ENVIRONMENT CONTRACT**

**AUDIT REFERENCE: PLA/03/2023**

8 November 2023

<b>Auditor</b>	Principal Auditor
<b>Reviewer</b>	Assistant Director Head of Audit and Assurance

**Distribution list**

Assistant Director of Environment
Neighbourhood Manager
Head of Neighbourhood Management
Head of Performance Management and Business Support
Director – Environment and Public Protection

## Executive Summary

<b>Audit Objective</b>	The objective of this audit was to review the effectiveness of the controls in place to govern and monitor the Street Environment Contract to ensure the service is delivered to expected standard and at the agreed cost.
------------------------	--

Assurance Level		Findings by Priority Rating		
<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>Priority 1</b>	<b>Priority 2</b>	<b>Priority 3</b>
		0	0	0

Key Findings
<p>It is positive to report that we found the controls over the Street Environment Contract were robust in design and working effectively. This is reflected by no findings being raised in this report. Our review found that the following controls are in place and working well:</p> <ul style="list-style-type: none"> <li>• There is an up to date signed contract which includes a clear governance structure, performance monitoring arrangements and KPIs.</li> <li>• Monitoring of performance against the delivery targets set within the contract is carried out. On a monthly basis the contractor provides a performance report using the performance management framework (PMF) template. The PMF includes the performance against KPIs in categories of Performance, Operational Delivery, Operational Reporting, Strategic Plans &amp; Operational Programmes, Financial Performance &amp; Administration, and Health &amp; Safety and Personnel. A score is populated against each KPI based on supporting documentation, this is checked by the Business Support Officers to ensure it is accurate when the report is received from the contractor. A sign off email is sent to the Neighbourhood Manager to confirm the data has been checked and the Service Operations Board (SOB) meet monthly and discuss the performance on an exceptions basis.</li> <li>• There is a process for managing non-compliance within the contract and issues of supplier failure. For example, where a performance measure has not been met a Performance Adjusted Value is calculated using the PMF and deducted from payments made to the contractor. When a threshold has been reached, a corrective action plan is initiated. It was noted that no corrective action plans had been initiated for the contractor's performance in Street Environment and low performance measures were rectified quickly. In the event that this changes, the contract also includes a clear disputes resolution procedure.</li> </ul>

- Contract costs are monitored in detail and any variance is identified and investigated. On a quarterly basis the Senior Accountant meets with the Neighbourhood Manager to discuss the budget forecast and any accruals. There are no issues with the 2023/24 budget and 2022/23 came c.£7k over budget (the budget was £6.7 million).
- Invoices are supported by evidence and appropriately approved. Variable invoices are checked by the Business Support Team for accuracy and approved by the Neighbourhood Manager, reviewed at the SOB and payments are subsequently signed off by the Assistant Director of Environment and the Director of Environment and Public Protection. We tested a sample of 12 invoices and found that they complied with this process.
- Inflation pressures are effectively managed to minimise impact on the Council's budget and MTFS as far as possible. Uplifts are calculated each year per the contractual mechanism and then agreement is finalised via the respective SOB meeting.
- Business continuity procedures are in place and a different scenario is tested by the contractor annually. The results from the tests are shared with the Council, and we were provided with evidence to support that the 2023 test had been completed. Overall, the outcome was positive with one action raised which has been addressed.

*Definitions of our assurance opinions and priority ratings are in **Appendix A**.*

*The scope of our audit is set out in **Appendix B**.*

## Appendix A - Assurance and Priority Ratings

### Assurance Levels

Assurance Level	Definition
<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.

### Action Priority Ratings

Risk rating	Definition
<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.

## Appendix B – Audit Scope

### Audit Scope

We reviewed the adequacy and effectiveness of controls over the following risks:

- The contract is not well governed and as such there is a risk of poor service which could lead to reputational and financial damage to the Council.
- Payments are made for services that have not been received, or that have not been received to a satisfactory standard.

The review focussed on the following elements:

- The contract includes details on performance monitoring arrangements and KPIs.
- Monitoring of performance against the delivery targets set within the contract is carried out.
- Processes are in place to identify, manage and escalate concerns.
- There is a process for managing non-compliance with the contract and issues of supplier failure.
- Lessons learned and areas for improvement are considered.
- Contract costs are monitored in detail and any variance is identified and investigated.
- Invoices are supported by evidence and appropriately approved.
- Inflation pressures are effectively managed to minimise impact on the Council's budget and MTFs as far as possible.
- Business continuity procedures are in place.

Our audit included interviews with key officers who help manage the contract, a review of relevant reports and documentation as well as sample testing of related procedures and processes.