

Final Report



SWAP
SOUTH WEST AUDIT PARTNERSHIP
Delivering Audit Excellence

- ▶ **Ilminster Town Council –
Review of Project
Management of the Football
and Community Facility**

Issued to: Joy Norris
Town Clerk

Gerry Cox
Chief Executive - SWAP

Working with



Date of Report: 6 July 2015

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Review of Project Management of the Football and Community Facility

Management Summary

South West Audit Partnership was appointed as Internal Auditor for Ilminster Town Council for three years starting 20 January 2014.

As part of the 2015/16 audit plan agreed with the Town Clerk, a review has been undertaken to consider the project management of the ongoing Football and Community Facility. The review sought to provide assurance over the management of the project to date.

The Town Council is currently pursuing a joint project with the Town Football Club to build a new Football and Community Facility to include a function room, bar and kitchen. At the time of undertaking this audit, a Contract Administrator had been appointed and the Council was beginning the procurement and tender processes for the builder of the Facility. As such, this report should be considered a snapshot in time in the life of the project and seeks to provide assurance on the work completed thus far.

Where expected controls are not met, a recommendation for improvement is offered to assist in managing risks.

Summary of Significant Corporate Risks

There were no significant corporate risks identified in accordance with the definitions attached, as a level 'High' or 'Very High' during this review.

Summary of Significant Findings

The following were identified as key findings for the service and therefore categorised, in accordance with the definitions attached, as a level '4' or '5' priority in the action plan.

- **Contract Administrator Terms of Reference** - a terms of reference for the Contract Administrator should be agreed to detail specific responsibilities of this role and provide a framework for the management of project deliverables.
- **Assumptions underpinning the financial forecasts** – the budgets for income and expenditure are detailed within the Business Plan under Appendix I. The Council must ensure that it is satisfied with the assumptions underpinning the financial forecasts and that these assumptions are documented. Where the Council is not fully satisfied, they should seek further assurance over the financial information and the assumptions supporting the forecasts. Once the Council is satisfied, the additional information provided should be documented.

- **Risk Register for the Project** – the Council should develop a robust framework to monitor the risks to the project. This framework should be linked to the Council’s overall risk management strategy, the development of which is work in progress. We have commented on this overarching risk strategy in our audit report relating to the Annual Return for the accounts in 2014-15.

Further details of audits’ findings can be viewed in the full audit report, which follows this Management Summary.

Conclusion and Audit Opinion

★★ Reasonable

I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

We are pleased to report that many areas we included within the scope of the audit have been considered as part of the project and overall governance processes. The development of the new Facility has been contemplated for several years and the population of Ilminster has been subject to extensive consultation.

There are a total of five recommendations made within this report and our findings relate to:

- **Development of a risk management framework** – the Council needs to ensure that the risks in relation to the project are documented, owned and mitigating actions put in place. This is seen as a priority to the success of the project.
- **Development of a terms of reference for the Contract Administrator** – at present there is no formal contract / terms of reference in place which formally documents the requirements, the role and performance management of the Contract Administrator.
- **Assumptions underpinning the financial forecasts** – the Council should take steps to assure itself over all aspects of the financial information and the assumptions made within the Business Plan.
- **Documentation of controls for the bank account** – a bank account has been opened to maintain accountability and transparency for transactions incurred on behalf of the Facility. The controls will require documenting to ensure that the account is transparently run.
- **Project milestones** – the project timeline/milestones detailed within the Business Plan are now unrealistic. To ensure focus and to avoid project drift, these should be refreshed to reflect the current stage of the project and anticipated dates for the subsequent achievement of project milestones.

Detailed Audit Report

Objectives & Risks

The key objective of the service and risks that could impact on the achievement of this objective were discussed and are identified below.

Objective: To provide Ilminster Football Club and the local community with the required recreational facilities within an effective framework to manage the project.

Risks:

- 1. Planned improvements do not meet community needs or requirements
- 2. Governance and / or risk management of the project is inadequate
- 3. Procurement of the contract administrator was not robust
- 4. Project is not delivered on time or on budget

Method & Scope

This audit has been undertaken using an agreed risk based audit. This means that:

- the objectives and risks are discussed and agreed with management at the outset of the audit;
- the controls established to manage risks are discussed with key staff and relevant documentation reviewed;
- these controls are evaluated to assess whether they are proportionate to the risks and evidence sought to confirm controls are operating effectively;
- at the end of the audit, findings are discussed at a close-out meeting with the main contact and suggestions for improvement are agreed.

Findings

The following paragraphs detail all findings that warrant the attention of management.

The findings are all grouped under the objective and risk that they relate.

1. Risk: Planned improvements do not meet community needs or requirements

1.1 No significant findings to report.

2. Risk: Governance and / or risk management of the project is inadequate

- 2.1 Risk management of the project was discussed with the Town Clerk. A suitable framework has not yet been completed but is under development. The Town Clerk has used the Covalent risk management system in her previous role and has other reference documents to assist in the development of this process. This area will be an agenda item for the Football Facility Project Governance Committee for its meeting the week commencing 22nd June 2015.

For a project of this size, the Council requires a robust framework to be put in place to manage the risks to the project to ensure mitigating actions for risks are in place. This framework should be linked to the Council's overall risk management strategy, the development of which is work in progress. We have commented on this overarching risk strategy in our audit report relating to the Annual Return for the accounts in 2014-15.

- 2.1a **I recommend that the Town Clerk and Football and Community Facility Project Governance Group develop a robust framework to manage the risks to the project, ensuring that risks are allocated to an owner and mitigating actions are put in place.**

3. Risk: Procurement of the contract administrator was not robust

- 3.1 As part of our review, we queried with the Town Clerk whether advice has been taken over procurement processes to assess whether any EU procurement legislation thresholds will come into play. The Town Clerk stated they have taken advice from a contact at the Official Journal of the European Union and that no thresholds will apply to this building project.

- 3.2 A letter was sent to the Contract Administrator when they were successfully appointed. It was queried by the Auditor whether there was a signed formal agreement in place and there was not as such a separate document. However the quote provided by the Contract Administrator was signed and agreed on this basis. The letter states that the offer was based upon the specification given by the Council, the Form of Quotation and supporting signed letter.

It is worthy of note that references were not sought for the Contract Administrator appointed, as they had previously worked with the Council/Football Club and as such were a known entity. There is a risk that the Council will not receive the expected service from the Contract Administrator as the present format of the agreement with the Contract Administrator does not adequately outline their full responsibilities, the Council's expectations of the individual appointed and performance levels required of the Administrator to manage the project.

The Contract Administrator chairs the Governance Group, which reports to the Council and thus would provide a mechanism for reviewing any performance related issues. It was queried if performance issues, or indeed other pertinent issues were identified, whether the Council could exit the agreement and the Town Clerk confirmed that it was not stipulated anywhere that they could or could not. It is important that exit arrangements are specified to ensure clarity for both parties to the contract.

- 3.2a **I recommend that the Town Clerk develops a Terms of Reference for the Contract Administrator which is agreed by the Town Council and sets out the requirements of the individual appointed, the role undertaken to support the project, the Council's responsibilities, delegated authority (where applicable) and the performance standards required and how**

these will be monitored.

In addition, should such a need arise, arrangements to address any disputes or the need to terminate arrangements with the Contract Administrator should be included within the Terms of Reference.

4. Risk: Project is not delivered on time or on budget

4.1 A budget for the building of the project has been agreed and is detailed within the Business Plan. The total capital cost is anticipated at £611,610 excluding VAT with various grants anticipated to leave a shortfall of £22,715, as per the revised Business Plan from April 2015. This gap in funding may need to be met by Council borrowing.

In addition, Appendix I of the Business Plan details the forecast income and expenditure for the Football and Community Facility up to 2020.

Councillors have been given the opportunity to scrutinise the details within the Business Plan, which was particularly important following the changes to the Council composition as a result of the elections. All of the Councillors were given the latest version of the Business Plan by the Town Clerk on 27/28 May 15. All Councillors attended the briefing session on 2 June 15 which was specifically about the project and the major part was a presentation by the Football Club. Also in attendance were Brendan Rix from the Somerset Football Association and Jake Hannis, Senior Sport and Healthy Lifestyles Officer from South Somerset District Council and Phil Durman, Contract Administrator.

The Town Clerk confirmed that when the business plan was sent out to Councillors they were asked to send in any questions they would like the Football Club to answer at the briefing. The questions cover a variety of topics and in some cases are very detailed. On the night of the Council meeting other questions supplemental to those already submitted were raised. Answers were provided on the night to Councillors, however, there are not any notes to support the information given. No decisions were made at this meeting. Issues raised include a lack of a risk management framework for the project, which we have commented on in 2.1 above, as well as an assessment of the Football Club rental which needs to be resolved. It is important an audit trail exists to demonstrate that appropriate solutions were found to issues raised.

Whilst the Councillors have been given the opportunity to scrutinise the details behind the budget and forecast income and expenditure over the long term, it is important that the Council gains assurance over these figures and the assumptions underpinning these.

We have not performed a detailed reconciliation of all projected income and expenditure to ensure all figures tally. However, we can see from Council meeting minutes that these costs have been scrutinised by Councillors.

The Town Clerk explained that the cost projections for the project are based on the template supplied by the Football Foundation, which automatically adjusts costs for future years following the insertion of initial figures. We would recommend a review of some projected figures where expenditure remains at similar levels over future years. Some examples of these are:

- league fees;**
- marketing; and**
- referee costs**

as these remain stagnant on the forecasts until 2020. In addition, consideration of ongoing

utilities costs should be given to ensure these are realistic. It is important all cost assumptions are noted to provide an audit trail and demonstrate that reasonable assumptions have been applied to future costs.

- 4.1a I recommend that the Council ensures it is satisfied with the financial information and assumptions within the Business Plan for the Football Ground and that this is recorded. Where there are any queries raised, the Council should take steps to take assurance until they are satisfied and document decisions made**
- 4.2 A separate bank account has been opened for the project, however this is currently a Council bank account and is subject to the Council's signatory arrangements. This is likely to change at some stage in the future as the project progresses and the grant income can be drawn down, with signatories from both the Council and the Football Club likely to be required to sign. This separate account was deemed to be a more transparent way to handle the finances and would be easier for accounting purposes when the project fully commences. The finer details of the controls have not yet been agreed as it is early in the process.**
- 4.2a I recommend that the Football and Community Facility Project Governance Group need to develop and document the controls required to manage accountability and transparency around expenditure from the bank account. This should be agreed by the Town Council.**
- 4.3 A project plan / milestones have been developed and set down as part of the Business Plan in Section 10. From review of the milestones, it is now apparent that there has been some drift from the anticipated milestones. To ensure that the remainder of the project remains on track, it is important that these are refreshed.**
- 4.3a I recommend that the Football and Community Facility Project Governance Group ensures that the Football Club reviews the project milestones and that these are refreshed to ensure they are realistic and provide focus. This can exist in an additional document to the Business Plan. Performance against achievement of the milestones should be monitored and reported on a regular basis to the Full Council.**

The Agreed Action Plan provides a formal record of points arising from this audit and, where appropriate, the action management has agreed to take and the timescale in which the action will be completed. All findings have been given a priority rating between 1 and 5, where 1 is low and 5 is high.

It is these findings that have formed the opinion of the service's control environment that has been reported in the Management Summary.

Service Review - Review of Project Management of the Football and Community Facility

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Final Action Plan

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
<p>Objective: To provide Ilminster Football Club and the local community with the required recreational facilities within an effective framework to manage the project.</p>					
<p>1. Planned improvements do not meet community needs or requirements</p> <p>There are no significant findings to report</p>					
<p>2. Governance and / or risk management of the project is inadequate</p>					
2.1a Develop a Risk Register for the Project	<p>I recommend that the Town Clerk and Football and Community Facility Project Governance Group develop a robust framework to manage the risks to the project, ensuring that risks are allocated to an owner and mitigating actions are put in place.</p> <p style="text-align: right;"><small>SWAP Ref: 29368</small></p>	4	Recommendation accepted.	Town Clerk	Immediate
<p>3. Procurement of the contract administrator was not robust</p>					
3.2a Develop Terms of Reference for the Contract Administrator	<p>I recommend that the Town Clerk develops a Terms of Reference for the Contract Administrator which is agreed by</p>	4	Recommendation accepted.	Town Clerk	Immediate

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
	<p>the Town Council and sets out the requirements of the individual appointed, the role undertaken to support the project, the Council's responsibilities, delegated authority (where applicable) and the performance standards required and how these will be monitored.</p> <p>In addition, should such a need arise, arrangements to address any disputes or the need to terminate arrangements with the Contract Administrator should be included within the Terms of Reference.</p> <p style="text-align: right;"><small>SWAP Ref: 29371</small></p>				
4. Project is not delivered on time or on budget					
<p>4.1a Audit trail for assumptions underpinning the financial forecasts</p>	<p>I recommend that the Council ensures it is satisfied with the financial information and assumptions within the Business Plan for the Football Ground and that this is recorded. Where there are any queries raised, the Council should take steps to take assurance until they are satisfied and document decisions made</p>	4	Recommendation accepted.	Town Clerk	Ongoing for the life of the project

Finding	Recommendation	Priority Rating	Management Response	Responsible Officer	Implementation Date
4.2a Develop documented Controls for Football and Community Facility bank account	<p><small>SWAP Ref: 29355</small></p> <p>I recommend that the Football and Community Facility Project Governance Group need to develop and document the controls required to manage accountability and transparency around expenditure from the bank account. This should be agreed by the Town Council.</p> <p><small>SWAP Ref: 29369</small></p>	3	Recommendation accepted.	Town Clerk	30 th September 2015
4.3a Refresh of Project Milestones	<p>I recommend that the Football and Community Facility Project Governance Group ensures that the Football Club reviews the project milestones and that these are refreshed to ensure they are realistic and provide focus. This can exist in an additional document to the Business Plan. Performance against achievement of the milestones should be monitored and reported on a regular basis to the Full Council.</p> <p><small>SWAP Ref: 29356</small></p>	3	Recommendation accepted.	Town Clerk	Ongoing

Audit Framework Definitions

Control Assurance Definitions

Substantial	★★★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	★★	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	★	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
None	▲	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Categorisation Of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.

Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.

Priority 4: Important findings that need to be resolved by management.

Priority 3: The accuracy of records is at risk and requires attention.

Priority 2: Minor control issues have been identified which nevertheless need to be addressed.

Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Corporate Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.

Very High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
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