

Causeway Coast and Glens Borough Council

Internal Audit Report Strategic Projects

2018
Final

MOORE STEPHENS

INTERNAL AUDIT REPORT

Strategic Projects

Executive Summary

This internal audit was completed in accordance with the approved annual Internal Audit Plan for 2018/19. This report summarises the findings arising from a review of Strategic Projects.

Through our audit we found the following examples of good practice:

CCAG, developed their Council Strategy 2015-19, and completed an engagement process with the public which led to the creation of a Community Plan. CCAG then created a Delivery Plan (for the Community Plan) and an Annual Business Plan for Prosperity and Place (to manage the implementation of the deliverables in the Delivery Plan relating to Economic Actions). These strategies and plans drive the planning and selection of strategic projects.

The table below summarises the key risks reviewed:

| Risk | Number of recommendations & Priority rating | | |
|--|---|----------|----------|
| | 1 | 2 | 3 |
| There is inadequate planning of strategic projects leading to decisions to implement projects which do not support Council's objectives or inappropriate use of Council resources. | - | - | - |
| There are potentially inadequate controls over the tendering of strategic projects, leading to poor value for money, a lack of clear and transparent decision-making and a lack of opportunity for others. | - | - | 1 |
| Projects are potentially not adequately controlled, managed and monitored leading to overspend and increased costs to the Council and/or non-delivery of project objectives. | - | - | 1 |
| Total recommendations made | 0 | 0 | 2 |

Based on our audit testing we are able to provide the following overall level of assurance:

Satisfactory

Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

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| | |
|----------------------|---|
| Auditor: | Mark Crawford |
| Distribution: | Audit Committee Chief Executive Head of Prosperity and Place Director of Leisure and Development |
| | August 2018 |

| Audit progress | Date |
|---|--------------------------------|
| Audit commenced | 31 st August 2018 |
| Draft Report issued to senior management for response | 22 nd October 2018 |
| Responses Received | 29 th November 2018 |
| Responses Agreed | 30 th November 2018 |
| Report Issued | 30 th November 2018 |

All matters contained in this report came to our attention while conducting normal internal audit work. Whilst we are able to provide an overall level of assurance based on our audit work, unlike a special investigation, this work will not necessarily reveal every issue that may exist in the Council’s internal control system.

1 Objective

The areas for inclusion in the scope of the audit were determined through discussion with management and considered the main risks facing strategic projects and a review of the key systems and controls in place to address these. The objective being to ensure that:

- There are adequate arrangements in place within the Council to successfully manage strategic projects.
- Expenditure relating to strategic projects (including payments to contractors) is adequately controlled and managed.

2 Background

Causeway Coast and Glens Borough Council (CCAGBC) are currently undertaking a range of strategic projects, these currently consist of;

- Digital Connectivity
- Energy Project Development
- Foreign Direct Investment Material
- Atlantic Link Enterprise Campus
- Workforce Development Programme Community Planning

Undertaking strategic projects can be for various reasons such as supporting the development of the local economy and helping to improve local infrastructure, among others. There are numerous factors which drive the strategic projects, and these are highlighted within the community and business plans for CCAGBC. The strategic projects team is new and currently consists of one council staff member, however there are plans to recruit additional staff.

The budget for Strategic Projects (2018/19) is £180,000 and is split over the following projects:

- Digital Connectivity - £15,000
- Energy Project Development - £50,000
- Foreign Direct Investment Material - £5,000
- Atlantic Link Enterprise Campus – Up to £100,000 in 2018/19
- Workforce Development Programme Community Planning - £10,000

For 2018/19 the “needs-based” desired outcomes contained in the Community Plan were the main drivers behind the selection of strategic projects.

3 Risks

The potential risks identified by Internal Audit relating to strategic projects and agreed with management are as follows:

1. There may be inadequate planning of strategic projects leading to decisions to implement projects which do not support Council's objectives or inappropriate use of Council resources.
2. There may be inadequate controls over the tendering of strategic projects, leading to poor value for money, a lack of clear and transparent decision-making and a lack of opportunity for others.
3. Projects are potentially not adequately controlled, managed and monitored leading to overspend and increased costs to the Council and/or non-delivery of project objectives.

4 Audit Approach

Our audit fieldwork comprised:

- Documenting the systems via discussions with key staff
- Consideration of the key risks within each audit area
- Examining relevant documentation
- Carrying out a preliminary evaluation of the arrangements and controls in operation generally within the Council
- Testing the key arrangements and controls
- Testing the completeness and accuracy of records.

The table below shows the staff consulted with and we would like to thank them for their assistance and co-operation.

| Job title |
|---------------------------|
| Strategic Project Manager |
| Projects Director |

5 Findings and Recommendations

This section of the report sets out our findings in relation to control issues identified and recommendations. A summary of all the key controls that we considered is included in Appendix II to this report.

5.1 Risk 1 – Potential for Inadequate Planning

We have no findings or recommendations to make against this risk area.

5.2 Risk 2 – Potential Inadequate Tendering Controls

ISSUE 1 – Evaluation Criteria / Panel Decisions

a) Observation- Audit was advised that the procuring of a study within the ALEC project required no evaluation criteria to be developed by CCAG as the provider was selected from the Strategic Investment Board (SIB) framework, Audit was advised that the work was agreed under lot 6 of the SIB Framework. A review of the SIB Framework revealed that the Council is entitled to use the Framework and we were advised that a SIB officer working with Council was involved in the process. However, Council did not formally inform the relevant SIB officials who are required to monitor the value and type of contracts being awarded within their framework. Council are required to do this according to paragraph 3.1.2 and 3.1.3 of the SIB Framework.

b) Implication- If SIB are not formally notified of the type and value of projects awarded using the SIB Framework by Council there is a risk that SIB is not able to monitor the total value of contracts within its Framework and that Council is not fully compliant with the terms of using the SIB Framework.

c) Priority Rating- 3

d) Recommendation- Council should formally inform SIB of the details and value of the project awarded under the SIB Framework and ensure complete compliance with the terms and conditions of any external Frameworks Council may opt to use in the future.

e) Management Response-
Accepted

f) Responsible Officer & Implementation Date-
Jonathan Gray; Project Director, Strategic Investment Board; Causeway Coast and Glens BC
Implemented immediately

5.3 Risk 3 – Potential for Projects to be Inadequately Managed

ISSUE 2 – Monitoring Process

a) Observation- Audit was advised that there is no written process/procedure in place as a guide to support the monitoring of the strategic projects, However, audit found evidence that projects were being monitored and reported on by the Strategic Projects Manager.

b) Implication- In the absence of a documented monitoring procedure, or a monitoring template, there may be a risk that projects may not be consistently and adequately monitored, there is also a risk that if for any reason the current manager was not available to monitor the projects, without a written process or procedure a different member of staff may not be able to monitor adequately. As a result, projects costs may be exceeded and/or project deliverables may not be achieved in a timely manner.

c) Priority Rating- 3

d) Recommendation- The strategic projects department should document the monitoring process or a short monitoring template to support the current monitoring taking place.

e) Management Response-

Current strategic projects written monitoring activity includes:

- a) Preparation of quarterly monitoring updates against targets identified within the Prosperity & Place Business Plan;
- b) Preparation and presentation of bi-yearly monitoring updates for Leisure & Development Committee against targets identified within the Prosperity & Place Business Plan;
- c) Preparation and presentation of quarterly monitoring updates for Performance Management team against targets identified within the Prosperity & Place Business Plan and Community Plan; and
- d) Monitoring of monthly financial spend updates provided by both Finance Team and Prosperity & Place team (Separately).

We will document the above monitoring process to all staff within the team within the 2018/19 financial period.

f) Responsible Officer & Implementation Date-
Niall McGurk Strategic Projects Manager; 2018/19 Financial period

Appendix I: Definition of Assurance Ratings and Hierarchy of Findings

Satisfactory Assurance

Evaluation opinion: Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

Limited Assurance

Evaluation opinion: There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

Unacceptable Assurance

Evaluation opinion: The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

Hierarchy of Findings

This audit report records only the main findings. As a guide to management and to reflect current thinking on risk management we have categorised our recommendations according to the perceived level of risk. The categories are as follows:

Priority 1: Failure to implement the recommendation is likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds.

Priority 2: Failure to implement the recommendation could result in the failure of an important organisational objective or could have some impact on a key organisational objective.

Priority 3: Failure to implement the recommendation could lead to an increased risk exposure.

Appendix II: Summary of Key Controls Reviewed

| Risk | Key Controls |
|--|---|
| There may be inadequate planning of strategic projects leading to decisions to implement projects which do not support Council's objectives or inappropriate use of Council resources | <ul style="list-style-type: none"> • An appropriate medium-term plan is in place to support planning and selection of strategic projects • Such a plan has been approved by Committee and Council • The plan is supported by appropriate budget estimates • Projects contained within the plan are aligned to Council's objectives • An appropriate justification/proposal is completed for the project prior to its go ahead |
| There may be inadequate controls over the tendering of strategic projects, leading to poor value for money, a lack of clear and transparent decision-making and a lack of opportunity for others | <ul style="list-style-type: none"> • Invitations to tender for consultants and contractors to implement strategic projects followed Council's Procurement Policy • Panels are established to evaluate tenders received and panel members notify if there are any conflicts of interest in relation to the tenders being assessed • Award criteria are drawn up for tenders • The assessments and scoring of each tender by each panel member are documented • The decisions of the tender panel are documented • All documentation relating to the tender (including the evaluation panel) are kept on file • The use of any single tender process is authorised, and the reasons why are documented • Challenges to tender award decisions are dealt with appropriately and in a timely manner • Any work to investigate a challenge to an award decision is documented • An agreement or contract is signed between Council and any consultants and contractors working on the project as soon as practicable following appointment |
| Projects are potentially not adequately controlled, managed and monitored leading to overspend and increased costs to the Council and/or non-delivery of project objectives | <ul style="list-style-type: none"> • Anticipated expenditure is clearly set out in the proposal/tender document and/or agreement/contract • Expected project deliverables are clearly set out in the proposal/tender document and/or agreement/contract • There is a process for monitoring and taking an overview of strategic project progress; regular review and monitoring, and timely identification of any issues • There is a process for monitoring and taking an overview of strategic project expenditure • Actual expenditure on the project is monitored against projected expenditure and any variances investigated • Changes to the project budget are approved at an early stage • Regular reports are prepared and submitted to senior management team and / or Council to update on strategic project progress and expenditure • Senior management take action to address issues identified from projects to ensure a timely resolution |