



Internal Audit Consultancy Report  
Education and Children's Services  
New School Governance  
Assignment No.15-09  
August 2015

## Final Report

Chief Executive's Service  
Finance Division  
Perth & Kinross Council  
Blackfriars Development Centre  
North Port  
Perth PH1 5LU

## Background and Scope

This review was carried out as part of the audit plan approved for 2015/16 by the Audit Committee on 1 April 2015.

The indicative scope of the consultation review, agreed by the Committee, was to provide advice and assurance over the governance arrangements for the new schools. The new school programme relates to three builds, these being Kinross Primary School, Tulloch Primary School and the new Secondary school at Bertha Park. The new schools were to be two thirds funded by the Scottish Futures Trust (SFT). The project is being delivered by the use of a private/public sector development partnership known as a “hubco” for the East Central Territory hub.

The final scope for the work undertaken by Internal Audit was to review the internal controls in place for the efficient and effective management of the governance arrangements for the new schools and in addition to identify any areas of improvement.

This report details the outcomes of Internal Audit’s review.

## History

On the 30 November 2011 the Strategic Policy and Resources Committee approved the establishment of the private/public sector development partnership to be known as Hubco. This relationship includes Corporate Governance roles and also includes a Territory Partnering Agreement. (Report 11/606 refers)

On the 11 July 2012 the Executive Sub Committee of Strategic Policy and Resources Committee approved that the Council should engage with Hubco in order to facilitate the delivery of the Council’s capital programme. (Report No. 12/300 refers)

On the 19 December 2012, at a meeting of the Full Council the capital budget contribution for the new Secondary school at Bertha Park was approved (Report No.12/586 refers).

On the 6 February 2013, the Lifelong Learning Executive Sub-Committee approved the proposal for the development of a new secondary school with funding support from the Scottish Governments Scotland’s Schools for the Future Programme (Report No. 13/67 refers).

On the 14 February 2013, the Special Council Meeting agreed £8.5m as part of the setting of the capital budget 2017/18 to 2019/20 to improve a Consortium of Local Authorities Special Programme (CLASP) school based on an options appraisal to determine whether Kinross Primary or Tulloch Primary should be replaced first. (Report No.13/54 refers)

On the 7 May 2014 Full Council agreed the location of the proposed new Secondary school as part of the Bertha Park development project (Report 14/193 refers).

The three projects were part of the Council's programme known as Design Build Finance and Manage (DBFM). The objectives of the Programme were to deliver three schools under this process.

### Recent Developments

Subsequent to the approval of the 2015/16 audit plan, the Strategic Policy and Resources (SP&R) Executive Sub-Committee on the 30 July 2015 approved the progression of Kinross Primary School and Tulloch Primary School as projects independent of the new Secondary School project.

The result of the above is that the two primary schools projects going forward will be managed as normal projects with the new Secondary School project remaining as a Design, Build, Finance and Managing (DBFM) project. The same meeting also approved delaying the operational date of the new Secondary School at Bertha Park by one year until August 2019.

#### Kinross Primary and Tulloch Primary Schools

The Auditor can give the assurance that business cases containing pertinent information are held for these projects. These business cases were not subject to detailed audit testing as the consultancy work remit was to review the management controls of the governance arrangements for the new schools.

It is clear that the projects are aligned to the Service's vision with a user reference group set up and the projects detailed in the project prioritisation matrix presented as part of the Capital Budget Submission to Council on the 14 February 2013.

A consequence of the two primary schools projects being transferred to a more conventional capital contract is that the projects will be monitored using existing management controls and ongoing governance arrangements. These arrangements are for example, Service monitoring roles, the roles of the Corporate Resources Group and the Strategic Investment Group (SIG). On a day to day basis the projects will be handled by the Service Manager (Resource Management) within ECS.

The Scottish Futures Trust (SFT) carry out external validation of progress via key stage reviews (KSR). The KSR is designed to support the successful delivery of relevant projects. Three such KSR's are undertaken during a project, this first such review was carried out in May 2015 with an action plan being prepared by Hubco with the aim of addressing the recommendations made by the KSR. Any Council actions will be delivered by the Programme Manager.

The internal audit review of the Capital Programme and/or Capital Projects matters are specific areas within the audit universe and subject to audit coverage as evidenced by recent audit assignments 13–19 and 14-20 with Management Actions Plans monitored through Internal Audit's on going 'follow up' arrangements.

#### New Secondary School

As previously referred to, the Strategic Policy and Resources Executive Sub-Committee meeting of 30 July 2015 approved a delay in the operational date for this project by one year to August 2019. The Programme Manager advised that the

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Scottish Futures Trust (SFT) is aware of the revised date and their funding is dependent on an operational date of no later than March 2020.

The project will continue to be managed and controlled as part of the Design, Build, Finance and Managing (DBFM) programme.

A result of the rescheduling is that many of the key activity dates are in the future and subject to review which, in essence lessens the impact of this consultation work at this time.

As with Kinross and Tulloch Primary Schools, it is a SFT requirement that Key Stage Reviews (KSR) are carried out. Such a review was carried out in May 2015 and Hubco is preparing a mutually developed action plan to address the comments and recommendations in the KSR review.

### Findings

In consultation with the Service the following areas of improvement have been identified and will be implemented by them.

The Service maintain a comprehensive document which details the Design, Build, Finance and Manage (DBFM) governance framework and defines how the programme is managed and controlled. The framework doesn't refer to the role of the Strategic Investment Group. The Service advised that this would be part of the EOT role detailed in the framework.

Finding: For clarity, the framework be amended to detail the role of the SIG.

The governance framework only refers to the relationship with Hubco within a flow chart.

Finding: The framework roles and responsibilities will be updated to detail how the Hubco role is overseen, for example to include the Programme Manager's role as the Authority's Representative for Hubco.

At the date of review, the framework is the latest version of eleven such governance framework documents published on the DBFM Share point site.

Finding: The previous versions of the governance frameworks will be archived on the Share point site thereby allowing the easy recognition of the current version.

The Auditor was advised that the DBFM Programme Governance Framework is being revised to reflect the splitting of the projects.

Finding: The revised framework will be presented to the DBFM Programme Board for formal recording and approval (the revised framework will include the amendments detailed in the other findings in this report)

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The auditor noted that the project wasn't scored per the Criteria for Scoring Projects, in line with findings previously reported by Internal Audit. The funding is included in an Additional Capital Expenditure Report to Council on the 19 December 2012.

### General

The Service advised that Hubco are updating their plan to address any recommendations made by SFT during their Key Stage review of May 2015. The Programme Manager advised that they will be responsible for, or will oversee the delivery of any relevant Council actions. SFT will also carry out future Key Stage reviews.

Finding: The Programme Manager will ensure that mutually agreed plans are developed in conjunction with Hubco. The plan will address the SFT recommendations as appropriate.

The Service maintains risk profiles for the New Schools and the Design, Build, Finance and Managing (DBFM) programme, at the date of review the profile entitled "Overarching Risk Profile for DBFM" was a work in progress document and incomplete. The Service advised those risks were in the New School Risk Profile. There is benefit in the incomplete profile being removed or noted as historic.

Finding: For clarity, the Service will review the SharePoint site to ensure that historic risk profiles are removed or noted as such.

The Head of Property Services represents the Council at regular meetings of Hubco at which performance is reviewed. Updates and information regarding Hubco is also presented by the Head of Property Services to the Council's Strategic Improvement Group.

### Opinion

The Auditor can provide assurance over the current internal controls in place for the efficient and effective management of the governance arrangements for the new schools. The areas of agreed findings are highlighted above.

Future Internal Audit involvement regarding this topic will be based on a risk assessment which is undertaken as part of the risk based audit plan which is presented to Audit Committee to determine the priorities for internal audit activity.

### Acknowledgements

Internal Audit acknowledges with thanks the co-operation of Education and Children's Services personnel and the Head of Property Services during the review.

## Feedback

Internal Audit welcomes feedback from management, in connection with this review or with the Internal Audit service in general.

## Distribution

This report has been distributed to:

B Malone, Chief Executive

J Valentine, Executive Director (Environment)

J Fyffe, Executive Director: Education & Children's Services (ECS)

S Crawford, Head of Property Services

J Symon, Head of Finance

G Boland, Senior Business and Resource Manager (ECS)

A Cook, Programme Manager/Contracts & Projects Manager (ECS)

F Easton, Change and Improvement Team Leader (ECS)

G Taylor, Head of Democratic Services

P Dickson, Complaints & Governance Officer

External Audit

## Authorisation

The Auditor for this assignment was D McCreadie. The supervising Auditor was M Morrison.

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Jackie Clark

Chief Internal Auditor

Date: 24 August 2015