



Internal Audit Report
Education and Children's Services
Contracts Monitoring 13-09
(School Catering and School Cleaning)
October 2013

Final Report

Chief Executive's Service
Finance Division
Perth & Kinross Council
2 High Street
Perth PH1 5PH

Background and Introduction

This audit was carried out as part of the audit plan for 2013/14, which was approved by the Audit Committee on 27 March 2013.

The School Meals Service is managed by the Catering Support Team (CST) within Education and Children's Services. Delivery of the service is undertaken by Tayside Contracts. The contract is managed via partnership agreements between Education & Children's Services and Tayside Contracts. School Cleaning activities are also undertaken under contract Partnership Agreements and are monitored by the Contracts & Facilities Team (CFT).

The agreements incorporate the framework for monitoring the contracts. This includes Tayside Contracts monitoring the quality of the services and sharing this information with the CST and CFT respectively for school catering and school cleaning. In addition, the CST carries out quality assurance visits to establishments on a sample basis throughout the year which are supported by meetings and feedback requests. The CFT's arrangements for monitoring the contract include Headteachers' awareness of the expected cleaning standards and their feedback on the quality of the cleaning service received.

The assignment concerned itself with how the Council monitors the School Catering and Cleaning contracts with Tayside Contracts. Arrangements within Community Campuses, the Council's overall relationship with Tayside Contracts and the arrangements for implementing the Council rules on tendering were outwith the scope of this assignment as these matters are separate assignments within the internal audit universe.

Acknowledgements

Internal Audit acknowledges with thanks the co-operation of Education and Children's Services Business and Resources Services Team during this audit.

Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A 'control objective' is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective: To ensure the adequacy of the arrangements within the Service for the monitoring of school catering contracts.

Auditor's Comments: Audit testing revealed that there are adequate arrangements in the Service for the monitoring of the contract in relation to anticipated costs against actual costs. The contract stipulates roles, responsibilities and performance standards. Regular performance meetings are held between the CST and Tayside Contracts. The Catering Service Manager acts as the Contract Monitoring Officer and is familiar with the terms of contract.

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The contract stipulates the responsibilities of both Tayside Contracts and Education & Children's Services. Under a partnership agreement, Tayside Contracts undertake supervisory checks, however these are not wholly aligned to the contract performance standards and the results from the checks are not formally shared with the CST. There is scope to formalise the sharing of such information.

The CST written procedures makes no specific reference to the linkage between their Quality Assessment programme and contract monitoring. No written procedures are available for schools regarding their role in monitoring the contract.

The Service Management Team Agenda timetable for 2013 states that contracts monitoring is a standing item. However, no reports were submitted and there was no minute confirming discussion on contract monitoring taking place.

There is also scope to improve the contract wording regarding the Protecting Vulnerable Groups Scheme and the circulation of food hygiene reports.

The CST advised that the school catering contract was signed under delegated authority. However, they were unable to provide any formal evidence of such authority.

Strength of Internal Controls:

Moderate

Control Objective: To ensure the adequacy of the arrangements within the Service for their monitoring of school cleaning contracts.

Auditor's Comments: The School Cleaning contract adequately details roles and responsibilities and states that the agreement will be monitored on an ongoing basis at operational meetings.

The contract doesn't state the premises covered by the agreement and doesn't detail the price. The contract allows for random monitoring by the CFT although none was undertaken. The auditor was advised that the contract is self monitoring as the CFT reviews Tayside Contracts inspection scores as part of the partnership agreement. However no documentation approves this approach. .

Testing confirmed that the school cleaning inspections are carried out by Tayside Contracts and shared with the CFT. There is scope to improve the evidence of the Council's monitoring of such inspections at operational meetings. Tayside Contracts also prepares an annual performance report which includes cleaning and catering performance data. However, these measures are not reported within Education & Children's Services. Guidance is issued to Headteachers detailing cleaning tasks and responsibilities and Headteachers provide feedback on a quarterly basis on the quality of the service received by their schools.

The CFT advised the school cleaning contract was signed under delegated authority. However, the Service was unable to provide any formal evidence of such authority.

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There is scope to improve the control environment relating to the payment of cleaning contract invoices. Although the stated contract purpose is “to ensure the provision of the cleaning and all other associated services at Education and Children’s Services establishments throughout Perth and Kinross” cleaning invoices are approved by the CFT that include many non Education & Children’s Services establishments.

Strength of Internal Controls:

Moderate

Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each ‘action point’. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point.

It is management’s responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit’s ‘follow up’ arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit’s normal planned work.

Feedback

Internal Audit welcomes feedback from management, in connection with this audit or with the Internal Audit service in general.

Distribution

This report has been distributed to:

B Malone, Chief Executive

J Fyffe, Executive Director (Education & Children’s Services)

B Atkinson, Depute Director (Education & Children’s Services)

G Boland, Senior Business and Resources Manager (Education & Children’s Services)

A Cook, Contracts & Facilities Manager (Education & Children’s Services)

S Farrer, Catering Services Manager (Education & Children’s Services)

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J Symon, Head of Finance

K Colville, Senior Premises Management Officer

K Wilson, Asset Management Officer, Housing & Community Care

M Mitchell, Corporate Procurement Manager

G Taylor, Head of Democratic Services

P Dickson, Complaints & Governance Officer

External Audit

Authorisation

The auditor for this assignment was D McCreadie. The supervising auditors were D Farquhar and J Clark.

This report is authorised for issue:

Jacqueline Clark

Chief Internal Auditor

Date: 7 October 2013

Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	School Catering Contract	Medium
2	Protecting Vulnerable Groups	Low
3	Food Hygiene Inspection Reports	Low
4	Catering Performance Standards	Medium
5	Catering Guidance and Procedures	Low
6	Agenda Item - Contracts Monitoring	Low
7	School Cleaning Contract	Medium
8	School Cleaning - Contract Wording	Medium
9	Contract Monitoring and Procedural Guidance	Low
10	Reporting of Cleaning Performance	Medium
11	Approval of Cleaning Invoices and Monitoring of Non-ECS Establishments	High

Appendix 2: Action Plan

Action Point 1 - School Catering Contract

The Scheme of Administration authorises Executive Directors to enter into contracts on behalf of the Council. Audit testing revealed the School Catering contract dated 4 July 2013 was not signed by an appropriate officer.

Also, the contract refers to a Contract Fee but no such fee is detailed. The CST advised the contract was worth £4,255,894.00 including subsidies. Audit testing confirmed that the Service carried out regular monitoring of actual expenditure against budgeted expenditure; however the omission of the fee in the contract may lead to misinterpretation or misunderstanding of agreed costs.

Management Action Plan

1) The Catering Services Manager will liaise with the Finance & Governance Manager to progress an appropriate form of delegation for authority to authorise the approving of the school catering contract and to update the register of employees to approve purchases as appropriate.

2) The Catering Services Manager will arrange for the School Catering contract to stipulate the contract price by an additional appendix being incorporated into the contract.

Importance:	Medium
Responsible Officer:	S Farrer, Catering Services Manager
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	October 2013
Required Evidence of Completion:	1) Delegated authority 2) Additional appendix containing contract price

Auditor's Comments

Satisfactory

Action Point 2 - Protecting Vulnerable Groups

The school catering contract stipulates that all school catering staff be Protecting Vulnerable Groups (PVG) checked. However, the contract wording would benefit from clarity as two paragraphs state that Tayside Contracts must ensure all staff have fully complied with the requirements of the PVG Scheme and all of their personnel working on site shall have been appropriately cleared. However, a third paragraph only requires “employees with substantial and unsupervised access to children” to undertake such vetting.

The CST confirmed all Tayside Contracts staff are PVG checked.

There is a risk of misinterpretations and/or inconsistencies if obligations are not clearly defined.

Management Action Plan

The wording in the School Catering Contract will be updated to clearly state that all Tayside Contracts catering staff will be appropriately PVG vetted.

Importance:	Low
Responsible Officer:	S Farrer, Catering Services Manager
Lead Service:	Education and Children’s Services
Date for Completion (Month / Year):	October 2013
Required Evidence of Completion:	Authorised amendment to the contract

Auditor’s Comments

Satisfactory

Action Point 3 - Food Hygiene Inspection Reports

The contract requires liaison by the CST and Tayside Contracts for all food hygiene inspections and for these reports to be circulated to the Headteacher.

However, details of the inspections are recorded by the CST and, unless the inspection report relates to a nursery, the information is not passed to the Headteacher as the CST manages the main school kitchen food hygiene reports on behalf of the Headteacher.

Audit testing of 10 randomly selected food hygiene reports revealed records for 9 inspections were held by the Service. The missing report was obtained by the Service during the course of the audit.

Management Action Plan

1) The Catering Services Manager has contacted the service responsible for issuing food hygiene inspection reports and received assurances that due to procedural changes the anomaly surrounding the missing report would not now arise.

2) The performance standards in the school catering contract will be updated at the next review to state that only food hygiene reports relating to a nursery will be passed to the Headteacher.

Importance:	Low
Responsible Officer:	S Farrer, Catering Services Manager
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	1) Complete 2) October 2013
Required Evidence of Completion:	2) Authorised amendment to contract

Auditor's Comments

Satisfactory

Action Point 4 - Catering Performance Standards

The Service advised that the performance standards detailed in the contract were monitored by Tayside Contracts with the CST not specifically monitoring these standards but carrying out their own Quality Assurance (QA) programme.

Audit review of the Tayside Contracts checklist revealed that, whilst the checklist contained elements of the performance standards, they were not wholly aligned. Likewise, there is no direct correlation between the performance standards and the CST's QA programme checks.

The CST stated that the results of Tayside Contracts' monitoring checks, which may be useful background in deciding which schools should be visited by them as part of their QA programme, are not routinely shared with them. However the Service further advised that results of concern would probably be discussed at operational joint meetings.

Management Action Plan

- 1) The Catering Services Manager will liaise with Tayside Contracts to request they routinely share information for review at Operational Meetings regarding their inspections where follow up work has been required.
- 2) The Catering Services Team will update their procedures to refer to the linkage with Contract Monitoring and review the Quality Assurance checks with a view to linkage to the performance standards.
- 3) The Catering Services Manager will agree a number of performance standards with Tayside Contracts that will be aligned to contract monitoring checks. This will be concluded to coincide with the renewal of the catering contract.

Importance:	Medium
Responsible Officer:	S Farrer, Catering Services Manager
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	1) & 2) October 2013 3) April 2014
Required Evidence of Completion:	1) & 2) Minutes evidencing shared information & updated Quality Assurance procedures. 3) Contract monitoring checks aligned to performance standards at contract renewal.

Auditor's Comments

Satisfactory

Action Point 5 - Catering Guidance and Procedures

No written procedures are available for Headteachers regarding their monitoring of the school catering contract. The CST advised that the working practice is for a school cook to be the first point of contact to deal with any potential concerns in the first instance. However this practice is not documented. The CST advised that a contract overview and procedural guidance document was underway.

Also, the CST's written procedures make no specific reference to the linkage between their QA programme and monitoring of the contract.

There is a risk of misinterpretations and/or inconsistencies if procedures are not clearly defined and readily available.

Management Action Plan

- 1) The Catering Services Manager will issue guidance to schools detailing an overview of the school catering contract.
- 2) The Catering Services Manager will update the Quality Assessment written procedures to clarify the linkage to the requirements of the school catering contract.

Importance:	Low
Responsible Officer:	S Farrer, Catering Services Manager
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	1) & 2) December 2013
Required Evidence of Completion:	1) School guidance 2) Service guidance

Auditor's Comments

Satisfactory

Action Point 6 - Agenda Item - Contracts Monitoring

The Education and Children's Services Senior Management Team Meetings Timetable and Agenda 2013 stipulates that contracts monitoring is an agenda item at three prescribed times during the year.

When the above meetings took place, there was no evidence of the Catering or Cleaning contracts being part of these discussions.

Management Action Plan

School Catering and School Cleaning contracts monitoring reports will be provided to the Education and Children's Services Senior Management Team.

Importance:	Low
Responsible Officer:	A Cook, Contracts & Facilities Manager
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	December 2013
Required Evidence of Completion:	Extract from contract monitoring report.

Auditor's Comments

Satisfactory

Action Point 7 - School Cleaning Contract

As detailed in Action Point 1, the Scheme of Administration authorises Executive Directors to enter into contracts on behalf of the Council. Audit testing revealed the school cleaning contract dated July 2013 was not signed by an appropriate officer.

The CFT advised that the contract was signed under delegated authority. However, the Service was unable to provide formal evidence of such authority. As per Action Point 1, audit testing confirmed the Service carry out regular monitoring of actual expenditure against budgeted expenditure; however the omission of the fee in the contract may lead to misinterpretation or misunderstanding of agreed costs.

Management Action Plan

The Contracts & Facilities Manager will liaise with the Finance & Governance Manager to progress an appropriate form of delegation for authority to authorise the approving of the school cleaning contract and to update the register of employees to approve purchases as appropriate.

Importance:	Medium
Responsible Officer:	A Cook, Contracts & Facilities Manager
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	October 2013
Required Evidence of Completion:	Delegated authority

Auditor's Comments

Satisfactory

Action Point 8 - School Cleaning - Contract Wording

The school cleaning contract refers to a Service Price, but no price is stipulated. The CFT advised that value of the contract for cleaning schools is £2,066,831.88.

The contract also explains that “establishments” shall mean the premises specified in Schedule 1, but Schedule 1 doesn’t specify the premises.

In addition, there is scope to improve the “priority and rectification frequency,” performance requirements table in Schedule 1 of the contract, as the wording may be open to misinterpretation. There is also scope to improve the documentation that evidences contract monitoring at operational meetings as the minutes do not refer to such monitoring.

Management Action Plan

An addendum to the current cleaning contract will be issued which addresses all of the highlighted points including a specific reference to the agreed contract fee and an updated Schedule 1 detailing all educational establishments covered by the contract and with a revised rectification table.

Importance:	Medium
Responsible Officer:	A Cook, Contracts & Facilities Manager
Lead Service:	Education and Children’s Services
Date for Completion (Month / Year):	October 2013
Required Evidence of Completion:	Copy of addendum

Auditor’s Comments

Satisfactory

Action Point 9 - School Cleaning – Contract Monitoring and Procedural Guidance

A “Cleaning in Education and Children’s Service Establishment” guide is issued to Headteachers by the CFT. The guide is intended to help inform schools of the expected cleaning standard and state who schools can contact if there are any issues. However, there is scope to enhance the guide as evidenced by some inconsistencies with the job titles in flow chart and titles in the responsibilities table. The CFT also advised that janitorial or cleaning staff would normally be the first point of contact but this is not clear in the guide. The guide is undated and doesn’t contain page numbers, date of issue or the name of the author.

The contract allows for random monitoring by the CFT. The CFT advised no recent inspections had been carried out and none were scheduled as the contract should be self monitored. The CFT also stated that they reviewed the quarterly information provided by Headteachers regarding the quality of the service received. However this approach has not been documented or appropriately approved.

The lack of up to date appropriately approved contract monitoring procedures may result in inconsistencies or misinterpretation of requirements.

Management Action Plan

- 1) The “Cleaning in Education and Children’s Service Establishment” guide will be updated.
- 2) Approved written procedures detailing the approach to contract monitoring for the ECS Cleaning Contract will be approved by the Service SMT and circulated to all necessary staff and stakeholders.

Importance:	Low
Responsible Officer:	A Cook, Contracts & Facilities Manager
Lead Service:	Education and Children’s Services
Date for Completion (Month / Year):	1) & 2) November 2013
Required Evidence of Completion:	1) Copy of updated guidance 2) Minutes of team meeting approving the approach

Auditor’s Comments

Satisfactory

Action Point 10 - Reporting of Cleaning Performance

Tayside Contracts provide an annual performance report which includes cleaning performance data. However, these measures are not currently reported within Education and Children's Services. The CFT advised that following observations from other recent audits, a summary will be provided to the Service Management Team in December 2013.

The CFT maintains a spreadsheet detailing performance figures taken from Tayside Contracts inspections and advised this is not currently considered at operational meetings. The monitoring of these figures, such as where inspection results indicate a shortfall in performance, will be more specific in the future.

Management Action Plan

- 1) Cleaning performance information will be included as part of an annual report to Education & Children's Services Senior Management Team.
- 2) Cleaning performance inspection scores that indicate a shortfall in performance will be discussed and minuted at future operational meetings.

Importance:	Medium
Responsible Officer:	A Cook, Contracts & Facilities Manager
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	1) December 2013 2) November 2013
Required Evidence of Completion:	1) Copy of ECS SMT Contract Performance Report 2) Copy of minutes of Cleaning Operational Meeting

Auditor's Comments

Satisfactory

Action Point 11 - Approval of Cleaning Invoices and Monitoring of Non-ECS Establishments

The CFT approve Tayside Contracts monthly "Perth Cleaning Contract" invoices in respect of all Council establishments cleaned by Tayside Contracts.

Audit testing of two randomly selected invoices revealed that invoices were approved by the Contracts & Facilities Manager above his Finance Division Authorised Signatory limit of £25,000. The CFT provided documentation which stated the limit was over £75,000. However this is inconsistent with the Finance Division documentation.

The School Cleaning contract objective refers to cleaning all Education and Children's Services establishments throughout Perth and Kinross but the invoices approved by the Contracts & Facilities Manager include other establishments which are recharged to Housing and Community Care and The Environment Service as necessary without receiving any assurance that such cleaning activity has taken place satisfactorily. Further discussion revealed that there is no separate contract for cleaning these other premises.

Management Action Plan

- 1) The Corporate Authorised Signatory list will be updated to ensure consistency with that approved by Education & Children's Services.
- 2) The Contracts & Facilities Manager will liaise with The Environment Service and Housing & Community Care representatives to agree the combined contract and monitoring arrangements for non-ECS establishments including the arrangements for authorising cleaning invoices.

Importance:	High
Responsible Officer:	1) J Cockburn, Finance & Governance Manager 2) A Cook, Contracts & Facilities Manager
Lead Service:	Education and Children's Services
Date for Completion (Month / Year):	1) October 2013 2) April 2014
Required Evidence of Completion:	1) Updated corporate authorised signatory list 2) Combined cleaning contract

Auditor's Comments

Satisfactory

