

**DRAFT
INTERNAL AUDIT
REPORT
SRBC 19-20**

Health & Wellbeing Leisure Campus

Author & Date

**Janice Bamber
Interim Head of Shared Assurance
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1	REASONS FOR AUDIT / SCOPE
1.1	South Ribble Council has a number of significant projects included in the Corporate Plan, the Audit Plan for 2019/20 included an allocation of days for Project Support in order to support individual projects as and when required. As a number of projects did not require Internal Audit support it was determined to use the allocated days within the Audit Plan to review the Governance of a major project that had been ongoing throughout the 2018/19 financial year – this project was outlined as the Health & Wellbeing Campus (Leisure Centre).
1.2	The review was undertaken to ensure Governance arrangements for Project Management are in place and that governance and controls are operating effectively and secondly to provide assurance that the H&W Campus project had been managed appropriately with due regard to robust project management.

2	BACKGROUND & SCOPE
2.1	As part of the Council's Corporate Plan a proposal was put forward in July 2017 to develop a borough wide Leisure, Health and Wellbeing Campus. Cabinet endorsed the proposal and a capital budget of £15m was agreed for the project by Cabinet and Council in February 2018.
2.2	A Development Team (Faithful and Gould) were procured in October 2018 to design, manage construction and deliver the leisure building element of the Campus project, on the basis that the final proposal did not exceed £1.8m. A Project Director was also employed on behalf of the Council to oversee the project.
2.3	The Council's Corporate Plan includes a number of large scale projects that require robust governance and management arrangements, in order to ensure that the Council has an established governance framework for the monitoring and management of significant large scale projects Internal Audit have undertaken a review of an existing large scale project that was originally included in the Corporate Plan for 2017 – 2021.
2.4	<p>The scope of this review was to:</p> <ul style="list-style-type: none"> • Establish Procurement process and Appointment of F&G complies with Contract Procedure Rules; • Determine if effective Governance arrangements were in place in respect of the Project; and • Ensure Procedures in respect of Key Decisions have been adhered to

3	ASSURANCE RATING
3.1	The review was undertaken to determine if effective governance arrangements, including Project management, compliance with relevant rules, procedures and regulations and the effectiveness of con
3.2	Internal Audit provide an independent and objective opinion on the adequacy of the Council's control environment, in order to do that Internal Audit review and provide an opinion on the level of assurance of the control environment within each service area reviewed. The level of assurance is based on the assessment of the extent to which system objectives are met, the effectiveness of controls operating within those systems and the resultant extent to which risks are mitigated
3.3	The Council has an effective governance framework relating to the Procurement of goods and services, contained in the Constitution, in regard to decision making, Contract Procedure Rules relating to the procurement routes for all levels of procurement and waivers to CPR's where necessary and Financial Procedure Rules in respect of separation of duties, financial limits and authorisation levels. The framework provides for a sound system of governance, controls and mitigation of risk.
3.4	Further the Council has a sound Project Management framework, which includes appropriate governance arrangements in respect of decision making, financial governance and reporting principles.
3.5	However, for the process and systems of control to be effective and to demonstrate the effectiveness of the Governance framework, the Constitution, CPR's and FPR's must be complied with. The findings detailed below will demonstrate that all decision making procedures, procurement and key decision processes have in part been disregarded by Senior Officers of the Council, controls are not operating as they should and risks are not mitigated.

3.6	There are attempts to comply with aspects of the Contract Procedure Rules in regard to the Procurement process, however, it does not fully comply with the full extent of the rules and the process fails to demonstrate value for money for the organisation, further there is no evidence to support the evaluation of either supplier and despite one providing estimates of half the successful supplier, the reasons that supplier with the greater cost is not documented, which demonstrates fundamental failings in decision making relating to the procurement process.
3.7	There are fundamental failings within the decision making process and the governance arrangements in respect of this project, including failing to record Programme Board meetings and the decisions made at them, failure to provide appropriate information in regard to increased costs to Members to enable robust decision making and failing to comply with the key decision process despite it being included in Cabinet Reports.
3.8	The failings are such that the assurance ratings outlined below cannot apply, it is Internal Audit's opinion that No Assurance can be placed on the effectiveness of controls in place and the extent to which risks have been mitigated in regard to this project. This is largely due to the fundamental failure / disregarding of governance arrangements by Senior Officers.
	<p>Normal Control Rating Key</p> <p>Full – the Authority can place complete reliance on the controls. No control weaknesses exist.</p> <p>Substantial - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.</p> <p>Adequate - the Authority can place only partial reliance on the controls. Some control issues need to be resolved.</p> <p>Limited - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist</p>

4	FINDINGS
4.1	A proposal for a borough wide Leisure, Health and Wellbeing Campus went to Cabinet in July 2017. This report sought Members views on the Campus approach and as a result Cabinet resolved that a Cross Party Working group be established and a further report be presented to Cabinet detailing the findings and recommendations and a resource plan.
4.2	At the Cabinet meeting of 25 th January 2018, the 'Financial Case for the Health, Leisure and Wellbeing Campus Programme' report was considered which outlined a proposed 5 year Capital Plan for Health and Wellbeing. A budget of £24.45m was set for Health, Leisure and Wellbeing which included £15m allocated for a new leisure facility. The decision made from that meeting was that Council be recommended to approve the investment programme and that it should be incorporated into the Council's Capital Strategy. The Capital Strategy was then approved at the following Council meeting in February 2018.
	Procurement Process & Appointment of Faith & Gould
4.3	A Specialist Advisor was employed by the Council to lead on the Campus project. He first contacted the Principal Procurement Officer by email on 4 th April 2018 explaining the need to procure a design team for the Campus Programme and expressed possible interest in a framework agreement. He referred to PAGABO and Construction Hub as providers he was aware of and welcomed the Procurement Officer's feedback.
4.4	The matter was discussed further in a series of emails between the two and SCAPE was also suggested as a framework provider by the Principal Procurement Officer. The Council's Contract Procedure Rules states at paragraph 1.6 that one of its four main purposes is to obtain Best Value in the way the Council spends money and in line with this, an email from the Procurement Officer to the Specialist Advisor and the Council's Monitoring Officer on 10 th April 2018 provided advice on how to determine which framework offered Best Value. She also referred to the need to obtain prior approval of the procurement route from the relevant Executive Member as stated in Contract Procedure Rules as follows: <i>"For all High Value Procurements above the EU threshold, prior approval of the proposed contract award procedure including the evaluation criteria and weightings to be applied, shall be sought from the relevant Executive Cabinet Portfolio Member as a delegated decision."</i>
4.5	As part of the procurement process, meetings with both companies took place with the Principal Procurement Officer and Specialist Adviser; both companies provided clarification documents and proposals received as follows:- i) SCAPE / Perfect Circle - Fee £854,000 09/05/18 ii) PAGABO / Faith & Gould - Fee £1,620,000 31/05/18

4.6	<p>The Specialist Advisor drafted a report for Cabinet and requested the Principal Procurement Officer's comments for this. The Principal Procurement Officer advised, amongst other things that the report should:-</p> <ul style="list-style-type: none"> i) provide details of the proposed procurement route, (this was a reiteration from a previous discussion, see above) including that 2 frameworks had been considered ; ii) provide an indication of proposed contract costs, including any rebates; iii) refer to social value and best value in the comparison of the 2 frameworks iv) recommendation of framework to be utilised or for delegated decision to relevant director to make that decision.
4.7	<p>The report - "First Phase of Campus Programme" was then presented to Cabinet on 21st June 2018, this report included recommendations that Cabinet should:-</p> <ul style="list-style-type: none"> i) approve schedule of works as outlined and grant authority to spend on those schemes; ii) endorse procurement route via a single source, direct aware framework (PAGABO/Perfect Circle Framework) iii) authorise commencement of work on Leyland Campus Masterplan.
4.8	<p>The report did outline the 2 frameworks being explored, however the report did not provide a comparison between the two frameworks, did not detail indicative costs and there was no recommendation for the preferred supplier or a delegated decision to the relevant Director.</p>
4.9	<p>There is no documentary evidence been made available as part of the review to support the premise that a detailed evaluation of the two frameworks was undertaken. There is evidence available that the Council's then Leisure Manager was asked to draft the reasons why PAGABO had been chosen over SCAPE, this included information that both companies submitted explanation documents relating to their frameworks but were developed on a different basis, making it difficult to evaluate. The reasons within the document are contradicted by the submissions of SCAPE and the Principal Procurement Officer.</p>
4.10	<p>In the absence of evaluation documents, Internal Audit has interviewed key officers to ascertain why the PAGABO framework was chosen. Anecdotally, it has been explained that the Chief Executive Officer (CEO) was keen to use Faithful & Gould having worked with them before on previous projects and instructed the go ahead with them. There is no documentary evidence to substantiate this, however, there is an email (18/07/18) from a member of the project team stating that the CEO had requested he arrange to bring PAGABO in to the Council, to initiate the process and get their proposal produced, this meeting is confirmed by the Regional Director of F&G in an email on 20/07/18.</p>
4.11	<p>Paragraph 31.5 of the Council's Contract Procedure Rules refers to Framework Agreements and states "<i>Where a public sector framework is used in accordance with the above provisions, without entering into a full, separate procurement process, all other relevant aspects of these procurement rules will still apply, including any approval which may be required for the procurement award procedure (in this case to use the identified framework), approval for the evaluation criteria and weightings (in the event of a further competition under the framework), and approval for the contract award prior to contract acceptance</i>".</p> <p>In line with this, the Principal Procurement Officer spoke with the Monitoring Officer on 26th July 2018 to seek confirmation as to whether the Cabinet report of 21st June 2018 gave approval to select which framework to use or whether further approval was needed. An email response was received 27th July 2018 stating that he considered that the Cabinet report would have been better to include specific delegation to the relevant director to decide which framework to use, but considered further approval could be avoided as Members had agreed the approach and been informed of the two frameworks under consideration. He suggested that when the next report was taken to Cabinet to seek approval to enter into the specific contract, Members could be updated with details of which framework was chosen and why. His response also copied in the Director of Neighbourhoods and Development and the Director of Planning and Property.</p>
4.12	<p>A Campus meeting was held 3rd August 2018 after which the Director of Neighbourhoods and Development emailed a list of Outstanding Actions to officers. One of these actions was for the Leisure Manager to discuss the next Cabinet report with the CEO regarding the need for the report to detail authority to enter into a specific contract, and to include the reasons why PAGABO was chosen which should include indicative costs. Audit is unable to confirm whether this discussion took place as the Leisure Manager no longer works for South Ribble Borough Council. Audit can confirm however, that this email was also copied to the CEO along with the attached Action Points.</p>

4.13	The next report was taken to Cabinet 12 th September 2018 seeking approval to enter into a contract with Faithful and Gould Ltd. via the PAGABO Framework on the basis that the final proposal did not exceed £1.8m. However as per the Monitoring Officer's suggestion, there were still no evaluation details or indicative costs for the contract fee included within the report. The minutes of this Cabinet meeting also show that Councillor P Foster queried the lack of detail provided in the report and requested that the decision be deferred. The recommendation was however, supported, but this decision was later called in at Scrutiny Committee on 27 th September 2018.
4.13	A more detailed report was requested for the next meeting of Cabinet (17/10/18), this report included further information in respect of the governance arrangement and outlined only 1 distinct difference between the two frameworks, the reason highlighted was the reason already contradicted previously. Further, some of the reasons for choosing PAGABO, could equally have been reasons for choosing SCAPE. There was no comparisons made between the services that both frameworks could provide and the reasons also failed to detail the likely fee for the contract award.
4.14	Furthermore, the report that went to Cabinet 12 th September 2018 did not detail the full contract cost proposed by Faithful & Gould. A fee proposal was received from them on 5 th September 2018 quoting a fee of £1.988m, whereas the Cabinet Report stated the proposal would not exceed £1.8m. As the report had already been sent to Democratic Services, the Director of Neighbourhoods and Development emailed the CEO on 7 th September 2018 explaining the issue and suggesting that she could present a note to amend the report with the portfolio holder's agreement. The CEO explained however that this was not necessary as she considered they would be able to negotiate the costs down.
4.15	Reports to Cabinet have failed to show the required detail with regard to evidencing that the selected contract (PAGABO) demonstrated Best Value for the Council. This requirement is fundamental in adhering to Contract Procedure Rules and especially in view of the fact that at £1.8m, this contract was for a significant value. A detailed comparison between the available frameworks including indicative costs has not been provided, even after advice was sought from the Procurement Officer, and subsequently the Monitoring Officer. Even after further detail was requested as a result of a Scrutiny Committee decision, the extra detail that was provided was not an evaluation of the two frameworks. Email evidence shows that senior managers were aware of the requirement to provide detailed reasons, and yet the CEO instructed the utilisation of the PAGABO framework without this. There has therefore been a breach of Contract Procedure Rules.
4.16	Furthermore, approval to utilise the PAGABO framework was sought at same time as approval was sought to enter into a contract with Faithful & Gould whereas ideally, approval to choose which framework to use should have been sought in advance as per the Monitoring Officer's comments. Whilst an attempt to comply with CPR's is evidenced to an extent, there are failures to duly comply due to the lack of detail provided, despite advice to include comparisons of the frameworks, substantive reasons why one framework was chosen over the other and a failure to include cost comparisons, this does not demonstrate or evidence Best value / value for money for the Council and can leave the Council open to financial, reputation and legislative risks.
Increase in Budget Costs	
4.17	<p>The Council's Assistant Director of Projects and Development was assigned the role of Campus Project Director on his appointment in January 2019. Prior to this, the Interim Project Director prepared had provided to the Deputy Chief Executive – Regeneration & Growth, a detailed work plan to mid-January 2019 which included the development of a budget for the programme that would include contingency and risk allowances, in conjunction with the Senior Management Accountant.</p> <p>On 14th December the Interim Project Director provided to DCE – Resources & Services (S151), the Interim Project Director, Principal and Senior Management Accountants details of a draft budget for the project which included items for which there was no approved budget which totalled £24.7m. The budget estimated core project costs at £18.7m (Leisure Centre, Project Management, Business Case etc.) and also included extra costs of £6.05m for development of The Warren and a link building between the campus and civic centre.</p>
4.18	As there are no detailed records in regard to the project meetings, there is no clear evidence available to explain how / why the other costs / areas of further work arose. Neither had any of these issues been reported to Cabinet for decision. The Constitution is clear in regard to the key decision making process, in that any expenditure which would trigger a key decision, i.e., £100,000 must be approved by Cabinet; further this had been specifically agreed in regard to this project, in a Cabinet report of October & November 2018.

4.19	<p>The increase in costs in relation to the Core Project costs were £3.6m plus additional costs of approx. £6m, which had not been reported to Cabinet by Officers. The Financial Regulations are clear in regard to all expenditure, including Capital Expenditure, in that:-</p> <ul style="list-style-type: none"> • Chief Officers are required to ensure that throughout the implementation period of a capital scheme, the specification remains consistent with the overall objectives of the scheme and that expenditure continues to deliver best value for money for the Council; • Chief Officers must monitor and report capital expenditure and income for all schemes within the approved capital programme and identify any variations against the approved level of expenditure; <p>There was a requirement to report ongoing spend / costs of each individual amount of £100,000 to Cabinet as outlined in the Cabinet report October and November 2018, no reports in regard to these increases were reported to Cabinet in line with that report. Further as the increase in costs increased the previously agreed budget, this should have been referred back to Council for approval. Financial Regulations state:-</p> <p><i>“A chief officer must seek Council approval of a budget increase”.</i></p>
4.20	<p>There is no evidence available to confirm that any reports in respect of the increased costs in relation to the Core Project costs, which included:-</p> <ul style="list-style-type: none"> • Green Links & St. Mary’s £581k • The Warren Purchase (inc. Demolition) £541k <p>were referred back to Cabinet or Council for further approval (in accordance with Financial Regulations). Furthermore, there is no evidence that the increased costs in respect of The Warren Development (£3.6m) and the Link Building (£2.4m) were referred back to Cabinet and / or Council for approval. There is also no evidence to support the decision in regard to the extension of the work and increase in project scope, the Capital Programme is agreed as part of the budget process, however, Financial Regulations states that the approval of:</p> <p><i>“the programme of capital expenditure does not automatically constitute authority for incurring expenditure”</i></p> <p>The capital programme is approved, however, then for each individual project the budget estimates and spend require further approval. The financial regulations would define these increases in expenditure as budget increases. As the increases are above £100k, they are required to be approved by Council and it is incumbent on the Chief Officer managing the project to act in this regard.</p>
4.21	<p>As the budget increases were not reported this clearly breaches the Council Financial Procedure Rules in regard to approval for capital expenditure, increases to budgets and the Constitution’s requirements with regard to key decisions, the failure to report the key decision is further compounded by the fact that the requirement to report all expenditure above £100,000 in relation to this specific project had been further specified in the Cabinet meeting of October & November 2018. This could be viewed as a blatant disregard of the Members recommendation by Senior Officers of the Council.</p>
4.22	<p>The failure to report spend at regular intervals as set out in Cabinet reports, the non-compliance with Financial Regulations and failings in relation to budget and capital spend approval are fundamental failings in regard to the Council’s Rules and Regulations, has left the Council vulnerable to significant risk of financial loss and reputational damage. This is further compounded by the significant failings by the S151 Officers who failed in their statutory duty to ensure financial rules and regulations are adhered to and failed to ensure proper and appropriate financial management, administration and stewardship of the Council’s finances relating to this project.</p>
4.23	<p>The Interim Project Manager also drafted a report due to be taken to Cabinet on 23rd January 2019 that included this revised budget. This report was emailed to the Senior Management Accountant on 20th December 2018 requesting his comments, and to both Deputy Chief Executives later the same day. The Senior Management Accountant explained in his response that he and the Principal Management Accountant were meeting with the Deputy Chief Executive – Resources and Services the following day to discuss.</p>
4.24	<p>Also on 20th December 2018, the Director of Neighbourhoods and Development emailed both Deputy Chief Executives with a copy of the draft Cabinet Report (v2) which had been sent to her from the Project Manager. In her email, she asked for their comments as Democratic Services had explained that the report needed completing that day. She also said that they would discuss the report in the Campus meeting later that afternoon. In addition, she emailed the report to Councillor P Smith (the portfolio holder), as it was her understanding that there would be no Cabinet Workshop due to the Christmas break and explained that she would also bring a copy of the report for him to the Campus meeting. Whilst it is appropriate for the portfolio holder to be kept up to date, this action was not sufficient in itself to satisfy any obligations in regard to reporting / decision making.</p>

4.25	<p>The Campus Programme Board was established in October 2018 following Cabinet's approval of the Campus Programmes Governance arrangements; it has been identified as part of the review that no record of these meetings were maintained.</p> <p>The review confirmed the first reference to the Campus budget is listed under 'Next steps' at the meeting of 6/12/18, there is also reference to the first draft of the Cabinet Report for the Cabinet meeting of the 23/01/19. It is not possible to confirm what discussion or agreement took place; there are a list of attendees which includes the CEO, Dep CEO's and Councillors, however, there is no information to confirm their attendance.</p> <p>Further Campus Programme Board meetings took place prior to the Cabinet meeting (23/01/19), the meeting on 20/12/19 again refers to the Cabinet Report under 'Next Steps December / January'. There is no record of the meeting to confirm this, however, the Director of Neighbourhoods and Development states in an email that the report would be discussed. An attendance list for this meeting shows the DCE – Regeneration and Growth, Project Manager, Director of Neighbourhoods and Development, and Councillors attended.</p>
4.26	<p>A further meeting held on 10th January 2019 lists the Cabinet Report as a meeting item and sets out the draft recommendations to be included in the report, however Audit have been unable to obtain an attendance list for this meeting.</p>
4.27	<p>Email evidence shows that the Director of Neighbourhoods and Development further emailed the draft report to the DCE- Regeneration and Growth on 7th January 2019 in respect of the report going to Cabinet as report clearing was to be undertaken on that date, there is no evidence and the D (N&D) does not recall receiving a response. The Director (N&D) has stated that the CEO came to see her and informed her that the report no longer needed to go to Cabinet, the newly appointed AD (Projects & Development), and DCE (R&G) would be taking the lead on the project and would need to review all the information before a report could be submitted to Cabinet; and was further told that she would no longer be involved in the project.</p>
4.28	<p>Design and Client Team meetings were held monthly and attended by key members of the Council's project team and Faithful and Gould's project team. Minutes from these meetings have been reviewed and show that a finance meeting was held 31st January 2019, it has been confirmed that a feasibility estimate was discussed at this meeting and the total estimated costs for work were estimated to be between £25.4m and £26.2m, dependent on other work being included. The costs were discussed with both DCE's, one of which was S151 Officer and the feasibility estimate was emailed to key stakeholders including DCE (R&G).</p>
4.29	<p>The AD (P&D) was instructed by the DCE (R&G) to further examine the costs with a view to reducing them and not to discuss costs with Members. A revised estimate costed the project at £23.8m to £26.5m, this was discussed with the DEC (R&G).</p>
4.30	<p>Members were presented with the Council's proposed 2019/20 Revenue Budget 2019/20 and the Medium Term Financial Strategy 2019/20-2022/23; included in this was £14.82m for the Leisure Campus Facility within the Capital Strategy. Despite Senior Officers of the Council, including the Section 151 Officer and Senior Finance staff being aware of the increased costs, no information in this regard was included in the Capital Strategy.</p>
4.31	<p>The Principal Management Accountant has explained that she raised the matter with the Section 151 Officer but was told to leave the £15m originally budgeted in the budget report. She recalls that he thought any increase in capital financing costs could be met from savings in the Leisure revenue budget and she was under the impression that further work would be done on this after which a report would be taken to Cabinet. However, none of this was included in the report.</p>
4.32	<p>The Interim Project Manager's draft budget estimated that the project would require significantly more money than had been approved by Cabinet. Senior managers within the Council were made aware of these increased costs and yet there was no decision made to pause the project until further Cabinet approval was sought. Although a report setting out this budget was prepared for the 23rd January 2019 Cabinet meeting, the CEO instructed that this report should not go, deeming it unnecessary at that time.</p>
4.33	<p>The S151 Officer in post at the time has since left the authority, the S151 Officer who succeeded him and the Senior Management Accountant undertook a review of costs to identify potential impacts including abortive costs. The total expenditure to date on this project is £602,409, meaning if the project is cancelled there is a risk that up to £602k would have to be written off to revenue.</p>

4.34	The decision in regard to the future of the project has not yet been made by Members, at this stage no decision has been made to cease the project. This is still under discussion. It is important to note that a specific clause was written into the contract, given the uncertainties in regard to feasibility and risks inherent in the project, in respect of being able to cease the project at any time. Failure to report increases in expenditure and scope have not provided Members with the opportunity to take an informed decision in regard to continuation / ceasing of the project before further significant expenditure had taken place.
4.35	The lack of records of the Programme Board and decisions made by Senior Officers, demonstrates a clear disregard for the Governance arrangements put in place for this project. Governance arrangements ensure effective decision making, the failure to provide Members with all relevant information in relation to increased costs, means that Members were unable to make effective decisions in regard to the continuation of this project and has potentially resulted in significant loss to the Council.
Report to Cabinet	
4.36	<p>In the October and November 2018 Cabinet meetings it was agreed that:-</p> <ul style="list-style-type: none"> • In compliance with the council's Constitution, every key decision of £100,000 or more for this programme will be referred back to Cabinet. <p>It was also agreed that reports would be taken back to Cabinet for authorisation at each significant stage of the project, the first of the stages being 'concept design and budget prior to submission of outline planning application' and stated that a detailed programme strategy would be provided at the January Cabinet meeting.</p>
4.37	<p>The review has identified that no reports from this date have been submitted to Cabinet referencing the Leisure Campus Programme, further the AD (P&D) has confirmed that no reports have been presented to Cabinet. It was also identified that the following payments have been made to F&G (including VAT):-</p> <ul style="list-style-type: none"> • October and November 2018 £96,000 • April 2019 £54,000 • January to May 2019 £533,000 (some individual payments in excess of £100,000 each)
4.38	It was confirmed that no details of these payments has been provided to Cabinet either prior or subsequent to the costs being incurred.
4.39	The failure to inform Cabinet as agreed is a breach of the Council's decision making process in regard to key decisions, it is also a failure to comply with the governance arrangements put in place by Cabinet in October 2018. It is a blatant disregard of agreed procedures.

5	CONCLUSION
5.1	<p>The findings identify a number of significant fundamental failings in respect of governance arrangements in regard to this key project, including failure to comply with Constitutional decision making processes, including failing to inform Members of increasing costs at key times in the budget process; failure to notify Cabinet, as outlined by Cabinet and the Constitution in respect of expenditure in the amount of key decision (£100,000). This demonstrates that the checks and balances put in place to support officers and enable Members to make informed decisions have been totally disregarded by the people at a Senior level including the statutory officers of the Council and the Chief Executive.</p>
5.2	<p>It also appears apparent that Senior Officers and Members who were aware of the increase in budget / expected costs in regard to the Leisure Campus have failed to inform the Executive and failed to include these costs in budget estimates for the 2019/20 Financial year, despite being aware of them prior to the Budget meeting.</p>
5.3	<p>The review was focused primarily on the governance issues surrounding Procurement and Governance arrangements within Project Management.</p>
5.4	<p>In regard to Procurement, whilst there is an attempt to follow the required process in respect of the framework, the process utilised falls short of full compliance and adherence to the Council's Contract Procedure Rules. Despite being informed and reminded that the report to Cabinet in respect of the procurement route must contain comparisons of the 2 Frameworks used, details of the indicated costs and reasons for choosing one over the other, this information was either not provided or was contradictory to available information and / or not substantive reasons for the decision. At no point were Members informed of the substantial differences in costs between the 2 with one supplier providing an estimate of under half of the chosen supplier. There is no evidence of how the evaluation was undertaken therefore no evidence to substantiate that value for money has been attained, this is particularly difficult as the costs vary so greatly.</p>
5.5	<p>In respect of the Governance arrangements in respect of Project Management, the failure to record and decisions and / detail of discussions, in respect of finances, risk and project delivery is a complete and fundamental failure of project management principles, thus governance of projects. Further failure to inform Cabinet in respect of spend over a £100,000, is a total disregard of agreed decision making processes, which were reiterated at Cabinet meetings. There is also a fundamental failure by Senior Officers of the Council to inform Members in respect of the increased costs when they knew about them, instead instructing other officers to not discuss the finances with Members. This has resulted in Members being unable to make informed decisions in a timely manner and the continuation of spend which has resulted in over £200K having to be written off in revenue accounts.</p>
5.6	<p>There are fundamental failings in relation to the budget increases and failure to seek approval for increased expenditure and key decisions, this lack of compliance with Council financial rules and regulations has evidenced significant failings on the part of the S151 officer; the Statutory Officer role as S151 is to ensure proper and adequate financial management, administration and stewardship of the Council finances, the failure to do so in this specific project constitutes the failure of a Statutory Officer to carry out their duties. The checks and balances put in place to ensure proper governance in regard to the Council's finances appear to have been disregarded by Officers of the Council at its most senior level.</p>
5.7	<p>Further the failure to report and seek approval from Members has resulted in a possible charge to revenue of up to £602,409. At this stage no decision has been made to stop the project, however, had Members been made aware of the increased costs, that decision may have been taken and further expenditure on fees ceased. Members had the capacity to make that decision at any time due to the specific clause that had been included in the contract relating to this issue; the clause was included due to the uncertainties at the time and the inherent risks in this project.</p>

Statement of Responsibility

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.