

**Place
Town Centre Regeneration –
Development Management
Organisation
Internal Audit Report**

Date of Issue: 27th March 2017



BARNSLEY

Metropolitan Borough Council

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Executive Summary

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Introduction and Background

A review of the governance and risk management arrangements relating to the Development Management Organisation, Better Barnsley Scheme (Phase 2) has recently been undertaken. This formed part of the agreed programme of work relating to 2016/17.

Scope

The focus of the Internal Audit work was to provide assurance on the adequacy and effectiveness of the governance and risk management arrangements established for the delivery of works and services, included within the Development Management Organisation agreement for the redevelopment of sites (including securing of inward investment), as part of the Better Barnsley Scheme (Phase 2).

Objectives

- A Project Board and Steering Group has been established to oversee the delivery of the works and services that provides assurance, challenge and action where required. Members of the Project Board and Steering Group have the appropriate balance of skills, experience, independence and knowledge to enable them to discharge their respective roles and responsibilities.
- Roles and responsibilities (including the determination of a project sponsor) are clearly defined and recorded within an approved Terms of Reference.
- An approved plan has been maintained and updated on a regular basis which defines the scope, deliverables, key milestones and authorisation points. Any changes to the plan / budget for the contract are reported and approved in line with the Terms of Reference.
- Project Board and Steering Group meetings are held on a sufficiently regular basis to discuss progress and drive delivery. Key stakeholders i.e. representatives of the Council, DMO and main contractor are invited. In addition, retailers, residents and traders representatives (where appropriate).
- The Project Board and Steering Group receive timely, relevant and reliable documentation in advance of meetings (including risk and financial implications) to provide members with the required information upon which to make informed decisions.
- Decisions / actions arising from meetings are clearly recorded and assigned to responsible officers. These actions are monitored in future meetings until they are fully discharged.
- There are clearly defined processes and criteria for the escalation of significant issues and risks that may affect the delivery of the project / scheme.
- Performance indicators exist in order to monitor and measure project performance (including monitoring of expenditure within resources available).
- The investment terms and conditions have been reflected within the project plan in order to reduce the potential for clawback.

Risk Management

Review the adequacy of risk management arrangements (taking into account risk appetite / risk opportunities) in relation to the DMO contract agreement.

In preparing and carrying out the review the Auditor took into account the following specific risks from the Strategic and Operational Risk Registers. In light of the audit findings and the management action agreed it may be necessary to update the relevant risk registers.

Strategic Risk Register:

- 3543 - Failure to ensure adequate supply of land, housing and commercial property growth.

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Better Barnsley Risk Register:

- 3347 - Failure to ensure there is sufficient funding in place to deliver the aspired project outcomes.
- 3349 - Failure to exploit suitable external funding opportunities, including sustainability opportunities.
- 3350 - Failure to identify private investment opportunities.
- 3358 - Failure to deliver the essential elements of the project on time and communicate the progress made to date to stakeholders including retailers, market traders, and residents.
- 3360 - Failure to analyse the pitfalls, costs and benefits regarding external funding opportunities.
- 3374 - Failure to identify a robust and deliverable 'Plan C' - Plan A: 1249 Developer scheme; - Plan B: BMBC Developer scheme.
- 3381 - Failure to identify and secure buy-in from the 'right' retailers and leisure operators (in terms of capacity and type) to fit in with the scheme.

Overall Conclusion

Overall the audit has concluded that there is an adequate governance and risk management framework in relation to the Development Management Organisation agreement. Notwithstanding this, the audit has identified a number of areas where this framework may be further improved.

The key issues identified relate to the need to ensure that the Project Execution Plan (PEP) is appropriately approved in accordance with the defined governance requirements and key financial / project risks are effectively managed.

It should be acknowledged that following post audit discussion, a number of agreed actions have subsequently now been implemented.

Assurance Opinion

From the audit review, Internal Audit has made 11 recommendations, these have been classified as:

- | | |
|------------------------------------|---|
| • Fundamental Recommendations | 0 |
| • Significant Recommendations | 3 |
| • Merits Attention Recommendations | 8 |

Based on the above Internal Audit can provide the Executive Director, Place with an **adequate** assurance opinion in relation to the internal control framework. An explanation of the ratings is included within the Glossary of Terms.

Conclusion on Control Adequacy

Adequate assurance indicates that Internal Audit concluded that there is a sufficient framework of key controls in place that are likely to result in the objectives being achieved, but that the control framework could be stronger. 8 recommendations have been made relating to the adequacy of controls, 1 recommendation has been categorised as significant and 7 as merits attention.

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Conclusion on Control Application

In relation to the application of key controls in the system reviewed adequate assurance indicates the controls in place are applied but with some lapses. 3 recommendations have been made relating to the application of controls, 2 have been categorised as significant and 1 as merits attention.

Positive Findings

The following good practices were identified during the audit:

- A Project Board has been established to oversee the delivery of the works and services that provides assurance, challenge and action where required;
- An approved project plan has been maintained and updated on a regular basis which defines the scope, deliverables, key milestones and authorisation points;
- Project Board meetings are held on a sufficiently regular basis to discuss progress and drive delivery and have been synchronised with any key milestones/deliverables and/or work to be completed and/or decisions to be signed off as appropriate;
- Key authorisation points have been signed off by the Project Board as appropriate;
- The nature/content/format/frequency of documentation required by the Project Board has been defined;
- The Project Board receives timely, relevant and reliable documentation in advance of meetings to provide members with the required information upon which to make informed decisions; and
- Performance indicators have been defined in order to monitor and measure project performance. Performance against KPIs is reported on a regular basis.

Acknowledgement

Internal Audit would like to take this opportunity to express its thanks to the management and staff within Economic Regeneration for their help and co-operation during the audit.

Confidentiality

This report is strictly private and confidential and as such is for the exclusive use of the intended recipients. The content and results of the audit should not be copied in part or in whole without the prior permission of the receiving sponsor of the report.

Audit Methodology

The audit was conducted in conformance with the Public Sector Internal Audit Standards using a combination of enquiry, observation and sample testing techniques.

Findings, Recommendations and Agreed Management Actions
Place - Town Centre Regeneration – Development Management Organisation

Ref	Finding	Recommendation	Category Accepted Y/N	Agreed Management Action	Agreed Timescale and Responsible Officer
<p>Risk: The project may fail resulting from inadequate governance arrangements in the absence of an effective Project Board with the required skills and experience, which fails to oversee the successful delivery of the works and services outlined.</p>					
<p>1.1 (R1)</p>	<p>The Project Execution Plan (PEP) defines the strategy for the management and governance of Better Barnsley and the procedures for its successful completion and implementation.</p> <p>One of the Client (i.e. Council) responsibilities defined within the PEP is “<i>Agreeing a policy for the project by approval of the Project Execution Plan.</i>” However, evidence could not be provided that the PEP had been formally approved by the Client and/or other relevant stakeholders, e.g. Town Centre Programme Board/Phase 2 Project Board.</p> <p>Consequently, the key strategy and governance plan for the delivery of Better Barnsley Phase 2 has not been formally approved by the Council in accordance with the defined governance requirements.</p>	<p>The PEP should be formally approved by the Town Centre Programme Board.</p> <p>This is a control application issue.</p>	<p>Significant Y</p>	<p>The PEP will be reviewed and approved by the Town Centre Programme Board.</p>	<p>31st July 2017 Service Director, Economic Regeneration</p>
<p>1.2 (R2)</p>	<p>The DMO Agreement defines one of the obligations and duties of the DMO Manager as “<i>to make full and timely disclosure in advance of any conflicts of interest that are likely to arise with it or any of its directors in the performance of its duties and obligations under this Agreement</i>”.</p> <p>However, evidence could not be provided that practical measures / processes had been established to ensure that any potential internal/external party conflicts of interest are declared and properly recorded. For example, project meeting agendas, minutes and/or reports</p>	<p>Formal arrangements should be established to ensure any potential internal/external party conflicts of interest are declared and properly recorded, e.g. as part of meeting agendas and minutes.</p> <p>This is a control adequacy issue.</p>	<p>Merits Attention Y</p>	<p>This recommendation has now been addressed.</p> <p>Provision for the declaration of business interests now form part of the standing agenda and minutes respectively.</p>	<p>N/A</p>

Findings, Recommendations and Agreed Management Actions
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Ref	Finding	Recommendation	Category Accepted Y/N	Agreed Management Action	Agreed Timescale and Responsible Officer
	<p>do not contain any prompt and/or other reference to individuals declaring any potential conflicts of interest.</p> <p>Consequently, there is an increased risk that potential conflicts of interest may not be identified, compromising the objectivity of decisions made.</p>				
<p>Risk: There is no approved project plan and/or this has not been maintained/updated as appropriate. Project changes have not been appropriately authorised. The project scope, deliverables, key milestones and authorisation points are inadequately defined and key objectives / outcomes may not be achieved.</p>					
2.1 (R3)	<p>Evidence was not available that precise details of a robust defined project change management process had been provided to or agreed by the Council.</p> <p>The PEP Section 9.4 refers to “<i>Programme changes will be adopted or rejected through the project Change Management Process described in Section 12</i>” (of the PEP). However, Section 12 of the PEP refers exclusively to Health & Safety.</p> <p>Additionally, albeit Section 13.10 refers specifically to “Design Change Management”, this simply refers to ‘robust systems and processes’ being in place, such that all design changes are fully evaluated and properly authorised before being approved and implemented. Further details are not provided of the process for how these requirements should be fulfilled.</p> <p>This is further illustrated in circumstances where the Regeneration Projects Group Leader has recently replaced the former Head of Economic</p>	<p>Details of the programme Change Management Process should be formally agreed by the Better Barnsley Phase 2 Project Board which should include any key role changes to be considered within the provisions of an approved Change Management Process. This should provide for key role changes to be endorsed by the Phase 2 Project Board accordingly.</p> <p>This is a control adequacy issue.</p>	<p>Merits Attention</p> <p>Y</p>	<p>A live change log is being developed to facilitate and inform the change management process.</p>	<p>31st July 2017</p> <p>Service Director, Economic Regeneration</p>

**Findings, Recommendations and Agreed Management Actions
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Ref	Finding	Recommendation	Category Accepted Y/N	Agreed Management Action	Agreed Timescale and Responsible Officer
	<p>Development in the key role of 'Marketing & Branding Lead' for the Project, supported by a new Communications and Business Partner post. However, this realignment of responsibilities was not formally endorsed by the Phase 2 Project Board. Nor was this conducted in accordance with any formal change management protocols, for example requiring any programme changes (including key stakeholders, roles and responsibilities) to be analysed for wider impacts to the project in terms of safety, risk, programme, cost and quality.</p> <p>Consequently, there is inadequate assurance as to the robustness of the programme change controls established by the DMO. Changes (including roles and responsibilities) may be implemented which are unauthorised, inappropriate and/or not properly evaluated.</p>				
<p>Risk: Meetings of the Project Board/Steering Group are not held on a suitably frequent and/or timely basis in order to discuss progress and drive delivery. All relevant stakeholders are not represented any those issues impacting on the success of the project may not be identified and/or addressed.</p>					
3.1 (R4)	<p>Albeit examples of stakeholder engagement were provided, including statutory planning consultations, evidence was not available to provide confirmation that the level of interest and influence of all identified stakeholders had been determined.</p> <p>This weakness is further compounded by the absence of a comprehensive "<i>Stakeholder Management and Communication Plan</i>" (as required by the PEP), to set out the approach, form and timing of communications with each stakeholder or group of stakeholders. Albeit a</p>	<p>Each stakeholder's level of involvement and influence should be documented as part a stakeholder analysis.</p> <p>A comprehensive Stakeholder Management and Communication Plan should be developed and approved in accordance with the PEP, setting out the approach, form and timing of communications with each stakeholder or group of stakeholders.</p>	<p>Merits Attention</p> <p>Y</p>	<p>A Stakeholder Management and Communication Plan is currently in development.</p>	<p>31st July 2017</p> <p>Service Director, Economic Regeneration</p>

Findings, Recommendations and Agreed Management Actions
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Ref	Finding	Recommendation	Category Accepted Y/N	Agreed Management Action	Agreed Timescale and Responsible Officer
	<p>Consultation Plan was provided, this is specific to the pre-planning application stage.</p> <p>Consequently stakeholder consultation may not be sufficiently robust and/or managed appropriately, compromising the robustness and/or transparency of project decisions.</p> <p>This finding should be considered in relation to risk 3358.</p>	<p>This is a control adequacy issue.</p>			
<p>Risk: Decisions / actions arising from meetings are not clearly recorded and/or assigned to responsible officers and are not monitored to ensure they are fully discharged. Key improvement/remedial actions may not be progressed impacting on the overall success of the project.</p>					
4.1 (R5)	<p>A formal 'action log' is not maintained to facilitate the tracking of all assigned actions.</p> <p>This weakness is further compounded having regard to the absence of any minutes (i.e. including resulting actions) for the Phase 2 Project Board meeting on 26th May 2016.</p> <p>Consequently, there is an increased risk that relevant actions may not be addressed on a timely basis or at all.</p>	<p>A formal 'action log' should be maintained to facilitate the tracking of all assigned actions. Responsibility for maintaining and monitoring the action log should be assigned appropriately.</p> <p>Progress (and/or lack of it) against specific assigned actions should be reported to the Better Barnsley Phase 2 Project Board at each meeting.</p> <p>This is a control adequacy issue.</p>	<p>Merits Attention</p> <p>Y</p>	<p>A formal action log is being developed. This will form part of the standing agenda for the Phase 2 Project Board and progress against assigned actions will be reported at each meeting.</p>	<p>31st July 2017</p> <p>Service Director, Economic Regeneration</p>
4.2 (R6)	<p>A process for ensuring ongoing lessons learned is captured and appropriately reported is not currently in place.</p> <p>Consequently, key learning points and/or points of best practice to inform future key decisions may not be captured.</p>	<p>A process should be established for ensuring ongoing lessons learned are captured and appropriately reported at the end of each key stage.</p> <p>This is a control adequacy issue.</p>	<p>Merits Attention</p> <p>Y</p>	<p>A lessons learned process will be established. The structure and approach to be adopted will be agreed following presentation of the audit report to the Phase 2 Project Board.</p>	<p>31st July 2017</p> <p>Service Director, Economic Regeneration</p>

Findings, Recommendations and Agreed Management Actions
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Ref	Finding	Recommendation	Category Accepted Y/N	Agreed Management Action	Agreed Timescale and Responsible Officer
Risk: Processes and criteria for the escalation of significant issues and risks that may affect the delivery of the project / scheme have not been defined.					
5.1 (R7)	<p>Albeit the project risk management arrangements are defined within the PEP, these do not specifically refer to any risk escalation criteria, for example in circumstances where issues should be escalated to risk status and also where specific project risks should be escalated to the Corporate Risk Register and/or Town Centre Programme Board.</p> <p>In addition, albeit the monthly DMO progress reports incorporate Key Issues, the above weakness is further compounded by the absence of any formal project issues log to track and manage issues to resolution.</p> <p>Consequently, project issues and/or risks may not be appropriately managed and/or escalated which may compromise the successful delivery of the project.</p>	<p>Risk escalation criteria should be defined appropriately within the PEP.</p> <p>A project issues log should be maintained and included as a standing agenda item for Project Board meetings.</p> <p>This is a control adequacy issue.</p>	<p>Merits Attention</p> <p>Y</p>	<p>The project risk register and corresponding process is being reviewed and revised as appropriate. Arrangements will be established to ensure issues/risks are escalated as appropriate.</p>	<p>31st July 2017</p> <p>Service Director, Economic Regeneration</p>
Risk: Performance indicators have not been established in order to monitor and measure project performance. A robust assessment cannot be made of the project progress and/or achievement of objectives.					
6.1 (R8)	<p>A performance Dashboard highlights and provides summary key information in relation to all the projects within the town centre, which is discussed at the Town Centre Board. However, the Dashboard does not provide details of the current position against the corresponding approved project budgets.</p> <p>Consequently, key project financial performance data is excluded from management information which may impact negatively on the robustness of decisions made.</p>	<p>The performance Dashboard information provided to the Town Centre Board should report a headline position in relation to the relevant project budgets.</p> <p>This is a control adequacy issue.</p>	<p>Merits Attention</p> <p>Y</p>	<p>This recommendation has now been addressed.</p> <p>The performance Dashboard provided to the Town Centre Board now contains details in relation to the relevant project budgets.</p>	<p>N/A</p>

Findings, Recommendations and Agreed Management Actions
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Ref	Finding	Recommendation	Category Accepted Y/N	Agreed Management Action	Agreed Timescale and Responsible Officer
Risk: Risks are not effectively managed resulting in a failure to achieve the project objectives.					
7.1 (R9)	<p>It is apparent that the DMO budget has increased twice since the appointment of Turner and Townsend. As a result of the increase in construction costs, many of the pre-development costs (e.g. design fees) are based on a percentage of the construction cost and as a result, have increased proportionally. Based on the overall current position, the scheme is not viable for an external funder to invest in and a number of options are under consideration, each with associated risks. Despite these uncertainties around scheme viability, it is apparent that a detailed risk register relating to key financial risks is not maintained.</p> <p>This weakness is further compounded by the absence of any representation by the Risk & Governance Manager on the Town Centre Regeneration Project Boards.</p> <p>Consequently, project risk management arrangements may not be sufficiently robust to ensure all risks are identified and managed effectively.</p> <p>This finding should be considered in relation to risk 3360.</p>	<p>A detailed risk register to include key financial risks relating to the Better Barnsley Phase 2 Project should be established.</p> <p>Additionally, consideration should be given to the Risk and Governance Manager attending Town Centre Project Board meetings and/or being provided with access to all corresponding relevant reports.</p> <p>This is a control adequacy issue.</p>	<p>Significant</p> <p>Y</p>	<p>The project risk register and corresponding process is being reviewed and revised as appropriate.</p> <p>The Risk & Governance Manager will be provided with access to the live risk register and included on the circulation of all Town Centre Project Board papers.</p>	<p>31st July 2017</p> <p>Service Director, Economic Regeneration</p>
7.2 (R10)	<p>Evidence was not available to confirm the convening of an initial risk workshop in accordance with the PEP and which involved all relevant stakeholders, in order to ensure that all risks were captured at the outset of the DMO.</p> <p>Consequently, all relevant risks may not have been identified on a timely basis and defined</p>	<p>Moving forward the defined project governance requirements should be complied with in accordance with the agreed PEP.</p> <p>This is a control application issue.</p>	<p>Merits Attention</p> <p>Y</p>	<p>This recommendation has now been addressed.</p> <p>Project governance requirements will be complied with in accordance with the agreed PEP.</p>	<p>N/A</p>

Findings, Recommendations and Agreed Management Actions
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	project governance requirements have not been complied with.				
7.3 (R11)	<p>The PEP provides that the Project Manager will maintain the live Risk Register for the project, formally updating it on a monthly basis and issuing it as part of the Project Manager's Monthly Status Report and that; This register will be created through risk workshops, to highlight the potential risks throughout the project and will be updated and monitored regularly.</p> <p>However, it is apparent that each of the Project Risk Registers submitted as part of the monthly DMO progress reports between 5th September and 8th December 2016 were outdated, each containing a last revision date of July 2016. In addition, 26/32 (81%) of the corresponding risk Action Dates referred to an elapsed date of 1 March 2016. It is also evident that the format of the Project Risk Register does not provide for any indication as to the percentage progress and/or next review date for mitigating actions and nor are any of the actions assigned to named responsible individuals.</p> <p>Consequently, project risks have not been reviewed, updated and/or reported on a timely basis. In addition, there is inadequate accountability in relation to ensuring mitigating actions are progressed timely and appropriately.</p>	<p>The Project Risk Register should be reviewed, updated and reported on a timely basis. Consideration should be given to the Risk Register being revised to incorporate details of percentage progress/next review dates for mitigating actions, which should be assigned to responsible officers as appropriate.</p> <p>This is a control application issue.</p>	Significant Y	<p>This recommendation has now been addressed.</p> <p>The Project Risk Register is reviewed, updated and reported timely.</p>	N/A

Glossary of Terms

Place - Town Centre Regeneration – Development Management Organisation

1. Classification of Recommendations

Fundamental A recommendation requiring immediate action – imperative to ensuring the objectives of the system under review are met.

Significant A recommendation requiring action necessary to avoid exposure to a significant risk to the achievement of the objectives of the system under review.

Merits Attention A recommendation where action is advised to enhance control or improve operational efficiency.

2. Assurance Opinions

	Level	Control Adequacy	Control Application
POSITIVE OPINIONS	Substantial Assurance	Robust framework of controls exist that are likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
	Adequate Assurance	Sufficient framework of key controls exist that are likely to result in objectives being achieved, but the control framework could be stronger.	Controls are applied but with some lapses.
NEGATIVE OPINIONS	Limited Assurance	Risk exists of objectives not being achieved due to the absence of key controls in the system.	Significant breakdown in the application of key controls.
	No Assurance	Significant risk exists of objectives not being achieved due to the absence of controls in the system.	Fundamental breakdown in the application of all or most controls.