



Internal Audit

FINAL

## Dacorum Borough Council

Assurance Review of Leisure Contract

2023/24

September 2024

# Executive Summary

**OVERALL ASSESSMENT**

**ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE**

Adequate controls are in place for the management of the current Leisure contract.

**SCOPE**

A periodic review of the controls in place for managing the contracts for the provision of leisure facilities. The audit will focus on the following areas:
 

- An appropriate contract is in place, which sets out key performance indicators /performance targets;
- Variations are controlled in accordance with contractual provisions;
- Performance management and monitoring processes are in place and are robust enough to ensure compliance with performance standards;
- Contract clauses, such as penalties and deductions, are outlined and enforced;
- Payments are made accurately in line with contractual arrangements;
- Management information on contract performance is provided and regularly reviewed; and
- Adequate budget controls are in place.

**KEY STRATEGIC FINDINGS**

- No printed name and/or job title of signatories appears on the contract agreement page.
- More frequent update to committee terms of reference is needed to ensure required attendees and that the council structure is up to date.
- No risks listed on the risk register pertain to the leisure contract management.

**GOOD PRACTICE IDENTIFIED**

- The Leisure contract between Dacorum Borough Council and Sport and Leisure Management Ltd is well defined and suitably signed off by all relevant parties.
- Clear and timely reporting of activities, attendance and finances of the Leisure provider, was evidenced.

**ACTION POINTS**

Urgent	Important	Routine	Operational
0	0	2	1

## Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	The name of an Assistant Director People, Performance & Innovation was not included within the TOR for the Leisure Operating Contract Strategic Board meetings and listed as TBC. This document was dated May 2018, and as such may include an out-of-date list of group members.	Annual update to the TOR for meetings for the Leisure Operating Contract Strategic Board meetings to take place to ensure an up-to-date list of group members and to take into account any changes to council or business structure.	3	<i>The list of meeting is detailed and defined in the LCMC Schedule 1 -Service Specification Section 3 page 149 &amp; 204-206.</i>  <i>Draft calendar of contract and relationship meetings linked to the above schedule has been produced.</i>	31/03/2025	Chris Fennell – Head of Communities and Leisure
2	Directed	The council risk register, Appendix A Strategic Risk Register Update Q4 2022-23, was obtained. However, no risks listed on the risk register pertain to the leisure contract management. Actions taken to protect the service during COVID 19 was evident, but these controls were not defined in the risk register under a business continuity plan.	Risks associated with contracts, for the leisure contract, should be included in the council risk register. This is to ensure that this risk can be considered and weighed as part of the council risk appetite.	3	<i>Leisure Contract – management and monitoring are detailed in the Place, Communities and Enterprise (PCE) Service Plan – Section 17 – Service Operational Risks.</i>	31/03/2025	As above

### 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 Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
1	Directed	A contract for the provision of Leisure services by "Sport and Leisure Management Ltd" dated 29/03/2018 was evidenced. This contract was appropriately signed by both parties, including "The Common Seal" of Dacorum Borough Council as well as signatures of witnesses of the agreement. The contract signature page does not include a printed name of each signatory party, making identification of each agreeing party difficult. An additional formal deed of variation, signed and countersigned in line with contractual requirements, was provided for supplemental agreement and dated 07/07/2022.	As best practice, a printed name and job title should be sought alongside a signature on any documentation. This is to ensure that the signatory can be identified should the document be called into question at any point.	<i>All future leisure contract documents will have a clear printed section for the date, different organisations signatures, job titles and names of the parties signing.</i>

ADVISORY NOTE

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

## Findings



### Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	<b>Governance Framework</b> There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In place	1	1
RM	<b>Risk Mitigation</b> The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	2	-
C	<b>Compliance</b> Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	In place	-	-

### Other Findings

- An up-to-date policy document, the commissioning and procurement standing orders policy dated 2019-2024, was provided on request. This policy document thoroughly details the manner in which Dacorum Borough Council is to seek, tender and accept any new contract.
- The commissioning and procurement standing orders policy dated 2019-2024 clearly describes the scheme of delegation, including financial cost of a contract each role is authorised to agree to and what steps must be followed in order to complete a contract agreement. The policy document provides guidance on each regulation to be adhered to and provides embedded links to each, including financial regulations.
- Section 13 of the Leisure Operator contract relates to Principal Obligations and starts with Standard of performance. Section 37, page 203 refers to Operating performance and Financial Reporting. Citing frequency and dates for reporting each area of the business.
- It has been advised by the Head of Commercial Development that no defined SLAs are included or managed in the contractual agreement.
- KPIs were evidenced to monitor progress of leisure contractor, no KPI was evident for the management of contract by council.

## Other Findings



Section 2 of the finance & resources Overview and Scrutiny Committee document states the "operational board" is to meet on a monthly basis to discuss operations, KPIs, finances and maintenance of sites under any contract.



Quarterly financial reports from the last 12 months from Everyone Active were provided to evidence regular reporting of contract finances in line with contractual agreement.



Three quarterly reports, for October to December 2022, January to March 2023 and April to June 2023, as well as the Strategic Leisure Board summary from October 2022. Each report provided evidence of correct frequency of reporting, as well as adequate and sufficient information reported. Only the Strategic Leisure Board summary included attendees to the meeting. One invoice to Everyone active was provided, this invoice covered October and November 2023. Evidence for timely and accurate payment for this invoice was provided, demonstrating payment received 27/11/2023.








**Delivery Risk:**

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	<b>Performance Monitoring</b> There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In place	-	-
S	<b>Sustainability</b> The impact on the organisation's sustainability agenda has been considered.	In place	-	-
R	<b>Resilience</b> Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	-

**Other Findings**

-  Minutes from the 22/23 Q2, Q3 and Q4 Strategic, and for 2023/24, Leisure Board meetings were evidenced. This confirms that quarterly reports are taking place in line with the TOR for this contract.
-  Evidence for KPI monitoring was provided in the 3.0 KPI Master documents (year 5 complete and year 5 Q3) this document included detailed KPI targets and compared this to actual KPI result for the previous year. The report shows target set pre covid of 539,000 annual usages. This figure dropped considerably in Q1, to 194,702 but has shown an increase into Q3, up to 727,334. Targeted membership numbers of 5,756 have not been met so far, and has fluctuated at 4,800, 5182 and 4,950. This demonstrates that though fewer members have joined, usage is up, membership levels are increasing on average and that this information has been reported clearly. Customer feedback reports were included in the KPI monitoring reports and all demonstrated that customer satisfaction met target levels of 80%.
-  Minutes from the 22/23 Q2, Q3 and Q4 Strategic Leisure Board meetings were evidenced, to confirm that regular reporting to the committee was taking place in line with terms of reference and reporting has been in line with contract. Both attendance and absences were noted, ensuring that appropriate persons from both DBC and Everyone active were in attendance.
-  Sections 2.4, 5.1, 10, of the commissioning & procurement standing orders policy document state that environmental considerations and sustainability must be considered and be in line with council strategies. Links to the council sustainability strategy is embedded in Appendix 2 of the same document.
-  An embedded link to the council's level one cooperates business continuity plan is included in Appendix 2 of the COMMISSIONING & PROCUREMENT STANDING ORDERS, provides evidence that the council's BCP is in place an encompasses leisure contracts.

## Scope and Limitations of the Review

1. 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. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

## Disclaimer

2. The matters raised in this report are only those that came to the attention of the auditor during the course of the 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.

## Effectiveness of arrangements

3. The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

<b>In place</b>	The control arrangements in place mitigate the risk from arising.
<b>Partially in place</b>	The control arrangements in place only partially mitigate the risk from arising.
<b>Not in place</b>	The control arrangements in place do not effectively mitigate the risk from arising.

## Assurance Assessment

4. The definitions of the assurance assessments are:

<b>Substantial Assurance</b>	There is a robust system of internal controls operating effectively to ensure that risks are managed, and process objectives achieved.
<b>Reasonable Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

## Acknowledgement

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

## Release of Report

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

Stage	Issued	Response Received
<b>Audit Planning Memorandum:</b>	23 <sup>rd</sup> August 2023	1 <sup>st</sup> October 2023
<b>Draft Report:</b>	5 <sup>th</sup> July 2024	6 <sup>th</sup> September 2024
<b>Final Report:</b>	12 <sup>th</sup> September 2024	



# AUDIT PLANNING MEMORANDUM

## Appendix B

<b>Client:</b>	Dacorum Borough Council		
<b>Review:</b>	Leisure Contract		
<b>Type of Review:</b>	Assurance	<b>Audit Lead:</b>	RG - Auditor

<b>Outline scope (per Annual Plan):</b>	A periodic review of the controls in place for managing the contracts for the provision of leisure facilities. The audit will focus on the following areas: <ul style="list-style-type: none"> <li>• An appropriate contract is in place, which sets out key performance indicators /performance targets;</li> <li>• Variations are controlled in accordance with contractual provisions;</li> <li>• Performance management and monitoring processes are in place and are robust enough to ensure compliance with performance standards;</li> <li>• Contract clauses, such as penalties and deductions, are outlined and enforced;</li> <li>• Payments are made accurately in line with contractual arrangements;</li> <li>• Management information on contract performance is provided and regularly reviewed; and</li> <li>• Adequate budget controls are in place.</li> </ul>		
<b>Detailed scope will consider:</b>	<p><b>Directed:</b></p> <p>Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.</p> <p>Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.</p> <p>Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.</p>	<p><b>Delivery:</b></p> <p>Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.</p> <p>Sustainability: The impact on the organisation's sustainability agenda has been considered.</p> <p>Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.</p>	
<b>Requested additions to scope:</b>	(if required then please provide brief detail)		
<b>Exclusions from scope:</b>	None		

<b>Planned Start Date:</b>	01/09/2023	<b>Exit Meeting Date:</b>	02/02/2023	<b>Exit Meeting to be held with:</b>	Head of Commercial Development
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### SELF ASSESSMENT RESPONSE

<b>Matters over the previous 12 months relating to activity to be reviewed</b>	<b>Y/N (if Y then please provide brief details separately)</b>
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc?	N
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	N
Have there been any significant changes to the process?	N
Are there any particular matters/periods of time you would like the review to consider?	N