FINAL INTERNAL AUDIT REPORT

PLACE DIRECTORATE

Capital Schemes – Project Management (Housing) 2022/23

Issued to: Assistant Director (Housing, Planning and Regeneration)

Head of Regeneration (Housing, Planning and Regeneration)

Assistant Director (Culture and Regeneration)

Director (Housing, Planning, Property and Regeneration)

Head of Finance (Adult Social Care, Housing and Health)

Prepared by: Assistant Manager (Mazars LLP)

Reviewed by: Manager (Mazars LLP)

Manager (Mazars LLP)

Partner (Mazars LLP)

Date of Issue: 16 August 2023

Report No.:   PLA/10/2022

INTRODUCTION

1. This report sets out the results of our internal audit of Capital Schemes – Project Management (Housing). The internal audit was carried out as part of the work specified in the 2022-23 Internal Audit Plan. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.

2. The London Borough of Bromley's (Council) Housing Strategy outlines that the Council is committed to providing 1,000 Council homes through development on Council owned sites or acquisition by 2030.

3. We would like to thank everyone contacted during this review for their help and cooperation.

AUDIT SCOPE

4. The original scope of the audit was outlined in the Terms of Reference issued on 5 September 2022. Our sample testing included the following projects: Bushell Way, Anerley Town Hall and York Rise.

5. We reviewed and tested controls over the following key risks:

- There is little or no business requirement for the scheme to commence and a lack of background information to prove its purpose;

- Inefficient use of public funds;

- Insufficient planning is undertaken to ensure the objectives can be met, or the service is not being designed effectively to ensure an efficient operational service for customers;

- Changes are made that can harm the overall project/scheme;

- Failure of the project and, in the long term, additional costs for the Council to deliver its services;

- The project will not deliver its expected outcomes or may not deliver within the required timescales/budget;

- Concerns in the delivery of the project and failure to meet objectives sufficiently; and

- Valuable lessons are not used for the remainder of the programme or future programmes.

AUDIT OPINION

6.   Our overall audit opinion, number and rating of recommendations are as follows.

AUDIT OPINION	
Reasonable Assurance	There is generally a sound system of control in place, but there are weaknesses which put some of the service or system objectives at risk. Management attention is required.

Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
-	-	8

SUMMARY OF FINDINGS

7.   Our internal audit identified areas of good practice and sound controls as set out below:

- Based on the review of the latest received budgets of Anerley Town Hall budget dated February 2023, Bushell Way budget dated January 2023 and York Rise budget dated September 2022, we have observed that all had budget surplus.

- Testing confirmed that there are Executive approvals dated 28 November 2018 on the commencement of the sample-tested projects.

- We have evidenced effective monthly reporting on the successful delivery of affordable housing. While testing a sample of four 'Programme Highlight Reports on Affordable Housing Delivery', we found that the report includes section updates on

the housing objective and top housing delivery risks and their mitigating actions in place, indicating effective risk management controls. We also noted that the reports provide updates on the key milestones achieved in the current and subsequent reporting periods, effectively updating the sample projects' progress. These reports provided a RAG rated assessment on quality issues and the mitigating actions taken.

- In addition to reporting in place concerning the sample selected projects and the housing delivery scheme, we confirmed there was transparency when reports were publicly shared. This was confirmed by reviewing public minutes of meetings from the Renewal, Recreation and Housing Policy Development and Scrutiny Committee.

- A handover checklist for the housing development projects provides the different steps of handover chronologically ordered. The checklist shows the roles and responsibilities of handover among the Regeneration, Property Services, Housing Team, Finance, Information and Communications Technology (ICT) and the Managing Agent.

- We also obtained and reviewed evidence of effective communication regarding the handover process for the Anerley Town Hall and Bushell Way through Handover Working Group meetings and Housing Handover meetings. These meetings reviewed the defects period quality issues with effective control on action management.

- Progress reports confirm evidence of effective progress reporting. These reports cover project controls around contractual reporting on project progress summary, factors likely to affect the progress of works, client instructions required, material approvals, critical actions, health and safety issues, risk register, and project progress photos. Use of standardised and agreed templates provides effective quality monitoring. Progress reporting provided good control on management of completion time of project activities in addition to monitoring the time to complete indicator within the report.

- For the York Rise project, dashboards provide details related to the project milestone tracker, risk trends and key risks, key actions tracker, client risk register, change control register, and client approval tracker. In addition, visit reports provide effective controls in reporting on-site issues and recommendations with project progress photos. Any contractual matters raised in the dashboards or visit reports and contractors' progress reports that must be reported to the Committee are summarised within Committee reports. This also applies to the Employer's Agent of the York Rise project. Use of dashboard and reporting with photos is an effective control that elevates project quality management.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

8.   The findings of this report and an assessment of the risk associated with any control weaknesses identified are detailed in the Detailed Findings / Management Action Plan. Any management recommendations are prioritised in line with the criteria set within Appendix B.

1. Standard Business Cases and Benefits Management Plan and Realisation

Finding

Although we have seen evidence of the Executive approvals for the three sample-tested projects dated 28 November 2018, we have not observed that a standard business case template was used.

In addition to the approval, we reviewed the Executive reports received from May 2019 to January 2022 and a total sample of nine progress reports for the three sample-tested projects. We observed that benefits are contextually discussed. However, we could not find any evidence of any systematic benefits realisation plan or measurement (i.e. list of benefits, benefit owners, benefits measurement, and when the benefits shall be measured, which shall be part of a benefits management plan).

It is noteworthy to mention that project benefits are referenced within the 'Post Completion Review Report' template. The Regeneration Manager (Culture and Regeneration) advised that this is a requirement included in the template, and such report should be completed for each sample project within one year from the completion of the construction phase, which was not due during the audit fieldwork.

Risk

Not having a standard and structured business case process could potentially impact the consistency of the information presented if relevant information to the project business case does not contain systematic representation on how the project meets strategic objectives, economic appraisal of options for delivery and commercial, financial, management arrangements for the project and information on how the project benefits will be measured and realised.

Recommendation	Rating
Management should establish standard business case templates to ensure that all relevant areas are completed. The following sections should be, at least, added to the business case standard template: • A benefits management plan that lists all expected benefits, frequency and means of measuring them, benefit owners, reporting on benefits realisation and considering the proper action plans and decisions based on the outcome of the benefit. These benefits shall be aligned with the Council's strategies and include both financial and non-financial benefits; • Financial analysis and forecasting inclusive of financial sensitivity analysis;	Priority 3

• Alternatives and options and the recommended option. Reasons for disqualifying any alternative or option shall be highlighted as well; • Risks and mitigation strategies with the recommended strategy; • Timeline with milestone chart at each phase or on key review or approval points; • Governance and project team structure, and • Engagement and communication approach. Management should ensure that benefits are measured as planned, periodically reported to senior management and relevant committees, and seek support if any benefits are not achieved as planned.	
Management Response and Accountable Manager	**Agreed timescale**
By the time a housing scheme is considered, there has been considerable discussion about site feasibility, and whether a site should be considered for disposal or for building housing. These meetings are conducted by the Strategic Asset Group, which are not public meetings in the interests of commercial sensitivities. The Housing reports then sets out a high-level options for consideration. Once agreed and a scheme is developed, all of the above are monitored by the project team, including project plan monitoring, risks and risk mitigation as well as governance.	N/A

2. Project Initiation Document (PID) / Project Plans

Finding

Project Initiation Documents (PIDs) which are in place for the sample selected projects, provide information about the following:

• Project background;
• Site information;
• Scope and objectives inclusive of design objectives;
• Project team composition inclusive of their roles and responsibilities, and
• Early risk considerations.

The above elements within the PID are not comprehensive enough to cover all project management areas per best project management practices (i.e., Association for Project Management – Body of Knowledge 7).

We observed there are other project management areas required to be elaborated on, including:

- Project benefits in terms of the means to measure them and when;
- Procurement approach;
- Project milestones and initially approved schedule;
- Project cost management indicating how the budget will be approved and revised and how the project cost will be monitored;
- Change and variations management methodology;
- Lessons learned process;
- Risk management framework and methodology indicating how the project risks would be identified and monitored and the integration between projects risk registers and department risk register;
- Engagement and communication plans, and
- Project closure and handover approach.

We have also noted that the tested PIDs for the three sample-tested projects were not dated.

Risk

A lack of guidance on all project management areas may lead to delays and key activities not being completed per the expected quality level leading to an increase in the risk of the project not being delivered as agreed and benefits not being realised.

Recommendation	**Rating**
For each future project, establish and acquire dated approval for a standard project plan/PIDs that reflects the approach and sub-plans related to the following as a minimum: - Benefits management plan inclusive of how benefits are to be realised, when and how; - Project procurement approach and tools and techniques that will be used to monitor procurement and contracting activities; - Project time management indicating how the project schedule will be planned and monitored; - Initial project approved schedule/milestone chart;	Priority 3

- Project cost management indicating how to budget revisions that will take place and their relative authorisations in addition to explaining the tools and techniques to be used to measure cost variations;
- Initial approved budget and cost breakdown;
- Change control management indicating the approval process of changes inclusive of the governing entities who approve changes and the change process inclusive of variations and instructions;
- Lessons learned process;
- Engagement and communication plans with all projects stakeholders;
- Project risk management methodology and framework and the tools and techniques to be used to manage risks, and
- Project closure and handover approach;

If an external project stakeholder manages any specific sub-plan, this must be referred to within the project plan.

Management Response and Accountable Manager	**Agreed timescale**
The only element of the above I can agree with is that project closure is not evidenced as it has not happened at the time of the audit	N/A
Handover process has been streamlined	
There needs to be clearer benefit realisation plan	
There is clear evidence in our projects of change control, contract management, lesson learned, project management including close budget monitoring, as well as risk, and this has been evidenced and demonstrate thorough the successful delivery of the project, despite significant disruptions of Covid and significant inflationary cost pressures	

3. Lessons Learned

Finding

We have requested evidence for the three sample-tested projects related to lessons learned, focusing on lessons that resulted from completing the construction phase of the Anerley Town Hall and Bushell Way projects. We received evidence from the Housing Regeneration

Project Manager Culture and Regeneration dated 27 May 2022, listing the lessons learned briefly. However, we have not observed any evidence of building appropriate action plans, assignment of action plans to action owners and logging lessons learned to a central lessons learned repository. We were informed by the Head of Regeneration that the lessons learned process and knowledge sharing process occurs through multiple team meetings, handover meetings and appointing a construction consultant to the York Rise project to provide more representation of project team members into the project boards. However, we observed that the process is not delivered in a standardised and systematic way.

Although the Head of Regeneration advised that the assignment of an employer's agent/consultant to the York Rise project was based on the health check report dated December 2021, the resulting opinions and recommendations within the health check report were not logged into a central lesson learned log/repository for continuous learning and knowledge sharing.

Moreover, no lessons-learned procedure or process map is in place that provides complete guidelines on the process.

Risk

If lessons learned resulting actions are not systematically implemented within new projects, this could lead to a risk of any lessons learned not being fully or inaccurately implemented, leading to increased project risks or issues. Not having a lessons-learned repository can be a missed opportunity for knowledge development in relevant housing development and project management areas.

Recommendation	Rating
Establish a lessons-learned procedure/process map that highlights the following areas at a minimum: • Identification of lessons learned inclusive of the source identified; • Classification of lessons learned inclusive of its importance, impact and governance level; • Identification of relevant action plans that include the action owners and due dates for implementation; • Organising lessons learned in physical or virtual workshops to enhance the learning process; • Monitoring and control of the lessons learned log, inclusive of the relevant action plans; and • Sharing lessons learned progress across all relevant stakeholders to improve the knowledge management process. Ensure the latest updated lessons learned log/repository is shared across all relevant staff and managers.	Priority 3
Management Response and Accountable Manager	**Agreed timescale**

As above	N/A

4. Stakeholder Engagement and Communication Plan	

Finding

The Regeneration Manager (Culture and Regeneration) informed us that resident meetings were conducted during the planning phase of the sample-selected projects. We have also referenced evidence of acquiring residents' feedback within the reports HPR2020/051, HPR2020/038, and DRR20/0199, dated January 2021, November 2020 and February 2020, respectively. However, we have not observed evidence of project stakeholders being mapped into engagement and communication plans prepared for the three sample-tested projects, including analysis of external and internal stakeholders.

Reasons communicated by the Regeneration team that the sample tested projects were delivered during the pandemic, so not all stakeholder engagement and communications plans were formulated.

Risk

Without stakeholder engagement, with prioritisation of stakeholders considered, and communications planning, there is a risk that those impacted by the project's changes are unaware of what is being delivered. This could lead to unrealised benefits, reduced returns on investment and negative perceptions of the Council.

Recommendation	**Rating**
For each project, Management should analyse internal and external stakeholders in terms of interest vs influence and reflect the analysis on a 'Stakeholders Analysis Map'. Based on the analysis result, identify the reporting, meetings, informal communication requirements, and frequency for each stakeholder. The plan can be a standalone engagement and communication plan or a sub-plan part of the overall project plan.	Priority 3
Management Response and Accountable Manager	**Agreed timescale**
Findings and recommendations are noted, and whilst the current budgets do not allow for such wider engagement this will be taken into consideration with the Director when planning resources in the future. This is not to say that engagement does not happen, but it is not planned engagement outside of Ward Cllr updates as it currently stands.	Next Council funded project.

Recommendations on future projects to be discussed with the Assistant Director and Director for planning resources appropriately to allow for broader engagement. If not agreed, this will be captured in the PID or how engagement with stakeholder will work and why.

5. RAID Logs

Finding

Although we have evidenced risk monitoring by reviewing a sample of three risk registers for each of the sample selected projects and a sample of four Highlight Reports for Affordable Housing Delivery, which identify top risks of the housing programme, we have observed a lack of implementation of the Risks-Actions-Issues-Decisions (RAID) logs for the three sample projects.

Risk

Not using RAID logs for projects can reduce the effectiveness of project monitoring and implementation, especially from the Council's project management side, where risks, actions, issues and decisions other than contractor-related ones can be added to track project performance and act accordingly.

Recommendation	Rating
Management should apply RAID logs to future projects consistently, periodically, and progressively report on its outcome to senior management and leadership. Escalate any outstanding issues, risks or decisions to the correct governing entity per the engagement and communication plan guidelines.	Priority 3

Management Response and Accountable Manager	Agreed timescale
Implementation of RAID Logs across the team for all projects. Head of Regeneration (Housing, Planning and Regeneration)	Immediately

6. Projects Risk Monitoring and Integration

Finding

Monthly 'Programme Highlight Reports on Affordable Housing Delivery' are prepared by the Culture & Regeneration team and then reported to the Housing, Planning & Regeneration (HPR) and the Transformation Boards. They provide a Red-Amber-Green (RAG) rating on the housing delivery objectives and risks with mitigating actions and the Lead Responsible. We confirmed they include updates on the sample projects tested.

We reviewed Programme Highlight Reports: Affordable Housing Delivery for July, August, September-December 2022, and January 2023 and noted that the top risks and action against each risk are measured against the inherent risk only and not the residual risk so that the top risks ratings remain unchanged from July 2022 to January 2023.

Risk

Not measuring the residual risks after the actions and mitigations against each risk can provide an unclear representation of the remaining risk. This could provide an inaccurate outcome of the risk mitigations undertaken for top risks.

Recommendation	**Rating**
Management should update the slides within the Programme Highlight Reports: Affordable Housing Delivery to reflect both inherent and residual risks to allow for visibility on residual/remaining risk change as a result of progressing or completing risk-mitigating actions.	Priority 3
Management Response and Accountable Manager	**Agreed timescale**
Implementation of management of residual risk and new risks register to go to the Transformation Board. Head of Regeneration (Housing, Planning and Regeneration)	Immediately

7. Document Control

Finding

We have reviewed evidence that the contractors' and consultants' invoices for the three sample projects are being approved and reconciled, in addition to having approvals on contractors' variations and evidence on monthly financial statements.

However, we have identified multiple areas where document control is required, as follows:

- We reviewed a table on analysis of instructions between Anerley Town Hall and Bushell Way within the financial statements vs the actual approved ones. We have noted that the references used for the sample tested projects contract instructions within the contractor's financial statements differ from those used within the approved contract instructions. Management advised that the Anerley and Bushell projects started as one project and the financial systems have made it difficult to move to two separate project codes, and therefore there is some disparity between references for final accounts, so final accounts will be taken as the two cost centres put together again. Although project changes with financial impact are controlled within the Financial Monitoring sheets for each project, we have noted that there is no master log for project changes for both Anerley Town Hall and Bushell Way projects to monitor and control all project changes, including variations and instructions with and without financial impact. Notably, maintaining a change log was raised as a lesson learned by the Housing Regeneration Project Manager Culture and Regeneration on 27 May 2022.

- We have also noticed a discrepancy between the number of invoices within the Finance monitoring spreadsheets for Anerley Town Hall, dated February 2023 and Bushell Way, dated January 2023 and the actual invoices received. To illustrate further, the total number of invoices for the Anerley Town Hall project per the finance monitoring spreadsheet was 15, while the actual invoices received were 35. Similarly, the total number of invoices for the Bushell Way project per the finance monitoring spreadsheet was 13, while the invoices received were 51.

Risk

Lack of effective project document control can lead to decreased project monitoring and control efficiency and reduced time efficiency due to additional project figures reconciliation or sanitising project information if it was not timely updated.

Recommendation	**Rating**
Management should: - Ensure that all project control and monitoring documents and logs match the actual approved project documents in place and that all project logs are up to date; - Management should investigate the reasons behind the discrepancies between actual contractor invoices/variations issued against the internal log maintained by the Project Managers; - Project referencing to the Council documents (e.g., variations and instructions) by any external stakeholders shall lead to internal references of the Council within the change control log; - For each project, ensure that there is a monitoring and control log for all types of variations and instructions, and,	Priority 3

• We recommend using document revision control for original and revised versions of the main project baselines, mainly project schedule and project budget (i.e., revision 0 refers to the original project budget and original budget schedule)	
Management Response and Accountable Manager	**Agreed timescale**
There have been challenges with new financial system that have made recording of financial logs challenging, and this is being worked through with Finance team. There are now clear logs in place for all variations on the financial spreadsheets	Already implemented

8. Governance Structure for Housing Delivery Projects

Finding

Although we have been informed by the Head of Regeneration and observed evidence of the governing entities of the affordable housing delivery in terms of their authorities and their sample reports reviewed, we have noted that the governing entities are not mapped out into a governance structure. In addition, we noted a lack of mapping out of governance structures for the three sample projects tested.

The current practice in place includes reporting to the following entities:

• Weekly briefing to the Portfolio Holder but with no minutes;
• Monthly reporting to the Transformation Board through the Programme Highlight Reports on Affordable Housing Delivery;
• Ad-hoc updates to the Renewal, Recreation and Housing Policy, Development & Scrutiny Committee as required by Contract Procedure Rules (CPR) and Financial Regulations (FR) and requested by Members, but also included in the Quarterly Portfolio Plan Update, and
• Ad-hoc updates to the Executive as required by Contract Procedure Rules (CPR) and Financial Regulations (FR).

Risk

There is a risk of lack of visibility on the governing entities for the housing delivery programme and the interrelationship across them, which can reduce programme and project governance if not well designed.

Recommendation	**Rating**
Management should:	Priority 3

• Ensure that all governing entities are mapped into a governance structure inclusive of their updated and approved Terms of Reference; • Identify the governing entities of the project within each Project Plan, and • Identify any meetings or reporting requirements to the governing entities within each engagement and communication plan.	
Management Response and Accountable Manager All governing and reporting structures for all project to be fully mapped out, status checked quarterly and amended as necessary. Head of Regeneration (Housing, Planning and Regeneration)	**Agreed timescale** Immediately for all live and new projects

Assurance Level

Assurance Level	Definition
Substantial Assurance	There is a sound system of control in place to achieve the service or system objectives. Risks are being managed effectively and any issues identified are minor in nature.
Reasonable Assurance	There is generally a sound system of control in place but there are weaknesses which put some of the service or system objectives at risk. Management attention is required.
Limited Assurance	There are significant control weaknesses which put the service or system objectives at risk. If unresolved these may result in error, abuse, loss or reputational damage and therefore require urgent management attention.
No Assurance	There are major weaknesses in the control environment. The service or system is exposed to the risk of significant error, abuse, loss or reputational damage. Immediate action must be taken by management to resolve the issues identified.

Recommendation ratings

Risk rating	Definition
Priority 1	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
Priority 2	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
Priority 3	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.