



APPENDIX 2f

South Lakeland District Council

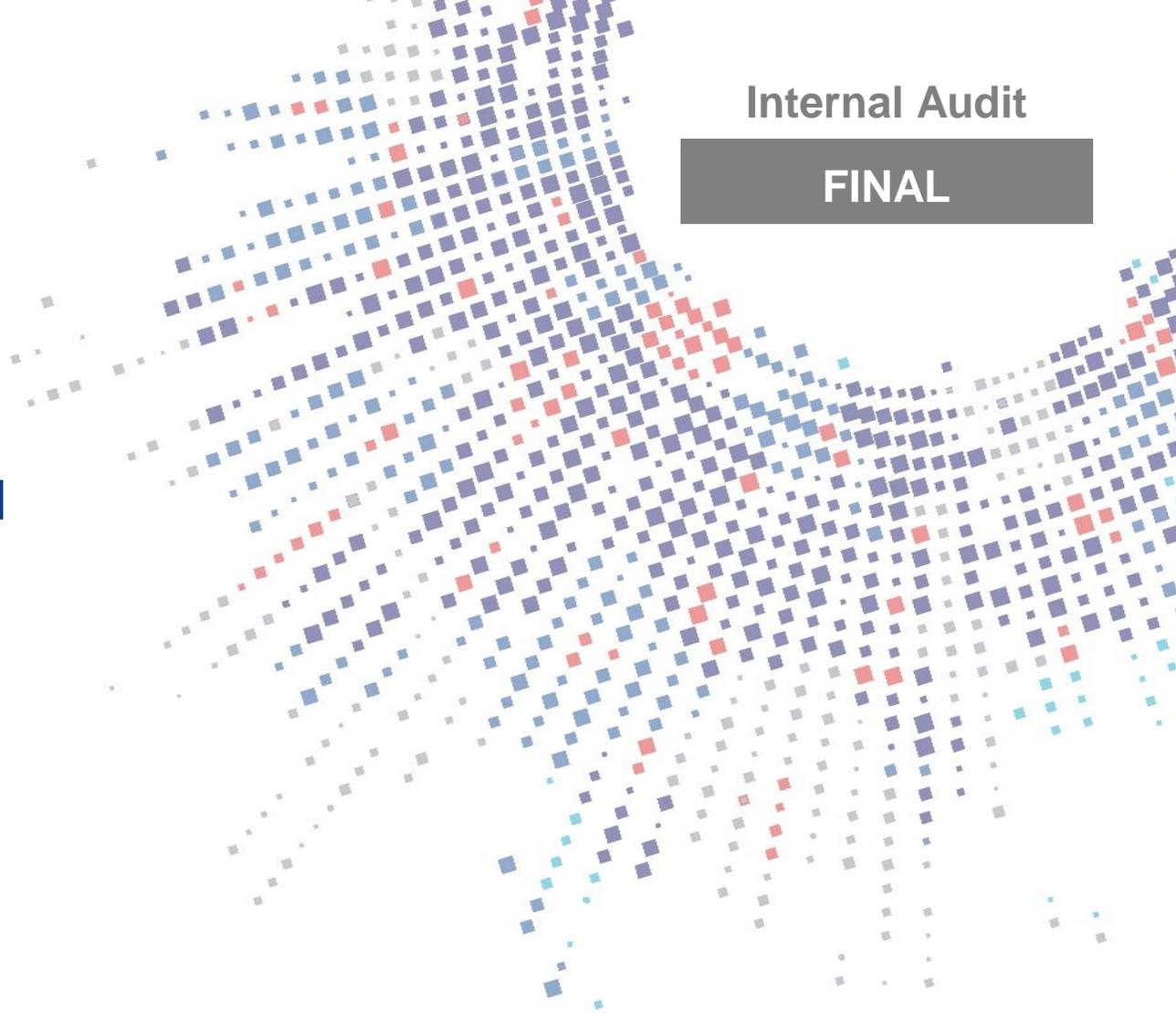
Assurance Review of Leisure Services

2019/20

September 2020

Internal Audit

FINAL



Executive Summary

OVERALL ASSURANCE ASSESSMENT

The diagram shows a circular gauge with a yellow center labeled 'REASONABLE ASSURANCE' and a blue outer ring labeled 'Adequate & effective governance, risk and control processes'. To the right of the gauge is a legend with four levels of assurance, each represented by a colored circle and a corresponding label in a blue box: Substantial Assurance (green), Reasonable Assurance (yellow), Limited Assurance (orange), and No Assurance (red).

OVERALL CONCLUSION

Whilst there are arrangements in place for the management of the leisure partnership contract, recommendations have made to improve the process.

- SLDC needs to establish what KPIs were agreed between SLDC and Greenwich Leisure Ltd (GLL) as part of the contract agreement.
- A Risk Register for third party contracts needs to be developed.
- The contract needs to be formally amended to record the current provider details.
- It needs to be ensured that an appropriate handover is undertaken prior to the current Administrator's maternity leave.

SCOPE

The review considered the arrangements for: management of the leisure partnership contract in accordance with the Council's contract management policy; the adequacy of controls in place for identifying, monitoring and management contractual (operation and strategic) risks; and the adequacy and effectiveness of controls in place to monitor and manage the contractor's performance.

ACTION POINTS

Urgent	Important	Routine	Operational
0	1	3	0

Management Action Plan - Priority 1, 2 and 3 Recommendations

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	It has not been possible to obtain details of the specific KPIs of the Partnering Agreement between SLDC and GLL as all copies of the agreement currently held by SLDC, Schedule 1, Parts A and B, are blank.	Investigations be made to establish what KPIs were agreed between SLDC and GLL as part of the contract agreement.	2	<i>GLL report on KPI's in place during contract meetings. ST to forward KPI's from GLL to Auditor.</i>	01/09/20	Sion Thomas
2	Directed	As per the Contract Management Policy, non-material changes to the contract may be necessary to match expectations of the Council and the contractor (process in Appendix 1(b)). Contract amendments should be in writing and approved by the relevant director or committee following consultation with Procurement, Finance, Legal and HR as appropriate. The contract dated 20 th March 2014 (Ref: GEM 37774.0008) refers to an agreement between SLDC and North Country Leisure.	The contract be amended to refer to Greenwich Leisure Ltd (GLL) who have managed the service since 1st April 2017.	3	<i>Currently, the contract is with Legal Services for amending following a number of changes that need to be implemented.</i>	01/11/20	Sion Thomas

PRIORITY GRADINGS

1 URGENT Fundamental control issue on which action should be taken immediately.

2 IMPORTANT Control issue on which action should be taken at the earliest opportunity.

3 ROUTINE Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Directed	As the contract has been in place for approximately six years, there has been a number of different members of SLDC staff that have overseen the contract. Previous SLDC staff members are no longer working for the Council and, as a result, the current administrator is new to the contract. It has also been highlighted that the current contract administrator is due to go on maternity leave in May 2020.	It be ensured that an appropriate handover is undertaken prior to the current administrator's maternity leave.	3	<i>New officer in post approximately 4 weeks prior to contract administrator going on leave to ensure for full handover for this contract. .</i>	01/05/20	Sion Thomas
4	Directed	It was established that SLDC do not have a risk register with regard to the contract with GLL, or any third party contractors. As such, there is a risk of slippage in contract management, for example contract monitoring.	A risk register for third party contracts be developed to reduce the risk of non-compliance of contract monitoring, as stated within the Contract Management Policy.	3	<i>Risk Register to be created for this contract.</i>	01/09/20	Sion Thomas

PRIORITY GRADINGS

1 **URGENT** Fundamental control issue on which action should be taken immediately.

2 **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

3 **ROUTINE** Control issue on which action should be taken.

Operational Effectiveness Matters

Ref	Risk Area	Item	Management Comments
No Operational Effectiveness Matters were identified.			

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Detailed Findings

Introduction

1. This review was carried out in March 2020 as part of the planned internal audit work for 2019/20. Based on the work carried out an overall assessment of the overall adequacy of the arrangements to mitigate the key control risk areas is provided in the Executive Summary.

Background

2. SLDC entered into a ten year Leisure Partnership Agreement, beginning on 1st April 2014, with North Country Leisure (NCL), a Charitable Trust. From 1st April 2017, the contract transferred to Greenwich Leisure Ltd (GLL) of which NCL had previously become a wholly owned subsidiary. GLL works with SLDC managing Kendal Leisure Centre, Ulverston Leisure Centre and Windermere Outdoor Centre.

Materiality

3. The agreement between SLDC and GLL establishes a long term relationship to deliver improved leisure services and facilities in a cost effective manner, and to contribute to SLDC's wider objectives. SLDC's principal objectives are to:
 - Create a leisure partnership that is effective in delivering the Council's priority of promoting the wellbeing of the local community;
 - Work strategically to place physical activity at the heart of local strategies and spending plans for health and wellbeing;
 - Provide and manage modern and sustainable core leisure facilities, including through the appropriate investment in the existing leisure facilities by way of refurbishment, redevelopment or complete reconstruction; and
 - Enable community delivery of physical activity.

Key Findings & Action Points

4. The key control and operational practice findings that need to be addressed in order to strengthen the control environment are set out in the Management and Operational Effectiveness Action Plans. Recommendations for improvements should be assessed for their full impact before they are implemented.

Scope and Limitations of the Review

5. The review considered the arrangements for: management of the leisure partnership contract in accordance with the Council's contract management policy; the adequacy of controls in place for identifying, monitoring and management contractual (operation and strategic) risks; and the adequacy and effectiveness of controls in place to monitor and manage the contractor's performance.
6. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan.

Disclaimer

7. The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Risk Area Assurance Assessments

8. The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Audit Contacts

9. For any queries or to discuss the content of this report, please contact either of the following:

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Audit Report Distribution

10. We would like to thank staff for their co-operation and assistance during the course of our work.

For Action:	Sion Thomas, Operational Lead Delivery and Commercial Services
For Information:	Simon Rowley, Director of Customer and Commercial Services Helen Smith, Finance Lead Specialist and Section 151 Officer

Release of Report

11. The table below sets out the history of this report.

Date draft report issued:	27 th March 2020
Date management responses received:	2 nd September 2020
Date final report issued:	2 nd September 2020