

Hereford City Centre Transport Package (HCCTP) – Link Road Scheme


2016/17

Final Report


Issue Date: 14 June 2016

Working in Partnership to Deliver Audit Excellence




Executive Summary

-  This section provides an overview for senior management to understand the main conclusions of this audit review, including the opinion, significant findings and a summary of the corporate risk exposure.

Findings and Outcomes

-  This section contains the more detailed findings identified during this review for consideration by service managers. It details individual findings together with the potential risk exposure and an action plan for addressing the risk.

Appendices:

-  Audit Framework Definitions
-  Support and Distribution
-  Statement of Responsibility

Executive Summary

Overview

A Councillor had queried inconsistencies of reporting, upon reviewing the Medium Term Financial Statement (MTFS) that was approved for Council on 5th February 2016, when compared with the previous years' spend approved by Council on 6th February 2015 for the Hereford City Link Road.

The Director of Resources (Section 151 Officer) asked internal audit to verify the actual spend for the Hereford City Centre Transport Package (HCCTP) – Link Road Scheme, reviewing total expenditure of the programme to the end of the 2014/15 financial year (31st March 2015).

Objective

The expenditure and forecast stated on MTFS is arithmetically correct, and agrees with the actual total expenditure, for the Link Road Scheme, up to the 31st March 2015.

Summary of findings

I found that the total actual expenditure up to 31st March 2015 was £10,658K which matched the £10,658K reported in the MTFS – February 2016.

There were sub-total differences found against the reported categories 'Fees' and 'Archaeology', however no material differences were found in the 'Land Acquisition' and 'Construction and Demolition' categories reported, which made up 92% of the total reported expenditure. The sub-total differences did not alter the figure reported in the MTFS.

I also verified that the programme, planned spend (including future years) totals £40.6M, as originally reported, however the table in the February 2016 MTFS was not immediately clear, as it listed Hereford City Link Road and Hereford City Centre Transport Package as two separate line entries which listed the programme, planned spend as £27M and £13.6M respectively.

The table below illustrates those differences found in the reported figures.

Total programme expenditure to 31/03/2015			
Description	Reported actual costs including previous years – £000's	Verified actual costs including previous years – £000's	Variance £000's
Construction and Demolition	£3223	£3225	£2
Fees	£324	£398	£74
Archaeology	£88	£12	(£76)
Land acquisitions	£6640	£6640	£0
Capitalised Interest	£383	£383	£0
Total programme expenditure	£10,658	£10,658	£0

Please also refer to detailed findings and the associated recommendation, within this report.

Total programme, planned spend, including future years			
Scheme description	Reported in the February 2016 MTFS, including future years	Verified planned spend including future years	Note
The Hereford City Link Road	£27m	£27m	These two schemes were reported as separate line items in the complete table from the February 2016 MTFS, however these can be considered in combination as the total programme spend
The Hereford City Centre Transport Package (HCCTP)	£13.6m	£13.6m	
Total programme, planned spend	£40.6m	£40.6m	

Well Controlled Areas of the Service

- There were transactional financial records held within a single cost centre, which attributed to actual expenditure on the programme of works, for defined accounting periods.

Risks	Inherent Risk Assessment	Auditor's Assessment
1. If financial reports are not verified, prior to publication, there is a risk that information is incorrect, and that Members, officers and the general public could be misinformed.	High	Low

Findings and Outcomes

Method and Scope

Fieldwork for this audit comprised of a review of the Council's Financial System (Agresso) which contains the transactional financial records for the Hereford City Centre Transport Package (HCCTP). Interviews were conducted with key staff, responsible for the programme of works and financial reporting. An independent analysis was then carried out.

1.1	Risk: If financial reports are not verified, prior to publication, there is a risk that information is incorrect, and that Members, officers and the general public could be misinformed.	Low
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1.1.1 Finding and Impact

I verified that the Total actual expenditure up to 31st March 2015 was £10,658K which matched the £10,658K reported in the MTFs – February 2016.

From the financial accounts in Agresso I could verify that the total of the largest category of expenditure 'Land acquisition' matched that reported, and the total amount for 'Construction and Demolition' was understated by £2K.

I found that there was not a specific analysis code for the category of 'Archaeology' within the cost centre structure. The Construction Manager independently checked that category of expenditure, with oversight from the Head of Corporate Finance. I accepted the costs associated with archaeology as totalling £12,459.11 (£12K), rather than the £88k reported. The difference being associated to contractor 'Fees', for which I verified that category as totalling £398K.

I was able to verify that the programme, planned spend total was £40.6M, as originally reported, however the table, in the February 2016 MTFs, was not immediately clear, as it listed Hereford City Link Road and Hereford City Centre Transport Package as two separate line entries.

1.1.1a Agreed Outcome:

It has been agreed, by the Head of Corporate Finance and Deputy Section 151 Officer, that the relationship between the 'Hereford City Link Road' and 'The Herefordshire City Centre Transport Package' figures are explained in future reports, and that the categories of expenditure are coded to facilitate detailed reporting.

Action Plan:

Person Responsible:	Head of Corporate Finance and Deputy Section 151 Officer	Target Date:	February 2017
Management Response:	Agreed.		

Audit Framework and Definitions

Definition of Corporate Risks	
Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Report Authors

This report was produced and issued by:

- Senior ICT Auditor
- Assistant Director

Support

We would like to record our thanks to the following individuals who supported and helped us in the delivery of this audit review:

- Head of Corporate Finance
- Construction Manager

Distribution List

This report has been distributed to the following individuals:

- Director of Resources and Section 151 Officer
- Director Economy, Communities and Corporate
- Head of Corporate Finance
- Head of Corporate Governance

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Statement of Responsibility

Conformance with Professional Standards
SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Auditing Standards.

SWAP Responsibility

Please note that this report has been prepared and distributed in accordance with agreed Audit Charter and procedures. The report has been prepared for the sole use of the Partnership. No responsibility is assumed by us to any other person.