



Audit and Standards Committee Report

Report of: Philip Gregory, Director of Finance and Commercial Services

Date: 23rd November 2023

Subject: Fargate Containers Internal Audit Report

Author of Report: Linda Hunter, Senior Finance Manager (Internal Audit)

Summary:

The report presents the Internal Audit assessment of Fargate Containers, highlighting the 'no assurance' audit opinion following the independent internal audit review.

Recommendation:

That the Audit and Standards Committee members read and note the content of the Internal Audit report, including the audit recommendations and agreed actions, in line with the Committees remit.

Background Papers: None

Category of Report: Open – except Appendix A which is closed.

* Delete as appropriate

Statutory and Council Policy Checklist

Financial Implications
NO
Legal Implications
NO
Equality of Opportunity Implications
NO
Tackling Health Inequalities Implications
NO
Human rights Implications
NO:
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
None
Relevant Scrutiny Committee if decision called in
Not applicable
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
Yes

REPORT TO SHEFFIELD CITY COUNCIL AUDIT AND STANDARDS COMMITTEE

23rd November 2023

Fargate Containers Internal Audit Report

Purpose of the Report

1. In line with our internal audit protocol the Audit and Standards Committee members receive all 'no assurance' opinion audit reports in full. The purpose of this report is to present and communicate to members of the Audit and Standards Committee the internal audit report for Fargate Containers. Appendix A is the unredacted full audit report (closed appendix) and only available to members of the Audit and Standards Committee. Appendix B is the redacted audit report (open appendix).
2. The purpose of the audit was to provide an independent opinion as to whether or not the operational risks associated with the construction of the Fargate Containers were managed effectively, and whether the objectives were likely to be achieved, and determine lessons learned for the future of similar projects.

Internal Audit Opinion

3. The overall opinion is one of 'no assurance' and high organisational impact.

Assurance Statement

No Assurance	There are significant weaknesses in the system of control which could result in failure to achieve the Service objectives. Immediate management action is therefore required.
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Organisational Impact

High	The issues identified were of high corporate importance. They are either of high financial materiality, present significant business or reputational risk to the Council, have a likelihood of attracting adverse media attention, are potentially of interest to elected representatives, or present a combination of two or more of these factors.
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Executive Summary and Internal Audit summary sections within the Internal Audit Report

4. The internal audit review identified a number of areas for improvement with the Councils awareness around the processes for the successful delivery of projects.
5. The Executive Summary and Internal Audit Summary sections (from page 6 of the audit report) highlight the key findings and weaknesses. These related primarily to the procurement process, project management, contract management, financial controls, risk management, governance arrangements and the decision-making process.
6. In addition, staff turnover inevitably had an impact on the effective delivery of this project.

Audit Recommendations and follow up process

7. The audit report contains 17 recommendations, which were all agreed by senior management, assigned responsible action owners and timescales for implementation (31.10.23). The recommendations consisted of 14 critical rated priority recommendations and 3 high priority rated recommendations.

Priority Key

Critical	Serious impact on the key system, function or process objectives (Issue requires escalation)
High	Important (Significant impact on the service achieving its objectives)
Medium	Operational (Could impact on the service achieving its objectives)
Efficiency/ Effectiveness	Good practice (Minimal impact on service objectives)

8. The assigned action owners or their representatives for the audit recommendations are present at this meeting to answer and address any questions. Any questions should relate to matters that are within the Committee's remit. The Audit and Standards Committee does not undertake a scrutiny function (CIPFA guidance states that the audit and scrutiny functions of a Council should be kept separate to avoid conflicts of interest) but has a purpose of overseeing and assessing the Council's risk management, control and corporate governance arrangements and

advising the Council on the adequacy and effectiveness of these arrangements.

9. All recommendations were agreed by senior management and assigned a completion date by 31.10.23.
10. In line with internal audit protocol, a follow up audit has been planned to start week commencing 20.11.23. The follow up report will highlight any outstanding actions and provide revised priority implementation dates (where required). Once completed, this follow up report will go to senior management (as per the original audit report).
11. Additionally, and again in line with internal audit protocol, the updated position with the recommendations progress will be reported and presented to the Audit and Standards Committee (as part of the six-monthly recommendation tracker) in February 2024, in line with the Committees agreed work programme.

Financial Implications

12. There are no direct financial implications arising from the report.

Equal Opportunity Implications

13. There are no equal opportunities implications arising from the report.

Recommendation

14. That the Audit and Standards Committee members read and note the content of the Internal Audit report, including the audit recommendations and agreed actions, in line with the Committees remit.

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