



Waste Services and Public Realm – Procurement 2018/19

City of York Council

Internal Audit Report

Business Unit: Economy and Place Directorate
Responsible Officer: Assistant Director – Transport, Highways & Environment
Service Manager: Head of Operations – Waste, Public Realm, Highways & Fleet
Date Issued: 7th June 2019
Status: Final
Reference: 10550/002

	P1	P2	P3
Actions	0	2	2
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

During the 2017/18 audit of Procurement of Contracts (Building Maintenance, Civil Engineering and Public Realm) it was identified that not all goods and services in the Waste Management service had a contract in place. It was agreed that a further audit would be done during 2018/19 to confirm that contracts are in place for goods and services that are used by the Waste Management and Public Realm services.

The expenditure by the Public Realm service during 2017/18 was £633k on revenue items with £337k on capital ones. If contractual payments to Yorwaste and North Yorkshire County Council are excluded then the revenue expenditure for the Waste Management service is £342k with £12k being spent on capital items.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system will ensure that:

- There was a workplan in place to ensure that contracts will be re-tendered before the expiry date.
- The scoping of the specification made clear the requirements of the work that needed to be done and does not give individual suppliers a competitive advantage.
- The tendering of the goods or service was carried out in line with council and EU procurement regulations.
- The contract to undertake the work was awarded to the best contractor in line with the Contract Procedure Rules.

Key Findings

The majority of testing for the audit took place in the late autumn of 2018 but it took some time to resolve outstanding queries. The findings as presented in the report and the annex are based on those from the autumn of 2018 when the majority of the testing was done.

An annex to the report can be found which gives details of the contracts that were looked at during the audit.

Waste Services

The supply of goods and services was found to be working well with appropriate tendering exercises being done for cases in the sample with only one exception. This was where the collector of clinical waste had been used for 'some time' without a contract in place for the service. This has already been reported to the Governance, Risk and Assurance Group in November 2017 as a breach of the CPRs. It was also noted that payments continued to be made to the contractor who checks water at a landfill site that the council no longer has responsibility for.

Public Realm

Appropriate tender exercises had been undertaken for large value contracts within the service. However, it was found that records were not always being kept to support the decision to appoint contractors to undertake low value work, although a council purchase order is always issued for the work. There were also no corporate contracts in place for these low value works with local suppliers often being appointed to undertake the work based on their good knowledge of the park or open space.

A breach of the CPRs was also identified for the contract for grounds maintenance work at schools that came to an end in September 2018. When the contract was awarded in October 2014 the selection criteria was based on 70% quality and 30% price which exceeds the approved limit of 60% on the quality criteria. No waiver was sought for this and it was not reported as a breach.

Overall Conclusions

The arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

1. Waste contracts not in place

Issue/Control Weakness

The collection of clinical waste has been done by the existing supplier for 'some time' without a formal contract in place.

Risk

Other providers of the service could challenge the decision to keep giving work to Honley Environmental Services Ltd without a formal tender process.

Findings

Honley Environmental Services Ltd are used for the collection of clinical waste and at the time of the audit there had been no contract in place for this service for 'some time'. This has already been reported as a breach of the Contract Procedure Rules due to the length of time no contract was in place. A tender process for this service was due to start in the autumn of 2018.

Agreed Action 1.1

A procurement exercise was undertaken in conjunction with the procurement team, which resulted in a contract been awarded to Honley Environmental Services Ltd, who are the same contractor, on the 14th December 2018. The start date of the contract was 1st January 2019.

The contract is for a two year period with the option to extend for a further year.

Priority

2

Responsible Officer

Waste Head of Service

Timescale

Completed

2. Public Realm contracts not in place

Issue/Control Weakness

Corporate contracts are not in place.

Risk

Best value may not be obtained if contractors are appointed to undertake individual pieces of work.

Findings

At the time of the audit the process for completing corporate contracts had not been completed. There was no corporate contract in place for landscaping, paving or tree surgery works with individual contractors being appointed to complete work where necessary. The service also favours appointing local suppliers who have local knowledge of the park or open space to undertake these jobs but there was no corporate contract in place.

Agreed Action 2.1

The procurement team are drawing up a framework which covers hard and soft landscaping works. The aim is for this to be in place for the summer. The draft list of tasks covers much of what we need, although it does need to be expanded to include a greater range of soft works e.g. tree planting, removal of epicormic growth.

If this proves not to be detailed enough then a separate mini Framework or Request for Quotations will be considered.

Priority

2

Responsible Officer

Head of Operations

Timescale

30th June 2019

3. Appointing contractors

Issue/Control Weakness

No record is kept why suppliers were appointed for works up to £5,000.

Risk

Contractors are appointed who do not represent best value.

Findings

The council's Contract Procedure Rules state the contractors to undertake work up to and including £5,000 can be appointed based on best value. The invitation of quotations is not mandatory but should be invited where appropriate. If the Authorised Officer believes that it represents Best Value for the council to make a direct appointment without the need for competition, they may do so providing a written record of the decision (including reasons) is kept. Four instances were identified within the audit that related to landscaping, paving, tree surgery and re-surfacing sports pitches where suppliers were appointed with no record being kept as to how or why the supplier was appointed. In future if a supplier was appointed without the need for competition then a record should be kept as supporting evidence.

Agreed Action 3.1

Moving forward the aim will be to obtain three quotes for all work. If for any reason three quotes are not obtained then the reason will be recorded, for example the work was urgent or such low value that it is not deemed value for money.

Priority

3

Responsible Officer

Head of Operations

Timescale

30th June 2019

4. Continued payments to a supplier

Issue/Control Weakness

The council is paying invoices to a contractor to check water at a site that they are no longer responsible for.

Risk

The council is paying invoices to check water at a site that they are no longer responsible for.

Findings

Yorkshire Water Services Ltd are used to check water at a disused landfill site. The contractor was used because they were the only utility company that could undertake the work. Invoices continue to be paid to the contractor even though the contract manager said that the council is no longer responsible for the site.

Agreed Action 4.1

The council has by law to continue to undertake water checks for a significant period of time after a landfill site is closed. The site had been redeveloped and process of relinquishing the responsibility for water checks take some time. This has been done and a form G/02 has been submitted to Yorkshire Water to cancel the water checks.

Priority

3

Responsible Officer

Waste Head of Service

Timescale

30th June 2019

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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