

APPENDIX 3: Executive Summaries of audits finalised since last update to AARC (January 2023)

Capital Programme 22/23

Overall conclusion on the system of internal control being maintained	A
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Governance Arrangements	A	0	1
Project Management	A	0	1
		0	2

Opinion: Amber	
Total: 2	Priority 1 = 0 Priority 2 = 2
Current Status:	
Implemented	0
Due not yet actioned	0
Partially complete	0
Not yet Due	2

This audit has reviewed capital governance arrangements and the way in which capital projects and programmes are managed across the Council. It is noted that both governance arrangements and project management are currently in the process of being reviewed by senior management with consideration being given to how processes and approaches can be standardised and enhanced.

It is noted that changes have been made to processes for the consideration of capital bids and decision making in relation to inclusion in the capital programme over the past couple of budget setting cycles. The Strategic Place Shaping Board's role in both the budget setting process in relation to review of projects for inclusion in the capital programme and in the oversight of capital projects and programmes within its remit has been reviewed and refined with further discussions ongoing in relation to the way in which this Board will operate going forward.

Governance Arrangements – The audit identified that there is no consistent, documented approach to capital governance. Currently, whilst all capital projects are reviewed and agreed annually as part of the budget setting process, following on from that there are three governance routes for the ongoing monitoring of individual capital projects and programmes. IT capital projects are overseen by the IT,

Customer and Digital Programme Board, place shaping and high-profile capital projects are overseen by the Strategic Place Shaping Programme Board and all other capital projects should be monitored by the relevant DLT. There is also oversight of individual projects and programmes via the monthly budget monitoring process, although this is finance focussed (and therefore may not always cover non-financial project issues relating to timing or project scope). There is a lack of documented guidance for staff on expectations in relation to capital governance including their roles and responsibilities, how the different governance routes oversee capital projects and when project issues should be escalated. Whilst the arrangements in place for projects overseen by the IT and Place Shaping Boards is clearer, the majority of projects are currently overseen at DLT level where there is an increased risk of inconsistencies in approach and practice.

It is acknowledged that a more consistent approach is required to ensure that all capital projects and programmes have sufficient oversight and to ensure all those involved in the running of capital projects and programmes are clear on governance and reporting expectations.

Project Management – It was noted that there is no corporate approach to project management and therefore no consistent way of structuring the progression and monitoring of projects through key stages and milestones to ensure projects deliver to time, cost, scope. There is defined project management approach in place for projects overseen by the IT, Customer and Digital Transformation Programme Board which follows the PRINCE 2 methodology and for projects overseen by the Strategic Place Shaping Programme Board, there is a defined gateway process in place. However, the arrangements and approaches for reporting into the board in relation to specific gateways are not defined. There is no defined project management approach for projects overseen by DLTs.

All capital projects and programmes are reviewed monthly as part of routine budget monitoring, this provides an opportunity to review project costs against budget and escalate potential areas of concern with senior management. The outputs from routine budget monitoring processes feed into the Finance Capital reporting to the Executive, this reporting includes a small amount of narrative which can provide non-financial updates on capital projects.

Although there is no corporate approach to project management, audit sample testing found that individual project managers had good oversight of their projects, considered risk management at project level, and it was possible to evidence reporting and escalation of issues where necessary. Project reporting on time, cost and quality could be evidenced.

It is acknowledged by senior management that, to ensure consistency of approach and effective project management going forward, a project management framework should be developed and implemented. It was noted that there had been some discussions about this at the Strategic Place Shaping Board some time ago. In addition, the Assistant Director for Customer Focus had also noted this as an area for development and is in the process of recruiting to a post who will have responsibility for the development and embedding of a corporate project management approach going forward.

Contract Management 2023/23

Overall conclusion on the system of internal control being maintained
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RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Contract Governance	A	0	2
Management Information & Performance Reporting	A	0	1
Risk Identification & Management	G	0	1
Contract Payments	G	0	0
		0	4

Opinion: Amber	
Total: 4	Priority 1 = 0 Priority 2 = 4
Current Status:	
Implemented	0
Due not yet actioned	0
Partially complete	0
Not yet Due	4

Following the decoupling from Oxfordshire County Council, work is being undertaken within Cherwell District Council to review and enhance procurement and contract management processes and expertise. It is anticipated that this work will improve the control environment in relation to contract management activity across the council. The audit reviewed a sample of four active contracts to provide assurance over the contract management and monitoring activity taking place. These ranged from £628k to £24.5m in lifetime value. The audit identified that contract management arrangements are generally working well at service level and noted some improvements to further strengthen governance and controls, in conjunction with the work already in progress.

Contract Governance

The audit noted that work has been undertaken to establish a contracts register which has recently been published on the Council intranet. The Contract Procedure Rules have been updated and communicated to staff and guidance on procurement and contract management has been reviewed and refreshed. Training is in the process of being developed to highlight and reinforce revised processes which should enhance effective contract management across the Council. From review of

the contract register provided, there has been work to confirm each contract manager and this continues to be addressed to provide an up-to-date listing as part of the contracts register. A Procurement & Contracts Group has been established which will be attended by the relevant key officers to provide strategic oversight of procurement and contract management activity.

For the four contracts reviewed the audit established that for three of the contracts, meetings with contractors were found to be taking place on a regular basis to monitor performance with actions recorded and followed up on as necessary. It was noted for the remaining contract that there has been an absence of contract management activity however this had already been identified prior to the audit and is in the process of being rectified with an Assistant Director leading on this with oversight from Corporate Leadership Team (CLT).

Historically, there was no corporate process or defined responsibility for the review of long-term contracts. The audit reviewed two long term contracts with contract terms of 18 and 25 years respectively where no review points were evident. Whilst there had been no formal review of these contracts over this period the audit did note that there have been recent amendments to the contracts. The audit was able to confirm the approving officer for these changes however was not able to identify formal documented governance around this decision making.

There is now a revised process in place for the agreement of new contracts. The Procurement & Contracts Group now has oversight of and approves all new contracts, areas presented for review include the contract term and review points, and there are standard terms and conditions which should be used for most contracts and which cover set contract review points. Contract changes are also now overseen and are approved by the Procurement & Contracts Group.

Management Information and Performance Reporting

Review of the four contracts found that all included either Key Performance Indicators (KPI's) or expected service standards to enable monitoring of contract performance. There was evidence of regular review / reporting of this information with the exception of the one contract as referenced above where there was a lack of contract monitoring in place, this had already been identified and is being addressed. We noted for one of the contracts, management information requirements had been agreed some time ago and would now benefit from a review to ensure that reporting is appropriate and provides the correct information to manage contract performance.

Risk Identification and Management

The risk management activity in place for each contract reviewed was found to be proportionate with contract managers able to discuss and evidence how risks are managed for that particular contract. It was evident from review of contract meeting minutes that issues and concerns are discussed and escalated as appropriate. The audit was not able to evidence from the four contracts reviewed that formal on-going supplier due diligence was being undertaken, or where responsibility for this should sit. The Interim Procurement Manager noted that this is an area which is being developed.

Contract Payments

For the sample of contracts reviewed, budget monitoring was found to be taking place on a regular basis with variances reported and monitored appropriately. Review of a small sample of payments to contractors confirmed that payments have been made on a timely basis, with the exception of one annual contract payment which was not paid as promptly as expected, however the audit did not note this as significant. Deductions for performance and availability issues, and recharges to partners within the audit sample were noted to be made on a timely basis.

Definition of Internal Audit RAG opinions:

Grading:	G	A	R
Overall conclusion on the system of internal control being maintained	There is a strong system of internal control in place and risks are being effectively managed. Some minor action may be required to improve controls.	There is generally a good system of internal control in place and the majority of risks are being effectively managed. However some action is required to improve controls.	The system of internal control is weak and risks are not being effectively managed. The system is open to the risk of significant error or abuse. Significant action is required to improve controls.