

**To:** Audit and Governance Committee

**Date:** 23 April 2015

**Report of:** Head of Finance

**Title of Report:** Internal Audit Report 2014-15  
Rosehill Community Centre

## **Summary and Recommendations**

**Purpose of report:** To present to Audit and Governance members a 'lessons learned' report undertaken by the Council's auditors PWC on the capital project for the construction of a new Community Centre at Rosehill.

**Key decision:** No

**Executive lead member:** Councillor Ed Turner

**Policy Framework:** Budgetary Framework

**Recommendation(s):**

1) That the Audit and Governance Committee note the PWC report together with the management response

## **Appendices**

**Appendix A – Internal Audit Report**

### **Background**

- 1 On the 24<sup>th</sup> September 2014 the City Executive Board (CEB) received a report requesting project approval for the award of a tender for the construction of Rose Hill Community Centre.
- 2 The report indicated that despite value engineering; the project cost would exceed both the budget build estimate (£3.486 million) and the overall budget allocation (£4.286 million). It therefore asked CEB to recommend

to Council an increase to the budget allocation of £478k, bringing the total budget to £4.764 million.

- 3 Consequently Members requested officers undertake a review of the project to understand what lessons could be learnt in order to protect subsequent capital projects/budgets. Price Waterhouse Coopers (PWC), the Council's internal auditors were commissioned to undertake this work. Their report is attached at Appendix A and sets out a number of detailed recommendations.

### **Management Response**

- 4 Management welcome this report which has highlighted a number of issues from the inception of the project through to project approval. With the benefit of hindsight clearly some of the issues arising could have been mitigated. These include: holding a 'bidders day', which may have identified the potential budget shortfall due to the improvement in the construction sector as well as the impact on bidder interest; due to the volume of new construction projects being released to the market.
- 5 Management did take proactive action, replacing key staff who were not performing. However, there were also other unforeseen and significant changes in project staff that blurred responsibilities of those on the project team.
- 6 The decision to proceed to tender despite a forecast £200k (6%) budget overrun was based on the assumption that the overspend would be recovered through post tender value engineering.
- 7 Whilst this tender was below the threshold set by the Public Procurement Regulations the Council followed an OJEU like process which was undertaken within the spirit of the regulations which requires all bidders to receive equal and fair treatment through a transparent process.
- 10 The tender process was fully transparent and carried out in accordance with the EU regulations.
- 11 The key learning points from the project that management have already acted on and will be applied to future capital projects are as follows:
  - a. Any designated project manager must be fully cited from start to finish on all project documentation and processes.
  - b. Officers must be clear on project roles and responsibilities and have been trained in the Council's project management methodology prior to working on a project.
  - c. All capital projects must follow the Council's new capital gateway process.
  - d. All projects of £100k plus must have a Procurement Strategy written and approved before they commence to tender.

- e. The role of the external professional advisors must be clear and the relationship managed by an officer with appropriate knowledge and skills.

## **Next Steps**

12 Next steps include:

- The report will be discussed at the Capital Asset Management Group Meeting (CAMG) which monitors the capital programme to enable dissemination of learning with a wider team of officers.
- In accordance with the Capital Gateway process a post project evaluation session will be undertaken on the Rosehill project.
- The Capital Gateway process and associated Officer training will themselves be reviewed to pick up lessons learnt.
- Detailed responses to individual recommendations will be reported to the next Audit and Governance Committee as part of the Audit Tracker report.

## **Legal Implications**

13 There are no legal implications arising from this report.

## **Financial Implications**

14 These are covered within the report.

## **Level of Risk**

15 The significant programme of regeneration being undertaken by the Council does bring with it increased risk to the Council's business. The Capital Gateway process including 'lessons learned' reports as in the case of Rosehill will ensure that these risks are mitigated as far as possible.

## **Equalities Impact**

16 There is no requirement to provide an Equalities Impact Assessment for this report.

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**List of background papers:** None