

Final Internal Audit Report

London Borough of Culture - Programme Management

June 2024

Distribution: Corporate Director of Sustainable Communities, Regeneration
and Economic Recovery
Director of Culture and Community Safety
Business Improvement Manager
Interim Assistant Chief Executive
Director of Finance – Deputy S151
Corporate Director of Resources and S151 Officer (Final only)

Assurance Level	Issues Identified	
Limited	Priority 1	0
	Priority 2	5
	Priority 3	0

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Forvis 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.

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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. Introduction

- 1.1. London Borough of Croydon (The Council) were awarded the London Borough of Culture (LBoC) for 2023 in March 2020 by the Greater London Authority (GLA). The LBoC website states that the purpose of LBoC is *'to engage Londoners in cultural and creative programmes on their doorsteps by supporting work designed and led by local people, empowering communities and contributing to the increased health and wellbeing of residents'*. The LBoC is awarded on an annual basis.
- 1.2. The Council began the Programme in March 2022 under the Culture and Community Safety directorate. Both the Council and GLA requested a three-month extension to the Programme due to COVID-19 and, as such, the event will instead run from April 2023 to March 2024.
- 1.3. The LBoC Programme (Programme) value was £3.8 million and was funded via £900k from the Council, £1.35m from the GLA and the rest made up of other grant funding. £1.2m was retained to deliver the programme with the rest of the funding being allocated to different sized events in the form of grants.
- 1.4. These events/grants consist of:
 - fourteen Flagship events with the aim of making national press and raising the profile of Croydon;
 - the Ignite fund of ten grants of up to £50k for medium-large events;
 - medium size grants of up to £10k; and
 - small grants of up to £1k for smaller events/pieces.

As of February 2023, the contracts for 11 of the 14 Flagship events had been signed with three drafted awaiting finalisation.
- 1.5. Decisions on grant awards were made through a review panel comprised of the Director of Culture & Community Safety (Council), Creative Lead, and the Chair of the Independent Steering Group. The Executive Mayor and GLA were informed of decision through fortnightly meetings.
- 1.6. The Programme Team comprises the Programme Manager, Programme Officer, Creative Lead, Communications Manager and Programme Sponsor. The Director for Culture and Community Safety sponsored the Programme. The Council's Programme Management Office as well as the Legal, Communications and Financial teams provided functional support as required.
- 1.7. The Programme Team meet weekly with the Programme Sponsor and present monthly to a Working Group. The Working Group was established in March 2022 to provide oversight and assurance of the Programme and was attended by representatives of Council's functional units (Legal, Finance, HR, Procurement).
- 1.8. A Steering Group was also in place, made up of 35 members of the culture sector within Croydon (inclusive of representatives from organisations that are

key to delivering the Programme) with an independent chair that act as a ‘critical friends’ to the Programme.

- 1.9. While our review and testing were performed remotely, we have been able to obtain all relevant documents required to complete the review.
- 1.10. The audit was undertaken as part of the agreed Internal Audit Plan for 2022/23. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

Priority 2 Issues

It was confirmed that no Business Case had been approved for the Programme, which established key criteria and the Programme plan. **(Issue 1)**

For a Programme of this size and strategic importance, a detailed schedule was not in place to help ensure the effective management and control over programme delivery. **(Issue 2)**

At the time of the audit (February 2023), the Programme did not have a detailed resource plan and existing resources were strained. **(Issue 3)**

A communications strategy or plan was not in place and key stakeholders had concerns over the delays in communications. **(Issue 4)**

There was no work breakdown structure or baseline produced for performance management over the Programme. **(Issue 5)**

3. Actions and Key Findings/Rationale

Control Area 1: Programme Business Case

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1
2	<p><u>Response provided by Director of Culture and Community Safety May 2024</u></p> <p>The audit was delivered six months after the start of the program and the entire program itself has now finished. Most of our returns have now been submitted to the GLA and our evidence report will be published in July 2024.</p> <p>Given the timings it's not relevant to address the actions individually at this stage so I think it just needs to be closed.</p>	<p>Expected Control</p> <p>An approved business case (with documented sign off from an executive governance group) for the programme details clear programme objectives with defined success criteria in a format that is measurable. The business case details a scope statement with project requirements, schedule and milestones, benefits, and the estimated resources.</p> <p>Finding/Issue</p> <p>The Programme did not have a detailed business Case to inform the programme planning, instead referring to two documents in the initiation stage; namely the bid narrative and the funding agreement with the GLA (signed 24 and 31 March 2022). Between these documents, a clear, measurable scope could not be easily evidenced. Instead, high-level aspirational statements were listed (e.g. 'Croydon will be a place where people come first and where residents will benefit from investment') which can be difficult to plan and execute.</p> <p>Following the successful bid, the Council sought approval for the LBoC Programme via a Cabinet report ('London Borough of Culture 2023' dated 21 March 2022) which confirmed governance and outcomes for the programme, however no further documentation of key programme criteria could be evidenced. This included intended benefits and return on investment in a way that allows for ongoing measurement, programme milestones to meet or a scope statement.</p> <p>Risk</p>

The absence of an approved business case leads to unclear programme objectives and may result in confusion amongst stakeholders as to the project's purpose and expected outcomes. Success against programme outcomes and objectives cannot be measured and reported on when assessing the realisation of benefits.

Control Area 2: Planning and Scheduling

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 2
2	<p><u>Response provided by Director of Culture and Community Safety May 2024</u></p> <p>The audit was delivered six months after the start of the program and the entire program itself has now finished. Most of our returns have now been submitted to the GLA and our evidence report will be published in July 2024.</p> <p>Given the timings it's not relevant to address the actions individually at this stage so I think it just needs to be closed.</p>	<p>Expected Control</p> <p>The programme schedule identifies the critical path and includes milestones and estimates of activities. The schedule includes handover activities to transition the close-out of the programme.</p> <p>Finding/Issue</p> <p>Review of the Programme approach to planning and scheduling confirmed that in lieu of a detailed schedule, a 'critical task report' was maintained by the Programme Manager. However, the critical task report did not detail programme milestones or a critical path for the Programme, in keeping with best practice, nor did it detail dates of tasks and rather highlighted the month the task should occur. Tasks in the critical task report were also high-level in nature (e.g. 'Open Ignite Fund'), which required an in depth knowledge of Programme activity to track and report on progress.</p> <p>The Programme Manager and Programme Sponsor noted the that critical task report had been a suggestion of the PMO as a swift, light touch schedule given the turnover of resources. The Programme Sponsor indicated that the schedule was sufficient for management of the programme but expressed concerns with the level of detail it contained and the risk of the Programme being temporarily staffed.</p> <p>Risk</p> <p>Non-specific planning and scheduling for a programme can lead to inefficiencies in delivery, risking schedule delays, demotivation of the team and ultimately impact the success of the programme.</p>

Control Area 3: Effective Resource Management

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 3
2	<p><u>Response provided by Director of Culture and Community Safety May 2024</u></p> <p>The audit was delivered six months after the start of the program and the entire program itself has now finished. Most of our returns have now been submitted to the GLA and our evidence report will be published in July 2024.</p> <p>Given the timings it's not relevant to address the actions individually at this stage so I think it just needs to be closed.</p>	<p>Expected Control</p> <p>A programme resource plan has been developed for the life of the programme and incorporates functional support from the business (finance, procurement, IT and HR). The resource plan details roles and responsibilities, competences, and decision-making authority for key programme roles.</p> <p>Finding/Issue</p> <p>In lieu of a business case, the Programme Team referred to the Culture Bid Narrative and Cabinet Report (21 March 2022) as a reference of the operational delivery resources for the Programme. Review of the Culture Bid document stated twelve staff; an operational executive team to be set up and supported by legal, procurement and finance. The subsequent Cabinet Report (21 March 2022) approved four core staff which was consistent with the Programme team in place at the time of the fieldwork. This included a contract Programme Manager, Programme Officer, Programme Sponsor, Communications Manager and Creative Lead. The team further received functional support from the Council's communications, finance, legal and PMO teams as required. Best practice in this scenario would suggest an agreed resource plan would be in place with commitment from functional support to ensure programme milestones are prioritised and appropriately resourced.</p> <p>It was noted in the Council Risk Register (version of 24 February 2023) that Risk Reference VRN0030 referred to a risk of the Programme not being delivered due to a lack of resources. This risk was created in 2022 and stated the Programme was being managed by interim post holders and agency staff, which reflected the team situation during the fieldwork, suggesting the Programme was being managed at risk for over 12 months. The impact of this risk was failure to deliver the LBoC Programme which would have significant reputational and financial implications for the Council.</p>

		Risk Inefficient resource planning and staffing of programmes may risk putting unnecessary pressure on already strained resources and stall project delivery altogether.
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Control Area 4: Programme Communications Management

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 4
2	<p><u>Response provided by Director of Culture and Community Safety May 2024</u></p> <p>The audit was delivered six months after the start of the program and the entire program itself has now finished. Most of our returns have now been submitted to the GLA and our evidence report will be published in July 2024.</p> <p>Given the timings it's not relevant to address the actions individually at this stage so I think it just needs to be closed.</p>	<p>Expected Control</p> <p>A communication strategy has been developed and encourages effective stakeholder engagement as needed. Records and logs of communications, material and contacts are maintained.</p> <p>Finding/Issue</p> <p>A communications strategy or plan was sought for review during the fieldwork; however, it was identified that one was not produced for the Programme. A tender for a marketing and communications contractor to deliver a marketing strategy for the event was underway during fieldwork two months prior to go live (April 2023). Interviews with key external stakeholders (members of the Steering Group) suggested concern with the delays to this activity. The Programme Manager and Sponsor also highlighted resource pressures with internal procurement partners as one source of delay.</p> <p>Risk</p> <p>Successful execution of a programme may stall without a communications strategy agreed that makes the connection between key activities and responsibilities. By not planning for the communication activity for the programme, key messages may be missed and effect the level of stakeholder confidence.</p>

Control Area 5: Programme Performance Monitoring

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 5
2	<p><u>Response provided by Director of Culture and Community Safety May 2024</u></p> <p>The audit was delivered six months after the start of the program and the entire program itself has now finished. Most of our returns have now been submitted to the GLA and our evidence report will be published in July 2024.</p> <p>Given the timings it's not relevant to address the actions individually at this stage so I think it just needs to be closed.</p>	<p>Expected Control</p> <p>A performance measurement baseline has been established for the programme (for time, cost and resources) which provides the basis for management of changes and key performance indicators have been established to measure progress against the baseline.</p> <p>A work breakdown structure exists that represents the programme scope and identifies the control activities to measure progress of milestones. A documented approach to management performance and corrective action exists within the business case.</p> <p>Finding/Issue</p> <p>Interviews with the Programme Manager established that no work breakdown structure or baseline was produced for the Programme. The Funding Agreement between the Council and the GLA, however detailed conditions of release for programme funding in the form of milestones as a means of managing performance. The Council had met each of their milestones under the agreement with the GLA and not triggered any corrective action. This indicated that, while not managed directly by the Council as the programme managers, controls for performance management were accessible by the funding partner.</p> <p>Risk</p> <p>Programmes may risk scope and budget creep without a defined baseline in which to track and measure performance against.</p>

AUDIT TERMS OF REFERENCE

Borough of Culture Project

1. INTRODUCTION

- 1.1 London Borough of Croydon (Council) were awarded the London Borough of Culture (LBoC) in March 2020 alongside the Greater London Authority (GLA).
- 1.2 Both LBC and GLA have requested a three-month extension due to the pandemic and, as such, the event will now run from April 2023.
- 1.3 The programme value is £3.8 million and is funded; £900k from the Council, £1.2m from GLA and the rest of the funding will be made up of other grant funding. £1.2m is needed to deliver the project with the rest of the funding being allocated to different sized events in the form of grants.
- 1.4 The grants are made up as follows: fourteen “Flagship” events with the aim of making national press and raising the profile of Croydon, the “Ignite fund” which will be ten grants of up to £50k for medium-large events, medium size grants of up to £10k and small grants of up to £1k for smaller events/pieces.
- 1.5 The contracts for the fourteen “Flagship” events are currently being written and the grants will be applied for and decided upon as the year progresses.
- 1.6 Decisions on grants are made through review panel comprised of the Director of Culture & Community Safety (Council), Creative Lead (Council contractor), and Chair / Vice Chair of the Independent Steering Group. Executive Mayor and GLA are informed through fortnightly meetings on decisions.
- 1.7 A steering group is also in place, made up of 30+ members of the culture sector within Croydon (inclusive of representatives from organisations that are key to delivering Borough of Culture) with an independent chair.
- 1.8 This audit is part of the agreed Internal Audit Plan for 2022/23.

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 will examine the Council’s project management arrangements in relation to London Borough of Culture, and will include the following areas:

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Programme Business Case	0	1	0
Planning and Scheduling	0	1	0
Effective Resource Management	0	1	0
Programme Communications Management	0	1	0
Programme Performance Monitoring	0	1	0
Total	0	5	0

Definitions for Audit Opinions and Identified Issues

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 identified issues 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.

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