

**Powys County Council
Governance and Audit Committee**

Committee:	Governance and Audit Committee
Date:	18 th April 2024
Subject:	Internal Audit: Adverse Opinion Report (Red Dragon Project)

1. Who will be the Lead Officer(s) / Lead Cabinet Member(s) presenting the report?

Name:	Role:
Ian Halstead	Assistant Director (Powys) -SWAP

2. Why is the Committee being asked to consider the subject?

It is the responsibility of the Head of Internal Audit to make the Committee aware of any potential areas of significant control weakness or concern.

The Committee is asked to consider an internal audit report on the Red Dragon Project, which has a "Limited Assurance" opinion.

The report focuses on the roles and responsibilities of differing parts of the Council and the collective intention to successfully deliver the project, whilst financially safeguarding 3rd party subcontractors.

The specific main issues identified in the report were:

1. A disjointed contract management process.
2. An absence of clear guidance that is supported by an effective training regime.
3. Slow collective response to indicators of financial concern.
4. The agility of the Project Bank Account (PBA) scheme
5. Unclear roles and responsibilities that includes effective collective administration and management.

Contributing to those specific issues were wider behaviours such as:

1. Silo Approach - An inward focus on service specific parts of the project that allowed some tasks to drift or fail.
2. Optimism Bias – The Council were optimistic that the project would be delivered without any significant obstacles and so the importance of progressing the Project Bank Account diminished.
3. Ownership and Oversight – The hierarchy of governance was unclear and lacked a Senior Responsible Officer (SRO) with authority to have oversight for all aspects of the project.

The report on the Red Dragon Project – the Project Bank Account is attached for information. Appendix 1 of the report contains an action plan that has been collated by the Council. However, the lessons that should be learned from this project equally apply to all projects delivered the Council.

3. Role of the Committee:

The Governance and Audit Committee's role is to seek assurance that effective mitigation has been put in place to remediate any issues and manage the risks.

4. Key Questions:

The Governance and Audit Committee are asked to review the report and the arrangements in place to ensure that:

- Management actions are sufficient to correct the issues identified
- Management actions are timely, preferably in the progress or have implemented.
- Assurance is received that the areas of risk are no longer present or will be mitigated.
- The lessons learned are used to give better outcomes for all projects across the Council.

Key Feeders (tick all that apply)

Strategic Risk		Cabinet Work Plan	
Director / Head of Service Key Issue		External / Internal Inspection	x
Existing Commitment / Annual Report		Performance / Finance Issue	
Suggestion from Public		Referral from Council / Committee	x
Corporate Improvement Plan		Impacting Public / other services	
Service Integrated Business Plan			
Suggestion from Members			
Partnerships			

Key Impact (tick all that apply)

Policy Review		Performance	
Informing Policy Development		Evidence Gathering	
Risk	x	Corporate Improvement Plan	
Service Integrated Business Plan		Partnerships	
Pre-Decision Scrutiny		Finance / Budget	x