



Audit of Regeneration Projects

Draft Report Issued: 02 November 2022
Director Draft Issued: 09 November 2022
Final Report Issued: 14 November 2022

Audit Report Distribution

Client Lead:	Programme Director – Workington, Programme Director – Maryport Senior Manager – Programme Office
Chief Officer:	Assistant CE – Innovation and Commercial
Audit Committee:	The Audit Committee, which is due to be held on 28 th November 2022 will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1 This report summarises the findings from the audit of Regeneration Projects. This was an internal audit review included in the 2022/23 risk-based audit plan agreed by the Audit Committee on 25th July 2022.
- 1.2 Following applications to the Heritage Action Zone and Future High Street Fund, a combined investment of £12.1m was awarded for regeneration projects in Maryport alongside an additional £23.1m as part of the Town Deal for Workington.
- 1.3 As a result of business plans being drawn up as early as 2018/19, the outbreak of COVID-19 and the emerging cost of living crisis, the cost of materials have increased causing some pressures on budgets. The team have worked hard to explore all funding options to ensure project objectives are delivered.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Client Lead for this review was Programme Director – Workington, Programme Director – Maryport and Senior Manager – Programme Office.
- 2.4 The agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risks:
 - Failure to meet service objectives due to unsuitable governance framework.
 - Failure to meet service objectives due to unsuitable risk management framework
 - Failure to achieve project objectives due to limited resources.
 - Increased costs impacting ability to deliver planned services, resulting in failure to meet intended objectives and adverse public opinion.
- 2.5 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

- 3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix C** for definitions).
- 3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Regeneration Projects provide **substantial assurance**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

- 4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix D**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. Management - achievement of the organisation’s strategic objectives achieved (see section 5.1)	-	2
2. Information - reliability and integrity of financial and operational information (see section 5.2)	-	1
3. Value – effectiveness and efficiency of operations and programmes (see section 5.3)	-	-
Total Number of Recommendations	-	3

- 4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A. Advisory comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix B for management information.

4.3 Findings Summary (good practice / areas for improvement):

It is clear from testing that good practices are in place for projects of this size with relevant job descriptions to support delivery. The team have lost staff as a result of secondments to the Local Government Organisation programme; however, the team have made appropriate changes where necessary to ensure the correct resources are utilised on each project.

Each individual project has its own SharePoint area where all documents are available to relevant officers. Suitable risk registers are in place throughout, however these are not always up to date and would benefit from regular documented reviews.

It is clear robust financial management is in place with dedicated staff involved with evidence of a suitable process to ensure fiscal responsibility across the lifespan of each project along with milestone delivery.

A communication strategy has been developed for both Maryport and Workington. The Maryport team have been working with community representatives to ensure project updates are provided with feedback taken on board. Furthermore, a communication strategy has been developed in October 2022 which should aid the projects going forward. With the Workington projects, due to external partners such as Cumbria County Council and Lakes College delivering some projects, each project will have its own documented strategy to ensure key messages are delivered.

Comment from the Assistant CE – Innovation and Commercial

I am pleased to note the findings of good practice, robust financial management and substantial systems of internal control regarding regeneration projects.

The Programme Management Office and Capital Projects teams work incredibly hard in challenging circumstances and these findings are a testament to their professional and dedicated approach.

Of the three recommendations, two have already been completed, including updating the training needs analysis and ensuring projects' risk registers are reviewed and updated regularly. Additional work is planned to develop the communications strategy, and thus clear the sole remaining outstanding action, early in the New Year.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation’s strategic objectives

- 5.1.1** The team structure in place is supported by relevant job descriptions which have all been reviewed within the last 5 years with further assurance from testing that each team member is aware of their role in a project. Additionally, a project checklist sets out what steps and documentation are required from team members throughout the different project phases.
- 5.1.2** Currently there are 3 vacancies within the Innovation and Commercial Team; a Contracts Manager and two Project Manager roles. The Contract Manger has been advertised on two different occasions however has remained vacant with the two PM roles empty due to staff secondments to the Local Government Reorganisation programme. The Programme Board Senior Manager has confirmed the PM roles are within the Business Change and Transformation team so have caused no adverse impact on the regeneration programme. It was also confirmed because of the underspend from the Contacts Manager role, this budget is being used to bring in external support or consultants as required.
- 5.1.3** The Programme Board Senior Manager confirmed a joint recruitment exercise was being undertaken alongside Copeland Council to support their Town Deal fund projects which would bring additional resilience to the Allerdale Regeneration programme because of LGR. An external agency has also indicated that they are willing to support a joint application for financial support from Allerdale and Copeland together in respect of adding further project delivery resource.
- 5.1.4** The Programme Board Senior Manager advised that staff are encouraged to take annual leave during the calendar year and had not experienced any adverse impact on any projects. Audit testing provides assurance that staff are aware when other team members are on leave through a central calendar; and whilst project managers would discuss any potential action required in their absence, they are unaware what other staff members do.
- 5.1.5** Project managers are split across transformation and business change and capital work. As a result of LGR and vacancies, further transformation works are not being considered with existing staff working on short term projects or corporate priorities. The Programme Board Senior Manager advised discussions were ongoing with Programme Directors to identify ways the existing staff could support the regeneration projects.

Recommendation 1 - Consider training requirements within the project management team to strengthen resilience.

- 5.1.6** Previously, the Regeneration and Transformation teams met separately; however, due to the large-scale regeneration projects and LGR, both were combined to form the Regeneration, Asset Management and Strategic Growth Board with the change confirmed at the Board meeting 4th July 2022 and documentation in place to formally confirm the amalgamation. The Senior Manager has confirmed although this change received approval, the Terms of Reference document had not been updated prior to this audit. This has since been updated with evidence provided.
- 5.1.7** In addition, the Workington project has a Town Deal Board in place to monitor delivery of the programme and provide a strategic oversight which can include consideration to project adjustments or changes as required.
- 5.1.8** Clear communication and transparency of all projects can be established between the Regeneration, Asset Management and Strategic Growth Board, Town Deal Board and Senior Management Team with several key staff involved with the Regeneration team also members of SMT. Furthermore, recorded minutes from the Council's Overview and Scrutiny panel confirm ongoing conversations and demonstrates members are also updated with the ongoing issues regeneration projects currently face.
- 5.1.9** The corporate risk register details one risk relating to the regeneration projects with suitable mitigating actions in place and in line with the corporate strategy. This risk is reviewed by the allocated owner on a regular basis and reported to the Senior Management Team monthly.
- 5.1.10** The Programme Management Office have a service risk register in place with several considerations given to the regeneration projects. Each risk has a relevant staff member allocated as the owner and a clear, appropriate mitigating and contingency action present.
- 5.1.11** Each project has an individual risk register which is managed by the relevant project manager and reviewed by the Programme Directors and Programme Board Senior Manager on a regular basis. Discussions with responsible officers indicate good understanding of risks faced on each project with identified risks clear and concise.
- 5.1.12** Most risk registers are up to date, dynamic documents with mitigating actions in place where required. Some of the registers do not appear to have full details of the mitigating actions needed to reduce risks or reflect changes as the risk probability

changes. Supporting documentation such as minutes and project updates give assurances that risks are being monitored; however, this is not always reflected on the relevant register

Recommendation 2 - Ensure risk registers are reviewed and updated where necessary including review dates.

- 5.1.13** Risk management is clearly embedded within the service delivery. The monthly Maryport Programme board have a dedicated agenda item each month to discuss risk registers and gives assurance this is an ongoing concern. Evidence of horizon scanning is also in place via the monthly update reports project managers complete for each project where mitigating action plans are put in to place to try and prevent risks from developing further.
- 5.1.14** Several spreadsheets and documents are used to monitor key milestones for service delivery within each project. The spreadsheets include information around targeted start and end date compared with the actuals. Whilst some of the documents appear out of date, audit testing of other documents provides assurance that milestones are reviewed on a regular basis.
- 5.1.15** Due to the type of work being undertaken, support is required from other key departments within Allerdale such as Legal, Procurement and Finance. The team have experienced some concerns from teams due to existing workloads. However, processes have been put in to place to outsource work to other agencies or partners using the cost savings from vacant roles.
- 5.1.16** The Legal Services Manager advised the work received from the Regeneration Team is on an adhoc basis and as a result the team have been able to engage as required. Further work has been outsourced for external legal advice, but this cannot be attributed to the Regeneration works.
- 5.1.17** The Senior Specialist within the Procurement team advised that although additional work had been created by the Regeneration team, especially in recent weeks, all work had been delivered within the timeframe requested from the team and did not feel it was having an impact on the completion of day-to-day work. Finance were approached for comment however did not provide any evidence of issues so the audit must conclude no concerns within the services.

5.2 Information – reliability and integrity of financial and operational information

- 5.2.1** Whilst it is up to each individual project manager to track the budget on each project, dedicated resources are in the team to ensure robust financial management.
- 5.2.2** Each project has its own expenditure tracking spreadsheet which covers the lifespan of the project and comprises both estimates and costs including actual expenditure, committed expenditure and purchase orders. In addition to this, each project also has a monitoring sheet which compares baseline to budget and downloads all purchase orders directly from the finance system to ensure all payments are included.
- 5.2.3** The costs for each project are monitored for the lifespan of the project and are reported to the Regeneration, Asset Management and Strategic Growth Board each month which gives assurance significant overspends would be identified quickly giving the team ability to review the project and make any necessary changes.
- 5.2.4** The original communication strategy for the regeneration projects in Maryport involved a separate communication group involving internal communication staff then having to attend all project meetings. A change was made to absorb the communication strategy into each project removing the need for a separate group but as a result highlighted the need for an additional dedicated resource which has been in place since early 2022.
- 5.2.5** The current communication strategy for Maryport includes informal weekly meetings with all relevant programme and communication staff, a dedicated section of the website with the ability for the public to sign up for a newsletter to receive regular updates and regular articles in a local publication “Maryport Matters,” Additionally, during the recent Taste of the Sea’s festival, the project team were present so the public could ask questions around the re-development of the area and discuss progress. The team are also engaging with several external groups to ensure project updates are provided to relevant town and borough councillors and community representatives to ensure the key messages are delivered to the community.
- 5.2.6** As each programme is completed, a press release will be issued to regional press followed by an official opening by a representative of Allerdale to encourage the public to come and see the completed works.
- 5.2.7** Policy documentation has recently been prepared by the external source for all Maryport projects which includes basic project information, potential reactive communications and identification of communication opportunities and specific groups to target.

5.2.8 The website does not appear to have been updated since 2021 with programme staff advising they were unsure when the last newsletter was sent out to the public.

Recommendation 3 - Consider more regular updates to the website and via the newsletter to allow the public access to updated project information.

5.2.9 With regards the Workington projects, a dedicated section of the website has also been created and includes minutes and agendas from all Town Deal Board meetings.

5.2.10 Additionally, as some of the projects in the Workington are based on collaborative working with stakeholders, each project will have an individual strategy which is suitable to the project and will focus on key messages to be delivered, anticipated press releases and target groups.

5.2.11 The Programme Director advised as part of the strategy for Workington, some external stakeholders are conducting public consultations to gauge public opinion on different projects involved in the Workington Town Deal. Audit testing shows reference to public consultations and feedback sessions on the Allerdale website and social media accounts encouraging the public to provide feedback and have their say.

5.3 Value – effectiveness and efficiency of operations and programmes

5.3.1 Since the initial bid submission to Department for Levelling up, Housing and Communities, the cost of materials have significantly increased and are now having an impact on the original budgets set for projects within regeneration programme.

5.3.2 The Finance Strategic Advisor advised cost increases are factored into the budget by outsourced quantity surveyors with costs and contracts agreed before works on site begin. Audit testing shows factored contingency budgets between 10% and 35% within each project should actual costs exceed budget. If costs appear significantly high, the project managers would challenge the figures with support from Capital Programmes Strategic Advisor who has significant experience in this area of work. Should the costs remain significantly more than anticipated, this would allow for amendments to the programme before work commences on site.

5.3.3 Alternative funding streams are currently being sourced though a variety of methods including additional government funds, private companies and grant applications to bridge the shortfall which currently exists.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 - Consider training requirements within the project management team to strengthen resilience.	M	Insufficient staff to cover and monitor key projects.	Update of Training Needs Analysis document to be actioned	Senior Manager – Programme Office	Completed
Recommendation 2 - Ensure risk registers are reviewed and updated where necessary including review dates.	M	Risks escalate with project managers and management unaware.	Add Review Risk Register as an agenda item on each project meeting. Ensure Project Risk Logs are available with 'Red/Amber' risk reviewed at Maryport Board Meetings.	Strategic Advisor - Capital Programmes	Completed
Recommendation 3 - Consider more regular updates to the website and via the newsletter to allow the public access to updated project information.	M	Reputational risk as the public do not feel involved with the projects that affect them.	Comms Strategy to be updated for Maryport and Workington.	Programme Director - Workington Strategic Advisor - Capital Programmes	January 2023

Appendix B – Advisory Comments

Ref	Advisory Comment
5.14	Look at a more formal approach to annual leave and sickness within the team to ensure sufficient cover is in place.
5.1.6	Ensure any changes are documented correctly and at the time any changes are made.

Appendix C - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Appendix D

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).