



Final Internal Audit Report

North Herts Council – Harkness Court 2023/24

September 2023

Issued to: Nafees Parkar – Building Surveyor
Michael Clark – Building and Facilities Manager
Steve Crowley – Service Director (Enterprise)

Copied to: Anthony Roche – Managing Director
Ian Couper – Service Director (Resources)
FAR Committee Members

Report Status: Final

Overall Assurance: N/A – Advisory

Recommendations: Two Medium

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1. EXECUTIVE SUMMARY

Introduction

- 1.1 Internal Audit provides North Herts Council (the Council) with an independent and objective opinion on the organisation's governance arrangements, encompassing internal control and risk management, by completing an annual risk-based audit plan. This consultancy assignment forms part of the approved 2023/24 Annual Audit Plan for the Council.
- 1.2 Number 55 Harkness Court is a 1980's building formerly comprising an operational office and call centre to accommodate the Council's Careline service. Careline's use of the property ceased on 22 April 2018, rendering the property redundant. Planning permission for conversion into 4 x one-bedroom self-contained residential flats was subsequently secured and the conversion has now substantially completed in accordance with the planning permission. The original tender for the project work was £207,713 and the projected final account is confirmed to be £271,908.
- 1.3 During the scoping of this review, it was brought to our attention that the project experienced several significant issues that led to delays in the completion and sign off of the project. Issues included:
 - a) Disputes about land ownership rights,
 - b) Adequacy of utility connections, and
 - c) Compliance with building regulations.
- 1.4 The Council has drafted a 'lessons learnt' log that incorporates all risks, issues and concerns with the expectation that improvements can be made to existing controls and project management working practices.
- 1.5 It was agreed that this review would be a consultative assignment, so no audit opinion has been provided. The purpose of this review was to agree what the main root causes of the project challenges were and to document what the key issues and learnings are with suggestions for improvements.
- 1.6 The work of this consultancy assignment took the form of several interviews with those involved in the project, collating the different perspectives on the issues faced. Interviews were held with the following members of staff:
 - Service Director (Enterprise)
 - Managing Director
 - Building and Facilities Manager
 - Senior Estate Surveyor
 - Building Surveyor
 - Service Director (Resources)
 - Project Manager (Stevenage)
 - Architectural Services Manager (Stevenage)
- 1.7 These interviews focused on the overarching issues and root causes rather on the specific day to day issues faced by staff members involved in the project. NHC Legal

were not spoken to as part of this audit.

Key Issues Identified

1.7 As a result of our interviews, we were able to summarise the key issues into the following themes:

- Lack of project leadership
- Training and experience of staff
- Turnover in staff
- Issues in dealing with Building Control
- Delays as a result of Covid

Key Issue Identified	Lesson to be Taken
<p>1. Lack of project leadership</p> <p>This was a key theme identified by all interviewed staff, with a lack of awareness of who the project managers were and where different responsibilities were assigned. A Project Manager role had not been defined and allocated to anyone involved in the project. The exact cause of this is not clear but there was possible complacency due to the perceived low risk of the project.</p> <p>The project could not be effectively managed by the Property Services Team due to a lack of capacity or the Estates Team who lacked experience in managing projects. Reliance was thought to have been placed on Stevenage Borough Council to manage the project, but no formal contract could be provided to confirm that this responsibility had been formally established and approved.</p> <p>The project became dependent on members of staff, who felt they had no formal role in the project, getting involved either as they were ‘dragged in’ or voluntarily contributing as they could see there were problems.</p> <p>The lack of a defined project manager meant there was no one to direct and ensure tasks were completed on</p>	<p>All projects, no matter the size or scale, need to be assigned a Project Manager. If the Council lacks qualified project managers with capacity to undertake these tasks, then this should be taken into consideration during the feasibility study and influence whether a turnkey contract may be more appropriate.</p> <p>The role of project manager should clearly set out in any agreement with external parties, especially where the external party is expected to take on this role, for the avoidance of any doubt.</p> <p>The Project Manager should be responsible for ensuring each project has a clear plan, which includes all the tasks involved and timescales for completion.</p> <p>The Project Manager should ensure the responsibilities of all parties are understood and regular meeting schedules are established to provide a forum for project monitoring and an opportunity to escalate issues.</p>

<p>schedule and a lack of monitoring of the projects progress, enabling projects to fall behind schedule.</p> <p>This was the biggest single issue identified and acknowledged by all staff interviewed and resulted in an escalation of all other problems encountered along the project. A designated project lead would have been able to monitor and coordinate activities, and work with stakeholders to address the issues encountered.</p>	
<p>2. Training and experience of staff</p> <p>One interviewee raised the issue of capacity and knowledge within the department to manage this project.</p> <p>They pointed to the fact that the Property Services department was small, while the Estates Team whom this work fell to, lacked the appropriate project management skills and experience of managing this type of project.</p>	<p>Capacity of experienced staff needs to be considered before engaging in future projects. The capacity of available project managers must be considered when feasibility studies are carried out.</p> <p>Consideration may be given to the training of staff in project management to increase the capacity to manage similar projects internally.</p>
<p>3. Turnover of staff at Stevenage Borough Council</p> <p>Those interviewed raised the issue of the high level of turnover in staff of those leading the project from Stevenage Borough Council also massively impacted the delivery of the project. This resulted in a lack of continuity and delays to project progression due to lengthy handovers.</p> <p>The Senior Architect initially appointed retired prior to completion of the project. A replacement was then appointed but also retired shortly afterwards resulting in another change. The newly appointed Architect then had to take long term sick leave requiring another member of staff to take over the work without a proper handover.</p>	<p>The need to keep team members informed of projects to ease transitions in handover in emergency cases.</p> <p>Clearly documented roles and responsibilities should be established early in the life of the project and be clearly documented to prevent any confusion.</p>

<p>Interviewees expressed the opinion that this turnover led to lack of continuity and direction from Stevenage Borough Council too.</p> <p>This turnover in staff would no doubt have contributed to an observed difference in the perceptions of staff at North Herts and Stevenage in terms of their respective roles in the project. Stevenage staff believed themselves to be working under the instruction of the Project Managers from North Herts whilst those at North Herts believed Stevenage had been appointed to lead the project.</p>	
<p>4. Building Control</p> <p>All parties interviewed referred to issues encountered in dealing with Building Control, co-owned by eight local authorities in Hertfordshire.</p> <p>Stevenage staff stated that Building Control had raised numerous issues that required resolution. They would offer potential solutions to these problems but found the Building Control team to be unresponsive, staff difficult to get hold of and struggled to get any engagement.</p> <p>North Herts staff corroborated what was conveyed by the Stevenage staff, citing a lack of staff within Building Control to be the cause of their delays in responding.</p>	<p>Responsibility for liaising with the Building Control team should be formally established and communication channels opened as early as possible in the lifespan of the project to facilitate the resolution of any issues.</p>
<p>5. Covid Delays</p> <p>It was agreed by interviewees that many of the delays to the project were caused by the outbreak of Covid-19 and the resulting site closures, problems in resourcing materials and staffing for contractors.</p> <p>One interviewee referred to the specific impact on an Electrical Mechanical</p>	<p>Future projects should ensure that robust business contingency plans are in place to address any significant issues and risks that projects may encounter.</p> <p>This should include key supplier reliance and resilience where the project is significant/high risk/high value.</p>

<p>company appointed to advise on utilities. They could no longer operate at full capacity, contributing to delays in the project and resulting in the issues encountered in relation to installation of mains utilities. The interviewee estimated these issues with utility companies caused an approx. 10-to-12-month delay to the project.</p>	
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Identification of Key Issues and Root Causes

- 1.8 The Council has started to draft a ‘lessons log’ compiling a list of issues arising during the project, their causes, and proposed actions for improvement. The draft version provided to Internal Audit contained lessons that may be summarised as:
- The lack of a formal agreement of a project manager.
 - Staff turnover within the project team.
 - Insufficient investigation into the existing building.
 - Continuity of performance by Building Control.
 - Late coordination of installation of mains.
 - Identification of land ownership discrepancies, and
 - revision of the project programme because of covid
- 1.9 Comparing the lesson log with the issues highlighted during our interviews we conclude that this document covers the majority of issues that were identified and provides logical actions to address these.
- 1.10 We noted some additional points raised by those interviewed that did not appear in the lessons log.
- 1.11 Firstly, while issues relating to capacity are referenced in the lessons log in relation to procurement and selection of project teams, there is nothing at present to address the issues of internal resourcing. One interviewee had raised the issue that there was a shortage of experienced staff to manage the contract for the Council. The project became reliant on staff with no formal role in the project feeling obliged to make contributions to assist.
- 1.12 The issues surrounding capacity feed into an area highlighted by another interviewee in relation to cost models and options considered at the start of the project. The interviewee mentioned that while costing more, much of the risk involved in the project could have been outsourced by following the design and build procurement route. The lesson log may therefore look to include more information about the cost delivery and procurement models carried out in the project planning phase. The availability of trained and experienced project managers at the Council to manage any contract should be taken into consideration at this point.
- 1.13 The lesson log contains the item ‘no formal agreement of Project Manager for Project Team’ and points to the lack of terms of reference as a cause. This point may be

expanded on further, elaborating on the fact that no contract existed between the two Councils, which would have enabled parties to be held accountable to signed terms.

- 1.14 The Service Director (Enterprise) referred to a piece of work to be undertaken to determine if, even with the issues and delays incurred, the project has still been financially beneficial or if it would have been more valuable for the Council to pursue other options available with the land. Any lessons that may be taken from this piece of work should also go towards influencing future decisions in relation to capital projects.

Lesson Learnt

- 1.15 The scope of our review included determining whether lessons learnt have been disseminated and shared with all stakeholders, and whether improvements have been made.
- 1.16 From our discussions held with staff it was clear that the lessons log has yet to be widely circulated.
- 1.17 The log is still to be finished with more detail set to be included based on the results of property service work projects to determine specific losses incurred from additional work, and loss of rental income from delays. Consideration is also being given to allowing officers from Stevenage the opportunity to reply to the document and whether the Council's Legal team may have any contribution to make. So far, the document only seems to have been shared with a small number of staff within Property Services and Estates.
- 1.18 As the log at draft has yet to be widely distributed, the actions for improvement identified within have yet to be implemented.
- 1.19 Consideration may be given to circulating a summary of the log in its current form so the lessons determined so far may be shared with stakeholders. Any actions for improvement identified may be provisionally assigned an owner to allow for timely improvement of controls.

Reporting and Monitoring

- 1.20 The scope of the review included determining if mechanisms are now in place to identify, escalate and report any potential risks and concerns from future projects managed by the Council's.
- 1.21 This will be achieved by the implementation of the actions set out on the lessons log, particularly with the key lesson logged as reference number S1 which identifies the lack of an assigned Project Manager and the need for regular meetings of the Project Team to evaluate progress and re-affirm aims.
- 1.22 With the lessons log still at a draft state and yet to be widely circulated the proposed actions to take have yet to be implemented. Therefore, we were unable to conclude that mechanisms are now in place to identify, escalate and report on any potential risks in future projects.

Summary of Recommendations

- 2.1 We have provided priority ratings as per our normal reporting practices, but these ratings do not inform an overall internal audit opinion on this advisory work as no assurance is being provided and are solely for prioritisation purposes. Implementation of the recommendations will however form part of the consideration of the Council's Annual Assurance Opinion provided by the Chief Audit Executive on completion of the 2023/24 Internal Audit Plan.
- 2.2 The two recommendations raised have both been classified as medium priority and relate to the following:
- a) Suggested additions to the Learning Log, and
 - b) Circulating lessons learnt.

Please see the Management Action Plan at Appendix A for further detail.





No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
1.	<p>Suggested additions to the Lessons Log</p> <p>Through comparison of our findings from our interviews and the Lessons log compiled by the Council, we were able to identify some notable gaps:</p> <ul style="list-style-type: none"> • Firstly, while issues relating to staff capacity are referenced in the Lessons log in relation to procurement and selection of project teams, there is nothing at present to address the issues of internal resourcing. One interviewee had raised the issue that there was a shortage of experienced staff to manage the contract for North Herts Council. The project became reliant on staff with no formal role in the project feeling obliged to make contributions to assist. • The issues surrounding capacity feed into another area in relation to cost models and options considered at the start of the project. The interviewee mentioned that while costing more, much of the risk involved 	Medium	<p>Consideration should be given to adjusting the Lessons log to include the following areas:</p> <ol style="list-style-type: none"> a) Internal resourcing and the lack of trained staff to manage projects. b) Feasibility assessments and the consideration of turnkey contracts. c) The need for signed contracts to be agreed with third parties that determine projects roles and responsibilities. d) The inclusion of the results of any findings from work carried out examining the project costs. 	<p>Management Response:</p> <p>Happy to add these additional issues.</p> <p>Responsible Officer: Service Director - Enterprise</p>	15 September 2023

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	<p>in the project could have been outsourced by following the design and build procurement route. The Lessons Log may therefore look to include more information about the cost modelling carried out in the project planning phase and procurement options considered. The availability of trained and experienced project managers at the Council to manage any contract should be taken into consideration at this point.</p> <ul style="list-style-type: none"> • The Lessons log contains the item ‘no formal agreement of Project Manager for Project Team’ and points to the lack of terms of reference as a cause. This point may be expanded on further, elaborating on the fact that no contract existed between North Hertfordshire and Stevenage, which would have enabled parties to be held accountable to signed terms. • The Service Director (Enterprise) referred to a piece of work to be undertaken to determine if, even with the 				

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	<p>issues and delays incurred, the project has still been financially beneficial or if it would have been more valuable for the Council to pursue other options available with the land. Any lessons that may be taken from this piece of work should also go towards influencing future decisions in relation to Capital Projects.</p> <p><u>Associated Risk</u></p> <p>Risk that the Lessons log is not inclusive of all issues encountered during the project, i.e., incomplete, and inaccurate and not providing a full picture of the acknowledged learning for future projects.</p>				
2.	<p>Circulating lessons learnt</p> <p>From our discussions, it was clear that the Lessons log has yet to be widely circulated and the recommended actions have yet to be implemented.</p> <p>The log is still being drafted, with more detail set to be included</p>	Medium	<p>Consideration should be given to:</p> <p>a) Circulating a summary of the Lessons log in its current form so the lessons</p>	<p>Management Response:</p> <p>Happy to share current lessons learned log in current form.</p> <p>Responsible Officer: Service Director – Enterprise</p>	15 September 2023

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	<p>based on the results of Property Service work projects to determine specific losses incurred from additional work, and loss of rental income from delays.</p> <p>Consideration is also being given to allowing officers from Stevenage to reply to the document and whether the Council’s Legal team may have any contribution to make. So far, the document only seems to have been shared with a small number of staff within Property Services and Estates.</p> <p>As the log at draft has yet to be widely distributed, the actions for improvement identified within have yet to be implemented.</p> <p><u>Associated Risk</u></p> <p>There is a risk that the lessons learnt will not be shared in time to have the desired impact on any projects set to begin imminently and may not have been contributed to by all relevant parties.</p>		<p>determined so far may be shared with stakeholders.</p> <p>b) Any actions for improvement identified be provisionally assigned an owner to allow for timely improvement of controls.</p>	<p>Management Response:</p> <p>Will be shared in the appropriate way to allow the Council to learn from this project. The only action that has a specific action immediately is training. Therefore, this will be raised with appropriate managers.</p> <p>All other actions are general project items and as the Lessons Learned document will be available for all officers undertaking project work there is not a need to assign specific task.</p> <p>Responsible Officer:</p> <p>Service Director – Enterprise</p>	<p>15 September 2023</p>

Assurance Level	Definition
Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priority Level	Definition
Critical	 Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
High	 Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
Medium	 Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
Low	 Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.