

Audit of:

**Sands Centre Redevelopment
(Governance arrangements)**

Draft Report Issued: 22 August 2018
Director Draft Issued: 06 September 2018
Final Report Issued: 06 September 2018



Audit Report Distribution

Client Lead:	Contracts & Community Services Manager
Chief Officer:	Deputy Chief Executive Chief Executive
Audit Committee:	The Audit Committee, which is due to be held on 29 th September 2018 will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1. This report summarises findings from the audit of governance arrangements for the Sands Centre redevelopment project. This was an internal audit review included in the 2018/19 risk-based audit plan agreed by the Audit Committee on 19th March 2018.
- 1.2 The redevelopment of the Sands Centre is designed to improve the provision of sport and leisure facilities in the area and has been a long-term aspiration for the Council.
- 1.3 The Council has employed a multi-disciplinary design team (MDDT) to oversee the design and valuation of the project.
- 1.4 In March 2018 Council approved the development of the project up to Royal Institute of British Architects (RIBA) stage 4, including obtaining planning permission for the development. A final design and tendered price will be presented and subject to Council approval once planning permission has been obtained.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Lead for this review was the Contracts and Community Services Manager and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following scope areas:
 - Project fails to meet intended objectives due to limited governance and monitoring arrangements being established at the start of the project;
 - Project is unnecessarily delayed due to limited monitoring of progress and risk;
 - City Council does not maintain control of the project due to externalisation of project management responsibilities;
 - Unplanned financial pressures on the authority through failure to prepare and continuously monitor budgetary requirements of the project
- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

3.1 Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A**.

3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Sands Centre Redevelopment (Governance Arrangements) provide **Substantial assurance**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

4.1 There are no audit recommendations arising from this audit review.

4.2 **Findings Summary (good practice / areas for improvement):**

The Council has put into place a suitable governance process to monitor the delivery of this key strategic project. A highly experienced, multi-disciplined team has been established that meet on a regular basis to monitor progress, risk and outstanding actions. Representatives of the Council are present at the meetings and have demonstrated that the Council maintains control over the overall direction of the project.

Senior Officers and Members receive regular updates regarding the project's progress.

Financial information has been reviewed and processes are established to monitor changing requirements.

Comment from the Deputy Chief Executive

We welcome this review of the arrangements for delivering this major project and take confidence from the reported outcomes.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation's strategic objectives

- 5.1.1** The redevelopment of the Sand Centre is highlighted as a key priority for the Council as part of the Contracts & Community Services Service Plan. The Contracts and Community Services Manager and Deputy Chief Executive are responsible for overseeing delivery of this project.
- 5.1.2** Following a procurement exercise, the Council appointed a Multi-Disciplinary Design Team (MDDT) to oversee development of the project. The team consists of Architects, Designers, Engineers and a flood risk consultant, all with suitable experience of developing similar projects. Additionally, an experienced company has been appointed to act as the Council's employer's agent.
- 5.1.3** The team meet on a regular basis to review financial, design and risk issues, as well as monitor progress against the project's established timetable. Internal Audit attended a project meeting as an observer and noted that City Council representatives attend and ensure the Council's requirements are clearly known and set to be delivered.
- 5.1.4** A process is in place to monitor any outstanding issues, which are reviewed at each meeting. In addition, the Employer's Agent maintains an open-issues log to manage the completion of key issues.
- 5.1.5** A SharePoint website has been established to allow all members of the MDDT to upload and share key documentation, including project timelines, relevant reports, financial information and relevant meeting minutes.
- 5.1.6** The anticipated costs of the project have been established and continue to be monitored by a Quantity Surveyor (MDDT). Regular stress checks take place to ensure cost assumptions are reviewed and updated.
- 5.1.7** The Council's Deputy Chief Finance Officer is responsible for monitoring the Council's funding requirements for the project. Suitable arrangements are in place to fund the project, with the cost of borrowing set to be offset by the removal of a subsidy currently being paid to the current leisure provider.
- 5.1.8** Current expenditure is monitored as part of the Capital Programme monitoring process.
- 5.1.9** The Deputy Chief Finance Officer attends project meetings as required. It is advised that they are added to the current distribution list for all minutes and also given access to the project's SharePoint site.

- 5.1.10** A detailed risk register is in place specifically for the project. Discussions with the Contract and Community Services Manager provided assurances that the Council has a good understanding of the nature of the listed risks and that suitable mitigating actions are in place to manage project risks.
- 5.1.11** Relevant formal updates are provided to the Council's Executive and Joint Management Team on a regular basis. In addition, further informal briefings are in place to ensure senior officers and members are up to date with the project's progress.
- 5.1.12** The Council has consulted with external stake-holders on the project, including Sport England (potential grant funding), the Environmental Agency (flood risks) and service-users. A report on the project's stakeholder engagement has been prepared and was found to be comprehensive.
- 5.1.13** A full consultation event for members of the public was held at the venue in June 2018.

Appendix A

Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of existing control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk.	<p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

