

Report to Audit Committee

Internal Audit review work in connection with DLUHC funded projects.

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Value for Money and Sustainability

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Reason for Decision

The Audit Committee's Terms of Reference state that:

4.4.2 The Audit Committee shall:

a) be responsible for oversight of the Council's Internal Audit arrangements and will;
(v) review the activities, processes and procedures of the Council having regard to the demonstration of an economic, efficient and effective use of resources and the delivery of Value for Money to Council Tax payers;

The report therefore assists the Committee in discharging its responsibilities as set out in the Audit Committee's Terms of Reference, which form part of the Council's Constitution.

Executive Summary

The Council receives a variety of capital grant funding to support specific projects, programmes and initiatives, from a variety of sources, including Central Government Departments.

These capital grant funding streams support a number of projects which fall under the overall programme umbrella of the Council's Creating a Better Place initiative.

Following the award and allocation of these funds, the Department for Levelling Up, Housing and Communities (DLUHC) has implemented additional assurance arrangements in respect of monies awarded by them in order to ensure that they are spent as intended, and that they achieve value for money in delivery.

This report summarises the additional assurance work undertaken by the Internal Audit and Counter Fraud team in connection with the external grant funding provided to the Council by DLUHC under the Towns Fund, the Levelling Up Fund, and the Future High Streets Funding arrangements.

Recommendation

Members are requested to consider the report and summarised findings.

Audit review work in connection with DLUHC funded projects**1. Background**

- 1.1 The Council receives a variety of capital grant funding to support specific projects, programmes and initiatives, from a variety of sources, including Central Government Departments.
- 1.2 These capital grant funding streams support a number of projects which fall under the overall programme umbrella of the Council's Creating a Better Place initiative.
- 1.3 The Department for Levelling Up, Housing and Communities (DLUHC) has implemented additional assurance arrangements in respect of monies awarded by them in order to ensure that they are spent as intended, and that they achieve value for money in delivery. The assurance and reporting requirements connected with the three funding streams differ in some details, however they all broadly require assurance from the Council's Chief Finance Officer on the systems and processes in place to support the projects, and regular progress reports to DLUHC.

The projects which are funded by these funding streams across Oldham are shown in the Table below:

Funding Stream	Project	Total Cost (£m)	Grant Award (£m)
Future High Streets	Accessible Oldham	5,459	1,482
Future High Streets	Egyptian Room	3,896	2,373
Future High Streets Fund	Spindles Phase 3	7,400	6,900
Future High Streets Total			10,755
Towns Fund	Spindles Purchase	10,426	1,000
Towns Fund	Spindles Office	22,000	6,000
Towns Fund	Spindles - Tommyfield Market	36,654	6,133
Towns Fund	Northern Roots - Visitors Centre	12,573	6,133
Towns Fund	Making Space for Live Performance	10,000	6,134
Towns Fund total			25,400
Levelling Up	Jubilee Park and Greenway	N/A	4,750
Levelling Up	Northern Roots - Education Centre	12,573	6,440
Levelling Up	Green Shoots	N/A	8,810
Levelling up Total			20,000
DLUHC Funding Total			56,155

- 1.4 Members have previously requested further details of the Audit Service's work in relation to these externally funded schemes. This report summarises the additional audit assurance work undertaken by the Internal Audit and Counter Fraud team in connection with the external grant funding provided to the Council by DLUHC. Provided for background information and context at Appendices 1 and 2 are updates on the Council's overarching Creating a Better Place Programme which were provided to Place, Economic Growth and Environment Scrutiny Board in March this year.

2. Audit reviews undertaken in relation to DLUHC funded projects

2.1 Internal Audit service reviews in connection with the DLUHC funded projects in the table above fall into three main areas:

- Egyptian Room pre-contract procurement.
- Spindles pre-contract procurement.
- The Council's Contract Register.

The findings from these three reviews are summarised below:

3 Summary of Audit Reviews

3.1 Egyptian Room Pre-Contract Procurement Review

3.1.1 The Audit Opinion in respect of this project is that the pre-contract procurement arrangements were Adequate.

3.1.2 We found satisfactory controls in operation in the following areas:

- Procurement processes have been followed in line with Contract Procedure Rules.
- Key decisions have been approved in accordance with the Contract Procedure Rules.

3.1.3 However, the review identified the following areas for potential improvement:

- The service should review its procedures around development of contract specifications to ensure that all significant works are identified and evaluated at the earliest possible stage and are, therefore, subject to the competitive process.
- Arrangements for the retention and storage of procurement documentation on The Chest should be reviewed to ensure tendering scoring and delegated decisions are clearly evidenced.

3.2 Spindles Pre-Contract Procurement Review

3.2.1 The Audit Opinion in respect of this project is that the pre-contract procurement arrangements were Adequate.

3.2.2 We found satisfactory controls in operation in the following areas:

- Procurement processes have been followed in line with Contract Procedure Rules.
- Key decisions have been authorised in accordance with the Contract Procedure Rules.

3.2.3 However, the review identified the following areas for potential improvement:

- The Council should continue to monitor its Contract Procedure Rules to ensure that they remain effective in supporting bidder engagement in procurement.
 - Arrangements for the retention and storage of procurement documentation on SharePoint should be reviewed to ensure tendering scoring and delegated decisions are clearly evidenced.
 - The service should put a strong data resilience strategy in place to ensure pertinent data and documentation is available for review when requested by authorised users. This will mitigate the risk around document availability.
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3.3 The Council's Contract Register Review

3.3.1 The Council's Contract Register should contain all relevant details of contracts already awarded, and details of those planned. This enables the council to monitor and plan its procurement activity more effectively. The review found that arrangements around the Council's Contract Register were Inadequate. We made recommendations for improvement in two broad areas:

Guidance and Training

- A Contract Management Policy and associated standards and guidance toolkit should be developed to ensure that all contracts are managed in a consistent and compliant manner.
- Training courses should be developed for all contract managers to provide assurance of competence in contract management roles.
- Review the utility of the ProContract system with a view to implementing robust contract management processes to enable consistent measures of performance and value for money.

Data and record keeping

- A data matching exercise should be conducted between the contracts register and data held by Legal Services and Directorates to ensure that all contracts are recorded on the register.
- Less reliance should be placed on a master spreadsheet during the procurement resource planning process and the service should explore other, more robust, means of recording workflows, e.g., Pipeline.
- A review of the ProContract monitoring facility should be conducted to ensure that each contract that requires a delegated decision or approval has the necessary report added to the attachments.
- Customer Feedback from suppliers, key stakeholders and colleagues should be recorded in order to help assess the financial and operational performance of contracts.
- The contracts register should be reviewed to ensure all data and relevant fields have been populated, including contract value.
- Arrangements for the retention and storage of procurement documentation on SharePoint should be reviewed to ensure a standardised approach is adopted.

4 Common themes identified and the Council's response

4.1 Common Themes

4.1.1 The overriding common finding from the audit work undertaken was in connection with inconsistent record keeping practices in respect of important contractual documentation, information and communications. It was often a difficult and lengthy process to access the records required to complete our audit work.

4.1.2 Whilst only noted in connection with the Spindles Project in respect of DLUHC funded projects, the Council's Contract Procedure rules were also noted as requiring updating in other, non-DLUHC related project procurement reviews.

4.2 The Council's response

4.2.1 In respect of the accessibility and availability of contract information and documentation, which was noted as an area for improvement across all three reviews undertaken, the loss of the previous Head of Procurement during the 2023/24 year had a significant impact on the evidence available to provide assurance that the Council's Procurement Service was operating in a co-ordinated way to address the Council's ongoing procurement needs.

4.2.2 The Council has taken steps to address this issue and:

- The Procurement Service now sits within the remit of the Director of Finance.
- A new Interim Head of Procurement is now in place.
- An independent review by of the Council's Procurement Function by STAR Procurement is underway which will make further recommendations for improvements in due course.

4.2.3 In respect of the Council's Contract Procedures Rules, these have already been reviewed during 2023/24, and will be further reviewed following on from the appointment of the Council's new Interim Head of Procurement. This will help ensure that the Council is able to maximise its procurement options with appropriate safeguards in place.

4.2.4 Whilst the Council faces a challenge in respect of information management practices in respect of procurement and the Council's Contract register, it has already taken steps in terms of management structure, staffing, and engaging an independent industry led review in order to help address these issues.

4.2.5 As the Council moves to meet this challenge it continues to adhere to Contract Procedure Rules and associated procedures for decision making and recording in relation to the procurement of large capital projects.

5 **Options/Alternatives**

5.1 The Audit Committee can either:

- a) choose to accept and note the contents of the report; or,
- b) decline to accept and note the contents of the report and suggest an alternative approach.

6 **Preferred Option**

6.1 The preferred option is that the Audit Committee accepts and notes the contents of the report.

7 **Consultation**

7.1 N/A.

8 **Financial Implications**

8.1 N/A.

9 **Legal Services Comments**

9.1 N/A.

10 **Co-operative Agenda**

10.1 N/A.

11 **Human Resources Comments**

11.1 N/A.

12 **Risk Assessments**

12.1 The Annual Audit and Counter Fraud Plans are prepared, reviewed, and updated using a risk-based approach. The Terms of Reference for each agreed project are also determined using a risk-based methodology. (John Miller)

13 **IT Implications**

13.1 N/A.

14 **Property Implications**

14.1 N/A.

15 **Procurement Implications**

15.1 N/A.

16 **Environmental and Health & Safety Implications**

16.1 N/A.

17 **Equity, Community Cohesion and Crime Implication**

17.1 N/A.

18 **Equality Impact Assessment Completed**

18.1 No.

19 **Forward Plan Reference**

19.1 N/A.

20 **Key Decision**

20.1 No.

21 **Background Papers**

21.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act.

File Ref:	Background papers are included as Appendices 1 & 2
Officer Name:	John Miller
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22 **Appendices**

22.1 The following Appendices are available to support this Report:

- **Appendix 1:** Creating a Better Place Update Report to Place, Economic Growth and Environment Scrutiny Board 19 March 2024
 - **Appendix 2:** CaBP Update Presentation to Place, Economic Growth and Environment Scrutiny Board 19 March 2024
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