

Carlisle City Council

Report to Audit Committee

Report details

Meeting Date:	08 July 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	Internal Audit Report – Future High Street Fund
Report of:	Corporate Director Finance & Resources
Report Number:	RD14/22

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2021/22 and considers the review of Future High Street Fund

Recommendations:

The Committee is requested to

- (i) receive the final audit report outlined in paragraph 1.1;

Tracking

Executive:	Not applicable
Scrutiny:	Not applicable
Council:	Not applicable

1. Background

- 1.1. An audit of Future High Street Fund was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2021/22. The audit (Appendix A) provides reasonable assurances and includes 4 medium-graded recommendations.

2. Risks

- 2.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

3. Consultation

- 3.1 Not applicable

4. Conclusion and reasons for recommendations

- 4.1 The Committee is requested to
i) receive the final audit report outlined in paragraph 1.1

5. Contribution to the Carlisle Plan Priorities

- 5.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources

Contact details:

Contact Officer: Michael Roper

Ext: 7520

Appendices attached to report:

- **Internal Audit Report – Future High Street Fund – Appendix A**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - In accordance with the terms of reference of the Audit Committee, Members must consider summaries of specific internal audit reports. This report fulfils that requirement

Property Services - None

Finance – Contained within report

Equality - None

Information Governance- None

Audit of Future High Street Fund

Draft Report Issued: 16th June 2022
Director Draft Issued: 16th June 2022
Final Report Issued: 23rd June 2022



Audit Report Distribution

Client Lead:	Head of Regeneration
Chief Officer:	Corporate Director of Economic Development Chief Executive
Others:	Head of Administration and Performance Management
Audit Committee:	The Audit Committee, which is due to be held on 8 th July 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 the findings from the audit of Future High Street Fund. This was an internal audit review included in the 2021/22 risk-based audit plan agreed by the Audit Committee on 15th March 2021.
- 1.2. In August 2019 the City Council was invited by the government to develop a strategy for the city centre and a business case for investment from the Future High Streets Fund (FHSF). A business case was prepared and submitted in July 2020 that set out a vision to create a vibrant and multifunctional city centre. The primary strategic objectives of the bid were:
 - renewing Carlisle city centre as a place to live, work and visit
 - reactivating Carlisle's Historic Quarter
 - catalysing Carlisle's leisure and night-time economy.
- 1.3. The City Council was awarded £9.1m (including programme management costs) to deliver four projects that contribute to these objectives:
 - reimagining Market Square (Green Market/ Old Town Hall)
 - repurposing 6-24 Castle Street
 - preparing Central Plaza site for redevelopment
 - pedestrian enhancement of Devonshire Street.

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 Client Lead for this review was Head of Regeneration 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 risks:

Effective processes have not been established to achieve clearly defined outcomes for project:

- governance
- risk management
- stakeholder management
- benefits realisation management

- 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 intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix C** for definitions).

- 3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Future Hight Street Fund provide **reasonable 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 two levels of audit recommendation; the definition for each level is explained in **Appendix D**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. Management - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	4
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (N/A)	-	-
3. Information - reliability and integrity of financial and operational information (see section 5.2)	-	-
4. Security - safeguarding of assets (N/A)	-	-
5. Value – effectiveness and efficiency of operations and programmes (see section 5.3)	-	-
Total Number of Recommendations	-	4

- 4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A. Advisory comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix B for management information.

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

Positive benefits of the Future High Street Fund project will be reviewed annually.

A generic major project document management (Share Point) site is being established.

Stakeholder engagement plans are being developed for the four Future High Street Fund elements.

A structure chart (organogram) for the Future High Street Fund project has been developed.

Terms of reference are available for all key project governance groups. Periodic review and acceptance will further enhance accountability.

A Project Management Office has been established to support major projects at the Council. Putting a performance related, documented agreement in place between the Future High Street Fund Project and the Project Management Office will help to maximise performance.

A FHSF project risk register has been developed. A documented arrangement will further demonstrate regular review, agreement and attendance by key project officers.

Regular and timely milestone reporting to the Project Steering Group will enable informed decisions to be taken on corrective action.

Comment from the Corporate Director of Economic Development:

The FHSF is a new funding stream and a governance process and PMO have been established to support. I therefore welcome this report and the recommendations which will help ensure that the correct procedures are in place and actioned.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation's strategic objectives

5.1.1 The aim of key project governance groups is to operate efficiently and effectively in line with documented and agreed terms of reference, which direct members on the group's purpose. Terms of reference were available for all three key project governance groups; periodic review and acceptance of the terms of reference in minutes will further enhance accountability. The Joint Member Working Group (JMWG) doubles as the FHSF Programme Steering Group. Responsibilities of the 'Programme Board' are detailed in the FHSF business case, although they are not explicit in the JMWG terms of reference. It is advised that management may wish to consider if there is sufficient detail in the JMWG terms of reference to direct members effectively on their FHSF project responsibilities.

Recommendation 1 – Periodic review and acceptance of terms of reference.

5.1.2 The aim of the Project Management Office is to provide an efficient, effective and timely support service for the FHSF project. The 'physical' PMO office consists of the Head of Administration and Performance Management and two other officers who will shortly be in post. The 'virtual' PMO office consists of legal, finance, property services and procurement.

5.1.3 Increased workloads due to the COVID pandemic and Local Government reorganisation has the potential to reduce the level of effectiveness, efficiency and timeliness of PMO services provided. It is recommended that documented arrangements are put in place with both the physical and virtual PMO's which are performance related.

Recommendation 2 – Put a documented arrangement in place with physical and virtual PMO's.

5.1.4 The aim of recording key governance group minutes is clarity and transparency over decisions made and actions completed. It is advised that management may wish to consider the following when recording minutes for the 3 key FHSF governance groups:

- minutes are a record of decisions and actions rather than a record of everything that is said
- minutes should include a brief record of topics discussed (linked to the agenda), decisions taken and actions assigned
- a decision may be as straightforward as noting progress of key milestones with no concerns raised
- actions should be clear assigned to individuals (not groups or services), with resolution dates
- subsequent minutes should note progress of assigned actions

- the officer recording minutes should be confident in their ability to raised questions where the decision made or action assigned is not clearly understood
- standardise the layout of minutes for the FHSF project.

5.1.5 The aim of project risk management is for key officers to regularly review what might not go to plan and put mitigating actions in place to reduce the level of uncertainty. A FHSF project risk register has been developed including specific risks for each of the four FHSF elements, along with fifth entitled 'delivery – general'. Risks are reviewed informally every 2 to 4 weeks by project element working groups. The risk register was found to be mostly complete although some updating is required. For example, the 'last updated' (date of last update) column is not completed for several of the risks. Risk G7, 'Local Government Reorganisation slowing governance decisions and reducing internal resources', has no mitigating action. Some of the risk review dates are historic and have not yet been updated to reflect recent risk reviews.

5.1.6 To further increase accountability for risk management, it is recommended that an arrangement is put in place to demonstrate regular review, agreement and attendance by key project officers. For example, management may wish to consider circulating the updated risk register following review to confirm agreement and attendance, with evidence of circulation retained. It is advised that an arrangement is put in place to ensure the risk register is reviewed for completeness and accuracy prior to circulation.

Recommendation 3 – Put a documented arrangement in place to demonstrate risk register review, agreement and attendance.

5.1.7 The aim of financial and milestone monitoring and reporting, is to enable informed decisions to be taken on the completion of significant project events, on budget and in a timely manner. Milestone reporting is submitted to Central Government and is planned to be reported to the Project Steering Group under the agenda heading 'monitoring and evaluation' The project risk register details that the project has been fully costed including between 10% and 15% contingency and that the Council will be responsible for any cost overruns. It is recommended that the Programme Steering Group documents their review and decision on key milestone and financial reporting in the group minutes. It is advised that the financial monitoring should regularly project future costs to completion including all known budget pressures and any use of contingency.

Recommendation 4 – Programme Steering Group to regularly record review and decisions taken on project milestone and financial reporting.

5.2 Information – reliability and integrity of financial and operational information

5.2.1 The aim of structure charts (organograms) is to clarify the interrelationships between project governance groups for key stakeholders. An organogram has been developed for the FHSF project although some inconsistencies were noted:

- the Joint Member Working group doubles up as the FHSF Programme Steering Group. This is explicit in the Joint Member Working Group terms of reference, although not in the organogram
- the group is referred to as the Joint Member Working Group in terms of reference and but the Joint member Advisory Group in the organogram.
- The organogram references the six FHSF projects although there are now only four.

5.2.2 It is advised that management may wish to consider:

- regular review and update of the project organogram to ensure it remains aligned to the current governance group arrangements and all other published project documents
- which stakeholders require access to the organogram and how this will be provided
- assigning responsibility for organogram maintenance.

5.2.3 The aim of the project document management system on Share Point, is to receive, track, manage, store and share accurate documents in an effective and timely manner. The PMO are in the process of establishing a generic major project Share Point site. It is noted that project Share Point sites have been established previously for major Council projects, although they were not found to be maintained satisfactorily. It is advised that management may wish to consider the following:

- identifying all stakeholders that require Share Point access
- managing stakeholder access effectively
- establishing a timetable for filing, reviewing and updating key project documents.
- following a consistent method of file and folder naming
- ensuring strict version control
- assigning responsibility for Share Point maintenance.

5.3 Value – effectiveness and efficiency of operations and programmes

5.3.1 The aim of stakeholder engagement plans is to provide a systematic approach to ensure project expectations, decisions, risk issues and progress information is delivered to the right person at the right time with the most efficient and effective level of information and in the right format.

5.3.2 Stakeholder engagement plans are being developed by consultants for the four FHSF elements. An example was provided for Market Square and the following was found:

- key stakeholder groups are identified with contact details provided
- power/ influence of each stakeholder has been assessed
- plan is in development and not fully complete. Further enhancements will include communication owners and all contact details.

5.3.3 It is advised that management may wish to consider the following:

- document for each stakeholder, how they will be engaged and what outcomes you need to aim for
- tailor the communications to each stakeholder so it addresses the issues they are most concerned about and provide in a format that is most accessible to them
- monitor engagement levels, processes and outcomes
- put an arrangement in place to demonstrate that plans are accurate, complete and maintained to the standards specified
- periodically provide the Programme Steering Group with demonstrable evidence of successful stakeholder communication (the FHSF business case details that the 'Programme Board' has ultimate responsibility for overseeing stakeholder management and communications).

5.3.4 The aim of benefits realisation is to identify the key project benefits, select how they will be measured and demonstrate that they have been reached. The FHSF business case includes a table of 10 key objectives with a common aim of increased footfall and economic benefit for the city centre. Due to the reduced project scope, some of the original objectives may no longer be relevant, so further review of the table is advised. Key performance indicators, baseline and timeframe have been identified for all objectives. The FHSF business case details that any performance issues will be addressed through project managers and the Programme Steering Group. It is further advised that the results of the specified annual monitoring are provided to the Programme Steering Group with their decision documented in the board minutes.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – Periodic review and acceptance of terms of reference.	M	Reduced level of accountability of key governance group members.	FHSF Programme Manager to review and update the Terms of Reference for project / programme governance groups at appropriate stages in the programme to ensure roles and responsibilities accurately reflect the activity and decision-making required (i.e., transition from project development to implementation)	Head of Regeneration	Ongoing
Recommendation 2 – Put a documented arrangement in place with physical and virtual PMO's.	M	Potential for reduced level of service.	The PMO team to provide support to the FHSF Programme Manager and project governance groups in terms recording minutes, decisions and actions.	Head of Regeneration / Head of Administration and Performance Management	July 2022

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 3 – Put a documented arrangement in place to demonstrate risk register review, agreement and attendance.	M	Risks escalate with management unaware.	The individual SROs and project governance groups will report / update risks to the FHSF Programme Manager, who will provide them to the PMO. The PMO will then collate these into a highlight report /risk register that will be considered by the FHSF Programme Steering Group. This will be a stranding item on the Programme Steering Group agenda.	Head of Regeneration / Head of Administration and Performance Management	Ongoing – but with review of systems and processes by July 2022
Recommendation 4 – Programme Steering Group to regularly record review and decisions taken on project milestone and financial reporting.	M	Milestones are not met and costs escalate with Programme Steering Group unaware.	Establish a SharePoint site repository for the EcDev regeneration programmes where key FHSF project / programme information is to be held. Set up a process and timetable for reviewing and where necessary updating key information so that the repository remains up-to-date.	Head of Regeneration / Head of Administration and Performance Management	August 2022

Appendix B – Advisory Comments

Ref	Advisory Comment
5.1.1	Management may wish to consider if there is sufficient detail in the JMWG terms of reference to direct members effectively on their FHSF project responsibilities.
5.1.4	<p>Management may wish to consider the following when recording minutes for the 3 key FHSF governance groups:</p> <ul style="list-style-type: none"> minutes are a record of decisions and actions rather than a record of everything that is said minutes should include a brief record of topics discussed (linked to the agenda), decisions taken and actions assigned a decision may be as straightforward as noting progress of key milestones with no concerns raised actions should be clear assigned to individuals (not groups or services), with resolution dates subsequent minutes should note progress of assigned actions the officer recording minutes should be confident in their ability to raised questions where the decision made or action assigned is not clearly understood standardise the layout of minutes for the FHSF project.
5.1.6	Put an arrangement in place to ensure the risk register is reviewed for completeness and accuracy prior to circulation.
5.1.7	Financial monitoring should project costs to completion including all known budget pressures and use of contingency.
5.2.2	<p>Management may wish to consider:</p> <ul style="list-style-type: none"> regular review and update of the project organogram to ensure it remains aligned to the current governance group arrangements and all other published project documents which stakeholders require access to the organogram and how this will be provided assigning responsibility for organogram maintenance.
5.2.3	<p>Management may wish to consider the following:</p> <ul style="list-style-type: none"> identifying all stakeholders that require Share Point access managing stakeholder access effectively establishing a timetable for filing, reviewing and updating key project documents. following a consistent method of file and folder naming ensuring strict version control

	<ul style="list-style-type: none"> • assigning responsibility for Share Point maintenance
5.3.3	<p>Management may wish to consider the following:</p> <ul style="list-style-type: none"> • document for each stakeholder, how they will be engaged and what outcomes you need to aim for • tailor the communications to each stakeholder so it addresses the issues they are most concerned about and provide in a format that is most accessible to them • monitor engagement levels, processes and outcomes • put an arrangement in place to demonstrate that plans are accurate, complete and maintained to the standards specified • periodically provide the Programme Steering Group with demonstrable evidence of successful stakeholder communication (the FHSF business case details that the 'Programme Board' has ultimate responsibility for overseeing stakeholder management and communications).
5.3.4	<p>Further review of the objectives table.</p> <p>Results of the specified annual monitoring provided to the Programme Steering Group with their decision documented in the board minutes.</p>

Appendix C - 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 embedded control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<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 embedded.</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 that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. 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-existence or 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>

Appendix D

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).