

Final Internal Audit Report

GLL Leisure Contract Management

December 2021

Distribution: Corporate Director Sustainable Communities, Regeneration and Economic Recovery (Acting)
Director of Housing, Estates and Improvement
Programme Manager - Active Lifestyles
Interim Assistant Chief Executive
Interim Corporate Director Resources and S151 Officer

Assurance Level	Issues Identified	
Substantial Assurance	Priority 1	0
	Priority 2	0
	Priority 3	1

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of London Borough of Croydon and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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1. Terms of Reference
2. Definitions for Audit Opinions and Identified Issues
3. Statement of Responsibility

1. Introduction

- 1.1. The previous leisure services contract expired in March 2018 and the Council agreed that an integrated model was to be introduced as part of a new contract, ensuring the Council's own leisure assets were to be part of a cohesive leisure offer taking into account a mixed economy of providers and opportunities to align indoor and outdoor provision. To achieve that ambition, the Council undertook a procurement exercise in accordance with the Concessions Contract Regulations 2016 ("CCR") to appoint an operator that could deliver a high quality sports and leisure service for indoor facilities and outdoor spaces within the scope of the contract. This was also to include ongoing investment to ensure standards were maintained throughout the contract period.
- 1.2. At its Cabinet meeting of 20 November 2017, Cabinet agreed the appointment of Greenwich Leisure Limited as the Preferred Bidder for the Sport, Physical and Leisure Services Operator concessions contract subject to certain conditions that were satisfied. The contract was valued at £160m for a term of twenty years (15+5), with a review clause at year 10.

Source: Cabinet 20 November 2017 – Sport, Physical Activity and Leisure Services Operator – Appointment of Preferred Bidder

- 1.3. The fieldwork for this review was completed during the Government measures put in place in response to COVID-19. While our review and testing were performed remotely, we have been able to obtain all relevant documents required to complete the review.
- 1.4. The audit was undertaken as part of the agreed Internal Audit Plan for 2019/20. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

- 2.1. There were no key issues identified. There is one Priority 3 issue.

3. Actions and Findings/Rationale

Control Area 5: Complaints, Deficiencies in Provision, Rectification and Default

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1				
3	<p>The Customer Feedback log will be redesigned to enable easier recording and tracking of response times.</p> <p>I met with the auditor on 13th August 2021 to discuss our progress against the proposed action contained in this report. He was satisfied with the changes we had incorporated into the Customer Feedback Log and advised that this action would be closed. (Programme Manager – Active Lifestyles)</p> <p>Audit Comment: Agreed.</p>	<p>Section 5.3. of GLL's 'CUSTOMER COMMENTS AND COMPLAINTS PROCEDURE' document requires that 'Stage 1' complaints are responded to within 3 working days.</p> <p>Examination of the Customer Feedback log identified that the 'Response Deadline' column is not always completed and that whilst in some cases, the 'Outcome' column records a response given by date, this is not always the case. Furthermore, there is no column that analyses the amount of any delay beyond the deadline date. In two out of three cases where any overdue time could be calculated, the response was late. In another nine cases where the response by date was given or could be ascertained, this exceeded a three day deadline if applied to the date received column. In another six cases, any response timeliness could not be ascertained.</p> <p>There is a risk that response to complaints may fail to be managed to in a timely manner.</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Programme Manager – Active Lifestyles</td> <td>N/A</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Programme Manager – Active Lifestyles	N/A	
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AUDIT TERMS OF REFERENCE

GLL Leisure Contract Management

1. INTRODUCTION

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Source: Cabinet 20 November 2017 – Sport, Physical Activity and Leisure Services Operator – Appointment of Preferred Bidder

- 1.3 This audit is being undertaken as part of the agreed Internal Audit Plan for 2019/20.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will for each controls / process being considered:
- Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3. SCOPE

- 3.1 This audit included the following areas (and issues raised):

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Procurement (Assessing Value for Money)	0	0	0
Contracts	0	0	0





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Variations to Contracts	0	0	0
Quality Control (including receipting of services provided)	0	0	0
Complaints, Deficiencies in Provision, Rectification and Default	0	0	1
Payments	0	0	0
Contract Performance Monitoring; Management Reporting and Performance Reporting (including Social Value)	0	0	0
Budgetary Control	0	0	0
Total	0	0	1

Definitions for Audit Opinions and Issues Identified

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are constantly applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance of the controls which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk,
	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

Priorities assigned to issues identified are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, still provides an opportunity for improvement. May also apply to areas considered to be of best practice that can improve for example the value for money of the review area.

Statement of Responsibility

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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