

# Final Internal Audit Report

## Tree Root Inspections

### March 2018

**Distribution:**

Executive Director - Place  
 Director of Finance, Investment and Risk  
 Director of Streets  
 Head of Insurance, Risk and Corporate Programme Office  
 Contract Manager  
 Insurance Manager  
 Senior Technical Contracts Officer

Assurance Level	Recommendations Made	
Limited Assurance	Priority 1	1
	Priority 2	4
	Priority 3	1

**Status of Our Reports**

This report ("Report") was prepared by Mazars Public Sector Internal Audit Ltd at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of London Borough of Croydon and to the fullest extent permitted by law Mazars Public Sector Internal Audit Ltd. accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality

# Contents

Page

## Executive Summary

1. Introduction.....	2
2. Key Issues.....	2

---

## Detailed Report

3. Actions And Key Findings/Rationale.....	4
4. Priority 3 Issue.....	10

## Appendices

- 1. Terms Of Reference
- 2. Definitions For Audit Opinions And Recommendations
- 3. Statement Of Responsibility

## **1. Introduction**

- 1.1 The increased impact of global warming has led to a dramatic increase in tree root claim activity due to the wetter winters and drier summers. The Trees and Woodlands team is in the process of obtaining software that will enable the monitoring of specific locations of trees and storing of pruning and valuation histories of trees within the Borough.
- 1.2 If a member of the public believes a Croydon Council tree root has damaged their property they can contact the Council. Once sufficient evidence is received by the Council, the claim is considered. The Council's insurance department appoints a loss adjuster to consider the case on its behalf, alongside the Trees and Woodlands team which inspects the tree.
- 1.3 The Trees and Woodlands team determines a Capital Asset Value for Amenity Trees (CAVAT) value for the tree and determines if its value is significant enough to discourage removal or extreme amendments to the tree. The loss adjuster then negotiates a claim pay-out on behalf of the Council and the agreed value is confirmed and paid by the Council. In most instances, tree root claims take a number of years to finalise due to the constant changes in weather and root damage to the property.
- 1.4 The owner and/or occupier of land upon which trees stand is generally liable for any loss or damage resulting from falling branches or from the falling of the tree itself. Whilst the incidence of accidents is low, falling branches have resulted in deaths and caused serious road accidents. A recent example, is Transport for London (TfL) having to pay damages to three people crushed when a diseased London plane tree fell on their taxi in March 2017.

## **2. Key Issues**

### **Priority 1 Issue**

Other than casual inspections by contractors hired to conduct pruning work, there is no other process in place to inspect trees for potential hazards or required works. **(Issue 2)**

### **Priority 2 Issues**

No procedure notes relating to tree root inspections and maintenance were available from the Trees and Woodlands team. **(Issue 1)**

The Trees and Woodland team had 261 outstanding complaints with the oldest dating back to 20 November 2015. **(Issue 3)**

There were still 61 outstanding roads in the Croham ward that were scheduled to be pruned from the 2015/16 period. **(Issue 4)**

There are no documented KPI's for the City Suburban work. **(Issue 5)**

The priority 3 issue is included under item 4 below.

3. Actions and Key Findings/Rationale

<b>Control Area 1: Governance Arrangements</b>	
<b>Priority</b>	<b>Action Proposed by Management</b>
2	<p>1. Procedure notes to be provided Dec 2017 BL All staff are trained and qualified staff who use the industry standards as reference and will relate back to these as this is the information which will be the yard stick in any court actions</p> <p>2. a) CONFIRM, There is user guide for confirm in place which can be referenced.</p> <p>b) The process for claims is set out by the Risk team and is governed by a timetable which staff are fully conversant with. Requests for information are emailed to the team and a specific requirement for information is supplied. This is supplemented to as the cases progress and can be different for every case.</p> <p>c) Claims Report format, The reporting and use of CAVAT is documented and will be supplied. Dec 2017 Procedure documents to be provided in 1.) above.</p>
<b>Detailed Finding/Rational – Issue 1</b>	<p>In order to help ensure consistency of approach and achievement of desired outcomes, appropriate guidance and support should be available for staff. Formal procedure notes are key to this objective.</p> <p>During testing, it was established that the Trees and Woodlands team does not have any procedure documentation outlining the use of the UNIFORM system, claims processing or the valuation and reporting of trees to the Insurance team.</p> <p>Where appropriate procedure documents are not available to staff, there is a risk of inconsistency of officers' work, which may result in them not performing their jobs to the expected or legal standards.</p>

<b>Responsible officer</b>	<b>Deadline</b>	
Contract Manager	March 2018	

<b>Control Area 2: Preventative maintenance</b>					
<b>Priority</b>	<b>Action Proposed by Management</b>				
<b>1</b>	<p>Whilst inspections are currently undertaken by the trees and woodlands contractor, a more robust system is needed. A post has been established and is being recruited into. This will enable a greater number of inspection to be carried out in greater depth and to a scheduled programme.</p>				
	<p><b>Detailed Finding/Rational – Issue 2</b></p> <p>It is essential that a planned inspection programme is established which ensures trees are inspected as often as is necessary. Section 3 of the Health and Safety at Work Act 1974 prescribes minimum inspection requirements, although a more strict inspection regime is generally recommended. Inspections must only be undertaken by a suitably experienced and competent person and should lead to the carrying out of a risk assessment. Inspections are best made in September or early October unless there are indications that checks need to be made immediately e.g. after severe storms. The initial visual inspection may indicate that more detailed examination is required. The inspection should include the entire tree, not just those parts that appear in a poor condition or in danger of falling.</p> <p>Although the contractors who are hired to prune the trees in the borough on three and five year cycles are requested to visually inspect trees, this does not involve a full inspection of the trees or an assessment of the potential damage that could arise were these trees left unattended.</p> <p>Discussion established that there is an intention to record all trees in the borough in a central database and for these trees to be regularly inspected; however, the funding anticipated from the Council's insurance fund for this project is no longer forthcoming and thus this has not progressed.</p> <p>Where trees are not routinely inspected, there is a risk that potential issues are not identified and managed, resulting in a possible harm or injury to individuals and property from these trees and a consequent financial impact on the Council.</p>				
	<table border="1"> <thead> <tr> <th><b>Responsible officer</b></th> <th><b>Deadline</b></th> </tr> </thead> <tbody> <tr> <td>Contract Manager</td> <td>March 2018</td> </tr> </tbody> </table>	<b>Responsible officer</b>	<b>Deadline</b>	Contract Manager	March 2018
<b>Responsible officer</b>	<b>Deadline</b>				
Contract Manager	March 2018				

<b>Detailed Finding/Rational – Issue 3</b>	
<b>Priority</b>	<b>Action Proposed by Management</b>
2	<p>1. High priority concerns are identified from email complaints and CRMs and dealt within 20 days. CRMs system currently being looked into by CT CRM Manager. Progress continues to make CRM a better working system as currently all tree related issues are recorded on the CRM however there is no distinction between work requests, complaints and other requests which are not related to the service area.</p> <p>2. Action: Contract Manager meeting with CT CRM Manager and Team October 2017 to address the CRM reporting processes.</p>
<b>Responsible officer</b>	<b>Deadline</b>
Contract Manager	March 2018
<p>The Council's complaints procedure states that, 'The department that the customer is complaining about is responsible for investigating the complaint and settling the issue with the customer .... The department has 20 working days in which to send the customer a full response.'</p> <p>Examination of the complaints received by the Trees and Woodlands team established that there were 261 outstanding complaints with the oldest complaint dating back to 20 November 2015.</p> <p>Where complaints are not dealt with in a timely manner, there is a risk that further damage occurs to private assets, resulting in potential financial loss to the Council in the form of claims and reputational damage.</p>	



<b>Priority</b>	<b>Action Proposed by Management</b>	<b>Detailed Finding/Rational – Issue 4</b>
2	<p>Although a cyclical programme of works exists the work is still dependant on budget constraints and due to the nature of the work required in any given ward resources will be prioritised accordingly based on need. Where work is not completed the remaining work is prioritised the following year which impacts on the rest of the cyclical programme. A successful Capital bid for a tree planting programme has been successful and will enable additional funding for the maintenance programme to enable more priority works to be carried out.</p> <p>Action: Contract Manager October 2017 has identified uncompleted wards for future prioritisation.</p>	<p>The Council cyclically prunes trees every three and five years. This programme helps to manage the size of the trees and limit root growth, allowing control over the potential impact the trees have on the surrounding areas.</p> <p>Examination of outstanding work relating to the pruning programme established that there were still 61 outstanding roads in the Croham Ward that were scheduled to be pruned as part of the 2015/16 period.</p> <p>Where trees that require regular pruning are not pruned in a timely manner, there is a risk of excessive growth of the tree roots. This increases the chance of potential damage to the surrounding area and increases the chance of claims being received by the Council. If the Council cannot prove it has appropriately managed the tree there is an increase likelihood of the claim being successful and a financial loss to the Council.</p>
<b>Responsible officer</b>	Contract Manager	
		<b>Deadline</b>
Contract Manager	Ongoing	

<b>Control Area 7: Monitoring and Reporting</b>					
<b>Priority</b>	<b>Action Proposed by Management</b>				
<b>2</b>	<p>It is acknowledged that the existing KPI are inadequate and not targeted towards monitoring the contractor's performance and relates to operational issues such as tree removed/planted etc. Additional KPIs system of works now written for contractor and tree officers.</p> <p>New KPIs to have been incorporated into the new contract. For 2018 (July).</p> <p>Action: Contract Manager July 2018 produced additional KPIs.</p>				
	<p><b>Detailed Finding/Rational – Issue 5</b></p> <p>Key Performance Indicators (KPI's) allow for the easy and effective monitoring of contractors by ensuring that the contractors are aware of the quality of work expected, as well as, providing measurable feedback. Where KPI's are not met, the Council can then obtain justifications from the Contractor or clawback payments based on the attainment of targets and KPI's.</p> <p>Although the Senior Technical Contracts Officer for Trees and Woodlands actively monitors the contractor's, i.e. City Suburban, work on trees via random spot checks, it was confirmed that there are no agreed KPI's in place as a baseline to monitor the works done. Discussion highlighted that the contract is due for renewal in 2018 and that KPI's were being considered as part of the tendering process.</p> <p>Where KPI's are not established and agreed for works done by contractors for the Council, there is a risk that the contractor is not aware of the expected quality of work to be delivered and inadequate work is conducted as a result.</p>				
	<table border="1"> <thead> <tr> <th><b>Responsible officer</b></th> <th><b>Deadline</b></th> </tr> </thead> <tbody> <tr> <td>Contract Manager</td> <td>July 2018</td> </tr> </tbody> </table>	<b>Responsible officer</b>	<b>Deadline</b>	Contract Manager	July 2018
<b>Responsible officer</b>	<b>Deadline</b>				
Contract Manager	July 2018				

4. Priority 3 Issue

Action Proposed by Management	Findings
<p>a) Guidance from Insurance section. Providing the CAVAT value within 14 days may be too tight a deadline. All insurance claims are entered onto a spreadsheet by the risk and insurance team and monitored by Senior Officer. Monthly meeting with Insurance to determine outstanding claims and discuss processes etc. should be established ASAP.</p> <p>Action: Risk and Insurance Team/ Contract Manager Ongoing</p>	<p>The Insurance team procedure guidance states that "The claims officer must send the request to Tree Section who will supply confirmation (of the tree value) within 14 days". Once notified of an issue or request, the Trees and Woodlands teams should respond to, or action tree works in this timeframe.</p> <p>Examination of a sample of five tree root claims found:</p> <ul style="list-style-type: none"> <li>- Three instances where tree reports were provided to the Insurance section late (claims [redacted] - 30 days, [redacted] - 23 days and [redacted] - 15 days).</li> <li>- One instance where a tree was requested to be removed on 11 September 2015 and the tree was not removed until 4 November 2015, 54 days after the request (claim [redacted]).</li> </ul> <p>Where there is poor communication between the Tree and Woodlands team and Insurance team, there is a risk that the Council does not utilise staff with experience over claims and inadequate decisions are made by the insurance team due to lack of knowledge over tree roots. There is also a risk that problem trees are not deal with in a reasonable timeframe resulting in further damage to the claimants' property and possible further cost to the Council.</p>

## TERMS OF REFERENCE

### Tree Root Inspections

#### 1. INTRODUCTION

- 1.1 The increased impact of global warming has led to a dramatic increase in tree root claim activity with the average cost of a claim being between £4,000 and £5,000.
- 1.2 If a member of the public believes a Council tree root has damaged their property they can contact Croydon Council and an investigation is undertaken.
- 1.3 Where it can be proven that the roots are property of the Council and that if left alone there would be further damage, the Council will assess the value of the tree and decide how to deal with the situation.
- 1.4 The value of the tree determines whether the Council completely removes the tree, decides to control the root situation or whether they leave the tree alone entirely.
- 1.5 A loss adjusters then negotiates on behalf of the Council with the claimants' insurance company as to how much the Council will pay in damages.
- 1.6 As part of the agreed 2017/18 Internal Audit Plan, an internal audit of Tree Root Inspections has been undertaken.

#### 2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will for each controls / process being considered:
  - Walkthrough the processes to consider the key controls;
  - Conduct sample testing of the identified key controls, and
  - Report on these accordingly.

#### 3. SCOPE

- 3.1 The audit included the following areas:

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Governance arrangements;	0	1	0
Preventative maintenance;	1	2	0
Tree root claims;	0	0	0
Inspections;	0	0	1





Tree Root Inspections 2017/18

Insurance arrangements;	0	0	0
Budgetary control; and	0	0	0
Monitoring and reporting.	0	1	0
<b>Total</b>	<b>1</b>	<b>4</b>	<b>1</b>

## DEFINITIONS FOR AUDIT OPINIONS AND RECOMMENDATIONS

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are consistently applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to recommendations are based on the following criteria:

<b>Priority 1 (High)</b>	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
<b>Priority 2 (Medium)</b>	Control weakness that represent an exposure to risk and require timely action.
<b>Priority 3 (Low)</b>	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

## STATEMENT OF RESPONSIBILITY

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars Public Sector Internal Audit Limited accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

In this document references to Mazars are references to Mazars Public Sector Internal Audit Limited.

Registered office: Tower Bridge House, St Katharine's Way, London E1W 1DD, United Kingdom.  
Registered in England and Wales No 4585162.

Mazars Public Sector Internal Audit Limited is a subsidiary of Mazars LLP. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work.