

Sheffield City Region Mayoral Combined Authority

AMP Technology Centre

January 2021

Final Report

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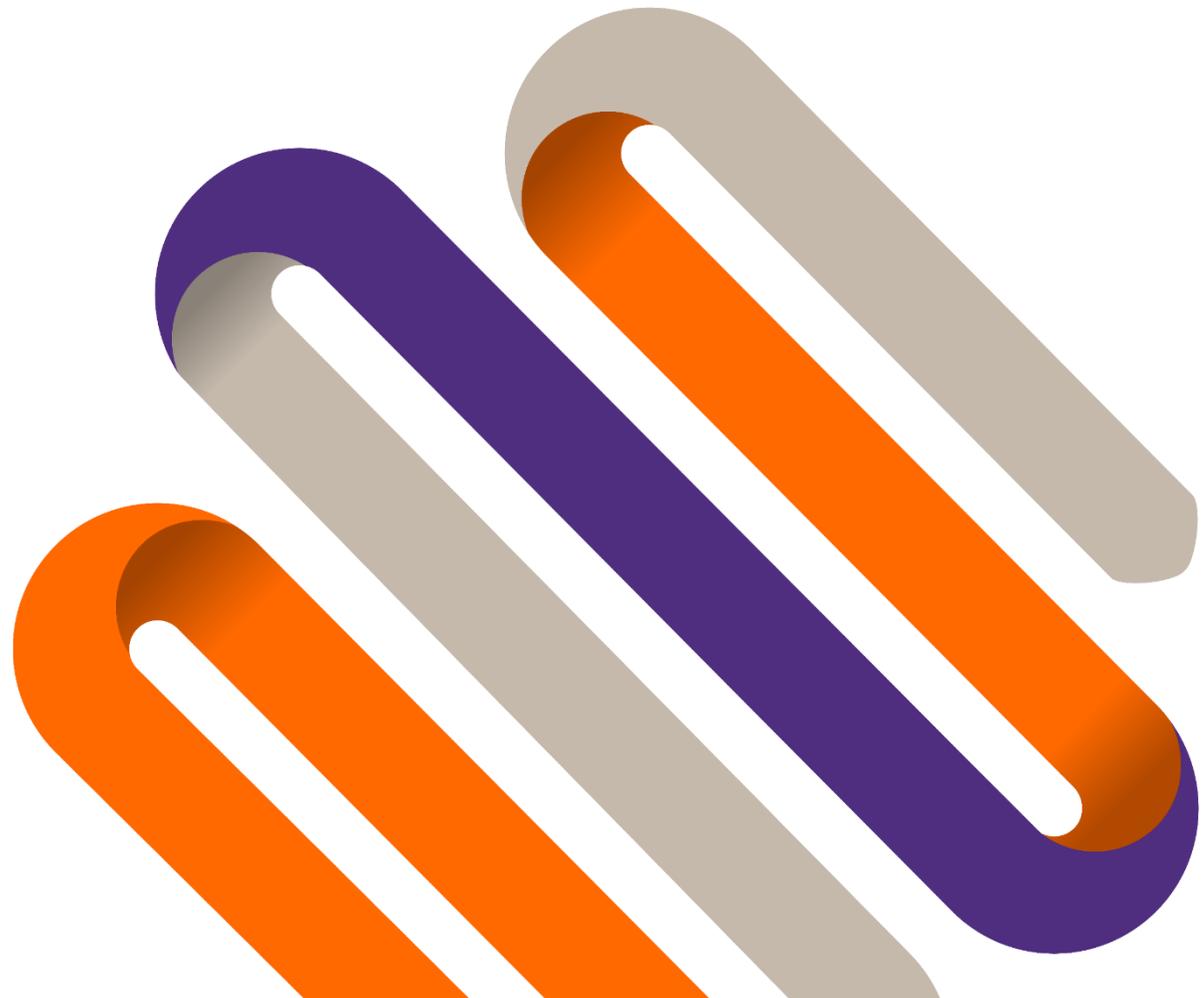
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- Ruth Adams, Deputy Chief Executive
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- Charli Taylor, Senior Programme and Performance Unit Manager
- Colin Blackburn, Assistant Director of Infrastructure and Housing
- Steve Davenport, Monitoring Officer
- Simon Tompkins, Finance Manager
- Lynne Sutton, Health & Safety Advisor / Jayne Hampshire, Business Operations Manager
- Jonathan Griffin, AMP Centre Manager

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It is the responsibility solely of the Authority's management and directors to ensure there are adequate arrangements in place in relation to risk management, governance, control and value for money.

Executive Summary

Background

The Advanced Manufacturing Park Technology Centre (the Centre) is located within the Advanced Manufacturing Park (AMP), Rotherham and provides a combination of office space, workshop facilities and conferencing & meeting room resources. There are 3 buildings within the Centre, buildings 1 & 2 are serviced office spaces and workshops which are rented to the occupiers. Building 3 has office spaces and workshops but are leased to the clients.

The main source of income is rent (Licenses) and additional services are catered to upon request. These are internet, rack space, phone line, call charges, event space, franking, cleaning and catering. Currently these services are charged by BACS on a monthly basis to clients, however, ad hoc space requirements are also available where clients pay-as-they-go. An on-site café also generates additional income for the Centre through its operations and conference catering.

A third part managing agent, Creative Space Management (CSM), has been contracted to operate the site on behalf on the MCA for over a decade. The current contract commenced in 2018 and is to last 5 years (with an additional 2 years extension). Their key role is to obtain maximal occupancy and have facilitated long-term client leases for the centre. The MCA Executive manages the AMP; Commissioning leading strategic activity, Programme and Performance leading contractual performance, Finance leading financial overview and tenancy agreements led by legal.

As a key priority for the MCA, it is essential then that there is appropriate management and oversight of internal and financial controls within the Centre, and that reporting to the MCA is up to date and accurate. Assurance over these controls is especially important during the current global COVID-19 pandemic where the risks increases around potential financial fraud.

Objectives

The objective of the review was to provide an independent and objective assessment of the design of MCA controls and the effectiveness of those controls relating to the internal and financial reporting arrangements within the Centre and the accuracy around financial reports received.

Objectives (continued)

Our review focused on the following potential risk areas to the MCA:

- Inadequate Governance arrangements:
 - Roles and responsibilities relating to the contractual performance management of the AMP Centre are not clearly defined,
 - Ineffective contract monitoring arrangements in place, leading to non-compliance with contract terms and conditions,
 - Lack of robust monitoring, reporting and management oversight arrangements.
- Inadequate or ineffective internal and financial control increasing the risk of loss, error or fraud:
 - The MCA is unable to place reliance on the bank reconciliation process. The MCA does not receive assurance that Bank accounts are reconciled on a regular and timely basis; that the methodology used is robust and that bank reconciliations are accurate.
 - Inadequate or inconsistent arrangements for receiving and managing income from clients,
 - Inadequate or ineffective expenditure controls, including lack of segregation of duties.
 - Client licenses and lease agreements are not reviewed on a timely basis to ensure that they remain fit for purpose,
- The Centre does not meet the requirements arising from COVID-19 within its service delivery or for its employees, or changes to internal and financial controls in response to the pandemic have not been documented or approved by the MCA.

Limitation of scope

Our findings and conclusions were limited to the risks identified above. The scope of this audit does not allow us to provide an independent assessment of all risks and controls associated with the AMP Technology Centre.

Where sample testing is undertaken, our findings and conclusions will be limited to the sample tested only. Please note that there is a risk that our findings and conclusions based on the sample may differ from the findings and conclusions we would reach if we tested the entire population from which the sample is taken.

This report does not constitute an assurance engagement as set out under ISAE 3000.

Executive Summary

Conclusion

Partial assurance with improvement required

We have reviewed the processes and controls around the MCA's Financial and Internal Control management arrangements at the AMP Technology Centre. The controls tested are set out in our Audit Planning Brief.

We have concluded that the processes provide **PARTIAL ASSURANCE WITH IMPROVEMENT REQUIRED** to the Committee.

We have provided this opinion based on the fundamentals and key elements expected as part of good practice to be in place as part of an organisation's financial and internal control framework and contract performance management.

Good practice

It is clear that there is an open and transparent relationship between CSM and the MCA management, supported by monthly management meetings between parties. MCA senior management charged with the responsibility for the Centre have a good understanding of issues arising and actions underway, such as to support tenants during the global COVID-19 pandemic.

From our work, however, there is now opportunity for both parties to build on their existing arrangements to further enhance processes and controls.

The findings of our review and subsequent recommended action is designed to assist the MCA in working towards this goal.

Areas requiring improvement

The AMP Technology Centre is managed as a stand alone asset and there is absence of a wider Asset Management Framework and Strategy for which its performance can be aligned. As a consequence, our review of key performance indicators noted they were for contractual performance monitoring rather than its performance against any wider strategic goals of the MCA.

In addition, roles and responsibilities around governance and operational oversight are not clear to management outside of the immediate contract management team, that consists of the Contract Manager, the Assistant Director of Infrastructure and Housing, Principal Solicitor/Monitoring Officer, and the Senior Finance Manager.

Areas requiring improvement (continued)

The MCA Executive recognises, and has begun work, to define how operational risks arising from the Centre fit into the MCA's risk management framework but these, along with the asset register management and backlog maintenance arrangements require defining and embedding across the asset management.

Management noted appetite for developing an Asset Management Framework, however, work has been postponed during 2020 due to the MCA's COVID response. We therefore recommend that this action is progressed through a workshop with key stakeholders and an action plan developed for monitoring purposes by the Management Board.

We also identified other areas where controls could be improved to ensure that arrangements are in line with good practice and the MCA's Constitution and Management Agreement with CSM, such as:

- Segregation of duties during the monthly reconciliation process could be made clearer through documented procedures and auditing completed by CSM on income and expenditure recorded. Checks on the cash balance held in the Project Bank Account should be tightened to ensure that the amount attributable to MCA is below the pre-determined threshold of £500,000.
- An informal agenda was in place for monthly monitoring meetings in the form of the Monitoring Report containing different reports from CSM. However, meetings notes and actions were documented informally via email between parties. Since the audit, the process has been enhanced to incorporate a formal Review Note, Agenda, Meeting Note, and Actions Log.
- The debt recovery process requires formalising and documenting. CSM currently have informal arrangements for chasing debt and report any issues of concern through the performance meetings with the MCA so that they can be escalated to MCA Management Board for decision on what action to take where necessary. Arrangements to when interest is to be added to debt owed (as noted in licence and lease agreements) should also be formalised in procedure by management.
- Current procurement controls are not robust or mitigate against the risk of fraud. Controls are currently manual and there is absence of an automated system that ensures there is clear segregation of duties and clear audit trail of expenditure.
- Final tenancy agreements should be held electronically and centrally to allow access by both MCA and CSM management ensuring both have timely access to up to date arrangements.

Executive Summary

Areas requiring improvement *(continued)*

- The AMP Technology Centre COVID-19 Risk Assessment details an increased risk around fire due to internal doors being wedged open. The impact of internal fire doors being wedged open to the Centre's fire certification and building insurance was discussed between the MCA Health & Safety Advisor and CSM in March 2020 and advice confirmed via email and adjustments made based on that advice. A formal process should be established to ensure any risk to the MCA is also assessed and documented.
- The Centre's Business Continuity plan also requires to adopt good version control practices and ensure that contact numbers provided are correct and staff are aware of arrangements.

Recommendations

Based on our findings, we have raised 8 recommendations. The grading of these recommendations is shown below:

	High	Medium	Low	Improvement
Detailed findings	1	2	5	-

Acknowledgement

We would like to take this opportunity to thank your staff and CSM for their co-operation during this internal audit.

Action Plan – MCA

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2.

Risk	Findings and Recommendation	Action Plan
<p>Roles and responsibilities relating to the contractual performance management of the AMP Centre are not clearly defined.</p> <p>Ineffective contract monitoring arrangements in place, leading to non-compliance with contract terms and conditions.</p>	<p>The AMP Technology Centre is a significant income stream for the MCA and has potential to impact the underlying budget of the Combined Authority group. However, while the asset is managed through contractual performance monitoring, there is no asset management framework that defines the role of the AMP Technology Centre in the wider portfolio of assets and arrangements around the following:</p> <ul style="list-style-type: none"> (i) Governance oversight requirements: AMP Financial performance is monitored and reported on to the MCA at a high level through in year finance reports on the overall performance of the MCA against budget. However, there is currently no formal annual performance or business plan reporting to the MCA Theme Board (responsible for financial decisions under £2 Million), or Management Board or Combined Authority Meetings to allow their oversight and scrutiny. (ii) Operational framework: it is not currently clear to all management who is ultimately responsible for the performance of the asset and Creative Space Management noted difficulty in timely decision making when the MCA’s contract manager was absent. (iii) Performance management: AMP Technology Centre performance is not formally measured against the wider MCA Corporate Strategy, for example, there is no Asset Management Strategy for the MCA and therefore the AMP Technology Centre documented. Monthly Key Performance Indicators (KPIs) reviewed are related to contractual management arrangements only. (iv) Risk management: the AMP Technology Centre risk register does not align to the wider risk management framework and asset management framework. Issues are escalated through monthly monitoring meetings and escalated to Management Board, where necessary. (v) Asset register and backlog management policy: management are aware there is no asset register for the Centre, and wider management policy for any backlog maintenance and asset management requires to be documented. 	<p>Management Response:</p> <ul style="list-style-type: none"> (i) The annual Business Plan is to go to the Management Board for formal approval from March 2021. (ii) Gareth Sutton is Senior Responsible Owner. CSM are aware to engage with the AD for Infrastructure and Housing and the Senior Finance Manager as well as the MCA’s Contract Manager. (iii) AMP is to be integrated into the wider Asset Management Strategy. (iv) Integration of the risk register into the wider MCA risk management framework will commence now corporate strategy has been approved. (v) An enhanced assets register is currently being commissioned alongside annual review of the planned preventative maintenance.

Action Plan – MCA

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2.

Risk	Findings and Recommendation	Action Plan
<p>Roles and responsibilities relating to the contractual performance management of the AMP Centre are not clearly defined.</p> <p>Ineffective contract monitoring arrangements in place, leading to non-compliance with contract terms and conditions.</p>	<p>Issues identified: There is no formal asset management framework and strategy impacting on the AMP Technology Centre being managed as a stand alone asset and lack of clarity over performance management arrangements.</p> <p>Risk: Operational issues are not formally considered against the impact to the wider MCA or mitigation made through timely decision making.</p> <p>Recommendations:</p> <p>Management noted planning around a Combined Authority asset management framework has been postponed during 2020. An action plan for its completion should be agreed through a workshop with key stakeholders and documented for Management Board review and scrutiny.</p> <p>The asset management framework should allow for Theme Board scrutiny of the AMP Technology Centre business planning and performance through annual reporting and consider noting of arrangements by the Management Board and / or Combined Authority in line with good governance practices.</p> <p>It should also be supported by policy and a strategy where the impact of asset performance, such as AMP Technology Centre, can be monitored through KPIs that align to that strategy.</p> <p>Operational risks raised from the AMP Technology Centre and associated risk registers should align and be embedded into the wider MCA risk management and asset management framework.</p> <p>Similarly, the asset register for the AMP Technology Centre should be completed and policy documented around backlog maintenance planning.</p>	<p>Actions:</p> <ol style="list-style-type: none"> 1. AMPTC Business Plan to go to Management Board annually for approval. <p>Responsible Officer: Charli Taylor, Senior Programme and Performance Unit Manager</p> <ol style="list-style-type: none"> 2. Risk register to align to recently approved corporate strategy. <p>Responsible Officer: Charli Taylor, Senior Programme and Performance Unit Manager</p> <ol style="list-style-type: none"> 3. Asset register to be commissioned and aligned to the planned preventative maintenance. Once in place it is to be reviewed annually in accordance with the Business Plan. <p>Responsible Officer: Colin Blackburn, Assistant Director of Infrastructure and Housing</p> <p>Executive Lead: Gareth Sutton, Group Finance Director</p> <p>Due date: 31/12/2021</p>

Action Plan – MCA

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2.

Risk	Findings and Recommendation	Action Plan
<p>Lack of robust monitoring, reporting and management oversight arrangements.</p>	<p>The MCA have established Key Performance Indicators (KPIs) for its contract with CSM within their 2018 Management Agreement and annual business plans, that also detail the target baselines agreed. KPIs are reported in monthly reports to the Contract Manager.</p> <p>However, the format of minutes made of monthly performance reviews were inconsistent. In practice, an informal agenda was followed for monitoring meetings using the Monitoring Report and supporting reports supplied by the CSM. Meetings notes were circulated and actions documented via email between parties during resolution. As a consequence, the MCA were unable to evidence formal review of key performance indicators.</p> <p>The reporting frequency of two “Specific Performance Measures” KPIs in the business plan is inaccurate to current practice and requires updating. It was noted as quarterly but in practice is completed annually as agreed with the MCA.</p> <p>Actions stemming from monthly discussions were also not centrally documented for tracking and monitoring of timely completion, and enhancements agreed in business plans are not monitored for completion. In practice, annual performance allows the reconciliation of outcomes against Business Plan objectives.</p> <p>Issues identified: Outcomes from monthly performance meetings are not captured to allow for effective monitoring of the status of actions.</p> <p>Risk: Performance trends are not used to identify contract issues impacting timely decision making.</p> <p>Recommendations:</p> <p>Monthly performance review meetings should follow a set agenda that includes a review of KPIs and actions/ outcomes tracked within an action log for monitoring purposes.</p> <p>The Business Plan should be updated to ensure that reporting of the two Specific Performance Measures is documented as annual in line with current reporting practices.</p> <p>A review of the agreed enhancements and mitigations brought by the COVID-19 pandemic be brought into future performance monitoring.</p>	<p>Management Response:</p> <p>KPI’s are a standing agenda point. KPI review is completed but only formally noted during the review meetings by exception, such as if issues/queries were raised by the MCA in response to the return.</p> <p>The process has now been enhanced and rolled out to incorporate a formal Review Note, Agenda, Meeting Note and Actions Log. Actions stemming from monthly meetings are noted on the Actions Log and resolution formally documented on file.</p> <p>Actions:</p> <ol style="list-style-type: none"> 1. Business Plan to be updated as part of the 2020/21 review process. <p>Responsible Officer: Charli Taylor, Senior Programme and Performance Unit Manager</p> <ol style="list-style-type: none"> 2. Embed COVID-19 reviews into standard MCA H&S management. <p>Responsible Officers: Lynne Sutton, Health & Safety Advisor / Jayne Hampshire, Business Operations Manager</p> <p>Executive Lead: Gareth Sutton, Group Finance Director</p> <p>Due date: 31/12/2021</p>

Action Plan – MCA & CSM

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2.

Risk	Findings and Recommendation	Action Plan
<p>The MCA is unable to place reliance on the bank reconciliation process.</p> <p>The MCA does not receive assurance that Bank accounts are reconciled on a regular and timely basis; that the methodology used is robust, that bank reconciliations are accurate.</p>	<p>Management note assurance around the monthly bank reconciliation process and our review noted no significant transaction errors through our sampling work. However, we were unable to evidence that segregation of duties were appropriate and in line with the Authority's Constitution as the procedure is not documented to clearly identify roles and responsibilities of checks and balances completed.</p> <p>In practice, the process is completed by two finance teams within the MCA and CSM. The Project Bank Account reconciliation is prepared by CSM's management accountant and provided to MCA Finance for review on a monthly basis. Monthly VAT reports are used by the MCA to update journal entries for management reporting. Invoices sent to the MCA are checked against management reports for VAT value and number only.</p> <p>There is also no formal check on the Project Account by the MCA to ensure that the amount attributable to the MCA does not exceed £500,000. There were several months noted during sampling where opening and closing balances exceeded £700,000 over the period reviewed. Management reported this was part due to retention of £175,000 due to the previous owner on resolution of the Ground Heat Source issue and the account only exceed the limit in June and July 2020.</p> <p>Issues identified: End of month reconciliation duties are not documented to give clarity around roles and responsibilities and assurance that segregation of duties are in line with the Constitution.</p> <p>Risk: While we did not identify any issues in the sample of transactions tested, without robust segregations of duties, there is risk of fraudulent activity not being detected.</p> <p>Recommendations:</p> <p>The procedure for completing month end reconciliations process by CSM and MCA should be documented with clarity around segregation of duties at the AMP Technology Centre to ensure it is in line with the Authority's Constitution.</p> <p>The following monitoring enhancements should also be made to ensure that the opening and closing balances of the Project Bank account limit should be reviewed monthly by the MCA to ensure that credit limits remain below the £500,000.</p>	<p>Actions:</p> <p>The review of Project bank account reconciliations by the MCA Finance will be evidenced with immediate effect. MCA will also with immediate effect assume responsibility for monitoring the cash held on behalf of the MCA and taking proactive action to ensure tat it does not exceed the pre-determined threshold.</p> <p>Responsible Officer: Simon Tompkins, Finance Manager</p> <p>Executive Lead: Gareth Sutton, Group Finance Director</p> <p>Due date: Immediate effect</p>

Action Plan – MCA & CSM

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2.

Risk	Findings and Recommendation	Action Plan
<p>Inadequate or inconsistent arrangements for receiving and managing income from clients.</p>	<p>There is no documented process for managing aged debt and recovery that would clearly differentiate the role of CSM and when the MCA should be involved as the landlord. Both the MCA and CSM are in agreement that it is the CSM responsibility to chase bad debt, however, the process currently adopted is informal.</p> <p>For example, while CSM have aged debt letters, they are not routinely used. CSM adopt a process that involves meeting with tenants informally onsite. When they are office based this process works well and maintains relationships with tenants. However, during periods where they are not onsite, bad debt was noted to increase over Christmas and during the COVID-19 lockdown period.</p> <p>Licenses and leases reviewed also detail that 4% above base rate should also be added to debt over 7 days. However, in practice this is not added. Without a documented procedure, it was difficult to ascertain when interest should be added or under which circumstances it should not be added.</p> <p>Our sampling noted that at August 2020, only one tenant debt being written off as bad debt (£2,090) and aged debt reported was at £113,345. This was due to a conscious decision made by the MCA Management Board to support AMP tenants by allowing them to defer the June payment of rent less 50% and pay over the following two quarters. As at October 2020, arrears were at £51,000 with £12,000 being over 2 months old as a consequence of the deferment period unwinding.</p> <p>Issues identified: Debt recovery is inefficient when management are not onsite and tenants are not being held to account on aged debt.</p> <p>Risk: The MCA relies on CSM chasing debt owed to them.</p> <p>Recommendations:</p> <p>The joint process around Bad Debt Management at the AMP Technology Centre should be documented to allow clarity around roles and responsibilities, and when aged debt letters should or should not be used.</p> <p>During periods where management are offsite, aged debt letters should be used and actions recorded for monitoring.</p> <p>The procedures and letters should also be clear around the application of the 4% base interest charge on overdue rental.</p>	<p>Actions:</p> <p>Debt recovery procedures will be formalised. This will include clarifying the respective roles and responsibilities of CSM and the MCA and escalation procedures where tenants fall into arrears.</p> <p>Responsible Officer: Simon Tompkins, Finance Manager</p> <p>Executive Lead: Gareth Sutton, Group Finance Director</p> <p>Due date: 31/01/2021</p>

Action Plan – MCA & CSM

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2.

Risk	Findings and Recommendation	Action Plan
<p>Inadequate or ineffective expenditure controls, including lack of segregation of duties.</p>	<p>We were unable to demonstrate that expenditure related controls at the AMP Technology Centre are operating as expected and in line with public procurement good practice as follows:</p> <p>(i) Procedure and segregation of duties: The process for raising AMP Technology Centre expenditure and approving spend is not documented to provide clarity to roles and responsibilities of management and the checks and balances completed. In practice, the Centre Manager raises Purchase Orders and approves expenditure under £2,500. The Centre Manager raises and approves expenditure on hardcopy purchase order forms, monitor goods and services received, and approves the payment of supplier invoices.</p> <p>Checks on expenditure during the month end reconciliation process by CSM Finance team are not documented. There is therefore reliance on management that expenditure reported is appropriate.</p> <p>(ii) Evidence of approvals: We were unable to evidence a robust audit trail of procurement expenditure approvals by the Centre Manager and CSM Director. Purchase orders are approved on hard copy forms by the Centre Manager, with expenses over £2,500 and £10,000 approved by the CSM Director and MCA, respectively. However, we were not able to evidence documented approval in our sample tested. Due to remote working at the time of the audit, management were unable to provide us with purchase order forms to demonstrate documented approvals and noted that director approval is often verbal or through emails as part of business as usual activity. We noted instances of costs over £2,500 that did not have CSM Director approval and that only through discussion were noted to be services completed on separate dates but logged on one PO therefore not requiring senior management approval.</p> <p>(iii) Purchase order management: Purchase orders are listed on an Excel spreadsheet detailing the PO reference, date, amount, supplier, and high level goods description. However, it does not document when approval by CSM Director or MCA were made, when goods/ services were received, invoice amounts, or when payment to suppliers were made, or if the cost was assigned to a tenant lease agreement.</p> <p>Inspection of the tracker also noted the following inconsistencies:</p> <ul style="list-style-type: none"> • It was not routinely used using the COVID-19 lockdown and information on expenses made at that time is incomplete, • Some cells relating to purchase order reference numbers and costs were blank, and • On reconciliation of purchase orders tested listed against expense reports provided to the MCA, there were seven instances of typos on reference numbers or amounts. 	

Action Plan – MCA & CSM

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2.

Risk	Findings and Recommendation	Action Plan
<p>Inadequate or ineffective expenditure controls, including lack of segregation of duties.</p>	<p>(iv) Recording checks on goods or services received: There is no process to record that three way checks on the original purchase order, receipts of goods/ services, and invoiced amount are made prior to making supplier payments. The process is informal and completed by the Centre Manager.</p> <p>(v) Status of supplier invoice payments: There is reliance on the Centre Manager to understand the status of supplier payments. For example, from our testing of the 39 purchase orders recorded over the five months sampled, 22 could not be easily reconciled from the Purchase Order tracker to MCA management reports as item descriptions and reference numbers often did not align. On further discussion, this was due to:</p> <ul style="list-style-type: none"> • 15 invoiced later in the year (invoice reference numbers and dates provided), • 5 had different final amounts invoiced to that on the PO tracker. Discussions noted that the final cost of services can differ to that originally quoted and often suppliers will not start work unless there is a PO in place, and • 2 invoices that had not yet been provided by the supplier despite work being completed months prior to the time of audit. <p>(vi) Frequent procurement and supplier trend analysis: There is no supplier trend analysis undertaken to ensure appropriateness of spend is in line with public procurement requirements. We noted one supplier, SCM Services, for example, had nine separate purchase orders amounting to over £10,000 for the 5 months tested. Annual spend should be reviewed to ensure public procurement limits requiring tender are monitored.</p>	

Action Plan – MCA & CSM

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2.

Risk	Findings and Recommendation	Action Plan
<p>Inadequate or ineffective expenditure controls, including lack of segregation of duties.</p>	<p>Issues identified: Procurement controls at the AMP Technology Centre are not in line with public procurement good practice requirements</p> <p>Risk: Risk of fraudulent or inappropriate purchases if authorisation processes and checks and balances are not robust.</p> <p>Recommendations:</p> <p>Good procurement practices should be adopted to ensure that requirements as set in the MCA management agreement are being followed. Management should consider the following:</p> <ul style="list-style-type: none"> • Documenting the procurement procedure at the AMP Technology Centre and ensuring clear segregation of duties between the management involved so that those raising purchase orders are not approving payment to suppliers. • Develop a process that provides a robust audit trail of all procurement and expenses including documented authorisation, documented purchase orders, POs approval in line with the Management Agreement, receipt of goods/ services, supplier invoices, deviations from original values on purchase orders to that then invoiced, and when payments are finally made. Management should consider implementing an electronic module to their finance system, SAGE, to support this process. • Checks on total supplier spend to ensure that the predicted annual spend does not exceed national public sector procurement limits. • The MCA should seek assurance through monthly reporting that the CSM Finance Team have completed the necessary checks on expenses are in line with their Management Agreement. 	<p>Actions:</p> <p>In the short term, the MCA will enhance the checks currently in place on expenditure incurred by CSM in running the AMP to obtain assurance that CSM are complying with the procurement standards specified in the contract.</p> <p>Longer term, a systems based solution will be sought which seeks to apply the same level of financial discipline on purchases made in connection with the running of the AMP as with expenditure incurred directly by the MCA.</p> <p>Responsible Officer: Charli Taylor, Senior Programme and Performance Unit Manager</p> <p>Executive Lead: Gareth Sutton, Group Finance Director</p> <p>Due date: Short term: 31/01/2021 Long term: 30/04/2021</p>

Action Plan – MCA & CSM

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2.

Risk	Findings and Recommendation	Action Plan
<p>Client licenses and lease agreements are not reviewed on a timely basis to ensure that they remain fit for purpose</p>	<p>There is absence of centralised, electronic retention of AMP Technology Centre tenant agreements by the MCA. Instead agreements are retained in hard copy by the MCA Legal department impacting the efficiency to which information can be retrieved. Our sample testing of 10 agreements noted only one was held electronically.</p> <p>Reporting on the current status of licence agreements is raised by exception during monthly review meetings. MCA legal hold a license/lease tracker for new contracts and renewals that reflect start/end dates. Details of review dates. are held by CSM as the managing agent. While we evidenced no specific issues in the timeliness of tenancy renewal, the method of tracking reviews is through the use of reminders in Microsoft Outlook calendars.</p> <p>Issues identified: Unable to access signed agreements on a timely basis.</p> <p>Risk: Timeliness of decision making around tenant agreements.</p> <p>Recommendations:</p> <p>Management should consider developing centralised electronic filing to allow the retention of electronic, signed copies of tenant lease and licence agreements.</p> <p>The spreadsheet used to track licences should be updated to provide start and end dates of licences and narrative against each tenant to their current arrangements. The MCA should be provided with an action plan against each tenant to ensure awareness of those agreements due to expire and next steps by CSM.</p>	<p>Management Response:</p> <p>Implement a single register of signed licences and Leases, hopefully in share point, to be maintained by the Managing Agents and accessible for SCR Officers. Investigate whether register can have a link to an electronic copy of the signed Agreement. Register to contain tenancy details including expiry date. Investigate whether licences can be granted on a rolling basis at end of initial term e.g. 12 months and then from month to month until terminated on [4] weeks' notice. This would simplify renewal process.</p> <p>Actions</p> <ol style="list-style-type: none"> 1. Create SharePoint access for SCR/CSM 2. Confirm whether licenses can be granted on a rolling basis <p>Responsible Officer: Steve Davenport, Monitoring Officer</p> <p>Executive Lead: Steve Davenport, Monitoring Officer</p> <p>Due date: 31/08/2021</p>

Action Plan – MCA & CSM

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2.

Risk	Findings and Recommendation	Action Plan
<p>The Centre does not meet the requirements arising from COVID-19 within its service delivery or for its employees (Business Continuity Arrangements).</p>	<p>We reviewed the current business continuity plan and emergency plans supplied to the MCA as part of the annual Business Planning for 2020/21. We noted there were multiple dates throughout the documents impacting on clarity to whether they had been reviewed and three supplier contact numbers presented in the Emergency Plan that had typos. This could risk efficiency to staff contacting key suppliers.</p> <p>We also noted that the documents did not document their testing arrangements with relevant staff in line with good practice. This should include any wider stakeholders involved, such as MCA management.</p> <p>Issues identified: Business Continuity plans reviewed have inaccuracies.</p> <p>Risk: Staff are not fully aware of roles and responsibilities should there be a business continuity event impacting the timeliness of decisions made.</p> <p>Recommendations:</p> <p>Business continuity documents should adopt good version control practices, and all contact details be checked for inaccuracies.</p> <p>Testing arrangements of the Business Continuity plans should also be included in documents to ensure that staff involved are fully aware of their roles and responsibilities during an event.</p>	<p>Actions:</p> <ol style="list-style-type: none"> 1. MCA to review with CSM as part of the annual Business Plan process to ensure enhancements are made. 2. CSM to implement version control and testing arrangements of the Business Continuity Plan. <p>Responsible Officer: Charli Taylor, Senior Programme and Performance Unit Manager / Jonathan Griffin, AMP Centre Manager</p> <p>Executive Lead: Gareth Sutton, Group Finance Director</p> <p>Due date: 31/12/2021</p>

Action Plan – MCA & CSM

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2.

Risk	Findings and Recommendation	Action Plan
<p>The Centre does not meet the requirements arising from COVID-19 within its service delivery or for its employees (COVID-19 Risk Assessment)</p>	<p>CSM completed a COVID-19 Health and Safety Risk Assessment for the AMP Technology Centre in May 2020 and was updated in June 2020. The Centre Manager has implemented a number of changes to maintain safety of their employees and tenants and documented changes made.</p> <p>The COVID-19 Risk Assessment provided to us did not evidence that the MCA Health & Safety Advisor had been involved in the assessment to ensure risks associated with the MCA had been considered. In practice, the COVID-19 Risk Assessment was discussed between the MCA Health & Safety Advisor and CSM in March 2020 with advice confirmed informally via email. CSM review the Risk Assessment monthly but the form itself is only adjusted if changes are required with the updated form submitted to the MCA.</p> <p>We also noted risk around an increase risk of fire had been documented due to internal corridor doors being wedged open. On review, we noted some are fire doors which could risk the fire certification and building insurance should their be a fire on those premises.</p> <p>Issue identified: MCA related risks have not been identified and documented on AMP Technology Centre COVID-19 Risk Assessments</p> <p>Risk: The MCA may not meet fire safety requirements increasing its reputational risk should there be a fire.</p> <p>Recommendations:</p> <p>The impact of wedging doors on the buildings' fire certification and insurances should be considered and actions agreed with the MCA.</p> <p>Management should ensure that any future changes to the COVID-19 Risk Assessment be highlighted to MCA Health and Safety teams for their awareness and consultation.</p>	<p>Management Response:</p> <p>It is recognised that a formalised process should be in place. In the interim CSM have agreed to more formally review and update the Risk Assessments monthly, providing to the MCA H&S Advisor to ensure that advice is provided in a direct, consistent and auditable manner. The current MCA H&S review is underway and as part of the 2020/21 Business Plan development, a H&S Strategy was noted to embed direct MCA H&S engagement, stronger governance and 6-monthly audits.</p> <p>Actions:</p> <p>MCA H&S Advisor to engage directly with CSM to ensure measures on site and Risk Assessments are in accordance with H&S regulations.</p> <p>Responsible Officer: Lynne Sutton, Health & Safety Advisor / Jayne Hampshire, Business Operations Manager</p> <p>Executive Lead: Gareth Sutton, Group Finance Director</p> <p>Due date: 31/12/2020</p>

Appendices

Appendix 1 – Staff involved and documents reviewed

Staff involved

MCA

- Steve Davenport, Monitoring Officer
- Kerry Willers, Executive Legal/Governance Administration Officer
- Richard Howard, Finance Manager
- Charli Taylor, Senior Programme and Performance Unit Manager
- Colin Blackburn, Assistant Director of Infrastructure and Housing
- Gareth Sutton, Group Finance Director
- Mike Thomas, Deputy Section 73 Officer
- Simon Tompkins, Finance Manager

Creative Space Management

- Paul Taylor, Director, Creative Space Management
- Simon Walton, Management Accountant, Creative Space Management
- Jonathan Griffin, AMP Centre Manager

Documents reviewed

- AMP Technology Centre Management Agreement (March 2018)
- SRCMCA Constitution containing scheme of delegation and segregation of duties instructions
- SRC Meeting minutes from July 2019 and 2020 containing additional scheme of delegation for the AMP Technology Centre
- Creative Space Management Annual Plans for 2019/20 and 2020/21

For December 2019, January 2020, April 2020, June 2020, and August 2020, we reviewed:

- Creative Space Management Monthly Performance reports to SRCMCA
- Creative Space Management Purchase Order spreadsheet
- Clarity Core extract for tenant invoices
- Management financial reports and reconciliation workings by Creative Space Management
- Audit checks on VAT by MCA finance team
- Sample of tenant lease and license agreements

Appendix 2 - Our assurance levels

The table below shows the levels of assurance we provide and guidelines for how these are arrived at. We always exercise professional judgement in determining assignment assurance levels, reflective of the circumstances of each individual assignment.

Rating	Description
Significant assurance	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are suitably designed to achieve the risk management objectives required by management.</p> <p>These activities and controls were operating with sufficient effectiveness to provide significant assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by no weaknesses in design or operation of controls and only IMPROVEMENT recommendations.</p>
Significant assurance with some improvement required	<p>Overall, we have concluded that in the areas examined, there are only minor weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by minor weaknesses in design or operation of controls and only LOW rated recommendations.</p>
Partial assurance with improvement required	<p>Overall, we have concluded that, in the areas examined, there are some moderate weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide partial assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by moderate weaknesses in design or operation of controls and one or more MEDIUM or HIGH rated recommendations.</p>
No assurance	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are not suitably designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were not operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review</p> <p>Might be indicated by significant weaknesses in design or operation of controls and several HIGH rated recommendations.</p>

Appendix 2 - Our assurance levels (cont'd)

The table below describes how we grade our audit recommendations.

Rating	Description	Possible features
High	Findings that are fundamental to the management of risk in the business area, representing a weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> ▪ Key activity or control not designed or operating effectively ▪ Potential for fraud identified ▪ Non-compliance with key procedures / standards ▪ Non-compliance with regulation
Medium	Findings that are important to the management of risk in the business area, representing a moderate weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> ▪ Important activity or control not designed or operating effectively ▪ Impact is contained within the department and compensating controls would detect errors ▪ Possibility for fraud exists ▪ Control failures identified but not in key controls ▪ Non-compliance with procedures / standards (but not resulting in key control failure)
Low	Findings that identify non-compliance with established procedures, or which identify changes that could improve the efficiency and/or effectiveness of the activity or control but which are not vital to the management of risk in the business area.	<ul style="list-style-type: none"> ▪ Minor control design or operational weakness ▪ Minor non-compliance with procedures / standards
Improvement	Items requiring no action but which may be of interest to management or which represent best practice advice	<ul style="list-style-type: none"> ▪ Information for management ▪ Control operating but not necessarily in accordance with best practice



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