



Contract audit of escalator and lift maintenance

Committee Audit and Standards

Date of meeting 27 August 2021

Date of report 18 August 2021

Report by Acting Chief Executive

1. Object of report

To advise the committee on the findings of a contract audit of escalator and lift maintenance. This engagement was included in the annual Internal Audit plan for 2021/2022.

2. Background

SPT has a managed service for maintenance and support for its escalator and lift assets.

Subway Modernisation programme work has replaced all 28 escalators and 2 travelators throughout the network. All assets are less than 10 years old. Similarly, 10 lifts in the Broomloan depot and 131 offices, Buchanan bus station and at Govan, Shields road and St. Enoch Subway stations have undergone significant refurbishment in recent years.

At its meeting of 10 February 2017, the Partnership awarded a negotiated contract option for the maintenance of SPT's escalators, travelators and lifts to Otis Ltd. for a period of 5 years.

The objective of this engagement was to review and evaluate the contract monitoring arrangements in place for escalator and lift maintenance service provision for SPT properties and site locations.

This engagement tested elements of the internal controls and mitigation against SPT6: Security, as identified in the Corporate Risk register.

3. Outline of findings

Engagement testing (May 2021) found that management arrangements were in place for this contract. As at the date of engagement testing, all payments made to the service provider were in accordance with the terms and conditions of the contract.

No penalties nor variations have been raised to date, since the start of this contract.

The engagement identified a requirement to use a common digital platform to reduce administration internally and with the contractor.

Engagement testing also identified a requirement to review contractual documentation and reporting arrangements.

There are areas for improvement and these areas have been addressed by four recommendations. Contract management have agreed to implement these recommendations, which are currently being actioned.

4. Conclusions

The Audit and Assurance team has undertaken a contract audit of escalator and lift maintenance. Four recommendations have been agreed from this engagement.

Key controls exist and are applied consistently and effectively in the majority of areas tested in this engagement.

Reasonable assurance can be taken from the internal controls in place.

5. Committee action

The committee is asked to note the contents of this report and agree that the Audit and Assurance Manager submits a follow-up report on the implementation of the recommendations to a meeting in approximately six months.

6. Consequences

Policy consequences	<i>None.</i>
Legal consequences	<i>None.</i>
Financial consequences	<i>None.</i>
Personnel consequences	<i>None.</i>
Equalities consequences	<i>None.</i>
Risk consequences	<i>As detailed in the report.</i>

Name Neil Wylie

Name Valerie Davidson

Title Director of Finance

Title Acting Chief Executive

For further information, please contact Iain McNicol, Audit and Assurance Manager.

Agreed action plan: Contract audit of escalator and lift maintenance

No.	Recommendation	Priority	Action Proposed	Lead Officer	Due date
1	<p><u>Common digital platform</u></p> <p>Contract management should seek to identify a common digital platform for inclusion in the contract specification document to reduce administration.</p>	High	<p>Accepted. Use of a common digital platform will be explored to ensure workflows are lean. The contract specification will include this requirement to help ensure that this is achieved.</p>	<p>Engineer, Systems and Electrical/ Contract Manager</p>	<p>July 2021</p>
2	<p><u>Liquidated damages</u></p> <p>Where liquidated damages are agreed, arrangements should be clarified using contractual terms and conditions.</p> <p>Note: Liquidated damages (legal term) is defined as: <i>'a sum which contracted parties have assessed as damages to be paid whatever may be the actual damage and can be paid by work in-kind to secure performance of the contract'.</i></p>	Medium	<p>The current arrangements for recording liquidated damages will be reviewed.</p> <p>The resultant arrangements will be communicated to all relevant staff.</p>	<p>Director of Finance</p>	<p>September 2021</p>

No.	Recommendation	Priority	Action Proposed	Lead Officer	Due date
3	<p><u>Force Majeure</u></p> <p>Force Majeure clauses in contracts and related governance processes including reporting arrangements should be reviewed.</p> <p>Note: Force Majeure is defined as:</p> <p><i>'an unexpected event that crucially affects somebody's ability to do something and can be used in law as an excuse for not having carried out the terms of an agreement'.</i></p> <p>Contract clauses were invoked during the Covid-19 pandemic period.</p>	Medium	<p>The current governance processes and reporting arrangements in the Standing Orders relating to Contracts in relation to Force Majeure clauses will be reviewed.</p> <p>The resultant arrangements will be communicated to all relevant staff.</p>	Director of Finance	September 2021
4	<p><u>Risk Assessment</u></p> <p>Escalator and lift maintenance service provision should be risk assessed regularly. This will help understand potential risks and vulnerabilities; conduct proper due diligence throughout the contract and provide contingency arrangements and management of resources.</p>	Medium	<p>A retendering exercise for this contract is in progress.</p> <p>Risk assessment arrangements will be regularly reviewed.</p>	Engineer, Systems and Electrical/ Contract Manager/ H&S Manager	September 2021

High: A fundamental control that should be addressed as soon as possible;

Medium: An important control that should be addressed within three months;

Low: An issue which is not fundamental but should be addressed within six months to improve the overall control environment.