



DERBY CITY COUNCIL

**AUDIT AND ACCOUNTS
COMMITTEE
26 JUNE 2008**

Report of the Corporate Director
of Resources

ITEM 18

Derwent Community Team – Project Appraisal Audit

RECOMMENDATION

- 1.1 To note the findings of the project appraisal audit of Derwent Community Team's decision making processes and operational procedures undertaken by the Council as 'Accountable Body'.
- 1.2 To approve the joint response and action plan in place to address areas for improvement.

SUPPORTING INFORMATION

Background

- 2.1 Since late 2006 there have been a number of high profile Derwent Community Team project failures identified within the £42m ten year programme, including the Derwentio Ancient Viking Village project.
- 2.2 Derby City Council is the 'accountable body' for the Derwent Community Team's – DCT - actions and the DCT Board's decisions. This means the Council has overall financial responsibility to ensure there are sound control and governance arrangements in place in the DCT for project approval and financial decision making, and that there are robust project appraisal processes in place before decisions are taken following the receipt of any project business cases.
- 2.3 Should it be the case that any decision of the DCT Board is found to have been made without the due processes in place as outlined in paragraph 2.2, the Council, as accountable body for the DCT, could be held responsible to repay the relevant amount of Government Grant for any failed project under 'clawback' arrangements that are in place with Government Office for the East Midlands – GOEM.

Audit Findings

- 3.1 The report commissioned by the Council's Corporate Director of Resources and produced by the Council's Internal Audit Team is shown at Appendix 2.

- 3.2 The audit determined that the overall level of control in place at the time of the decision to approve the Derwentio Ancient Viking Village project in January 2003 was 'unsound'. This means that the risks identified were major and fundamental improvements were required.
- 3.3 However many of the weaknesses at the time of the Derwentio project approval were superseded in 2006 when a Project Toolkit was introduced within the DCT, which provided a very rigorous process for assessing and appraising projects so that only viable projects with sound business cases are approved. The proper use of a NDC recommended appraisal tool will improve the overall level of control to satisfactory. This means that residual risks identified within the audit are minimal but changes are required. It was beyond the scope of the audit to assess whether the use of Project Toolkit fully ensured that the NDC standards had been met.
- 3.4 The audit report at Appendix 2 contains 14 recommendations all of which have been accepted by management. Three of the recommendations are considered to be 'significant' and the other 11 are considered to 'merit attention' – it was reassuring for the DCT and the Council, that none of the recommendations were considered to be 'fundamental'. An action plan has been put in place by management and many of the recommendations included in the report have now been implemented (appendix 3).

For more information contact:	Richard Boneham, Head of Audit and Risk Management, 01332 255688 richard.boneham@derby.gov.uk
Background papers:	None
List of appendices:	Appendix 1 – Implications Appendix 2 – Final Audit Report - Derwent NDC: Project Appraisal Appendix 3 - Joint Response and Action Plan

IMPLICATIONS

Financial

1. None directly arising.

Legal

2. None directly arising.

Personnel

3. None directly arising.

Equalities impact

4. None directly arising.

Corporate objectives and priorities for change

5. None directly arising.

