

**POLICY AND SCRUTINY COMMITTEE FOR NEIGHBOURHOODS AND REGENERATION – 4 JULY 2019**

**MINUTE FROM AUDIT COMMITTEE – 20 MAY 2019**

[Internal Audit Report – Nicholson Road](#)

The committee considered the high-risk report relating to Nicholson Road regeneration initiative in Ryde. A number of concerns were raised including: the lack of target dates for actions in the report, the financial impact should the project not be taken forward and if projects were being appropriately monitored.

Discussion took place regarding the impact on the revenue budget should the capital project not proceed. Members were advised that risks were intrinsic to large development projects and that there was a regeneration fund for this purpose. Reassurance was also provided that there was an appropriate level of governance in relation to the project.

The difficulties with target dates for investigative work were highlighted. However, the committee felt it was appropriate to ask for dates as preparatory work such as identifying costs and options should have been undertaken to some extent before the project had been taken forward.

Questions were asked regarding the provision of affordable housing on the Island if the project did not go forward with this element. Members were advised the council was setting up two companies to deliver local affordable housing. Several members raised issues around the communication of changes to regeneration projects, such as the removal of affordable housing elements, being effectively communicated. This had not been raised in the audit report but would be shared with the Director of Regeneration.

At the end of the debate, the committee agreed to request the appropriate scrutiny body review the report.

**RESOLVED:**

- (i) THAT the Internal Audit Report on Nicholson Road be noted.
- (ii) THAT the committee request the report be drawn to the attention of the Policy and Scrutiny Committee for Neighbourhoods and Regeneration.
- (iii) THAT target dates be provided in relation to the actions relating to the audit so progress could be monitored.



## ***Internal Audit Report 2018/19***

### **Nicholson Road (Income Generation) 18-19-13**



## **Contents**

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## **Distribution List**

### *For action*

- Chris Ashman, Director of Regeneration
- Reniera O'Donnell, Assistant Director of Regeneration
- Richard Berry, Programme Manager Regeneration Delivery

### *For information*

- Elizabeth Goodwin, Chief Internal Auditor



# Executive summary (1 of 2)

Classification	Trend	By type	By scope area
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We have not previously carried out a review with an equivalent scope

	Critical	High	Medium	Low	Advisory	Total
Control design	0	1	2	1	0	0
Operating effectiveness	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>4</b>

**Total findings: 4**

## Summary of findings

This review focussed on the Nicholson Road initiative in Ryde, a priority site in the Council's Regeneration Programme; in overview this review covered:

- **Framework:** confirming that a business case or equivalent has been approved, which clearly sets out linkage to the Council's Corporate Plan, overarching Regeneration Strategy, benefits, costs and high level milestones, with supporting delivery plans.
- **Delivery:** confirming that the initiative is on track with projections.
- **Oversight:** confirming that appropriate reporting is being produced, considered at forums with the correct membership and escalated to senior management and members, to ensure they have an accurate view of the progress the initiative is making.

The most significant finding of this review is that the Council has approved spending £769,287 of capital to enable a fully informed business case to be produced. For clarity if at this point the Council decides not to continue with Nicholson Road this will need to be reclassified as revenue impacting on the Council's wider budget, with no benefits being realised. While the benefits potentially offered by Nicholson Road are significant (up to 800 jobs and £4 million of receipts, £3 million of which would be recurring income) this represents a significant risk and has resulted in a high risk finding and this report being rated as high risk overall. The full business case must be a robust document and lessons need to be learned from how Nicholson Road has been managed to date. Fieldwork is documented as four detailed findings, summarised below:

**Viability: (high risk)** the June 2017 Outline Business Case (OBC) both identified Nicholson Road as marginally financially viable and excluded a number of potentially significant costs, for example additional groundworks/retaining walls and surveys which may be necessary; since then the OBC viability has been further eroded, by the decision to remove the proposed residential element



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of the development. During 2018 costs have escalated, linked to elements excluded from the OBC and the timeline has slipped, with the formal planning application now expected in July 2019 (originally scheduled for December 2018). The Council has received professional advice that further work is necessary to fully identify costs and funding options, for example grants which may be available. Due to the potential benefits offered, up to 800 jobs, £2 million of business rate income and a further £2 million from unlocking currently stalled residential consents in the locality, the Council has decided to increase the budget for preparatory work to inform the full business case to £769,287 – for clarity if at any point the Council decides to not continue with Nicholson Road this will need to be re-categorised as revenue, impacting on the Council's wider budgets. The next phase of work must fully identify costs and funding options to ensure that a sufficiently robust business case can be produced to enable senior officers and members, including the Section 151 officer, to make an informed decision.

*Planning/Documentation: (medium risk)* while a range of evidence has been reviewed regarding activity during 2017/18, for example soft market testing, beyond the planning documentation produced by consultants to support the hybrid planning application no overall detailed 'plan' has been maintained for Nicholson Road. A range of templates are used by the Organisational Intelligence Team (responsible for wider project management); the team should be engaged with, to identify a suitable template and tailor it for use by Regeneration. Following on from this the OBC should be reviewed, to confirm that no recommended activities have been missed and an appropriate up to date 'project plan' is produced for the Nicholson Road initiative.

*Governance/Change: (medium risk)* the Council's Project Management (PM) framework identifies that outside of agreed tolerances changes should be approved by governance forums. Costs have escalated on Nicholson Road, with the November 2018 highlight report identifying that the Project is overspent by £25,673. While minutes of governance forums do include discussion of escalating costs they do not show this being 'approved', nor are specific tolerances setting out at what level changes should be approved documented. Terms of reference for governance forums need to be reviewed, to identify their authority levels for approving change. The quality of minutes also needs to be improved, to ensure decisions/approvals and their rationale are clearly captured.

*Costs/Third Party Support: (low risk)* as identified above costs have escalated through 2017/18, for example regarding surveys identified as potentially required in the OBC. While, as recommended in the OBC, the Council has bottomed survey costs out, this did not happen as early as desirable in the Project's lifetime and has led to the original budget being overspent. Putting in place call off contracts or equivalent, to provide quick and fixed cost access to specialist expertise should be investigated, to help identify costs as early as possible and to inform robust decision making; this is likely to have wider applicability across the Regeneration Portfolio.

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We would like to take this opportunity to thank Isle of Wight Council staff for their help and assistance with this review.

## Current year findings (1 of 4)

### Viability

#### Control design

1

High

### Finding and root cause

The Nicholson Road site was identified as a priority regeneration site in early 2017. Following this a Feasibility Study was completed in May 2017, with an Outline Business Case (OBC) following in June 2017. The OBC is a comprehensive document and assesses various options for how Nicholson Road could be taken forward, using the Treasury 'Green Book' appraisal methodology. This assesses the preferred options from the Feasibility Study against 'strategic', 'economic', 'commercial', 'financial' and 'management' cases.

The conclusion of the OBC is that Option A (Option 2B in the Feasibility Study), 'development of part of the site for employment, community/mixed and residential use, plus the required infrastructure for the remaining part of the site (phase 3), to be developed for employment space at a later stage' is justified, in the context of the Council's wider regeneration objectives. However the OBC is also very clear that the business case is marginal. The OBC is also clear that a number of potentially significant costs/impacts are excluded from its assessment, recommending that these are further investigated, for example s106, utilities reinforcing / wider network and public square costs.

During 2018 the Council has taken Nicholson Road forward, with a variety of activities, for example soft market testing and other activities as above, recommended in the OBC and most significantly consultancy to progress a hybrid planning application, as recommended by the OBC. However during 2018 likely costs of developing Nicholson Road have escalated, for example due to the scale of environmental surveys and stabilising groundworks required being greater than anticipated and the viability has been further eroded by the decision to remove the originally proposed residential units (102 units were included in the calculations in the OBC).

As of February 2019 the spend on Nicholson Road is £340,144, against a budget of £2.25 million (originally this was split between a revenue budget of £479,691 to progress the planning application and a capital budget of £1.8 million; this has now been combined into a single capital budget). The professional advice the Council has received is that it is not possible to fully identify the costs associated with the development without further design work being carried out. Due to the potential regenerative benefits (in terms of jobs and income to the Council; estimated as up to 800 jobs and £2 million of additional business rate income) Nicholson Road offers the Council has decided to approve increasing the budget assigned to progressing the planning application to £769,287, although the overall budget has not been increased. This approval also includes re-profiling the timeline (the formal planning application is now scheduled to be submitted in July 2019, originally scheduled for December 2018) and further activity to identify how costs of the development could be met, for example potential funding from the Solent Local Enterprise Partnership (SLEP) and through a development partnership. It is also important to note that junction improvements will help to 'unlock' a further potential £2 million of additional council tax and new home bonus from the currently stalled existing consents for 1,194 residential units in the locality.

Once the further work outlined above is complete a full business case will be prepared for approval by senior officers and members, including the Council's Section 151 officer. For clarity if Nicholson Road ceases for any reason then the existing spend (as above, up to £769,287) will have to be reclassified as revenue, which will impact on the Council's wider budgets.

Given Nicholson Road's marginal financial viability and the escalation of costs during 2018 it is vital that the full business case is a robust document. The cost of fully developing Nicholson Road is currently estimated as £54,860,000. The business case must present a range of fully costed options to enable senior officers and members to make a sufficiently informed decision as to whether to continue with Nicholson Road at this point.

**Implications**

If decisions/changes are not sufficiently informed the Council may incur costs which are not justified in terms of projected benefits, for example (in relation to regeneration) increased income for the Council (up to £4 million of receipts, £3 million of which would be recurring income) and up to an additional 800 jobs for Island residents. The key risk is that the Council may make this decision and incur further significant costs), on top of the approved £769,287 without sufficient certainty that the benefits will be substantively delivered.

**Action plan**

Regeneration will continue as planned with Nicholson Road ensuring that:

- All costs are fully identified, including any potential costs identified in the OBC which have not been confirmed to date.
- All options to 'share' costs are identified and confirmed, for example grant funding which may be available and potential partnerships.
- Prepare a robust business case for decision by senior officers and members, including the Section 151 officer.

<i>Responsible person/title</i>	Chris Ashman, Director of Regeneration
<i>Target date</i>	
<i>Reference number</i>	18-19-13-01

## Current year findings (2 of 4)

### Planning/Documentation

#### Control design

# 2

**Medium**

#### *Finding and root cause*

As identified in the OBC there are a number of site specific activities which did not inform the OBC and are recommended for the Council to clarify:

- s106 costs
- Easements / right to light
- Ground contamination treatment
- Any utilities reinforcing / wider network costs
- Any specialist ecological mitigation / protection measures required
- Public square costs

The OBC goes on to recommend that 'additional design, cost and viability work together with soft market-testing [be carried out] to fully test this option (Option A, 2B in Feasibility Study) and identify the most effective process for engaging the market – both developer and end occupier'.

Internal Audit has been provided with a range of evidence, showing the activity during 2017/18, for example email chains where road improvements and potential 'pooling' of Section 106 costs are discussed, along with extensive soft market testing and consultation with various stakeholders. However, an overarching project plan (beyond that produced by consultants to inform the planning application) has not been produced. For example Internal Audit was supplied with a Project Initiation Document (PID) produced by Inner Circle Consulting. However, while this captures a range of work associated with Nicholson Road it was produced in 2017, has not been subsequently updated and does not capture the full range of activities progressed during 2018.

A range of project planning templates are used by the Council's Organisational Intelligence Team to support project planning. While these may not be completely aligned with the needs of Regeneration the Team should be engaged with and a standard template developed for use on Nicholson Road and across wider regeneration projects. As part of developing this the OBC should be revisited, to confirm if there are any recommended activities which have been missed during 2018.

#### *Implications*

If project planning is not sufficiently robust necessary activities may not be identified and planned for, leading to unforeseen delays and increasing the likelihood that project may ultimately fail or not fully deliver their benefits. If a project plan is not fully developed then the developments critical path will not be fully understood and the impact of decisions / delays on this path not evaluated. This could lead to increased costs, delays and compromises in the development. A robust project plan also enables milestone monitoring and reporting.



## Action plan

Regeneration will:

- Engage with the Organisational Intelligence Team, to develop a suitable planning template to support both Nicholson Road and wider regeneration initiatives.
- Revisit the 2017 OBC, to confirm that there are no 'recommended' activities which have been missed.

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*Responsible person/title*

Richard Berry, Programme Manager Regeneration Delivery

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*Target date*

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*Reference number*

18-19-13-02

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## Current year findings (3 of 4)

### Governance/Change

#### Control design

3

Medium

#### Finding and root cause

As identified in finding one a significant change was made to the Nicholson Road Project during 2017, with the residential element being removed from the recommended option in the OBC (Option A in OBC, 2B in Feasibility Study). The Council's Project Management (PM) Framework states: *'Scope changes must be fully costed and agreed by the programme/project board and impact escalated as necessary. Whether a change is deemed to be significant or not will depend on the tolerances set by the programme/project board.'*

A further significant change is currently proposed in a briefing paper, to increase the budget for Nicholson Road and extend its timeframe. As part of this decision further work is necessary to normalise the position regarding the previous significant change, as covered in finding one.

A number of actions are necessary to ensure that future change is correctly managed. During 2017 and 2018 the costs associated with Nicholson Road have escalated, primarily due to unforeseen work, as covered in finding four. The November 2018 highlight report flags the project as Red on cost, identifying that the budget of £479,691 is overspent by £25,673.

While the escalating costs are discussed at the governance forums this needs to be more formally managed in future. As per the Council's PM framework tolerances need to be agreed, where costs escalate within agreed tolerances this needs to be better captured in minutes and, where changes/costs exceed tolerances this needs to be escalated, with sufficient contextual information, for example their impact on projected benefits, for decision at an appropriate level in the governance hierarchy.

Internal Audit's review of minutes also identify that these need to be improved. The dates in minutes are not always correct (due to previous versions being used as templates) and it is not always clear what content is referring to (minutes are confidential, as such it would not be appropriate to give a specific example). Most importantly the minutes do not provide a sufficient audit trail of the full 'scope' of work, costs and risk/impact being considered and approved.

More widely Internal Audit notes that the three governance forums (Regeneration Programme Board, Regeneration Delivery Group and Regeneration Members Board) have agreed terms of reference. Broadly these clearly set out the remit of each forum although, as above, how 'change' is managed could be more clearly documented. Only the Regeneration Programme Board currently includes 'change control' within its remit and the terms of reference for this forum are also marked as to be reviewed in March 2017. Depending on the scale of changes these need to be considered at the appropriate level; this needs to be made clear in revised terms of reference.

#### Implications

If change is not sufficiently formally managed changes may be progressed/costs may escalate, potentially invalidating business cases, leading to the Council failing to achieve VfM.

If the remit/authority of forums, specifically to 'approve' change within agreed tolerances is not clear then this is less likely to be sufficiently robustly managed.

If minutes do not sufficiently capture discussions, specifically decisions made and why decisions have been made a sufficient audit trail may not be available for future review and incorrect decisions will be more likely to be made.

**Action plan**

Regeneration will:

- Agree tolerances for changes, clearly identifying in the terms of reference for governance forums their authority in approving changes.
- Ensure that minutes are correctly dated and clear, in terms of decisions taken/changes approved.
- Review terms of reference for governance forums, specifically to make their authority for approving changes clear.

**Responsible person/title**

Reniera O'Donnell, Assistant Director of Regeneration

**Target date**

**Reference number**

18-19-13-03

## Current year findings (4 of 4)

### Costs/Third Party Support

Control design

4

Low

#### Finding and root cause

Costs have escalated through 2017/18, beyond the original budget (£479,691), primarily due to the scale and costs of surveys, for example 'environment' type surveys, the need for which was not fully anticipated; for clarity this was flagged as an area which needed to be bottomed out in the OBC, which the Council has done during 2017 and 2018. Email chains reviewed also identify that the scale of road improvements required to enable Nicholson Road is likely to be greater than originally anticipated.

While the Council is progressing necessary work and has been proactive in engaging with the representatives of other developments these costs/issues could potentially have been anticipated earlier in the Project's lifetime, if the core Regeneration Team had easier access to specialist expertise; this is likely to have wider applicability across the Regeneration Portfolio. A high level review across current initiatives should be carried out (to identify likely future needs) and call off type contracts put in place, to ensure that in future the Team has access to quick and fixed cost advice/support as needed.

#### Implications

If the Regeneration Team does not have either skills within the Team or easy and quick access to third party specialist knowledge then the costs in sourcing this expertise may be higher and may not be available in a sufficiently timely manner.

#### Action plan

Regeneration will:

Review current initiatives and identify areas where access to timely and fixed cost specialist knowledge would support early identification of costs and robust decision making; where justified put in place call off contracts, or equivalent.

#### Responsible person/title

Chris Ashman, Director of Regeneration

#### Target date

#### Reference number

18-19-13-04

## Appendix A: Basis of our classifications

Effect on Service	Embarrassment/ reputation	Personal Safety	Personal privacy infringement	Failure to provide statutory duties/meet legal obligations	Financial	Effect on Project Objectives/ Schedule Deadlines
<p>A finding that could result in a:</p> <ul style="list-style-type: none"> <li>Major loss of service, including several important areas of service and/or protracted period. Service Disruption 5+ Days</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Adverse and persistent national media coverage</li> <li>Adverse central government response, involving (threat of) removal of delegated powers</li> <li>Officer(s) and/or Members forced to resign</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Death of an individual or several people</li> </ul>	<p>A finding that could result in:</p> <p>All personal details compromised/ revealed</p>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Litigation/claims/ fines from Department £250k +</li> <li>Corporate £500k +</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Costs over £500,000</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Complete failure of project/ extreme delay – 3 months or more</li> </ul>
<b>Critical</b>						
<p>A finding that could result in a:</p> <ul style="list-style-type: none"> <li>Complete loss of an important service area for a short period</li> <li>Major effect to services in one or more areas for a period of weeks Service Disruption 3-5 Days</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Adverse publicity in professional/municipal press, affecting perception/standing in professional/local government community</li> <li>Adverse local publicity of a major and persistent nature</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Major injury to an individual or several people</li> </ul>	<p>A finding that could result in:</p> <p>Many individual personal details compromised/ revealed</p>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Litigation/claims/ fines from Department £50k to £125k</li> <li>Corporate £100k to £250k</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Costs between £50,000 and £500,000</li> </ul>	<p>A finding that could result in:</p> <ul style="list-style-type: none"> <li>Significant impact on project or most of expected benefits fail/ major delay – 2-3 months</li> </ul>
<b>High</b>						



<i>Effect on Service</i>	<i>Embarrassment/ reputation</i>	<i>Personal Safety</i>	<i>Personal privacy infringement</i>	<i>Failure to provide statutory duties/meet legal obligations</i>	<i>Financial</i>	<i>Effect on Project Objectives/ Schedule Deadlines</i>
<ul style="list-style-type: none"> <li>A finding that could result in a: <ul style="list-style-type: none"> <li>Major effect to an important service area for a short period</li> <li>Adverse effect to services in one or more areas for a period of weeks</li> <li>Service Disruption 2-3 Days</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A finding that could result in: <ul style="list-style-type: none"> <li>Adverse local publicity /local public opinion aware</li> <li>Statutory prosecution of a non-serious nature</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A finding that could result in: <ul style="list-style-type: none"> <li>Severe injury to an individual or several people</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A finding that could result in: <ul style="list-style-type: none"> <li>Some individual personal details compromised/ revealed</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A finding that could result in: <ul style="list-style-type: none"> <li>Litigation/claims/fin es from Department £25k to £50k</li> <li>Corporate £50k to £100k</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A finding that could result in: <ul style="list-style-type: none"> <li>Costs between £5,000 and £50,000</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A finding that could result in: <ul style="list-style-type: none"> <li>Adverse effect on project/ significant slippage – 3 weeks–2 months</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>A finding that could result in a: <ul style="list-style-type: none"> <li>Brief disruption of important service area</li> <li>Significant effect to non-crucial service area</li> <li>Service Disruption 1 Day</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A finding that could result in: <ul style="list-style-type: none"> <li>Contained within section/Unit or Directorate</li> <li>Complaint from individual/small group, of arguable merit</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A finding that could result in: <ul style="list-style-type: none"> <li>Minor injury or discomfort to an individual or several people</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A finding that could result in: <ul style="list-style-type: none"> <li>Isolated individual personal detail compromised/ revealed</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A finding that could result in: <ul style="list-style-type: none"> <li>Litigation/claims/fin es from Department £12k to £25k</li> <li>Corporate £25k to £50k</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A finding that could result in: <ul style="list-style-type: none"> <li>Costs less than £5,000</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A finding that could result in: <ul style="list-style-type: none"> <li>Minimal impact to project/ slight delay less than 2 weeks</li> </ul> </li> </ul>

**Medium**





**Low**

**Advisory**

A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

## Report classifications

The report classification is determined by allocating points to each of the findings included in the report.

<i>Findings rating</i>	<i>Points</i>	<i>Report classification</i>	<i>Points</i>
<b>Critical</b>	40 points per finding	 <b>Low</b>	6 points or less
<b>High</b>	10 points per finding	 <b>Medium</b>	7– 15 points
<b>Medium</b>	3 points per finding	 <b>High</b>	16– 39 points
<b>Low</b>	1 point per finding	 <b>Critical</b>	40 points and over

# Appendix B: Terms of reference

## Background and Scope

This review was originally scheduled to cover the Council's overall approach to increasing its income, primarily under the Commercial Strategy and including both the approach in Regeneration commercial property portfolio, led from within Corporate Finance. However the Council's approach to building a commercial property portfolio is substantively managed by Portsmouth Council recently reviewed by the Portsmouth Council Internal Audit Team with a satisfactory conclusion, while the Commercial Strategy is at an early stage of being revised. As a result Internal Audit's 2018/19, this review, will focus on one of the initiatives within Regeneration, Nicholson Road, which is at a relatively advanced stage. Internal Audit will revisit the Commercial Strategy during 2019/20.

Nicholson Road in Ryde is one of six key regeneration sites, underpinning the Council's Regeneration Strategy. The vision is for a £2 million commercial and retail development, extending the park. The emphasis will be placed on using the site for employment purposes. It requires investment in basic infrastructure, such as roads and utility connections, as well as improvements to ex hedgerows and footpaths.

At a high level this review will cover:

- *Framework*: confirming that a business case or equivalent has been approved, which clearly sets out linkage to the Council's Corporate Plan, overarching Regeneration Strategy, benefit high level milestones.
- *Delivery*: confirming that the initiative is on track with projections.
- *Oversight*: confirming that appropriate reporting is being produced, considered at forums with the correct membership and escalated to senior management and members, to ensure accurate view of the progress the initiative is making.

The sub-processes, control objectives and potential related risks included in this review are:

#	Control objective	Potential risks	Summary of Fieldwork
1	<p><b>Framework</b> A business case or equivalent has been reviewed and approved by senior management and members and clearly sets out:</p> <ul style="list-style-type: none"> <li>• How the Council's Corporate Plan and strategic objectives are supported.</li> <li>• Links to the overarching Regeneration Strategy and other elements of the regeneration vision.</li> <li>• The benefits which the initiative will realise, including increased income.</li> <li>• Costs.</li> </ul>	<p>If an appropriate approved business case or equivalent is not in place then:</p> <ul style="list-style-type: none"> <li>• The initiative will lack authority, specifically it may not be sufficiently clear why it is being progressed.</li> <li>• Opportunities to support the Corporate Plan, organisational objectives and the wider Regeneration Strategy may have been missed.</li> <li>• Work may not be sufficiently focussed on benefits, specifically increased income.</li> </ul>	<p>Internal Audit will review the business case and supporting documentation to confirm it:</p> <ul style="list-style-type: none"> <li>• Supports and is in alignment with the Council's Corporate Plan and strategic objectives.</li> <li>• Links to the overarching Regeneration Strategy and other elements of the regeneration vision.</li> <li>• Sets out the benefits, which the initiative will realise, including increased income for the Council.</li> <li>• High level milestones.</li> </ul>

	<ul style="list-style-type: none"> <li>High level milestones.</li> </ul> <p>The business case is supported by appropriate delivery plans.</p>	<ul style="list-style-type: none"> <li>Costs may not be understood or supported by robust analysis of likely investment needed and how this will be funded.</li> <li>It may not be clear over what timeframe the initiative will deliver its benefits and VFM will be more difficult to track/evidence.</li> </ul>	<ul style="list-style-type: none"> <li>Includes robust and stress tested estimates of costs and how these costs will be funded. .</li> <li>The business case is supported by appropriate delivery plans.</li> </ul>
2	<p><b>Delivery</b></p> <p>Delivery plans are on track with projections in the business case concerning timescales, costs and benefits.</p> <p>Changes to the business case required during the implementation phase are appropriately reviewed and approved in line with the Council's policy.</p>	<p>If delivery plans are not on track with projections then the originally projected benefits may be invalidated or overtaken by events and/or the initiative will be less likely to deliver its projected benefits in a timely manner. Costs are likely to increase if delays are incurred. Changes are not approved or appropriately reviewed leading to the initiative not achieving intended benefits.</p>	<p>On a sample basis Internal Audit will review delivery plans and supporting evidence to confirm that the initiative is on track.</p> <p>On a sample basis, Internal Audit will review project change requests for appropriate review and approval.</p>
3	<p><b>Oversight</b></p> <p>Reports setting out progress are produced at appropriate intervals, including coverage of achievements/slippage, risks, mitigations costs and changes.</p> <p>Any changes are formally managed, specifically regarding consideration of their impact on the benefits projected to be achieved in the business case or equivalent.</p> <p>Reports are considered by a forum with appropriate membership, which meets regularly.</p> <p>Summary/exception reporting is shared with senior management and members.</p>	<p>If appropriate reporting is not produced, closely managed by appropriate forums and escalated as necessary then:</p> <ul style="list-style-type: none"> <li>Performance may not be maximised.</li> <li>Issues may not be identified and addressed at the earliest opportunity.</li> <li>Senior management and members may not have an accurate view of how well the initiative is progressing.</li> </ul> <p>If change is not correctly managed then inappropriate changes may be progressed, potentially invalidating the justification for progressing the initiative.</p>	<p>Internal Audit will review:</p> <ul style="list-style-type: none"> <li>Reporting, to confirm it sets out the key information regarding how well the initiative is progressing.</li> <li>Agendas and minutes for relevant forums to confirm that the initiative has sufficient oversight, including summary/exception reporting being escalated to senior management and members.</li> </ul> <p>Internal audit will review documentation associated with any changes to the original scope set out in the business plan, to ensure this has been correctly managed.</p>

## Appendix C: Limitations and responsibilities

<p><b>Limitations inherent to the internal auditor's work</b></p> <p>We have undertaken this review subject to the limitations outlined below</p>	
<p><b>Internal control</b></p> <p>Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.</p>	<p><b>Future periods</b></p> <p>Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:</p> <ul style="list-style-type: none"> <li>• The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or</li> <li>• The degree of compliance with policies and procedures may deteriorate.</li> </ul>

### Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.