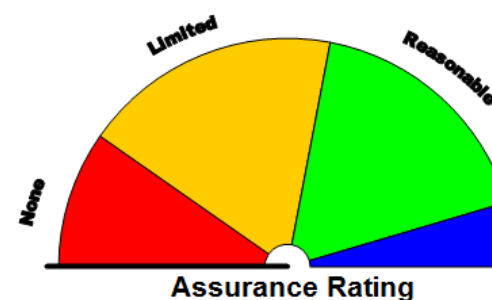


# Derby City Council – A52 Scheme - Systems Weaknesses

## Final Audit Report



## Our Vision

Through continuous improvement, the central midlands audit partnership will strive to provide cost effective, high quality internal audit services that meet the needs and expectations of all its partners.

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# 1 Executive Summary

## 1.1 Scope

- 1.1.1 Following on from the A52 Transport Improvements Scheme investigation, it was formally agreed with the Council's Strategic Director of Corporate Resources that Internal Audit would evaluate the adequacy of the systems of control in place. This concerned the governance arrangements around this project and the control weaknesses that have contributed to the significant project failings, and the resulting adverse financial position.

This report deals with the system weaknesses identified during this investigation and recommends what Internal Audit considers to be appropriate control improvements. We have sought to:

- Evaluate the adequacy of the systems of control and suggest control improvement(s) where considered necessary.

- 1.1.2 This System Weaknesses report should be read in conjunction with the full A52 Transport Improvements Scheme Investigation report. The full details concerning the complex matters in hand are recorded in the investigation report, this report merely references brief findings to identify the risks and weaknesses and make subsequent recommendations.

- 1.1.3 The results of this system weaknesses report have been reported to Senior Management for comment and will subsequently be reported to the Audit and Accounts Committee.

## 1.2 Summary of Findings

- 1.2.1 This report contains 53 recommendations, three are considered a low risk, 27 a moderate risk and 23 a significant risk. No individual recommendation in itself is considered to be a critical risk.

All 53 control issues raised within this report have been accepted and positive action has been agreed to be taken to address all issues. Positive action in respect of 25 recommendations has already been taken, one recommendation is due to be implemented by 30<sup>th</sup> June 2019, six further recommendations are due to be addressed by 31<sup>st</sup> July 2019 and one recommendation is due to be implemented by 30<sup>th</sup> September 2019. The remaining 20 recommendations are due to be addressed by 31<sup>st</sup> December 2019.

- 1.2.2 The following issues were considered to be the key control weaknesses:

### **A52 Scheme Recommendations**

Rec No.	Risk Rating	Summary of Weakness	Agreed Action Date
1	Significant	Issues requiring changes to designs and specifications, following formal issue, were largely dealt with in isolation to the overall designs without consideration for the entire model.	Implemented
2	Moderate	There was no directorial overview of the design and specification process being undertaken in real time.	Implemented
3	Significant	An unrealistic contingency had been set for the Scheme which was considerably low considering this was a brownfield site.	Implemented
4	Significant	Council officers failed to provide Members with an honest appraisal of the issues arising and information provided was neither detailed nor accurate.	Implemented
5	Significant	Governance arrangements around the Project Board and the Infrastructure Board were largely ineffective and an initial Terms of Reference for the Project Board could not be provided.	30/06/2019
6	Significant	Increased project costs were not reported to Members on a timely basis.	Implemented

## DCC – A52 Scheme - System Weaknesses

7	Moderate	Project Risk Registers were poorly designed and utilised, and were not in line with the Council's methodology for Risk Management. Registers contained a number of inaccuracies and risks were inconsistently documented throughout.	Implemented
8	Significant	Mechanisms in place for review and escalation of project risks were not being consistently adhered to and there was insufficient oversight of the project risks, particularly following the absorption of the Project Board into the Infrastructure Board.	Implemented
9	Moderate	Members were not in receipt of the Project Risk Registers and risks reflected in Cabinet reports did not provide for a comprehensive review of the project risks.	Implemented
10	Moderate	There were ineffective risk management arrangements in place between the Council and the Principal Contractor.	Implemented
11	Moderate	The Principal Contractor may have either, undervalued the risk pot associated with the risk of undertaking night working, or inflated the associated costs when this risk actually materialised.	Implemented
12	Moderate	Arrangements had not been put in place by management to cover the role of Project Manager in periods of absence.	Implemented
13	Moderate	The Project Team took the decision to move to night working without the involvement of the Strategic Director or Members, and without the costs of this change, or impact on the project timeframes, being known.	Implemented
14	Significant	There were no performance indicators in place which facilitated the ongoing monitoring of the Scheme's progression.	Implemented
15	Significant	The monitoring of the A52 Scheme, by the respective Boards with project management oversight, was largely ineffective.	Implemented
16	Low	There was insufficient recording of meetings and decisions, and a lack of version control over working documents.	Implemented
17	Moderate	Financial documentation contained errors and questionable figures that had not been properly explained.	Implemented
18	Moderate	There was a lack of review and verification over key elements of the cost schedules.	Implemented
19	Moderate	The Council officer authorising Compensation Events and subsequently the additional payments, was doing so without the formal delegated approval being in place.	Implemented
20	Moderate	Instructions to the Principal Contractor were being given reactively via Project Managers Instructions, rather than following the standard Early Warning Notice and Compensation Event route for properly appraising the change and giving due consideration to the overall impact on the works.	Implemented
21	Moderate	A number of registers were in place for recording and managing project changes, all of which contained differing information. This had the potential to directly affect costings.	Implemented

**Corporate Recommendations**

Rec No.	Risk Rating	Summary of Weakness	Agreed Action Date
22	Significant	Reliance was placed on a single officer for both defining and checking the detailed designs and specifications for the Scheme.	31/12/2019
23	Significant	Issues requiring changes to designs and specifications, following formal issue, were largely dealt with in isolation to the overall designs without consideration for the entire model.	31/12/2019
24	Moderate	There was no directorial overview of the design and specification process being undertaken in real time.	31/12/2019
25	Significant	Concerns were not raised early enough by the Project Team.	Implemented

## DCC – A52 Scheme - System Weaknesses

26	Significant	Initial costings for the Scheme were relied on for the tender process, without further studies or evaluations of potential costs to better inform the procurement process.	31/12/2019
27	Moderate	Survey data was not subject to any verification or secondary checks to ensure accuracy, before being passed to the Principal Contractor.	31/12/2019
28	Low	Documentation to evidence tender evaluations and moderation had not been retained by the Council for the appointment of the Principal Contractor on the A52 Scheme.	31/12/2019
29	Significant	Over reliance was placed on the Early Contractor Involvement (ECI) stage to arrive at detailed construction costs when mature designs were not in place.	31/12/2019
30	Significant	An unrealistic contingency had been set for the Scheme which was considerably low considering this was a brownfield site.	31/07/2019
31	Significant	Essential works were removed from the Scheme to remain in budget, instead of escalating concerns to management and/or seeking further funding. These were subsequently brought back into scope, leading to increased costs and delays.	31/12/2019
32	Significant	Senior Management was not fully conversant with the details set out in the formal document they were ratifying in order to enter into the contract with the Principal Contractor.	31/12/2019
33	Significant	Council officers failed to provide Members with an honest appraisal of the issues arising and information provided was neither detailed nor accurate. Furthermore, increasing project costs were not reported to Members on a timely basis.	31/12/2019
34	Significant	The Project Team pressed forward with the works, despite Project Officers reservations, due to financial pressures from D2N2 (LEP) and without the s278 agreement being signed to secure third party funding.	Implemented
35	Significant	Governance arrangements around the Project Board and the Infrastructure Board were largely ineffective and an initial Terms of Reference for the Project Board could not be provided.	30/09/2019
36	Moderate	Project Risk Registers were poorly designed and utilised, and were not in line with the Council's methodology for Risk Management. Registers contained a number of inaccuracies and risks were inconsistently documented throughout.	Implemented
37	Significant	Mechanisms in place for review and escalation of project risks were not being consistently adhered to and there was insufficient oversight of the project risks, particularly following the absorption of the Project Board into the Infrastructure Board.	31/07/2019
38	Moderate	Members were not in receipt of the Project Risk Registers and risks reflected in Cabinet reports did not provide for a comprehensive review of the project risks.	31/07/2019
39	Moderate	There were ineffective risk management arrangements in place between the Council and the Principal Contractor.	31/07/2019
40	Moderate	Management did not address issues with the <i>former</i> Project Manager working in isolation in order to provide comprehensive support over the work programme. Furthermore, arrangements had not been put in place by management to cover the role of Project Manager in periods of absence.	31/12/2019
41	Moderate	There were inadequate mechanisms in place for the monitoring of Senior Officers on the A52 Scheme.	Implemented
42	Moderate	No evidence could be provided by Council officers to demonstrate that clear guidance or instruction concerning Traffic Management had been given to the Principal Contractor, prior to on-site works commencing.	31/12/2019



## DCC – A52 Scheme - System Weaknesses

43	Moderate	The Project Team took the decision to move to night working without the involvement of the Strategic Director or Members, and without the costs of this change, or impact on the project timeframes, being known.	31/12/2019
44	Significant	There were no performance indicators in place which facilitated the ongoing monitoring of the Scheme's progression.	31/07/2019
45	Significant	The Corporate Pledge reporting and monitoring process was not sufficient to inform Members of issues arising from the Scheme.	31/07/2019
46	Moderate	There was a lack of dedicated Council Officer resource for the management /oversight of this Scheme.	Implemented
47	Moderate	The appointment of the <i>former</i> Project Manager was not subject to the appropriate scrutiny.	31/12/2019
48	Significant	The monitoring of the A52 Scheme, by the respective Boards with project management oversight, was largely ineffective.	31/12/2019
49	Low	There was insufficient recording of meetings and decisions, and a lack of version control over working documents.	31/12/2019
50	Moderate	Financial documentation contained errors and questionable figures that had not been properly explained.	31/12/2019
51	Moderate	There was a lack of review and verification over key elements of the cost schedules.	31/12/2019
52	Moderate	The Council officer authorising Compensation Events and subsequently the additional payments, was doing so without the formal delegated approval being in place.	31/12/2019
53	Moderate	Instructions to the Principal Contractor were being given reactively via Project Managers Instructions, rather than following the standard Early Warning Notice and Compensation Event route for properly appraising the change and giving due consideration to the overall impact on the works.	31/12/2019

### 1.3 Distribution and Communication

- 1.3.1 This report was issued to Don McLure, Strategic Director of Corporate Resources, and Heather Greenan, Director of Policy and Insight, for comment.

The final version has been issued to Carole Mills, Chief Executive, with copies to:

- Don McLure, Strategic Director of Corporate Resources.
- Heather Greenan, Director of Policy and Insight.
- Melanie Elliot, Project Manager.

- 1.3.2 This report was produced by Martin Shipley, Group Auditor, and Richard Boneham, Head of Internal Audit (DCC) & Head of Audit Partnership. Any enquiry concerning the content of this report or associated issues may be made to Martin Shipley on 01332 643 292.

## 2 Additional Issues

### 2.1 A52 Scheme and Corporate

- 2.1.1 As part of the audit process, a Workshop was held with the Audit and Accounts Committee on 18<sup>th</sup> March 2019, to deal with the issues coming out of the A52 Scheme - Systems Weaknesses report.

During the course of this Workshop, Members of the Committee identified additional control issues they believed pertinent to the investigation. We have not raised formal recommendations for management to respond to these matters and do not intend to formally follow up any of these issues. As such, management is at liberty to take whatever action it deems necessary to address these matters:

- While discussing the recommendation concerning an unrealistic contingency being set for the Scheme, Members identified that the authority may wish to write to D2N2 (LEP), to raise the matter of contingencies within funding bids, following issues raised during the investigation.
- While discussing that Members were not given an honest appraisal of the issues arising, Members identified the wider issue concerning their ability to scrutinise major projects at an early stage, citing the Assembly Rooms and the Market Hall. The requirement for additional Member training to enable them to effectively scrutinise projects was also raised. Management may wish to give further consideration to these issues.
- While discussing an issue that the Project Team had pressed forward with the works, despite Project Officers reservations, due to financial pressures from D2N2 (LEP), Members requested that the letter to D2N2 (LEP) could also raise the matter of undue financial pressures being applied on the Council to move forward with projects when the authority may not be in a position to do so.
- While discussing issues around Traffic Management, Members identified the wider issue; concerning the Council being able to continue to operate as '*Business as Usual*' during such projects, so that Council run services (not just roads) are not widely affected. Management may also wish to give due consideration to this matter.

### 3 Findings & Recommendations – A52 Scheme

#### 3.1 Contract Tenders and Original Costings (A52 Scheme)

- 3.1.1 We found that issues requiring changes to designs and specifications, following formal issue, were largely dealt with in isolation to the overall designs. In some instances this led to significant knock-on effects elsewhere with the design. Where such changes are required, this should be subject to a robust checking mechanism by an independent officer.

If changes to designs and specifications are dealt with in isolation to the overall designs, there are increased risks that such changes may have implications for the overall scheme design, which if not identified, could result in wider problems for the on-site construction. This could lead to delays with on-site works and increased costs to rectify issues.

Recommendation 1	Summary Response
<p><b>Risk Rating:</b> Significant Risk</p> <p><b>Summary of Weakness:</b> Issues requiring changes to designs and specifications, following formal issue, were largely dealt with in isolation to the overall designs without consideration for the entire model.</p> <p><b>Suggested Actions:</b> We recommend that the Senior Responsible Officer ensures that all changes to designs and specifications are reviewed by a Senior Officer, to ensure that changes are not dealt with in isolation to the overall model.</p>	<p><b>Responsible Officer:</b> Don McLure</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> The sign off the designs needs to be done in collaboration with Galliford Try under the new 'one team' approach. Significant design changes will have a design review by WSP in their current capacity as assurance role to the project.</p> <p>Actioned by Phillip Massey.</p> <p><b>Implementation Date:</b> Implemented</p>

- 3.1.2 We found that there was no directorial overview of the design and specification process being undertaken in real time. Realisation that there were problems in this area came far too late.

Without directorial overview of the design and specification process, there is a risk that problems are not identified and rectified on a timely basis. This could result in delays with on-site works and increased costs, where errors are subsequently identified. This may also result in issues not being escalated to Senior Management and/or Members, which could further impact on key decision making.

Recommendation 2	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> There was no directorial overview of the design and specification process being undertaken in real time.</p> <p><b>Suggested Actions:</b> We recommend that the Senior Responsible Officer ensures that information concerning changes to designs and specifications are subject to the necessary review by the A52 Project Board and/or Corporate Project Board, to ensure sufficient overview by Senior Management within the Council.</p>	<p><b>Responsible Officer:</b> Don McLure</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> This is now in place and all members of the Project Team know what is expected of them. Significant design changes will have a design review by WSP in their current capacity as assurance role to the project.</p> <p><b>Implementation Date:</b> Implemented</p>

- 3.1.3 We found, as at June 2016, the contingency element of the Scheme equated to less than 5% of the whole scheme cost. We believe that this was particularly low with this being a brownfield site and considering that the Government Green Book guidance for contingency on highways projects is 44%.

If contingency elements of a Scheme are under-stated, there is a significant risk that the agreed budget may not be sufficient to cover any unexpected and unplanned for works. This could lead to Scheme budgets being exceeded and result in a significant increase in costs for the Council, along with the potential for reputational damage.

Recommendation 3	Summary Response
<p><b>Risk Rating:</b> Significant Risk</p> <p><b>Summary of Weakness:</b> An unrealistic contingency had been set for the Scheme which was considerably low considering this was a brownfield site.</p> <p><b>Suggested Actions:</b> We recommend that the Senior Responsible Officer reviews the existing contingency element of the A52 Scheme, to ensure that this is realistic in light of the unfolding issues for which the Council are now aware. Should this be identified to be too low, then consideration should be given to rectifying this situation.</p>	<p><b>Responsible Officer:</b> Don McLure</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Cabinet agreed to increase the project budget to £40.3m on a contingency budget of £2.9m on 10 April 2019.</p> <p>Collaborative Risk workshop held (with support of contractor, external assurance and key internal stakeholders) to establish robust contingency moving forward from April 2019 Cabinet submission.</p> <p><b>Implementation Date:</b> Implemented</p>

### 3.2 Governance Arrangements (A52 Scheme)

- 3.2.1 We found evidence that there were mechanisms in place for Members to be briefed on project developments, such as regular meetings and Corporate Pledge monitoring processes. However, the level of information fed back to Members was not sufficiently detailed or in fact an accurate representation of the situation as it actually was. Members were not given an honest /detailed appraisal of the issues arising; instead, officers appeared to provide verbal assurances that the project was being suitably managed and that the risks to the Council were being minimised.

Furthermore, the information being relayed to Members was often dumbed down and deliberately evasive where contentious issues were concerned.

If Members are not suitably appraised of arising issues, there is the risk that they will be unable to take the required action to tackle the issues or guide officers on the desired course of action. This could lead to matters not being satisfactorily resolved and could mean that decisions are based on false assurances, resulting in the possibility for reputational and financial damage.

Recommendation 4	Summary Response
<p><b>Risk Rating:</b> Significant Risk</p> <p><b>Summary of Weakness:</b> Council officers failed to provide Members with an honest appraisal of the issues arising and information provided was neither detailed nor accurate.</p> <p><b>Suggested Actions:</b> We recommend that the Senior Responsible Officer ensures that suitable mechanisms are now in place for appraising Members of the ongoing situation in respect of the A52 Scheme. Such measures should ensure that the information provided is suitably documented, accurate, timely and in sufficient detail to aid awareness for future decision making.</p>	<p><b>Responsible Officer:</b> Don McLure</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Since February 2019, regular briefings have taken place with Leadership and Councillor Holmes.</p> <p><b>Implementation Date:</b> Implemented</p>

- 3.2.2 We found that governance arrangements around the Project Board and the Infrastructure Board were largely ineffective and an initial Terms of Reference for the Project Board could not be provided.

The Project Board initially reported to the Infrastructure Board, but was latterly absorbed into the Infrastructure Board in May 2016, this should not have happened as these boards had different remits. The Infrastructure Board was a programme management group responsible for overseeing the Highways and Transportation Capital Programme, and the Project Board was a project management group overseeing operational matters. This is considered to be a significant weakness, as specific project management issues could never be effectively managed at this level and Senior Management oversight was required in January 2018 due to the failures of these arrangements.

We acknowledge that under the *newly formed* Project Board (July 2018) initial evidence suggests that this situation has improved considerably.

If adequate governance arrangements are not in place for the Scheme, there is an increased risk of ineffective project management and oversight of project delivery. This could lead to project risks and issues not being identified and suitably addressed, and could result in reputational and financial damage to the Council where a Scheme is judged by the media to have failed.

Recommendation 5	Summary Response
<p><b>Risk Rating:</b> Significant Risk</p> <p><b>Summary of Weakness:</b> Governance arrangements around the Project Board and the Infrastructure Board were largely ineffective and an initial Terms of Reference for the Project Board could not be provided.</p> <p><b>Suggested Actions:</b> We recommend that the Senior Responsible Officer ensures that the revised governance arrangements in place around the A52 Project Board and the Corporate Project Board are robust and provide an effective level of review and control over the A52 Scheme. Suitable Terms of Reference for both groups should also be in place.</p>	<p><b>Responsible Officer:</b> Don McLure</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> An effective level of review and control are in place through Project Board and Corporate Project Board. Terms of reference will be reviewed and updated if need be. These have been updated since the start of the audit process.</p> <p>Actioned by Phillip Massey.</p> <p><b>Implementation Date:</b> 30/06/2019</p>

- 3.2.3 We found that increased project costs were reported to the Infrastructure Board, the Strategic Director and *former* Finance Director between December 2017 and January 2018. However, Members were not provided with a clear understanding of the situation or escalating project costs until May and June 2018.

If Members are not informed of escalating costs, there is a risk that they may make ill-informed decisions. This could lead to Member involvement being viewed as ineffective and could result in reputational damage for Members and in turn, for the Council.

Recommendation 6	Summary Response
<p><b>Risk Rating:</b> Significant Risk</p> <p><b>Summary of Weakness:</b> Increased project costs were not reported to Members on a timely basis.</p> <p><b>Suggested Actions:</b> We recommend that the Senior Responsible Officer personally ensures that key Members are appraised of emerging issues, that may materially affect the delivery of the A52 Scheme, as soon as practically possible and that such contact is properly recorded.</p>	<p><b>Responsible Officer:</b> Don McLure</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agree and now in place.</p> <p><b>Implementation Date:</b> Implemented</p>

- 3.2.4 We found that the risk management arrangements on this Scheme were underdeveloped and ineffective. Project Risk Registers contained a number of significant inaccuracies, in terms of project risks that were materialising at the time. Furthermore, the documenting of risks was irregularly undertaken, inconsistently documented and not in line with the Council's methodology for Risk Management.

We acknowledge that under the *newly formed* Project Board (July 2018) initial evidence suggests that this situation is under improvement.

If the process for developing and maintaining Project Risk Registers is not in line with the Council's methodology for Risk Management, there is a risk that project risks are not suitably managed. This could lead to the materialisation of project risks, and could result in financial, reputational and legal implications for the Council.

Recommendation 7	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> Project Risk Registers were poorly designed and utilised, and were not in line with the Council's methodology for Risk Management. Registers contained a number of inaccuracies and risks were inconsistently documented throughout.</p> <p><b>Suggested Actions:</b> We recommend that the Senior Responsible Officer ensures that the revised risk management arrangements now follow Corporate guidelines and are fit-for-purpose. Subsequent Risk Registers for the A52 Scheme should be accurate, with information being consistently recorded, to correctly reflect ongoing risks to the project.</p>	<p><b>Responsible Officer:</b> Don McLure</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Compliant risk registers have been a standard project board agenda item since the Autumn of 2018. Actioned by Phillip Massey.</p> <p><b>Implementation Date:</b> Implemented</p>

- 3.2.5 We found that although there were mechanisms in place for review and escalation of project risks, these measures were not consistently adhered to, and as such, it would have been possible that risks were not adequately considered and escalated. This was not flagged by the Infrastructure Board, who was tasked with oversight of the project risks. We are of the opinion that there was insufficient oversight of the project risks, particularly following the absorption of the Project Board into the Infrastructure Board. The Project Risk Register was not well managed, appropriately disseminated or successfully utilised, in order to effectively manage a project of this scale and nature. This is considered to be a significant weakness.

If project risks are not reviewed and escalated, there is a risk that key parties are not suitably aware of the risks and mitigating actions. This could lead to risks not being suitably managed and controlled and could contribute to the materialisation of potential risks. This could result in reputational, financial and legal damage to the Council.

Recommendation 8	Summary Response
<p><b>Risk Rating:</b> Significant Risk</p> <p><b>Summary of Weakness:</b> Mechanisms in place for review and escalation of project risks were not being consistently adhered to and there was insufficient oversight of the project risks, particularly following the absorption of the Project Board into the Infrastructure Board.</p> <p><b>Suggested Actions:</b> We recommend that the Senior Responsible Officer ensures that Project Risk Registers are regularly reviewed by both the A52 Project Board and Corporate Project Board, to ensure that project risks are suitably escalated and understood by Senior Management.</p>	<p><b>Responsible Officer:</b> Don McLure</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agree and now in practice. Actioned by Phillip Massey.</p> <p><b>Implementation Date:</b> Implemented</p>



- 3.2.6 We found that Members were not in receipt of the Project Risk Registers, but officers interviewed believed that project risks were reflected in Cabinet reports. Although we could see that certain risks were included within these reports, we did not consider this to have provided for a comprehensive review of project risks.

We have however identified that the *newly formed* Project Board (July 2018) has taken responsibility for oversight of the Project Risk Register. We believe Senior Management has taken steps to improve the risk management arrangements for the project, although we are, at this stage, unable to offer an opinion about the adequacy of these arrangements.

If Members are not in receipt of Project Risk Registers there is a risk that Members are not suitably aware of the risks and mitigating actions. This could also lead to Members making decisions based on incomplete information which may adversely affect potential risks and could result in reputational, financial and legal damage to the Council.

Recommendation 9	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> Members were not in receipt of the Project Risk Registers and risks reflected in Cabinet reports did not provide for a comprehensive review of the project risks.</p> <p><b>Suggested Actions:</b> We recommend that the Senior Responsible Officer makes Project Risk Registers available to Members so they can appraise the ongoing situation. This should ensure Member awareness of the risks and mitigating actions to inform any decision making concerning the A52 Scheme.</p>	<p><b>Responsible Officer:</b> Don McLure</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Cabinet portfolio member briefed regularly at Corporate Project Board. Wider Leadership also kept abreast of risks on a regular basis.</p> <p>Actioned by Phillip Massey.</p> <p><b>Implementation Date:</b> Implemented</p>

- 3.2.7 We found no evidence to verify that the Council formally reviewed and disseminated Contractor Risk Registers post September 2017. Our opinion was that there were ineffective risk management arrangements in place between the Council and the Principal Contractor, although the Principal Contractor had made efforts to identify, document and quantify associated risks.

If the Contractor Risk Registers are not disseminated by Project Officers to all relevant parties at the Council, there is a risk that contractor risks are not known, challenged or safeguarded against. This could lead to decisions being taken, based on incomplete information, which could contribute to the materialisation of potential risks. This could result in reputational, financial and legal damage to the Council.

Recommendation 10	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> There were ineffective risk management arrangements in place between the Council and the Principal Contractor.</p> <p><b>Suggested Actions:</b> We recommend that the Senior Responsible Officer ensures that the Project Team formally review the Contractor Risk Registers and share these with the A52 Project Board and/or the Corporate Project Board. This should ensure that emerging risks from the Contractor are known, challenged and fully understood by the Council.</p>	<p><b>Responsible Officer:</b> Don McLure</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> All the agenda items on Project Board are now signed off by the Galliford Try side of the consolidated Project Team. Challenges to risk registers and participation is encouraged at the Project Board.</p> <p>Actioned by Phillip Massey.</p> <p><b>Implementation Date:</b> Implemented</p>

- 3.2.8 We found that the Contractor Risk Register addressed the '*Risk that constraints on A52 and required working widths require more works than planned to be undertaken during night /weekend*' and scored this as low risk. We consider this to have been particularly optimistic view. The maximum risk pot associated with this risk was £939,800. As we now know that the actual costs incurred from night working were £2.4m we are concerned how the associated risk pot of £939,800 was treated in relation to the subsequent Compensation Event.

If risk pots associated with risks in the Contractor Risk Register are not suitably dealt with in any subsequent Compensation Event, following realisation of the said risks, this could lead to the Council being unfairly charged for the resulting actions. This could result in financial loss to the Council, which could otherwise have been recovered.

Recommendation 11	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> The Principal Contractor may have either, undervalued the risk pot associated with the risk of undertaking night working, or inflated the associated costs when this risk actually materialised.</p> <p><b>Suggested Actions:</b> We recommend that the Senior Responsible Officer explores this issue further, in conjunction with Arcadis (who have been appointed to provide a legal and contractual oversight into the A52 Scheme), to see if this matter was correctly factored into the settlement figure agreed in the relevant Compensation Event.</p>	<p><b>Responsible Officer:</b> Don McLure</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> The CE was formally agreed in line with the contract terms and was therefore not part of the initial review of 'timed out' CEs by Arcadis.</p> <p>Arcadis have, however, completed their review of costs incurred to date. They are satisfied that, 'the application for payments put forward by Galliford Try for the A52 scheme, and subsequent assessments to certify payment follow the agreed contract and definitions for defined costs therein, and contain the valid defined cost amounts'.</p> <p>Actioned by Phillip Massey.</p> <p><b>Implementation Date:</b> Implemented</p>

- 3.2.9 We found that there were insufficient arrangements in place to cover the *former* Project Manager's role in his absence and there was not a proper hand over by the *former* Project Manager when he left the Council's employment in April 2018.

If there is insufficient cover in place for the absence of key Project Officers, there is a risk that during any such absence, projects do not adequately progress. This could lead to project timelines being exceeded and costly overruns, which could result in costs being exceeded and unnecessary delays.

Recommendation 12	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> Arrangements had not been put in place by management to cover the role of Project Manager in periods of absence.</p> <p><b>Suggested Actions:</b> We recommend that the Senior Responsible Officer puts appropriate arrangements in place to cover the Project Managers role in periods of absence. This should ensure proper management of the project and that works are suitably progressing on an ongoing basis.</p>	<p><b>Responsible Officer:</b> Don McLure</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Lincoln Smithers has been brought into the fore more than previously and is picking up any matters that need pushing on while the project manager is in attendance and more so when he is not.</p> <p>Actioned by Lincoln Smithers.</p> <p><b>Implementation Date:</b> Implemented</p>



### 3.3 Contract Monitoring (A52 Scheme)

- 3.3.1 We found that when concerns were raised about the adverse impact on the city of single lane working, following a period where this was in operation (Easter 2017), that the Project Team took the decision to move to night working (September 2017). Evidence suggests that this decision was made in discussion with various officers, but without the involvement of the Strategic Director or Members, and without the costs of this change, or impact on the project timeframes being known. It later transpired that the move from day to night working formed £2.4m of a Compensation Event totalling £2.6m, in January 2018.

If key decisions are taken based on incomplete information and without the knowledge of Senior Officers and Members, there is a risk that the wrong decision could be taken. This could lead to costly delays and potential issues with delivery of the Scheme, resulting in possible financial and reputational damage to the Council.

Recommendation 13	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> The Project Team took the decision to move to night working without the involvement of the Strategic Director or Members, and without the costs of this change, or impact on the project timeframes, being known.</p> <p><b>Suggested Actions:</b> We recommend that the Senior Responsible Officer ensures that Senior Management and Members, where appropriate, are instrumental in making key decisions on the A52 Scheme. This should ensure that such decisions are taken at the appropriate level within the Council.</p>	<p><b>Responsible Officer:</b> Don McLure</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> A detailed, refreshed project plan is now in place that has been signed off by the consolidated team. The revised project budget was agreed by Cabinet on 10 April 2019 that includes all the necessary delegations. Further reports will be brought back to Cabinet when required.</p> <p>Significant decisions that could have impact on the scheme or the Council reputation (eg date of demolition of the existing footbridge) are discussed at the board and with Members.</p> <p><b>Implementation Date:</b> Implemented</p>

- 3.3.2 We found that the performance indicators identified on this Scheme were those linked to the Local Growth Fund Grant. These were linked to outputs from the project, rather than specific works, and so did not facilitate the ongoing monitoring of the project's progress. This is considered to be a significant weakness.

If performance indicators are not established that are fit-for-purpose, there is a risk that project delivery is not adequately monitored. This could lead to serious issues not being identified until it was too late for timely remedial action to be taken. Consequently, issues have materialised which could result in reputational, financial and legal damage to the Council.

Recommendation 14	Summary Response
<p><b>Risk Rating:</b> Significant Risk</p> <p><b>Summary of Weakness:</b> There were no performance indicators in place which facilitated the ongoing monitoring of the Scheme's progression.</p> <p><b>Suggested Actions:</b> We recommend that the Senior Responsible Officer considers implementing performance indicators for measuring project progression against the A52 Scheme. Such measures should review the progress of works, to provide assurance that the project is moving forward at a suitable pace and without further</p>	<p><b>Responsible Officer:</b> Don McLure</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> The refreshed project plan and critical path contains key milestone dates that are being micro managed by the consolidated team. Budget reports to Project Board are now a standard item. This is considered to be sufficient programme management without the need for specific key performance</p>

hold-ups.

indicators.

There are KPI's required by the Framework used to procure the contractor which require reporting to the Midlands Highway Alliance periodically. These are now being provided.

**Implementation Date:** Implemented

### 3.4 Management Information (A52 Scheme)

3.4.1 We found the following with respect to reporting to the respective boards:

- We found very little supporting documentation to evidence meetings of the Project Team and/or the Project Board for us to substantiate matters discussed and decisions taken.
- It was evident that key officers from the Principal Contractor were not represented at the Project Board or Infrastructure Board meetings. We believe this has since been rectified by the *newly formed* Project Board (July 2018).
- We further identified that there was not a Register of Declarations of Interest for the Scheme, for either Council officers or Contractors, and neither party were required to make such declarations when attending meetings.
- The *former* Director conceded that the monitoring of the Project Team, through the Infrastructure Board, was very little and certainly insufficient to ensure that the project was adequately progressing and that information was suitably flowing between relevant parties.

If adequate governance arrangements are not in place in respect to the respective Project Boards, there is a risk that major Schemes are not adequately governed and/or monitored. This could lead to inappropriate actions and/or decisions being taken which could result in increased project costs, time overruns and the potential for financial and reputational damage.

Recommendation 15	Summary Response
<p><b>Risk Rating:</b> Significant Risk</p> <p><b>Summary of Weakness:</b> The monitoring of the A52 Scheme, by the respective Boards with project management oversight, was largely ineffective.</p> <p><b>Suggested Actions:</b> We recommend that the Senior Responsible Officer should ensure that adequate supporting documentation is provided at meetings of the A52 Project Board and the Corporate Project Board for monitoring the scheme and that matters discussed, and that all decisions taken are recorded in the minutes. The minutes should further reflect officer's declarations of interest for the respective meetings, which should also be recorded on a Register of Declarations of Interest for the Scheme. Additionally, these boards should be attended by a representative from the Principal Contractor to ensure that all parties are adequately represented.</p>	<p><b>Responsible Officer:</b> Don McLure</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> A joint highlight report by respective project managers of DCC and Galliford Try has been presented to Project Board since February 2019. Ground rules for the Project Board have been agreed and signed off including minutes and action notes being promptly circulated after Project Board meetings and actions followed up.</p> <p>Galliford Try's representation on the Project Board has been refreshed and all the key personnel are now represented.</p> <p><b>Implementation Date:</b> Implemented</p>

3.4.2 We found that there were insufficient controls in place within the Project Team for documenting ad-hoc meetings, where key decisions were taken, and maintaining version control over working documents.

If key meetings and decisions are not adequately documented, and version control not maintained, there is a risk that there is no comprehensive audit trail in place. This could lead

to the inability to adequately demonstrate suitable decision making and actions taken, which could result in reputational damage to the Council.

Recommendation 16	Summary Response
<p><b>Risk Rating:</b> Low Risk</p> <p><b>Summary of Weakness:</b> There was insufficient recording of meetings and decisions, and a lack of version control over working documents.</p> <p><b>Suggested Actions:</b> We recommend that the Senior Responsible Officer enforces a regime of documenting ad-hoc meetings where key decisions are taken, and maintaining version control over working documents on the A52 Scheme folder. This will promote accountability between officers and ensure that the most current documents are accessed and utilised by project officers.</p>	<p><b>Responsible Officer:</b> Don McLure</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> There is a maintained drawing register and issue of all documents is issued by PMIs. All controlled by version numbers. Lean review workshops have captured outputs.</p> <p>Informal review meetings need to have captured actions.</p> <p>Board and Team meetings are minuted and ad-hoc meetings are noted.</p> <p>Actioned by Phillip Massey.</p> <p><b>Implementation Date:</b> Implemented</p>

- 3.4.3 We identified that a significant proportion of financial documents contained minor errors such as numbers not tallying with other available documentation or simply where estimates had been constantly changing without adequate explanation within the associated papers.

If financial documents are not accurate and data within them is not consistent with other available documentation, there is a risk that decisions are made based on incorrect /misleading information. This could have implications for project delivery and an adverse impact on Scheme costs, and could ultimately result in financial and reputational damage to the Council.

Recommendation 17	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> Financial documentation contained errors and questionable figures that had not been properly explained.</p> <p><b>Suggested Actions:</b> We recommend that the Senior Responsible Officer makes it a requirement that a Senior Officer formally reviews the content of financial documents, prior to these being passed to either Senior Management or Members. This should help to alleviate confusion and ensure that decisions are based on correct information.</p>	<p><b>Responsible Officer:</b> Don McLure</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> The project accountant has been on the Project Board since February 2019 and produces financial reporting statements that are shared with Galliford Try in the spirit of partnership and a joint consolidated project team.</p> <p>Actioned by Andrew Jones.</p> <p><b>Implementation Date:</b> Implemented</p>

### 3.5 Authorisation of Payments / Variations (A52 Scheme)

- 3.5.1 We found that although applications for payment, payment certificates and invoices had been appropriately authorised, evidence suggested that the verification of cost schedules had not been as robust and clearly documented as we would have expected. When checking and verifying the application for payment we accept that it is appropriate to devote time to the more material costs (for example sub-contractors). However, we would have expected all elements to have been subject to some level of review.

If cost schedules are not subject to suitable review and verification, there is a risk that the Council pays in excess of actual amounts owed. This could lead to increased Scheme costs and could result in financial and reputational damage to the Council.

Recommendation 18	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> There was a lack of review and verification over key elements of the cost schedules.</p> <p><b>Suggested Actions:</b> We recommend that the Senior Responsible Officer ensures that there are standard rules and procedures in place, agreed by all parties, to detail the monthly checks that will be undertaken and documented.</p>	<p><b>Responsible Officer:</b> Don McLure</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Project Manager has fortnightly meetings with the NEC contract Manager and Arcadis QS support in order to review and approve CE Quotations in a timely manner. New instructions between Boards have been taken to Board for information since December 2018. Arcadis will be providing formal commercial reports moving forward.</p> <p>To be actioned by Phillip Massey and Andrew Jones.</p> <p><b>Implementation Date:</b> Implemented</p>

- 3.5.2 We found that the *former* Project Manager was agreeing the Compensation Events with the Principal Contractor and subsequently agreeing the additional payments. Although this is generally standard protocol under NEC contracts, the *former* Director has stated that he would not have authorised him to do this and the delegated responsibility had not been formally ratified for this officer and as such, this should not have been happening.

If appropriate delegations are not in place for the authorisation of Compensation Events and the approval of payments, there is a risk that officers will be operating outside of the Council's Financial Procedure Rules. This could mean that payments have not been appropriately authorised and the resulting risk of inappropriate expenditure. This could lead to increased project costs on the Scheme and may result in financial and reputational damage to the Council.

Recommendation 19	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> The Council officer authorising Compensation Events and subsequently the additional payments, was doing so without the formal delegated approval being in place.</p> <p><b>Suggested Actions:</b> We recommend that the Senior Responsible Officer ensures that the necessary delegated approvals have been put in place to formalise these arrangements, in line with the contractual arrangements.</p>	<p><b>Responsible Officer:</b> Don McLure</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> The delegated approval limits for the project have been reviewed and updated so that they are much more practical.</p> <p>Phill Massey will be a named representative on the contract to enable payments as well as the contract Project Manager who is an external consultant appointment.</p> <p><b>Implementation Date:</b> Implemented</p>

- 3.5.3 We identified that it was standard practice for an Early Warning Notice to be issued prior to a Compensation Event to allow time for matters to be properly appraised before the issue of a Compensation Event. What appears to have happened on this project, on numerous occasions, is that Project Managers Instructions (PMIs) have been issued directly, due to the apparent urgency of matters, leading to subsequent Compensation Events being raised. This was indicative of a project where instructions were being given reactively as opposed to being well managed and planned in advance.

If the standard NEC process for instructing contractors is not followed, there is a risk that due consideration is not be given to how changes could impact on the overall Scheme. This could lead to increased project costs and delays with Scheme delivery, which could result in reputational and financial damage.

Recommendation 20	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> Instructions to the Principal Contractor were being given reactively via Project Managers Instructions, rather than following the standard Early Warning Notice and Compensation Event route for properly appraising the change and giving due consideration to the overall impact on the works.</p> <p><b>Suggested Actions:</b> We recommend that the Senior Responsible Officer promotes a regime whereby works have been planned in advance and where Contractor instructions can be suitably managed. This should facilitate the raising of Early Warning Notices prior to Compensation Events, to allow time for matters to be properly appraised and costed.</p>	<p><b>Responsible Officer:</b> Don McLure</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Early Warning Notices (EWN's) are generated via the contractor and the council for issues that could impact on the project costs or programme. Where appropriate the contractor will be asked for a quotation on the costs and time impacts for any change. However it should be noted that there may be instances where project delivery is most effectively delivered by instructing the contractor to undertake the work immediately rather than waiting for a quotation. This approach has been used in the April 2019 Cabinet Report. A 'one team' approach has established a robust project budget to ensure delivery is within the approved budget.</p> <p><b>Implementation Date:</b> Implemented</p>

- 3.5.4 We found that there were four different spreadsheets (registers) in use by the *current* NEC Project Manager for recording and managing project changes, along with a Change Tracker spreadsheet (register) being used by the Principal Contractor. Evidence suggested that there were differences in the information being recorded on these various registers. Furthermore, sampling of 17 Compensation Events from the 174 Change Events listed on the Change Tracker at the time of compiling the original Investigation Report (December 2018), identified that 15 had at least one minor discrepancy when compared to the *current* NEC Project Manager's Registers. Some of these had the potential to directly affect costings. We strongly suggest that the Council explore these matters further in conjunction with Arcadis, who have been appointed to provide a legal and contractual oversight into the A52 Scheme.

If multiple registers are in place for recording project changes, there is an increased risk of duplicates, omissions or anomalies that could be subject to debate and dispute. This could have an adverse impact on project costs and could lead to financial and/or reputational damage.

Recommendation 21	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> A number of registers were in place for recording and managing project changes, all of which contained differing information. This had the potential to directly affect costings.</p> <p><b>Suggested Actions:</b> We recommend that the Senior Responsible Officer explores these matters further, in conjunction with Arcadis (who have been appointed to provide a legal and contractual oversight into the A52 Scheme), to review all payments made against Compensation Events, to verify they have been suitably</p>	<p><b>Responsible Officer:</b> Don McLure</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Arcadis have provided a full cost audit of paid values to date and are providing ongoing QS support to the NEC Contract Manager in respect of reviewing and formally agreeing contractor quotations.</p> <p><b>Implementation Date:</b> Implemented</p>



costed and are above board.

## 4 Findings & Recommendations – Corporate

### 4.1 Contract Tenders and Original Costings (Corporate)

- 4.1.1 We found that there was a degree of unreasonable reliance placed on a single officer for both defining and checking the detailed designs and specifications for the Scheme.

If a single officer is both defining and checking the detailed designs then there is no independent review being undertaken. This could lead to errors with the designs and specifications not being flagged, which could lead to major delays with the on-site works and significant cost increases to rectify issues.

Recommendation 22	Summary Response
<p><b>Risk Rating:</b> Significant Risk</p> <p><b>Summary of Weakness:</b> Reliance was placed on a single officer for both defining and checking the detailed designs and specifications for the Scheme.</p> <p><b>Suggested Actions:</b> We recommend that future projects, requiring design work, ensure that designs and specifications are reviewed and signed off by an independent Senior Officer, team or consultant to ensure that there is a robust checking mechanism in place. This process should be formally documented and completed before the designs are issued to a Principal Contractor.</p>	<p><b>Responsible Officers:</b> Melanie Elliot and Senior Responsible Officers</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed in principle. Senior Responsible Officers (SROs) and Programme/Project Managers are responsible for ensuring there are robust controls in place within their projects, including ongoing review of design works, risks and issues.</p> <p>The Programme Management Office (PMO) will deliver training and guidance to promote effective separation of duties, review and sign-off in future Council projects. This is included in the PMO forward plan:</p> <ul style="list-style-type: none"> <li>- Project training covering roles and responsibilities, governance and expected controls.</li> <li>- Project Manager Network events to share good practice.</li> <li>- SRO Health Checks supported by the PMO.</li> <li>- Project Reviews by the PMO Board.</li> </ul> <p><b>Implementation Date:</b> 31/12/2019</p>

- 4.1.2 We found that issues requiring changes to individual designs and specifications, following formal issue, were largely dealt with in isolation to the overall designs. In some instances this led to significant knock-on effects elsewhere with the design. Where such changes were required, this should have initiated a similar checking process to that outlined in the former recommendation.

If changes to designs and specifications are dealt with in isolation to the overall designs, there are increased risks that such changes will have implications for the overall scheme design, which if not identified, could result in wider problems for the on-site construction. This could lead to delays with on-site works and increased costs to rectify issues.

Recommendation 23	Summary Response
<p><b>Risk Rating:</b> Significant Risk</p>	<p><b>Responsible Officers:</b> Melanie Elliot and Senior Responsible Officers</p>

**Summary of Weakness:** Issues requiring changes to designs and specifications, following formal issue, were largely dealt with in isolation to the overall designs without consideration for the entire model.

**Suggested Actions:** We recommend that future projects, requiring design and specification changes, ensure that all such changes are reviewed by a Senior Officer, team or consultant to ensure that changes are not dealt with in isolation to the overall model.

#### Issue Accepted

**Agreed Actions:** Agreed in principle. Senior Responsible Officers (SROs) and Programme/Project Managers are responsible for ensuring there are robust controls in place within their projects, including ongoing review of design works, risks and issues.

The PMO will deliver training and guidance to promote effective separation of duties, review and sign-off as well as the use of good practice in the delivery of projects. This is included in the PMO forward plan:

- Project training covering roles and responsibilities, governance and expected controls.
- Project manager network events.
- SRO Health Checks supported by the PMO.
- Project Reviews by the PMO Board.

**Implementation Date:** 31/12/2019

- 4.1.3 We found that there was no directorial overview of the design and specification process being undertaken in real time. Realisation that there were problems in this area came far too late in the day.

Without directorial overview over the design and specification process, there is a risk that problems are not identified and rectified on a timely basis. This could result in delays with on-site works and increased costs, where errors are subsequently identified. This may also result in issues not being escalated to Senior Management and/or Members, which could further impact on key decision making.

Recommendation 24	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> There was no directorial overview of the design and specification process being undertaken in real time.</p> <p><b>Suggested Actions:</b> We recommend that future projects ensure that information concerning changes to designs and specifications are subject to the necessary review by the respective Project Board and/or Corporate Project Board, to ensure the ongoing overview by Senior Management within the Council.</p>	<p><b>Responsible Officers:</b> Melanie Elliot and Senior Responsible Officers</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed in principle. Senior Responsible Officers (SROs) and Programme/Project Managers are responsible for ensuring there are robust controls in place within their projects, including ongoing review of design works, risks and issues.</p> <p>The PMO will deliver training and guidance to promote improved separation of duties, review and sign-off as well as use of good practice in the delivery of projects. This is included in the PMO forward plan. which will include:</p> <ul style="list-style-type: none"> <li>- Project training covering roles and responsibilities, governance and expected controls.</li> <li>- PM network events to share good practice.</li> <li>- SRO Health Checks supported by the PMO.</li> <li>- Project Reviews by the PMO Board.</li> </ul>

Implementation Date: 31/12/2019

- 4.1.4 We found that concerns were not raised by the Project Team early enough for suitable remedial action to be taken, and often too late to appropriately manage the situation.

If concerns are not raised by the Project Team on a timely basis, there is a risk that issues are not adequately addressed. This could lead to major delays with on-site works and significantly increased costings.

Recommendation 25	Summary Response
<p><b>Risk Rating:</b> Significant Risk</p> <p><b>Summary of Weakness:</b> Concerns were not raised early enough by the Project Team.</p> <p><b>Suggested Actions:</b> We recommend that a culture of openness and accountability be promoted for all future projects to ensure that issues of concern are not concealed by Project Officers and are reported to Senior Management and Members, as appropriate.</p>	<p><b>Responsible Officer:</b> Heather Greenan</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> We feel that significant progress has already been made in addressing this recommendation.</p> <p>The PMO was established by the Chief Executive in October 2018, providing independent oversight directly into CLT.</p> <p>The PMO working group formed in October 2018 to discuss open and honest issues on managing projects.</p> <p>Project monitoring was established in December 2018; the Corporate Project Dashboard reports the top projects to CLT including a DCA rating.</p> <p>Engagement - PM Network events started 18<sup>th</sup> December 2018 – with risk management project training included.</p> <p>Monthly reporting was introduced in February 2019 for six months, reverting to quarterly in Summer 2019.</p> <p>Risk training has been offered to all managers in March /April 2019, with specific guidance on escalation of risks and issues.</p> <p><b>Implementation Date:</b> Implemented</p>

- 4.1.5 We found that initial ball-park costings for the Scheme were largely relied upon for commencing the tender process, without commissioning further studies or evaluations of potential costs to better inform the procurement process. This is particularly relevant where there have been changes and/or additions to the original proposals.

If reliable costings are not produced in the initial stages of the procurement process, there is a risk that Scheme costs are not based on accurate and complete information. This could lead to an inadequate budget being set, and ultimately result in significant overspend. This could lead to a substantial increase in costs for the Council and the potential for reputational damage.

Recommendation 26	Summary Response
<p><b>Risk Rating:</b> Significant Risk</p> <p><b>Summary of Weakness:</b> Initial costings for the Scheme were relied on for the tender process, without further studies or evaluations of potential costs to better inform the procurement process.</p> <p><b>Suggested Actions:</b> We recommend that future projects, undertake a specific costing exercise, in</p>	<p><b>Responsible Officers:</b> Melanie Elliot and Senior Responsible Officers</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed in principle, all SROs / Programme/Project Managers are expected to provide</p>



addition to initial ball-park costings. This exercise should look to provide a more accurate potential cost, once all changes and/or additions to the original proposals have been factored in. This should ensure that when the Council are ready to proceed, funding bids and the subsequent tender process are better informed.

detailed costings as part of Outline and Final Business cases. For major projects, approval of these documents is required through the PMO Gateway process.

Specific actions to be undertaken by the PMO:

Launch of the Gateway handbook to guide the evaluation of projects.

Awareness raising of Gateway process / evidence.

PMO Board to review the process for undertaking specific costing exercises during the lifecycle of the project at intervals and implement relevant changes.

Four Gateway stages:

– Phase 1, Gateway 1, Phase 2 and Gateway 2 include feasibility, funding and procurement and OBC (Outline business case).

– Phase 3, Gateway 3 includes investment appraisal, procurement, design works and FBC (Full business case).

–Phase 4, Gateway 4 and Phase 5 include financial and project monitoring and reviews.

**Implementation Date:** 31/12/2019

- 4.1.6 We found that there were inaccuracies with the topographical survey data provided to the Principal Contractor. It appeared that the verification of this information, along with accuracy checks, was again left to a single officer and was not subject to any secondary review or follow up by management.

If resources are not designated for the verification of survey data, there is a risk that errors or anomalies are not identified, which could lead to delays with the on-site works and an increase in costs to rectify any subsequently identified issues.

Recommendation 27	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> Survey data was not subject to any verification or secondary checks to ensure accuracy, before being passed to the Principal Contractor.</p> <p><b>Suggested Actions:</b> We recommend that future projects, requiring topographical survey data, ensure that all such information is reviewed and sense checked by a Senior Officer, team or consultant to ensure that the information is fit-for-purpose.</p>	<p><b>Responsible Officers:</b> Melanie Elliot and Senior Responsible Officers</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed in principle. Senior Responsible Officers (SROs) and Programme/Project Managers are responsible for ensuring there are robust controls in place within their projects, including ensuring all data/ information is fit for purpose.</p> <p>The PMO will deliver training and guidance to promote improved separation of duties, review and sign-off as well as use of good practice in the delivery of projects. This is included in the PMO forward plan:</p> <ul style="list-style-type: none"> <li>- Project training covering roles and responsibilities, governance and expected controls.</li> <li>- PM network events to share good practice.</li> </ul>

- SRO Health Checks supported by the PMO.

- Project Reviews by the PMO Board.

**Implementation Date:** 31/12/2019

- 4.1.7 We found that Council officers could not provide formal evidence to substantiate the officer evaluations and moderation (which accounted for 35% of the overall assessment score) of the tender presentations used to award the construction contract. *Nb. we were able to validate the contact award via a secondary process outside of the Council.*

If suitable documentation is not retained to evidence the tender evaluation process, there is a risk that the Council is not able to defend itself in the event of challenge from an unsuccessful bidder. This could result in reputational damage and/or the possibility of litigation by third parties for breach of regulations.

Recommendation 28	Summary Response
<p><b>Risk Rating:</b> Low Risk</p> <p><b>Summary of Weakness:</b> Documentation to evidence tender evaluations and moderation had not been retained by the Council for the appointment of the Principal Contractor on the A52 Scheme.</p> <p><b>Suggested Actions:</b> We recommend that suitable documentation is retained to evidence the tender evaluation and moderation process for all future projects. This will ensure openness and accountability and enable the Council to defend itself in the event of challenge from an unsuccessful bidder.</p>	<p><b>Responsible Officers:</b> Melanie Elliot and Senior Responsible Officers</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed in principle. Senior Responsible Officers (SROs) and Programme/Project Managers are expected to retain appropriate tender documentation.</p> <p>Training will be undertaken covering the requirements on documentation retention. In addition the PMO will link up with Procurement to ensure there is visibility across the Council.</p> <p><b>Implementation Date:</b> 31/12/2019</p>

- 4.1.8 We found that over reliance was placed on the Early Contractor Involvement (ECI) stage to arrive at detailed construction costs. This process was flawed due to the fact that mature designs were not in place, and as such, the Council could not take full advantage of the ECI process.

The ECI stage should never be solely relied upon for costings, but where this is utilised, this recommendation should be strictly followed.

If mature designs are not in place to facilitate the ECI stage, there is an increased risk that the Target Cost arrived at is not accurate. This could lead to an inadequate Scheme budget being set, and ultimately result in Scheme costs being significantly exceeded, along with the potential for reputational damage.

Recommendation 29	Summary Response
<p><b>Risk Rating:</b> Significant Risk</p> <p><b>Summary of Weakness:</b> Over reliance was placed on the Early Contractor Involvement (ECI) stage to arrive at detailed construction costs when mature designs were not in place.</p> <p><b>Suggested Actions:</b> We recommend that future projects do not rely solely on the ECI stage to arrive at detailed costings. However, where the ECI stage is utilised for such a purpose detailed specifications and designs</p>	<p><b>Responsible Officers:</b> Melanie Elliot and Senior Responsible Officers</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed in principle. Senior Responsible Officers (SROs) and Programme/Project Managers are responsible for ensuring there are robust controls in place within their projects, including ongoing</p>

## DCC – A52 Scheme - System Weaknesses

should be given to the Contractor, to enable them to make informed decisions about costings. Designs should be around 95% complete at this stage. Furthermore, information requests from the Contractor should be prioritised to ensure that they are in possession of all the data required to set an informed Target Cost.

review of costings, design works, risks and issues.

The PMO will deliver training and guidance to promote effective separation of duties, review and sign-off in future Council projects. This is included in the PMO forward plan:

- Project training covering roles and responsibilities, governance and expected controls.
- Project Manager Network events to share good practice.
- SRO Health Checks supported by the PMO.
- Project Reviews by the PMO Board.

**Implementation Date:** 31/12/2019

- 4.1.9 We found, as at June 2016, the contingency element of the Scheme equated to less than 5% of the whole scheme cost. We believe that this was particularly low with this being a brownfield site and considering that the Government Green Book guidance for contingency on highways projects is 44%.

If contingency elements of a Scheme are under-stated, there is a significant risk that the agreed budget is not sufficient to cover any unexpected or unplanned works. This could lead to Scheme budgets being exceeded and result in a significant increase in costs for the Council, along with the potential for reputational damage

Recommendation 30	Summary Response
<p><b>Risk Rating:</b> Significant Risk</p> <p><b>Summary of Weakness:</b> An unrealistic contingency had been set for the Scheme which was considerably low considering this was a brownfield site.</p> <p><b>Suggested Actions:</b> We recommend that future projects set aside a suitable budget provision to provide a realistic contingency element. This should continue to be reviewed by the Project Team throughout the Scheme and the Senior Responsible Officer should be kept fully informed of any developments.</p>	<p><b>Responsible Officers:</b> Melanie Elliot and Senior Responsible Officers</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed in principle. Senior Responsible Officers (SROs) and Programme/Project Managers are responsible for ensuring a realistic contingency is built into their costings. Boards are expected to have adequate finance officer involvement.</p> <p>The PMO will reflect this in updated project guidance for financial modelling. Contingency will be challenged by PMO Board at Gateway review points.</p> <p><b>Implementation Date:</b> 31/07/2019</p>

- 4.1.10 We found that when a Target Cost was provided that greatly exceeded the available construction budget, instead of escalating concerns and/or seeking further funding, essential works were removed from the Scheme in order to make the target price fit the available budget.

It later transpired that key elements of the Scheme had been removed that needed to be brought back into scope and the project costs subsequently increased as a result.

If project scopes are artificially adjusted there is an increased risk that delivery of the Scheme will be compromised. This could lead to increased costs and delays on the Scheme, in order to rectify the situation, or a complete failure of the Scheme being delivered; resulting in significant cost pressures on the Council and/or reputational damage.

Recommendation 31	Summary Response
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<p><b>Risk Rating:</b> Significant Risk</p> <p><b>Summary of Weakness:</b> Essential works were removed from the Scheme to remain in budget, instead of escalating concerns to management and/or seeking further funding. These were subsequently brought back into scope, leading to increased costs and delays.</p> <p><b>Suggested Actions:</b> We recommend that future projects, DO NOT remove essential works from the Scheme to remain in budget. Where costs are escalating and this cannot be contained via the streamlining of non-essential works, Project Officers should raise concerns with Senior Management and/or Members for advice and guidance on the way to proceed. This could be to seek further funding or may be to review the fundamental delivery and/or required outcomes of the scheme.</p>	<p><b>Responsible Officers:</b> Melanie Elliot and Senior Responsible Officers</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed in principle. Senior Responsible Officers (SROs) and Programme/Project Managers are responsible for ensuring there are robust controls in place within their projects, including ongoing review of costings, works, risks and issues.</p> <p>The PMO will deliver training and guidance to promote improved separation of duties, review and sign-off as well as use of good practice in the delivery of projects. This is included in the PMO forward plan:</p> <ul style="list-style-type: none"> <li>- Project training covering roles and responsibilities, governance and expected controls.</li> <li>- PM network events to share good practice.</li> <li>- SRO Health Checks supported by the PMO.</li> <li>- Project Reviews by the PMO Board.</li> </ul> <p><b>Implementation Date:</b> 31/12/2019</p>
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- 4.1.11 We found that the wording of the Delegated Decisions report – Appendix 4 (Council's Financial Procedure Rules), which gave the delegated approval to enter into the contract for the delivery of the main works (pursuant to the Scheme), was open to interpretation.

Consequently, the understanding by the Project Team of exactly what was being authorised and that of Senior Management approving progression with the Scheme were not aligned, which has subsequently led to major issues with the Scheme. It is however, the responsibility of the authorising parties to satisfy themselves, prior to signing off the document, that they fully understood the detail it set out and, effectively, that they agreed to what was being proposed.

If key decisions are made by Senior Management, based on unclear or uncertain information, there is a risk that the wrong decisions will be taken. This could not only lead to the immediate and obvious issues with the Scheme, concerning further delays and increased costs, but may have far wider implications for the Council. Affecting longer term budgeting, other ongoing projects, future planned projects and other Council operated services, hereby resulting in the possibility for further reputational damage.

Recommendation 32	Summary Response
<p><b>Risk Rating:</b> Significant Risk</p> <p><b>Summary of Weakness:</b> Senior Management was not fully conversant with the details set out in the formal document they were ratifying in order to enter into the contract with the Principal Contractor.</p> <p><b>Suggested Actions:</b> We recommend that for future projects, Senior Management ratifying key documents and/or signing-off on a gateway process, make sure that they are fully conversant with the information contained in the document(s) that they are signing. It is the responsibility of the authorising parties to satisfy</p>	<p><b>Responsible Officers:</b> Melanie Elliot and Senior Responsible Officers</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed in principle. Senior Responsible Officers (SROs) are responsible for ensuring they are fully conversant with information before they sign off any documents.</p> <p>CLT agreed and signed off the new Gateway Process for projects over £1m or strategically significant. All</p>

themselves, prior to signing off the document, that they fully understand the detail set out and, effectively, that they agree to what is being proposed.

major projects now go to the PMO Board at each Gateway stage.

The PMO will deliver training and guidance to promote improved separation of duties, review and sign-off as well as use of good practice in the delivery of projects. This is included in the PMO forward plan:

- Project training covering roles and responsibilities, governance and expected controls.
- PM network events to share good practice.
- SRO Health Checks supported by the PMO.
- Project Reviews by the PMO Board.

**Implementation Date:** 31/12/2019

## 4.2 Governance Arrangements (Corporate)

- 4.2.1 We found evidence that there were mechanisms in place for Members to be briefed on project developments, such as regular meetings and Corporate Pledge monitoring processes. However, the level of information fed back to Members was not sufficiently detailed or in fact an accurate representation of the situation as it actually was. Members were not given an honest /detailed appraisal of the issues arising; instead, officers appeared to provide verbal assurances that the project was being suitably managed and that the risks to the Council were being minimised. Additionally, information being relayed to Members was often dumbed down and deliberately evasive where contentious issues were concerned.

Furthermore, the increased project costs were reported to the Infrastructure Board, the Strategic Director and *former* Finance Director between December 2017 and January 2018. However, Members were not provided with a clear understanding of the situation or escalating project costs until May and June 2018.

If Members are not suitably appraised of arising issues or informed of escalating costs, there is a risk that they will make ill-informed decisions or guide officers incorrectly on the desired course of action. This could result in matters not being satisfactorily resolved and may lead to Member involvement being viewed as ineffective, with the resulting reputational and financial damage for the Council.

Recommendation 33	Summary Response
<p><b>Risk Rating:</b> Significant Risk</p> <p><b>Summary of Weakness:</b> Council officers failed to provide Members with an honest appraisal of the issues arising and information provided was neither detailed nor accurate. Furthermore, increasing project costs were not reported to Members on a timely basis.</p> <p><b>Suggested Actions:</b> We recommend that for future projects, that suitable mechanisms are put in place for appraising Members of the ongoing progression of the project. Such measures should ensure that information provided is suitably documented, accurate, timely and in sufficient detail to aid with any decision taking process(s). Furthermore, key Members should be appraised of emerging financial issues, that may materially affect the delivery of the project, as soon as practically possible, and that such contact is suitably recorded. We would also expect the Senior Responsible Officer to have an</p>	<p><b>Responsible Officer:</b> Heather Greenan and Senior Responsible Officers</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed in principle. SROs are expected to keep Councillors, in particular Cabinet Members, informed during the progression of major projects, including key risks and budget position.</p> <p>Scrutiny Boards can request progress updates on major projects as part of their forward plans.</p> <p>Significant risks from projects may be escalated to the strategic risk register, which is reviewed on quarterly basis by Audit &amp; Accounts Committee.</p> <p>This will be reinforced through awareness of roles /</p>



overview of this process to ensure that it is robust.

responsibilities, training and guidance delivered to project officers and boards.

**Implementation Date:** 31/12/2019

- 4.2.2 We found that the Project Team pressed forward with the works, despite Project Officers reservations, due to the considerable pressure from D2N2 (LEP) to commence the Scheme to ensure that funding would not be clawed back. Furthermore, the Scheme progressed without the s278 agreement being signed as negotiations between the Council, St Modwens and Network Rail were being constantly hampered by continual delays and disagreements between parties. This was considered by the *former* Director to be less risky, as opposed to the possibility of losing the D2N2 funding.

If Schemes are progressed prior to adequate project development and funding arrangements being secured, there is a risk that Schemes are not adequately designed and costed at the outset. This could result in the need for numerous redesigns and considerable adjustment to plans. This could lead to Scheme delays and increased costs which could ultimately result in financial and reputational damage to the Council.

Recommendation 34	Summary Response
<p><b>Risk Rating:</b> Significant Risk</p> <p><b>Summary of Weakness:</b> The Project Team pressed forward with the works, despite Project Officers reservations, due to financial pressures from D2N2 (LEP) and without the s278 agreement being signed to secure third party funding.</p> <p><b>Suggested Actions:</b> We recommend that a suitable gateway process be applied to future projects, to ensure that projects cannot progress to the next stage until all outstanding matters have been previously dealt with. This would include securing all types of funding required, the sign-off of designs, applying robust governance arrangements, etc.</p>	<p><b>Responsible Officer:</b> Heather Greenan</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed and now actioned. The PMO was set-up in October 2018.</p> <p>CLT agreed and signed off the new Gateway Process for projects over £1m or strategically significant in December 2018.</p> <p>The PMO Board was established in March 2019.</p> <p>All major projects go to the PMO Board at each Gateway stage for approval to progress (effective from April 2019).</p> <p><b>Implementation Date:</b> Implemented</p>

- 4.2.3 We found that governance arrangements around the Project Board and the Infrastructure Board were largely ineffective and an initial Terms of Reference for the Project Board could not be provided.

The Project Board initially reported to the Infrastructure Board, but was latterly absorbed into the Infrastructure Board in May 2016, this should not have happened as these boards had different remits. The Infrastructure Board was a programme management group responsible for overseeing the Highways and Transportation Capital Programme, and the Project Board was a project management group overseeing operational matters. This is considered to be a significant weakness, as specific project management issues could never be effectively managed at this level and Senior Management oversight was required in January 2018, due to the failures of these arrangements.

We acknowledge that under the *newly formed* Project Board (July 2018) initial evidence suggests that this situation has improved considerably.

If adequate governance arrangements are not in place for the Scheme, there is an increased risk of ineffective project management and oversight of project delivery. This could lead to project risks and issues not being identified and suitably addressed, and could result in

reputational and financial damage to the Council where a Scheme is judged by the media to have failed.

Recommendation 35	Summary Response
<p><b>Risk Rating:</b> Significant Risk</p> <p><b>Summary of Weakness:</b> Governance arrangements around the Project Board and the Infrastructure Board were largely ineffective and an initial Terms of Reference for the Project Board could not be provided.</p> <p><b>Suggested Actions:</b> We recommend that future projects ensure that suitable governance arrangements are in place for both the Project Board and Corporate Project Board. This should include a suitable Terms of Reference being signed-off for both groups to ensure that the arrangements are robust and provide for an effective level of review and control over the project.</p>	<p><b>Responsible Officers:</b> Melanie Elliot and Senior Responsible Officers</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed in principle. SROs are accountable for ensuring that appropriate governance arrangements are in place for their programmes / projects, including terms of reference.</p> <p>A corporate PMO was established in October 2018 and the PMO Board was launched in March 2019. The PMO will introduce a Health Check document to enable SROs to self-assess their project controls, including governance arrangements. This will be issued to all SRO's of key projects to carry out their own Health Check with the support from the PMO. Findings will be shared with Audit.</p> <p><b>Implementation Date:</b> 30/09/2019</p>

- 4.2.4 We found that the risk management arrangements on this Scheme were underdeveloped and ineffective. Project Risk Registers contained a number of significant inaccuracies, in terms of project risks that were materialising at the time. Furthermore, the documenting of risks was irregularly undertaken, inconsistently documented and not in line with the Council's methodology for Risk Management.

We can acknowledge that under the *newly formed* Project Board (July 2018) initial evidence suggests that this situation is under improvement.

If the process for developing and maintaining Project Risk Registers is not in line with the Council's methodology for Risk Management, there is a risk that project risks are not suitably managed. This could lead to project risks being realised, and could result in financial, reputational and legal implications for the Council.

Recommendation 36	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> Project Risk Registers were poorly designed and utilised, and were not in line with the Council's methodology for Risk Management. Registers contained a number of inaccuracies and risks were inconsistently documented throughout.</p> <p><b>Suggested Actions:</b> We recommend that future projects adopt the Council's methodology for Risk Management and fully utilise all tools available to them from the Programme Management Office. Risk Registers should be accurate, information should be consistently recorded and the registers should correctly reflect ongoing risks on the project. This will ensure that risk management arrangements are fit-for-purpose and operating in line with Corporate guidelines.</p>	<p><b>Responsible Officer:</b> Heather Greenan and Senior Responsible Owners</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed and actioned. SROs and Programme / Project Managers are expected to use the Council's methodology for risk management.</p> <p>Training on the risk framework, principles of risk management and Derby's approach took place attended by nearly 300 project managers and wider managers from across the Council between December 2018 and April 2019. Awareness regarding risk management was also raised at Senior Leaders</p>

Network in April 2019.

**Implementation Date:** Implemented

- 4.2.5 We found that although there were mechanisms in place for review and escalation of project risks, these measures were not consistently adhered to, as such, it would have been possible that risks were not adequately considered and escalated. This was not flagged by the Infrastructure Board, which was tasked with oversight of the project risks. We are of the opinion that there was insufficient oversight of the project risks, particularly following the absorption of the Project Board into the Infrastructure Board. The Project Risk Register was not well managed, appropriately disseminated or successfully utilised, in order to effectively manage a project of this scale and nature. This is considered to be a significant weakness.

If project risks are not reviewed and escalated, there is a risk that key parties are not suitably aware of the risks and mitigating actions. This could lead to risks not being suitably managed and controlled and could contribute to potential risks being realised. This could result in reputational, financial and legal damage to the Council.

Recommendation 37	Summary Response
<p><b>Risk Rating:</b> Significant Risk</p> <p><b>Summary of Weakness:</b> Mechanisms in place for review and escalation of project risks were not being consistently adhered to and there was insufficient oversight of the project risks, particularly following the absorption of the Project Board into the Infrastructure Board.</p> <p><b>Suggested Actions:</b> We recommend that for future projects that the Senior Responsible Officer ensures that Project Risk Registers are regularly reviewed by the respective Project Boards and Corporate Project Boards. This will ensure that project risks are suitably escalated and understood by Senior Management in order for mitigating actions to be taken.</p>	<p><b>Responsible Officer:</b> Heather Greenan and Senior Responsible Owners</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed in principle. SROs and Programme / Project Managers are expected to review risk registers on a regular basis with appropriate escalation as required.</p> <p>Project managers received risk training in December 2018 with wider training offered to all managers in March / April 2019. This included specific guidance on how to escalate risks.</p> <p>The PMO will review the risk registers of all major projects and introduce a health check document for SRO's to self- assess their own arrangements.</p> <p>Significant risks from projects may be escalated to the strategic risk register, which is reviewed on quarterly basis by Audit &amp; Accounts Committee.</p> <p><b>Implementation Date:</b> 31/07/2019</p>

- 4.2.6 We found that Members were not in receipt of the Project Risk Registers, but officers interviewed believed that project risks were reflected in Cabinet reports. Although we could see that certain risks were included within these reports, we did not consider this to have provided for a comprehensive review over project risks.

We have however identified that the *newly formed* Project Board (July 2018) have taken responsibility for oversight of the Project Risk Register. We believe Senior Management have taken steps to improve the risk management arrangements for the project, although we are, at this stage, unable to offer an opinion about the adequacy of these arrangements.

If Members are not in receipt of Project Risk Registers there is a risk that Members are not suitably aware of the risks and mitigating actions. This could also lead to Members making decisions based on incomplete information which may adversely affect potential risks and could result in reputational, financial and legal damage to the Council.



Recommendation 38	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> Members were not in receipt of the Project Risk Registers and risks reflected in Cabinet reports did not provide for a comprehensive review of the project risks.</p> <p><b>Suggested Actions:</b> We recommend that for future projects that the Senior Responsible Officer makes Project Risk Registers available to Members so they can appraise the ongoing situation. This should ensure Member awareness of the risks and mitigating actions to inform any decision making concerning the project.</p>	<p><b>Responsible Officer:</b> Heather Greenan and Senior Responsible Owners</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed in principle. SROs are responsible for making sure councillors are fully appraised of risks.</p> <p>The PMO will remind SROs of the need to share risk registers with councillors where appropriate. In particular, the PMO will suggest that risk registers are attached to Cabinet reports where they inform decision making.</p> <p>Cabinet and Audit &amp; Accounts Committee received training on risk management (February / April 2019) to aid greater understanding.</p> <p><b>Implementation Date:</b> 31/07/2019</p>

- 4.2.7 We found no evidence to verify that the Council formally reviewed and disseminated Contractor Risk Registers post September 2017. We were therefore of the opinion that there were ineffective risk management arrangements in place between the Council and the Principal Contractor, although the Principal Contractor had made efforts to identify, document and quantify associated risks.

If the Contractor Risk Registers are not disseminated by Project Officers to all relevant parties at the Council, there is a risk that contractor risks are not known, challenged or safeguarded against. This could lead to decisions being taken, based on incomplete information, which could contribute to potential risks being realised. This could result in reputational, financial and legal damage to the Council.

Recommendation 39	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> There were ineffective risk management arrangements in place between the Council and the Principal Contractor.</p> <p><b>Suggested Actions:</b> We recommend that for future projects that the Senior Responsible Officer ensures that the Project Team formally reviews the Contractor Risk Registers (where these form part of the contractual arrangements) and share these with the respective Project Board and/or the Corporate Project Board. This should ensure that emerging risks from the Contractor are known, challenged and understood by the Council.</p>	<p><b>Responsible Officer:</b> Heather Greenan and Senior Responsible Owners</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed in principle. SROs and Programme / Project Managers are expected to review contractor risk registers on a regular basis with appropriate escalation as required.</p> <p>Project managers received risk training in December 2018 with wider training offered to all managers in March / April 2019.</p> <p>The PMO will review the risk registers of all major projects and introduce a health check document for SRO's to self- assess their own arrangements.</p> <p><b>Implementation Date:</b> 31/07/2019</p>

- 4.2.8 We found that the *former* Project Manager worked in isolation and did not share information and knowledge readily with his colleagues in the Project Team. We have further identified that management and colleagues did not know the *former* Project Managers work programme

/activities in order to provide comprehensive support. This has subsequently compromised the contract monitoring of this Scheme as too much responsibility was being shouldered by a single officer.

Although additional support was offered by management, when these offers were declined this was not actively followed up by either the Group Manager or the *former* Director.

Furthermore, insufficient arrangements were in place to cover the *former* Project Manager's role in his absence and there was not a proper hand over by the *former* Project Manager when he left the Council's employment.

If officers are allowed to work in isolation, there is a risk of the work programme /activities not being effectively managed. This could lead to poor project management, with numerous emerging issues and could lead to timelines being exceeded, costly overruns or additional expenses for works that may otherwise have been avoided. Likewise, if there is insufficient cover in place for the absence of key Project Officers, there is a further risk of unnecessary delays. This could therefore result in reputational and financial damage to the Council.

Recommendation 40	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> Management did not address issues with the <i>former</i> Project Manager working in isolation in order to provide comprehensive support over the work programme. Furthermore, arrangements had not been put in place by management to cover the role of Project Manager in periods of absence.</p> <p><b>Suggested Actions:</b> We recommend that for future projects that the Senior Responsible Officer ensures that no officer is working in complete isolation to the Project Team. The Project Manager is also expected to share information and knowledge readily with his colleagues and keep them updated on the ongoing work programme /activities in order for the project to be effectively managed. This will also enable officers to provide additional support, where required. Furthermore, the Senior Responsible Officer should put appropriate arrangements in place to cover the Project Managers role in periods of absence. This should ensure proper management of the project and that works are suitably progressing on an ongoing basis.</p>	<p><b>Responsible Officers:</b> Melanie Elliot and Senior Responsible Officers</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed in principle. SROs are expected to ensure effective team meetings and mitigate the risk of single person dependency in programmes and projects. SROs and Programme / Project Boards are expected to mitigate the risk of single person dependency.</p> <p>The PMO will deliver training and guidance to promote effective separation of duties and resilience as well as use of good practice in the delivery of projects. This is included in the PMO forward plan:</p> <ul style="list-style-type: none"> <li>- Project training covering roles and responsibilities, governance and expected controls.</li> <li>- PM network events to share good practice.</li> <li>- SRO Health Checks supported by the PMO.</li> <li>- Project Reviews by the PMO Board.</li> </ul> <p><b>Implementation Date:</b> 31/12/2019</p>

- 4.2.9 We found that the Strategic Director felt that the *former* Director and the Group Manager had the relevant experience and skills to be able to deliver on a project of this size and nature and did not, therefore, monitor the Scheme or these Senior Officers more closely.

While that may accord with Corporate Practice, the extent to which this was underpinned by 'adequate' check and balance measures could not be established. Our use of the word 'adequate' expects that a view on the robustness of those measures (i.e. the ability of effective challenge over the management of the Scheme) would be taken.

If there are no mechanisms in place for the suitable monitoring of Senior Officers, there is an increased risk that they take inappropriate actions and/or make inappropriate decisions. This could lead to issues with project delivery and may result in financial and reputational damage to the Council.

Recommendation 41	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> There were inadequate mechanisms in place for the monitoring of Senior Officers on the A52 Scheme.</p> <p><b>Suggested Actions:</b> We recommend that Strategic Directors, with overall responsibility for future projects, ensure that they undertake suitable check and balance measures over their Senior Managers with responsibility for these respective projects. This should ensure that these Senior Managers are being suitably monitored and that appropriate actions and/or decisions are being taken on each scheme.</p>	<p><b>Responsible Officer:</b> Heather Greenan</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed and actioned.</p> <p>The PMO was established by the Chief Executive in September 2018 to ensure greater grip over programmes and projects.</p> <p>Oversight and reporting was established in November 2018 with review of SRO and Programme / Project Managers accountabilities. A Corporate Project Dashboard now reports progress on major projects to CLT - introducing an additional Deliverability Confidence Assessment (DCA) rag status.</p> <p>CLT agreed and signed off the new Gateway Process for projects over £1m or strategically significant. The PMO Board was established in March 2019 and now meets monthly. All major projects go to the PMO Board at each Gateway stage and the Board can commission reviews of projects with risks / deteriorating DCA status.</p> <p><b>Implementation Date:</b> Implemented</p>

### 4.3 Contract Monitoring (Corporate)

- 4.3.1 We found that the original plans for onsite working included reducing the A52 from a dual carriageway to a single lane. We could not be provided with any evidence to demonstrate that clear guidance or instruction had been given to the Principal Contractor, prior to on-site works, and there is strong evidence to suggest that the *former* Project Manager may have acted in a manner inconsistent with the advice given by the Network Manager concerning traffic management.

If clear guidance is not given to Contractors regarding key issues prior to works commencing, such as traffic management, there is a risk that inappropriate or ineffective decisions could be taken. This could lead to ineffective work practices being followed that may have to be rectified at a later stage, with increased costs and delays. This could result in financial and reputational damage.

Recommendation 42	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> No evidence could be provided by Council officers to demonstrate that clear guidance or instruction concerning Traffic Management had been given to the Principal Contractor, prior to on-site works commencing.</p> <p><b>Suggested Actions:</b> We recommend that for future projects, where Traffic Management is required, that the Project Manager/Team provides clear guidance and/or instruction to the Principal Contractor, prior to on-site works commencing. Ideally this should be provided at the tender stage to inform Contractor bids.</p>	<p><b>Responsible Officers:</b> Melanie Elliot and Senior Responsible Officers</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed in principle. The relevant SRO takes responsibility for any projects involving traffic management.</p> <p>The PMO will deliver training and guidance to promote effective separation of duties and resilience as well as use of good practice in the delivery of projects. This is</p>

included in the PMO forward plan:

- Project training covering roles and responsibilities, governance and expected controls.
- PM network events to share good practice.
- SRO Health Checks supported by the PMO.
- Project Reviews by the PMO Board.

**Implementation Date:** 31/12/2019

- 4.3.2 We found that when concerns were raised about the adverse impact on the city of single lane working, following a period where this was in operation (Easter 2017), that the Project Team took the decision to move to night working (September 2017). Evidence suggests that this decision was made in discussion with various officers, but without the involvement of the Strategic Director or Members, and without the costs of this change, or impact on the project timeframes being known. It later transpired that the move from day to night working formed £2.4m of a Compensation Event totalling £2.6m, in January 2018.

If key decisions are taken based on incomplete information and without the knowledge of Senior Officers and Members, there is a risk that the wrong decision could be taken. This could lead to costly delays and potential issues with delivery of the Scheme, resulting in possible financial and reputational damage to the Council.

Recommendation 43	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> The Project Team took the decision to move to night working without the involvement of the Strategic Director or Members, and without the costs of this change, or impact on the project timeframes, being known.</p> <p><b>Suggested Actions:</b> We recommend that project decisions are not taken based on inaccurate or incomplete information. Furthermore, Project Officers should not be taking key decisions without the involvement of either Senior Manager or Members, or both. This should ensure that such decisions are taken at the appropriate level within the Council.</p>	<p><b>Responsible Officers:</b> Melanie Elliot and Senior Responsible Officers</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed in principle. SROs and Programme / Project Managers are responsible for keeping Senior Managers and Councillors appraised.</p> <p>The PMO will deliver training and guidance to promote effective separation of duties, review and sign-off as well as use of good practice in the delivery of projects. This is included in the PMO forward plan:</p> <ul style="list-style-type: none"> <li>- Project training covering roles and responsibilities, governance and expected controls.</li> <li>- PM network events to share good practice.</li> <li>- SRO Health Checks supported by the PMO.</li> <li>- Project Reviews by the PMO Board.</li> </ul> <p><b>Implementation Date:</b> 31/12/2019</p>

- 4.3.3 We found that the performance indicators identified on this Scheme were those linked to the Local Growth Fund Grant. These were linked to outputs from the project, rather than specific works, and so did not facilitate the ongoing monitoring of the project's progress. This is considered to be a significant weakness.

If performance indicators are not established that are fit-for-purpose, there is a risk that project delivery will not be adequately monitored. This could lead to serious issues not being identified until it was too late for timely remedial action to be taken. Consequently, issues have materialised which could result in reputational, financial and legal damage to the Council.

Recommendation 44	Summary Response
<p><b>Risk Rating:</b> Significant Risk</p> <p><b>Summary of Weakness:</b> There were no performance indicators in place which facilitated the ongoing monitoring of the Scheme's progression.</p> <p><b>Suggested Actions:</b> We recommend that when agreeing the performance measures for future projects that consideration is given to implementing performance indicators that actually measure project progression in some tangible way. Such measures should review the progress of works, to provide assurance that the project is moving forward at a suitable pace and within the allotted budget.</p>	<p><b>Responsible Officers:</b> Melanie Elliot and Senior Responsible Officers</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> SROs and Project Managers are expected to ensure that appropriate performance measures are included in Project Initiation Documents, Outline Business Cases and Full Business Cases.</p> <p>CLT agreed and signed off the new Gateway Process for projects over £1m or strategically significant. This includes challenge and approval of PID /OBC /FBC. The Gateway template will be updated to include requirements of performance measures so this can be reinforced.</p> <p><b>Implementation Date:</b> 31/07/2019</p>

- 4.3.4 We found that the Corporate Pledge reporting and monitoring process was not sufficient to inform Members of issues arising from the Scheme, as this did not require officers to provide anything other than brief headline information. The wording of the Pledge itself was also extremely narrow, not directing officers on which aspects of the Scheme Members were most interested in. This is considered to be a significant weakness.

Whilst some opportunity was given for officers to brief Councillors on any issues with the project, officers did not use the opportunity to fully appraise Councillors, instead preferring to give brief updates and reassurances that all matters were in hand.

If suitable performance measures are not in place for appraising Corporate Projects there is a risk that Members and Senior Managers cannot assess the effectiveness of programme delivery. This could lead to issues and concerns not being identified and corrective action not being taken in a timely manner, to otherwise prevent financial, legal, or reputational damage to the Council.

Recommendation 45	Summary Response
<p><b>Risk Rating:</b> Significant Risk</p> <p><b>Summary of Weakness:</b> The Corporate Pledge reporting and monitoring process was not sufficient to inform Members of issues arising from the Scheme.</p> <p><b>Suggested Actions:</b> We recommend that suitable performance measures be identified for corporate projects that provide a structured approach for measuring and monitoring Scheme progression, in a tangible way. More robust, and detailed, performance measures should provide for better monitoring and more informed decision taking by Members and Senior Management.</p>	<p><b>Responsible Officers:</b> Melanie Elliot and Senior Responsible Officers</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> SROs and Project Managers are expected to ensure that appropriate performance measures are included in Project Initiation Documents, Outline Business Cases and Full Business Cases.</p> <p>CLT agreed and signed off the new Gateway Process for projects over £1m or strategically significant. This includes challenge and approval of PID /OBC /FBC. The Gateway templates will be updated to include requirements of performance measures so this can be reinforced.</p> <p>The PMO has introduced improved monitoring for projects using the Corporate Project Dashboard which includes a Delivery Confidence Assessment designed to reflect emerging risks / issues that may affect project</p>



outcomes.

Implementation Date: 31/07/2019

## 4.4 Management Information (Corporate)

- 4.4.1 We found that the *former* Project Manager was the only dedicated resource to the project, as other officers were either part time or overseeing this Scheme in conjunction with other management responsibilities. We considered this lack of resource to be a key weakness for the management of this Scheme.

If projects do not have dedicated resources there is an increased risk that officers have competing demands on their time. This could lead to officers not dedicating sufficient time to project working, which could adversely impact delivery of the Scheme. This could lead to serious emerging issues, resulting in reputational and financial damage to the Council.

Recommendation 46	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> There was a lack of dedicated Council Officer resource for the management /oversight of this Scheme.</p> <p><b>Suggested Actions:</b> We recommend that for future projects that Senior Management evaluate the level of resources allocated to the project, to enable effective management /oversight over the Scheme. This process should consider both the level of the managers assigned and their capacity to dedicate sufficient time to facilitate this function effectively.</p>	<p><b>Responsible Officer:</b> Heather Greenan</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed and actioned</p> <p>CLT agreed and signed off the new Gateway Process for projects over £1m or strategically significant. The PMO Board was established in March 2019 and now meets monthly. All major projects go to the PMO Board at each Gateway stage and the Board can commission reviews of projects with risks / deteriorating Delivery Confidence Assessment (DCA) status.</p> <p><b>Implementation Date:</b> Implemented</p>

- 4.4.2 We found that we were unable to locate any documentation to substantiate the appointment of the *former* Project Manager in order to verify this process. Whilst a manager involved in the appointment confirmed that there were no concerns regarding this candidate or their ability to do the job, the balance of evidence suggests that this appointment was not subject to the appropriate scrutiny.

If the appointment of project officers is not subject to appropriate scrutiny, there is a risk that officers are appointed who are not capable of effectively managing and overseeing the Scheme. This could lead to both time and cost overruns on the Scheme and could result in financial and reputational damage.

Recommendation 47	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> The appointment of the <i>former</i> Project Manager was not subject to the appropriate scrutiny.</p> <p><b>Suggested Actions:</b> We recommend that for future projects that the Senior Responsible Officer ensures that any appointed project officers, in particular the Project Manager, are subject to a rigorous appointment process. This should ensure that there is a suitable interview panel in place and appropriate measures for evaluating the duties and any specific requirements that may be</p>	<p><b>Responsible Officers:</b> Melanie Elliot and Senior Responsible Officers</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed in principle. All SROs are required to ensure that project officers have the right skills and capabilities for the role specification.</p> <p>SROs will be reminded by the PMO of the need to ensure effective appointment processes are undertaken to ensure sufficiently skilled and qualified</p>

required for the project. Such a process should be suitably documented and records retained for the allotted period of time.

individuals are in place.

**Implementation Date:** 31/12/2019

#### 4.4.3 We found the following with respect to reporting to the respective boards:

- We found very little supporting documentation to evidence meetings of the Project Team and/or the Project Board for us to substantiate matters discussed and decisions taken.
- It was evident that key officers from the Principal Contractor were not represented at the Project Board or Infrastructure Board meetings. We believe this has since been rectified by the *newly formed* Project Board (July 2018).
- We further identified that there was not a Register of Declarations of Interest for the Scheme, for either Council officers or Contractors, and neither party were required to make such declarations when attending meetings.
- The *former* Director conceded that the overview taken over the Project Team, through the Infrastructure Board, was very little and certainly insufficient to ensure that the project was adequately progressing and that information was suitably flowing between relevant parties.

If adequate governance arrangements are not in place in respect to the respective Project Boards, there is a risk that major Schemes are not adequately governed and/or monitored. This could lead to inappropriate actions and/or decisions being taken which could result in increased project costs, time overruns and the potential for financial and reputational damage.

Recommendation 48	Summary Response
<p><b>Risk Rating:</b> Significant Risk</p> <p><b>Summary of Weakness:</b> The monitoring of the A52 Scheme, by the respective Boards with project management oversight, was largely ineffective.</p> <p><b>Suggested Actions:</b> We recommend that for future projects that the Senior Responsible Officer should ensure that adequate supporting documentation is provided at meetings of the respective boards, for the effective monitoring of the scheme. Matters discussed and all decisions taken should be recorded in the minutes, along with officer's declarations of interest for the respective meetings. Declarations of interest should also be recorded on a Register of Declarations of Interest for the Scheme. Additionally, these boards should be attended by a representative from any Principal Contractor appointed, to ensure that all parties are adequately represented.</p>	<p><b>Responsible Officers:</b> Melanie Elliot and Senior Responsible Officers</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed in principle. All SROs are required to ensure that supporting documentation is provided at meetings to inform decision making and declare interests where appropriate.</p> <p>The PMO will deliver training and guidance to promote effective separation of duties, review and sign-off in future Council projects. This is included in the PMO forward plan:</p> <ul style="list-style-type: none"> <li>- Project training covering roles and responsibilities, governance and expected controls.</li> <li>- Project Manager Network events to share good practice.</li> <li>- SRO Health Checks supported by the PMO.</li> <li>- Project Reviews by the PMO Board.</li> </ul> <p><b>Implementation Date:</b> 31/12/2019</p>

#### 4.4.4 We found that there were insufficient controls in place within the Project Team for documenting ad-hoc meetings, where key decisions were taken, and maintaining version control over working documents.

If key meetings and decisions are not adequately documented, and version control maintained, there is a risk that there is no comprehensive audit trail in place. This could lead

to the inability to adequately demonstrate suitable decision making and actions taken, which could result in reputational damage to the Council.

Recommendation 49	Summary Response
<p><b>Risk Rating:</b> Low Risk</p> <p><b>Summary of Weakness:</b> There was insufficient recording of meetings and decisions, and a lack of version control over working documents.</p> <p><b>Suggested Actions:</b> We recommend that on future projects the Senior Responsible Officer enforces a regime of documenting ad-hoc meetings where key decisions are taken, and maintaining version control over working documents on a specific project folder, located on the Council's main network. This should promote accountability between officers and ensure that the most recent documents are accessed and utilised by project officers.</p>	<p><b>Responsible Officers:</b> Melanie Elliot and Senior Responsible Officers</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed in principle. All SROs are required to use the Council's network to record meetings and decisions.</p> <p>SROs /Project Managers will be reminded of the need to document all key decisions and ensure the Council's standard approach to version control (using opentext) is adhered to.</p> <p><b>Implementation Date:</b> 31/12/2019</p>

- 4.4.5 We identified that a significant proportion of financial documents contained minor errors such as numbers not tallying with other available documentation or simply where estimates had been constantly changing without adequate explanation within the associated papers.

If financial documents are not accurate and data within them is not consistent with other available documentation, there is a risk that decisions are made based on incorrect /misleading information. This could have implications for project delivery and an adverse impact on Scheme costs, and could ultimately result in financial and reputational damage to the Council.

Recommendation 50	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> Financial documentation contained errors and questionable figures that had not been properly explained.</p> <p><b>Suggested Actions:</b> We recommend that on future projects that the Senior Responsible Officer makes it a requirement that Senior Officers formally review the content of financial documents, prior to these being passed to either Senior Management or Members. This should help to alleviate confusion and ensure that decisions are based on correct information.</p>	<p><b>Responsible Officers:</b> Melanie Elliot and Senior Responsible Officers</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed in principle. All SROs are required to ensure that they formally review the content of financial documents before passing to Senior Managers and Councillors.</p> <p>The PMO will deliver training and guidance to promote effective separation of duties, review and sign-off in future Council projects. This is included in the PMO forward plan:</p> <ul style="list-style-type: none"> <li>- Project training covering roles and responsibilities, governance and expected controls.</li> <li>- Project Manager Network events to share good practice.</li> <li>- SRO Health Checks supported by the PMO</li> <li>- Project Reviews by the PMO Board.</li> </ul> <p><b>Implementation Date:</b> 31/12/2019</p>



## 4.5 Authorisation of Payments / Variations (Corporate)

- 4.5.1 We found that although applications for payment, payment certificates and invoices had been appropriately authorised, evidence suggested that the verification of cost schedules had not been as robust and clearly documented as we would have expected. When checking and verifying the application for payment we accept that it is appropriate to devote time to the more material costs (for example sub-contractors). However, we would have expected all elements to have been subject to some level of review.

If cost schedules are not subject to suitable review and verification, there is a risk that the Council pays in excess of actual amounts owed. This could lead to increased Scheme costs and could result in financial and reputational damage to the Council.

Recommendation 51	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> There was a lack of review and verification over key elements of the cost schedules.</p> <p><b>Suggested Actions:</b> We recommend that on future projects that the Senior Responsible Officer ensures sufficient time is spent on all aspects of the charging system, at the beginning of the project, to ensure that there are standard rules and procedures in place, which have been agreed by all parties. Monthly checks should then be undertaken, and suitably documented, in line with the agreed protocols.</p>	<p><b>Responsible Officers:</b> Melanie Elliot and Senior Responsible Officers</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed in principle. The relevant SRO is required to ensure charging systems are robust.</p> <p>The PMO will deliver training and guidance to promote effective separation of duties, review and sign-off in future Council projects. This is included in the PMO forward plan.</p> <ul style="list-style-type: none"> <li>- Project training covering roles and responsibilities, governance and expected controls.</li> <li>- Project Manager Network events to share good practice.</li> <li>- SRO Health Checks supported by the PMO.</li> <li>- Project Reviews by the PMO Board.</li> </ul> <p><b>Implementation Date:</b> 31/12/2019</p>

- 4.5.2 We found that the *former* Project Manager was agreeing the Compensation Events with the Principal Contractor and subsequently agreeing the additional payments. Although this is generally standard protocol under NEC contracts, the *former* Director has stated that he would not have authorised him to do this and the delegated responsibility had not been formally ratified for this officer and as such, this should not have been happening.

If appropriate delegations are not in place for the authorisation of Compensation Events and the approval of payments, there is a risk that officers will be operating outside of the Council's Financial Procedure Rules. This could mean that payments have not been appropriately authorised and the resulting risk of inappropriate expenditure. This could lead to increased project costs on the Scheme and may result in financial and reputational damage to the Council.

Recommendation 52	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> The Council officer authorising Compensation Events and subsequently the additional payments, was doing so without the formal delegated approval being in place.</p>	<p><b>Responsible Officers:</b> Melanie Elliot and Senior Responsible Officers</p> <p><b>Issue Accepted</b></p>

**Suggested Actions:** We recommend that on future projects that the Senior Responsible Officer ensures that the necessary delegated approvals have been put in place, and formally authorised, prior to any contracts commencing. This should ensure the suitability of all financial approvals in line with the necessary contractual arrangements.

**Agreed Actions:** Agreed in principle. The relevant SRO is required to ensure the appropriate financial approvals are in place.

The PMO will deliver training and guidance to promote effective separation of duties, review and sign-off in future Council projects. This is included in the PMO forward plan:

- Project training covering roles and responsibilities, governance and expected controls.
- Project Manager Network events to share good practice.
- SRO Health Checks supported by the PMO.
- Project Reviews by the PMO Board.

**Implementation Date:** 31/12/2019

- 4.5.3 We identified that it was standard practice for an Early Warning Notice to be issued prior to a Compensation Event to allow time for matters to be properly appraised before the issue of a Compensation Event. What appears to have happened on this project, on numerous occasions, is that Project Managers Instructions (PMIs) have been issued directly, due to the apparent urgency of matters, leading to subsequent Compensation Events being raised. This was indicative of a project where instructions were being given reactively as opposed to being well managed and planned in advance.

If the standard NEC process for instructing contractors is not followed, there is a risk that due consideration is not given to how changes could impact on the overall Scheme. This could lead to increased project costs and delays with Scheme delivery, which could result in reputational and financial damage.

Recommendation 53	Summary Response
<p><b>Risk Rating:</b> Moderate Risk</p> <p><b>Summary of Weakness:</b> Instructions to the Principal Contractor were being given reactively via Project Managers Instructions, rather than following the standard Early Warning Notice and Compensation Event route for properly appraising the change and giving due consideration to the overall impact on the works.</p> <p><b>Suggested Actions:</b> We recommend that on future projects that the Senior Responsible Officer promotes a regime whereby works have been planned in advance and where Contractor instructions can be suitably managed. Where NEC contracts are utilised, this should facilitate the raising of Early Warning Notices prior to Compensation Events, to allow time for matters to be properly appraised and costed.</p>	<p><b>Responsible Officers:</b> Melanie Elliot and Senior Responsible Officers</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Agreed in principle. The relevant SRO is required to ensure the appropriate controls are in place over the management of contract variations.</p> <p>The PMO will deliver training and guidance to promote effective separation of duties, review and sign-off in future Council projects. This is included in the PMO forward plan:</p> <ul style="list-style-type: none"> <li>- Project training covering roles and responsibilities, governance and expected controls</li> <li>- Project Manager Network events to share good practice</li> <li>- SRO Health Checks supported by the PMO</li> <li>- Project Reviews by the PMO Board</li> </ul> <p><b>Implementation Date:</b> 31/12/2019</p>

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