

Public Document Pack

JOHN WARD

Head of Finance and Governance Services

Contact: Mrs Bambi Jones on 01243 534685

Email: bjones@chichester.gov.uk

East Pallant House

1 East Pallant

Chichester

West Sussex

PO19 1TY

Tel: 01243 785166

www.chichester.gov.uk



A meeting of **Corporate Governance & Audit Committee** will be held in Committee Room 2, East Pallant House on **Thursday 25 January 2018 at 9.30 am**

MEMBERS: Mrs P Tull (Chairman), Mr G Barrett (Vice-Chairman), Mr J Brown, Mr T Dempster, Mrs N Graves, Mrs P Hardwick, Mr G Hicks, Mr F Hobbs, Mr S Morley and Mr P Wilding

SUPPLEMENT TO AGENDA Agenda Item 10 – Replacement Paper

- 10 **Internal Audit - Audit Plan Progress** (Pages 1 - 6)
Appendix 1 – Audit Report, Contract Monitoring



**Internal Audit Report
2017-18**

**Westgate, Bourne and Grange
Leisure Centres
Contract Monitoring Audit**

**Sue Shipway
Senior Auditor
October 2017
Contents**

Audit: Chichester District Council Leisure Centres -
Contract Monitoring Report

Auditor: Sue Shipway

If viewing on-screen, please click on the links below or use the scrolling arrows

1	Introduction.....	3
2	Scope	3
3	Findings.....	3

4 Conclusion.....5
5 Recommendations.....5
6 Action Plan – Appendix 17

1 Introduction

- 1.1 An audit review was carried out during 2017-18 on the monitoring arrangements in place over the operational management of the Chichester Districts Leisure Centres and sports development service to ensure that the contract is being complied with.
- 1.2 This audit was initially planned for 2016-17 but owing to the newness of the contract (commenced the 1st May 2016); it was deferred in the cyclical audit plan until 2017-18, this allowed for the contract to be embedded and operating for a year.

2 Scope

- 2.1 The agreed scope of this audit review was as follows:
 - To document the monitoring processes as per the contract and identify controls
 - To walkthrough and test that the controls as documented above, to ensure they are being adhered to
 - To report on any areas of non-compliance and make recommendations to improve the monitoring process
- 2.2 This audit review was split into three main elements; Health and Safety and Finance (Contract Payments) and Key Performance Indicators.

3 Findings

3.1 Contract and Monitoring Procedures

- 3.1.1 The contract is made up of a suit of documents (48) that covers all three sites; Westgate, Bourne and the Grange Leisure Centres together with Sports & Leisure Development. Within this suit of documents it stipulates the monitoring requirements for both the Contractor; Sports and Leisure Management Ltd (Everyone Active) and Chichester District Council. As with all large legal documents, these arrangements are not all contained within one section and as such were not easily identifiable.
- 3.1.2 The Council's contract monitoring role is carried out by one key member of staff supported by the Head of Service. There are currently no internal procedure or guidance notes as the monitoring is set out within the contract documents. These would assist and provide guidance on how the contract is to be monitored and safeguard the council should the monitoring officer be absent for any period of time.

3.2 General Monitoring Arrangements

- 3.2.1 Monitoring is based upon a series of; weekly checklists, monthly meetings and quarterly/annual reports. Initially, the monitoring officer was completing a Weekly Centre Visit Checklist for each centre, however, this was felt to be the responsibility of SLM Ltd. Zurich (the council's insurers) were asked to undertake a review of the monitoring arrangements and they confirmed this to be a duplication of effort, as a result the council ceased any further weekly inspection visits but continue to do quarterly unannounced visits to monitor cleanliness.
- 3.2.2 Any issues arising from the contractors regarding the contract performance-are fed back to the Council during a monthly monitoring meeting which is attended by, the Council's contract monitoring officer and the Contract Manager from SLM Ltd. A more detailed quarterly review meeting is attended by the Head of Service and the Regional Director of SLM in addition to the Contract Officer and Contract Manager. In addition, overall performance is overseen by the members Task and Finish Group who have an OSC representative who in turn reports to the Overview and Scrutiny Committee. No major issues were reported during the first year of operation.

3.3 Health and Safety Monitoring

- 3.3.1 Health and Safety is a major part of this contract but is also closely monitored and reviewed by the Councils Corporate Health and Safety team. Any issues relating to Health and Safety are reported back to the Council on a regular basis. In addition, the Council undertakes its own annual Health & Safety audit which includes site visits for all three leisure centres. The latest reports were requested and confirms that no major issues were raised, and all actions recorded.

3.4 Finance Monitoring (contract payments)

- 3.4.1 The first year May 2016 to March 2017 was to be made up of eleven equal monthly payments of £34,751.91, with adjustments for capital repayments and financing. These were payable by the Council due to all the set up costs required in the first year. There was also a provision for deductions (fines) to be made for non-compliance during the contract period. Audit found that all invoices received from SLM Ltd and were properly approved and payments made, no fines were levied by the council during this period.
- 3.4.2 As from April 2017, the Council will raise monthly invoices for £36,511.82 as per the payments schedule, these are payable by SLM Ltd, again these will also include adjustments for capital financing and repayments and the facility to fine for non-compliance still applies.

No issues arising, therefore no further work was undertaken in this area.

3.5 Key Performance Indicators

- 3.5.1 In addition, there are a number of Key Performance Indicators (KPI's) that are monitored and reported on a regular basis. Although the Council has access to all records relating to the management of this contract and reports are generated for the Task and Finish group the source data has not been verified by the Council. Random 'spot checks' could provide the Council with assurance that the data used to produce the KPI's is robust.

- 3.5.2 The outturn for all Indicators is published by SLM Ltd, in their annual report. The year-end report for 2016-17 shows that a majority of the indicators were either achieved or exceeded. The targets set were realistic targets however, discussions with the contract monitoring officer have confirmed that the initial data used to calculate the baseline for some indicators (pre-external contract) has changed with more information being available to monitor and record on the new software system.
- 3.5.3 Going forward all KPI's are going to be reviewed, this review will be based upon the 2016-17 results and all outturns re-considered. New performance indicator targets will be set annually and reviewed by the task and finish group to provide more realistic and challenging targets.
- 3.5.4 Explanations were provided for any performance indicators where performance targets were not achieved.

4 Conclusion

- 4.1 Overall the contract monitoring arrangements for the Chichester Leisure Management Contract are considered to be satisfactory and operating as expected. However, there are two areas where improvements have been recommended, these are:
- To introduce internal written procedure/guidance notes that contain; what is to be monitored, together with how and when. These would help confirm the processes in place and provide continuity should the contract monitoring officer be absent or away at a key point in time.
 - The only area that is not subject to audit or review is the data used to support the Key Performance Indicators. KPI's are an important marker of success and the Council depends on the achievement of these indicators. It would therefore be beneficial for the Council's contract monitoring officer to review some of the underlying data. This could be carried out on an adhoc basis during the year and reported back to the task and finish group would independently verify the performance outturn being reported.

5 Recommendations

- 5.1 An Action Table has been produced, see Appendix 1. In order to prioritise actions required, a traffic light indicator has been used to identify issues raised as follows:

Red – ● Significant issues to be addressed

Amber – ● Important issues to be addressed

Green – ● Minor or no issues to be addressed

6 Action Plan – Appendix 1

Paragraph Ref	Recommendation	Officer	Priority	Agreed?	Comments	Implementation Date
3.1	Internal written procedure/guidance notes on the monitoring requirements of the SLM Ltd contract should be introduced as soon as possible, this would ensure continuous monitoring should a key member of staff be absent.	Contract Monitoring Officer	 Amber Important	Agreed	Procedure/guidance notes to be developed by the end of the financial year	Completed by 1 April 2018
3.4	All data supporting the KPI's should be reviewed on an adhoc basis, in order to confirm the validity of the performance indicator and outturn reported.	Contract Monitoring Officer	 Amber Important	Agreed	Different KPI's to be selected and randomly checked at site visits and reported to the task and finish group	Ongoing commencing at next site visit (January 2018)