

CORPORATE AFFAIRS AND AUDIT COMMITTEE

A meeting of the Corporate Affairs and Audit Committee was held on Wednesday 6 April 2022.

PRESENT: Councillors B Hubbard (Chair), J Platt (Vice-Chair), C Hobson, D Rooney, C Wright and M Storey (as substitute for T Higgins)

ALSO IN ATTENDANCE: A Preston (The Mayor), Councillors D Coupe and J McTigue
P Jeffrey (Internal Auditor) (Veritau), M Rutter (External Auditor) (Ernst Young) and R Smith (Internal Auditor) (Veritau)

OFFICERS: C Benjamin, D Johnson, A Johnstone, S Lightwing A Pain, J Weston and I Wright

APOLOGIES FOR ABSENCE: Councillors T Higgins and T Mawston

21/52 **WELCOME AND EVACUATION PROCEDURE**

The Chair welcomed all present and read out the Evacuation Procedure.

21/53 **DECLARATIONS OF INTEREST**

There were no declarations of interest received at this point in the meeting.

21/54 **BOHO X - DRAFT FINDINGS AND PROPOSED MANAGEMENT RESPONSE**

A report of the Director of Legal and Governance Services (Monitoring Officer) was presented to set out the draft findings from the internal audit on the project management of Boho X and the proposed management response. The report set out proposed actions to improve programme and project governance across the Council in the light of the findings of the audit, subject to further comment from the Committee.

The Chair reminded Committee Members that the aim of presenting the report to Committee was for Members to recommend ways to strengthen policy and procedures. Any questions that strayed into areas that were more appropriate for Standards Committee would not be permitted. The Monitoring Officer added that this was an opportunity for the Committee to consider the findings of internal audit review and investigation, monitor the implementation of recommendations and ensure that effective systems were in place that would underpin and ensure high standards. The Committee was requested to note the findings of the draft internal audit report on the project management of Boho X and the proposed management responses and consider whether it wished to make further comment on the issues raised by the audit and the proposed actions.

Following discussions with the Chair and Vice Chair of Corporate Affairs and Audit Committee, and direction from the Committee at its meeting on 15 October 2020, the Director of Finance and Director of Legal and Governance Services commissioned an internal audit review of project management of the Boho X project. Group Leaders were also consulted on the scope of the audit.

The plan for the Boho X building had seen one significant change since the start of the project. It was agreed by the Executive in March 2020 that Boho X would be a 20 storey office development with 100,000 square feet of floor space (plan A). In August 2020 the design of Boho X was reviewed and the downsizing of the building to six storey, 60,000 square feet development was subsequently initiated (plan B). The project was the responsibility of the Regeneration and Culture Directorate. The original sponsor was the then Executive Director of Growth and Place, moving to the Head of Economic Growth on the former's compulsory redundancy. The Council expected to let Boho X in its entirety for ten years in the near future.

The purpose of the audit was to provide assurance to management that procedures and controls within the system ensured that:

- The project had used and met the requirements of the established Project Management Framework in operation at the Council.
- Meetings and communications directing the design and development of the project were carried out in line with proper procedures and fully recorded.
- Decisions relating to the project had been taken, recorded, published and communicated in line with the Council's Constitution (including the Scheme of Delegation).
- Key information relating to the project was available and had been retained to support decisions.
- There were appropriate project governance arrangements in place including processes for managing project risk.

The auditor's key findings were that:

- The project was not always managed in line with the Council's Constitution, in that the Mayor of Middlesbrough held meetings with third party contractors on project direction without officers present, and without these being documented – while this arrangement was agreed by the former Executive Director of Growth and Place via email, it was not in their gift to do so and was contrary to the Constitution and the Programme and Project Management Framework (PPMF).
- As the above meetings were not documented, there was not a clear record of discussions and there appeared to have been a perception by the third party contractor that the Mayor was making decisions and formal instructions for the project, while the Mayor did not perceive that he made those formal decisions. This may have led to decisions and design changes being made without appropriate input or transparency or being communicated efficiently.
- Change control notices were not submitted, reviewed and authorised in line with the Council's PPMF as a result – key design changes were recorded in the (third party contractor) BCEGI decision log following meetings as being agreed the Mayor. They were not formally referred to the Project Sponsor and Directorate Portfolio Board as they should have been – instead there was an agreement that these would be relayed via the former Executive Director of Growth and Place, although no email evidence was available to support this had occurred.
- Changes recorded in the BCEGI decision log included those items that BCEGI perceived as being authorised by the Mayor, and there was no officer involvement in these decisions, which resulted in changes to the project design and cost – as such, notwithstanding the agreement and direction of the former Executive Director of Growth and Place, decisions were not in line with the Council's constitution or PPMF.
- Seven design changes outlined in the BCEGI change log between June and August 2020 (in which period there were no internal project board meetings) represented the change from plan A to plan B, and were perceived by BCEGI as authorised by the Mayor and recorded as such in their log – there was no evidence that these changes were attributable to COVID-19 as identified public communications and as such the decision-making on the change was not transparent. The Project Board minutes for September 2020 also recorded that the Mayor had instructed changes to the project.
- Decisions relating to securing funding for Boho X and awarding key contractors had been taken, recorded, published and communicated appropriately, there was a clear record available of the abortive costs as a result of the design changes and an appropriate procurement process was followed for key contractors.
- An appropriate project risk register was in place that was reviewed and managed by the project manager, but not reviewed and managed within the internal project working group board meetings, and as such project risks might not have been overseen appropriately and mitigated to an acceptable level.
- There did not appear to be an effective culture of challenge in place across the project – while the Mayor acted outside of their expected roles and responsibilities, the process was agreed by the Executive Director of Growth and Place at the outset.
- There was no evidence that the Mayor was advised that he could be perceived as exceeding his constitutional role in relation to the BOHO X project identified during the investigation. Standard Member training would not have included training on governance arrangements for operational project delivery as there was no role for

Members. Induction training did include information on the Officer/Member relationship and the split of responsibilities, which had been provided to the Mayor.

Significant gaps, weaknesses or non-compliance were identified by the auditor, leading to an overall opinion of the controls in place at the time of the audit as providing only limited assurance.

It was vital that the management response to this audit addressed the culture that allowed these arrangements to be put in place and persist, as well as necessary procedural changes.

The Mayor had been advised by the Monitoring Officer not to meet with third party contractors or potential tenants on this or any other project without officers being present, and when attending with an officer, to be clear that it was the officers that were leading the discussion and only they had the authority to execute decisions.

The Director of Regeneration would now sponsor the Boho X project so that leadership of the Council's biggest project was re-established at Chief Officer level.

The project's controls had been reviewed by the PMO and were now compliant with the Constitution and the PPMF.

Appendix 1 to the submitted report summarised the additional actions proposed by management to address these. These focused on ensuring that the issues identified in this audit were not present in other projects within the Directorate and strengthened the PPMF to address the issues raised, with associated training for Members and officers.

In addition to the response to this audit, other actions would be undertaken to strengthen governance across the Council. These would be outlined in the forthcoming Annual Governance Statement to be considered by the Committee as part of the Statement of Accounts in April 2022. Relevant to this audit would be consideration of the robustness and subsequent tracking of the implementation of delegated authorities agreed for major projects.

Members asked questions in relation to the rationale for the review of the Boho X project, additional costs incurred, how costs were signed off, the lack of internal project board meetings, promotion of, and communications in relation to the project, and the risk register.

The internal auditor confirmed that the senior management review was not included in the terms of reference for the audit and therefore not considered.

The Monitoring Officer confirmed that BCEGI and Logic Architecture were the two contractors involved in the project.

AGREED as follows:

1. the findings of the draft internal audit report on the project management of Boho X and the proposed management response were noted.
2. the internal auditor would provide further details to the Committee in relation to the Project Board Meeting held in September 2020 referenced at paragraph 17, bullet point 5 of the report.
3. a draft of the final Audit Report would be shared with Members of the Committee and Group Leaders for comment once the detailed actions in response to the findings had been populated.
4. details of the Monitoring Officer's formal response to Members and the Leadership and Management Team, to reiterate guidance on the Constitution and PPMF would be provided to the Committee.

PERFORMANCE AND RISK ANNUAL ASSURANCE REPORT

A report of the Director of Legal and Governance Services (Monitoring Officer) was presented to outline the Council's approach to performance and risk management, to summarise activity in the past year and planned activity for 2022, and to provide the Committee with assurance that the Council had robust arrangements in place for these disciplines.

The Council's approach to these disciplines was articulated within the following policies:

- Performance Management Policy.
- Programme and Project Management Policy.
- Risk and Opportunity Management Policy.

In February 2020, revised versions of these policies were approved by the Executive to maximise their impact on the Council's strategic aims and priorities, as set out within the Strategic Plan. It was noted at the meeting that the date of approval of the Strategic Plan by Executive was 27 May 2021 and not 11 May 2021 as stated in the submitted report. The revisions better aligned and integrated the process underpinning these policies and improved their relationship with financial management procedures, and aimed to better exploit the solutions provided by the Council's digital and information strategies to promote real-time and more effective management. These policies were further embedded during 2021.

Details of the arrangements in place to manage performance and risk management within the Council, progress in the past year, and plans to further strengthen arrangements were provided in paragraphs 5 to 38 of the submitted report.

The following areas were highlighted at the meeting:

- Significant work was undertaken in the year to improve Directorate and strategic performance management, with the implementation of a monthly performance review cycle using an integrated performance dashboard drawn from a range of feeder systems which recorded different aspects of corporate performance. Screenshots from this dashboard were included at Appendix 1 to the submitted report for reference.
- A performance cycle had been put in place and embedded in a dynamic way to present information to senior managers throughout the organisation on the state of Executive actions, Directorate priorities, the Council's portfolio of programmes and projects, compliance indicators eg completion of audit actions Directorate and strategic risk registers.
- While COVID-19 had continued to be disruptive in terms of planned performance, a number of significant achievements have been made in line with the Council's Strategic Plan Workplan, and these had been reported to the Executive and Overview and Scrutiny Board on a quarterly basis.
- Over the past year there had again been a strong focus on improving the use of performance data within Children's Services and embedding a strong performance management culture within the service, which have been recognised and commended by the Government-appointed Commissioner and the Department for Education.
- The PPMF had been strengthened and updated in response to the audit of the Boho X Project. The current portfolio around wider compliance had been reviewed.
- During 2020 the Council's risk appetite was refreshed reviewed and revised to bring it in line with the Council's current financial standing so that risks are being captured and scored in line with this. All risk management documentation was also reviewed and updated to reflect these changes. On review, no changes were made to the Council's risk appetite during 2021.
- The key improvement activity undertaken during 2021/22 was a whole scale review of risk mitigations within the Council's risk registers by Heads of Service, with changes made where appropriate to ensure that positive action is being taken where appropriate to reduce risk where the current score is higher than the target score. This led to further work to amend the Council's risk system to state more clearly the treatment currently being applied to each risk.
- The corporate Risk Management Group continued to meet on a quarterly basis to monitor the implementation of the risk management improvement plan and to identify new and emerging risks to the organisation, reporting to the newly established Corporate Governance Board by exception.

In response to the Boho X audit, the PMO reviewed the Council's portfolio in detail and this

work identified issues with the recording and management of controls within several projects that had now been amended. It was also noted that some projects had proceeded to delivery stage apparently without prior approval of a business case by the appropriate body of the Council, as required by the PPM Policy. However, in all three cases an equivalent process to ensure value for money had been undertaken, for example, financial assessment signed off by the Section 151 Officer. Those Officers who did not follow the correct process had been advised.

AGREED that:

1. the information provided was received and noted.
2. details of the three specific projects that had proceeded to delivery stage without completing the business case pro forma would be forwarded to the Members of the Corporate Affairs and Audit Committee for information.

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BUSINESS CONTINUITY ANNUAL ASSURANCE REPORT

A report of the Director of Legal and Governance Services (Monitoring Officer) was presented to outline the Council's approach to business continuity management, including testing and summarise activity in the past year and planned activity for 2022, in order to provide the Committee with assurance that the Council had robust arrangements in place, as required by the Civil Contingencies Act 2004.

The Council did not publish its business continuity plans as they outlined sensitive information around its critical functions and their recovery that could be misused. They also contained personal information relating to employees who had agreed to share personal contact details to enable the Council to get in touch with them quickly in the event of an incident.

The Council had the following plans in place to respond to the variety of events that could occur:

- Corporate Business Continuity Plan.
- Supporting Departmental Business Continuity plans.
- Relocation Plan.
- ICT Disaster Recovery Plan.
- Fuel Plan.
- Coronavirus Pandemic Plan.
- Flu Pandemic Plan.

The Council tested its plans at least once every twelve months, or produced a lessons learned report if a live incident had occurred during the past year. As such, due to COVID-19 a test was not undertaken in 2021. The opportunity had also been taken to identify lessons learned from the recent lockdown of several council buildings in response to a reported threat.

In a normal planning cycle, business continuity plans were updated every six months, and reviewed on an annual basis (May and November) with the scale of the review, dependent on the level of organisational change that had occurred in the intervening period. In some years this meant that only minor updates were required, in others fundamental reviews would be required to reflect changes to the Council's structure or other significant developments, for example, where services had been outsourced, or brought back in house.

A Business Continuity Improvement Plan was developed in 2021/22, covering training, documentation, communication, equipment and location arrangements. Progress on this plan was reported to Risk Management Group on a quarterly basis.

During 2022/23, further work would be undertaken to build on progress made within the previous improvement plan as part of the Council's commitment to continual improvement in business continuity planning.

AGREED that the information provided was received and noted.

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ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED

The Chair reminded Committee Members to forward any further suggestions for Annual

06 April 2022

Internal Audit Work Programme 2022/2023 to the Monitoring Officer or Democratic Services Officer by Friday 8 April 2022.

NOTED