



MOORE STEPHENS

E20 Stadium LLP
Internal Audit Report for the
London Legacy Development Corporation

Confidential
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April 2015

Contents

	Page
1 Executive Summary	3
2 Key Findings	5
A Additional information	15
B Audit objectives, Risks & Scope	15
C Audit definitions	16
D Staff consulted during review	17

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1 Executive Summary

Introduction

- 1.1 This audit was completed in accordance with the LLDC annual Internal Audit plan for 2014/15 and approved by the Audit Committee. Our work on E20 Stadium LLP governance has been undertaken by means of analysis of the key supporting documents, namely policies and procedures, minutes of meetings, Board papers, interviews with key staff and sample testing.
- 1.2 E20 Stadium LLP is a limited liability partnership whose members are LLDC and Newham Legacy Investments Limited (NLI), a wholly owned subsidiary of Newham London Borough Council (LBC). The purpose of the LLP is to operate the Stadium with the intention of delivering the expected legacy benefits while delivering a programme of sport, community, cultural and commercial events, allowing year round community access; directly or through contracts with one or more specialist companies, to maximise the commercial elements of use of the Stadium; and to undertake such other business as may be decided upon by the members.
- 1.3 The operation and management of E20 Stadium LLP is placed in the hands of a Board comprising 5 voting members (3 from LLDC and 2 from NLI) and the non-voting chief executives of LLDC and Newham LBC. A review of LLDC's arrangements for providing support to E20 Stadium LLP was conducted in 2013/14 which established a 'roadmap' which was presented to the March 2014 Audit Committee. Since then the Legacy Corporation has agreed and commenced implementation of a range of actions including, but not limited to:
- accounting policies have been formulated for E20 Stadium LLP Board approval;
 - a Schedule of Services has been agreed between LLDC and E20 Stadium LLP for E20 Stadium LLP Board approval;
 - the first E20 Stadium LLP Project Board has been held, chaired the Executive Director of Stadium;
 - an E20 Stadium LLP Change Board has been set up to consider changes to the project, including calls on project contingency. Where required the E20 Stadium LLP Change Board will seek approval to call on LLDC's corporate contingency, which would be taken to LLDC's own Change Board for approval of any additional capital injections.

Review objectives and approach

- 1.4 The objective of this audit was to:
- provide assurance on the implementation of recommendations presented in the E20 Stadium LLP Roadmap report, and
 - provide assurance on the adequacy and effectiveness of the governance framework and arrangements pertaining to the relationship between LLDC and E20 Stadium LLP, E20 Stadium LLP and the Stadium Operator, and LLDC and the Operator to ensure effective support, oversight and risk management by LLDC, whilst protecting its interests.
- 1.5 This involved an evaluation of:
- the current governance arrangements;
 - financial systems and processes pertaining to how transactions related to E20 Stadium LLP are tracked, recorded and processed;
 - policies and procedures for the activities of E20 Stadium LLP (e.g. Scheme of Delegation of authority, accounting policies, Schedule of Services, Service Agreement etc.), and
 - the arrangements for overseeing and monitoring the activities of the Stadium Operator.

Key conclusions

 (Green-Amber)

Generally a good control framework is in place. However, some minor weaknesses have been identified in the control framework or areas of non-compliance which may put achievement of system or business objectives at risk.

- 1.6 Overall we found that good progress was made towards the full implementation of recommendations presented in the E20 LLP Roadmap report. We were provided with supporting documents confirming that the majority of the recommendations raised in the E20 Stadium LLP Roadmap report had been fully implemented. Based on the work carried out, we consider that the governance framework and arrangements relating to the relationships between E20 Stadium LLP and LLDC are generally adequate, and documents provided to us confirm that they are operating as expected. For example; a Services Agreement (SA) between the two companies, has been developed and approved appropriately, a Members Agreement is in place, and both LLDC's Investment Committee and the E20 Board have worked corroboratively and effectively throughout the procurement process for the Stadium Operator. In addition, a Recharge Agreement between the two entities has been developed to ensure that both parties are able to protect their commercial and/or financial risks.
- 1.7 However, there were 2 key areas for improvement noted during our review:
- E20 Stadium LLP does not have a Disaster Recovery and a Business Continuity Plan – although we acknowledge that the newly appointed Operator will be responsible for developing both plans in relation to the operational activities of the Stadium, however, we consider that it is necessary for E20 Stadium LLP to obtain an indication from the operator as to when it plans to develop both plans.
 - At the time of our audit visit, management framework setting out specific details that how E20 Stadium LLP will manage and monitor the activities of the operator was not defined, documented and agreed with the operator.

Recommendations summary table

- 1.8 The following table summarises the recommendations made across the key risks audited, grouped by priority ratings:

	Key risk area	Rating		Recommendation Priority rating		
		1	2	3	1	2
1	Failure to manage and operate E20 Stadium LLP as a separate entity due to inadequate governance arrangements, thereby increasing LLDC's risk exposures.	Green	Amber	-	2	-
2	Inaccurate, incomplete and unclear recording of transactions pertaining to E20 Stadium LLP due to inadequate financial systems and processes.	Green		-	-	1
3	Lack of appropriate and/or inadequate policies and procedures for the activities of E20 Stadium LLP (e.g. Scheme of Delegation of authority, accounting policies, Schedule of Services, Service Agreement etc.).	Green		-	-	-
4	Inadequate and/or ineffective arrangements for overseeing and monitoring the activities of the Operator.	Green	Amber	-	1	-
Total recommendations made				-	3	1

- 1.9 The following tables in Section 2 Key Findings show the results of our analysis by each key risk area. Areas for improvement are highlighted with the key recommendations in the right-hand columns.

2 Key Findings

Key Risk Area 1: Adequacy of governance arrangements

Assessment: Green Amber

Background

As per the E20 Stadium LLP Roadmap, a Service Level Agreements (SLA) between the E20 Stadium LLP and LLDC should be in place. This must clearly describe the scope and the costs attributed to each party, as requirements regarding transfer pricing may be onerous. According to the Roadmap report, a list of services provided to E20 Stadium LLP should be prepared by LLDC and approved by LLDC's Board. The Roadmap report also stated that, where relevant and provided that procurement law allows this, contracts should be novated after identifying the two parties involved. All capital works, goods and services contracts between the E20 Stadium LLP and contractors should be signed to confirm approval on behalf of the E20 Stadium LLP.

1.1 Service Level Agreement and other contractual arrangements

Findings & implication

Positive findings

- We confirmed that a Services Agreement (SA) between E20 Stadium LLP and LLDC is in place. We noted that the SLA clearly describes the scope and the costs attributed to each party, and that it contains an agreed schedule of services to be provided by LLDC. The agreement was signed to confirm approval on behalf of both parties on 25 September 2014. Some of the services included in the SLA are:
 - Procurement;
 - IT;
 - Insurance;
 - Human Resources, and
 - Finance and Accounting.
- We confirmed that a Conflict of Interest Policy for LLDC is in place. We reviewed content of the policy and noted that the arrangements included therein are adequate insofar as they enable LLDC to identify and manage potential conflicts of interests for staff who are involved in E20 Stadium LLP activities. This also includes any issues related to the procurement process.
- Amongst the services allocated within the Service Matrix section of the Contract Agreement with the stadium operator is the preparation, review and monitoring of both the Business Continuity and

Recommendation

1. We recommend that:
 - a) a timetable for developing a Business Continuity Plan and Emergency Plan with regard to the stadium's operations is agreed with the operator;
 - b) E20 should develop and agree a BCP in relation to the operation of the stadium. This will help ensure that stadium services can continue to an acceptable level until normal operations are resumed in the event of the operator going out of business.


Priority 2



Findings & implication	Recommendation
<p>Emergency Plan in relation to the stadium's operations.</p> <ul style="list-style-type: none">• Although a Business Continuity plan has not been developed yet for E20 Stadium LLP, we confirmed that a Business Impact Analysis (BIA) process was carried out to identify the importance of each business activity undertaken by the Stadium Directorate. A report confirming that this exercise had been carried out for the Stadium Directorate was provided to us. The report concludes that the Stadium Directorate is generally resilient.• It was confirmed to us by management that as the Stadium Directorate is resilient as per the BIA report, a Business Continuity Plan is not considered to be necessary.• A Board paper providing Board members with an Executive Summary of the E20 Stadium LLP Business Plan was presented to the E20 Board for review and consideration in March 2014. The Business Plan was updated to reflect the progress made in terms of procuring an Operator at the time.• We confirmed that an update report on the E20 Business Plan following the appointment of the Stadium operator was prepared for review by the E20 Board in March 2015. We also noted that an updated version of the Business Plan was currently in draft at the time of our audit visit.• The Business Plan covers the transformation of the stadium, temporary operational period from July 2015 to October 2015 and the pre-permanent opening stage between November 2015 and summer 2016.• We reviewed content of the Contract Agreement between E20 Stadium LLP and the appointed operator and confirmed that it contains clauses and provisions relating to the obligation to hold insurance for the stadium. For example, under section 18.2 it is stated that the "Operator shall take out and maintain in force or procure the taking out and maintenance of the insurances in accordance with, and for the term specified in Part B of Schedule 5 (Insurances) and any other insurances as the Operator is required to hold under Applicable Laws".• Although, Transport for London (TfL) took over insurance support on a shared service basis in September 2014, an Insurance Consultant was appointed on an interim basis to advise E20 Stadium LLP on how to ensure that the Stadium has appropriate insurance cover following completion of the transformation phase.• We reviewed supporting documents and confirmed that all capital works contract agreements had been signed with E20 Stadium LLP where the contractor is providing services to E20 Stadium LLP. Where relevant and provided that procurement law allows, contracts are novated after identifying the two parties involved. <p>Areas for improvement and implication</p> <ul style="list-style-type: none">• Whilst the responsibility for developing and maintaining both the Business Continuity and	<p>Management response</p> <p>Accept</p> <p>Action: Agree and develop a business continuity and emergency plan with the Stadium operator; develop and agree a BCP in relation to the operation of the Stadium to ensure services can continue in the event of the operator going out of business.</p> <p>Action Owner: [REDACTED]</p> <p>Completion date: June 2015</p>

Findings & implication	Recommendation
<p>Emergency Plans has been allocated and agreed within the contract agreement, an indication of when both plans should be/or are expected to be in place has not been agreed.</p>	

1.2 Governance and oversight

Findings & implication	Recommendation
<p>Positive findings</p> <ul style="list-style-type: none"> As per the Members Agreement, overall supervision and management of the business is the responsibility of the E20 Stadium LLP Board and they have authority to act on behalf of the LLP and the members in all matters in connection with the business and with the intention of achieving the objectives set out in the business plan for the benefit of the members and so as to preserve and enhance the legacy benefits. We confirmed through review of Board minutes and papers that the Board had met regularly during the last 12 months. We noted that Board papers and matters discussed included; updates to the Business Plan, approval of key documents such as the Recharge Agreement and SA, updates on the E20 construction project, and other strategic matters relating to the E20 project. We noted that risks arising from the stadium construction works are managed through the project management process which is managed by Mace. Also, we found that risks relating to the E20 Stadium Directorate are identified, assessed and managed through the Directorate Summary reports which are presented to the EMT on a weekly basis. The E20 Board agreed to the Creation of a Finance and Audit Committee. Terms of reference for the committee were presented to the E20 Board and approved. The Board also agreed to the proposed committee membership, and the timetable. However, until the time of our audit visit, the Finance and Audit Committee had not met, but it was confirmed to us that it will be meeting for the first time on 14 April 2015. We reviewed content of the current iteration of the terms of reference for the Finance and Audit Committee and noted that it clearly outlines: <ul style="list-style-type: none"> the committee's role and responsibilities in relation to; financial reporting, internal control and risk management, compliance, fraud and whistle blowing, internal audit, external audit and 	<p>2. The risk register should be treated as a standing agenda item for the E20 Board to ensure that business risks are managed effectively from an E20 Stadium LLP perspective.</p> <p>Priority 2 </p> <p>Management response</p> <p>Accept</p> <p>Action: Ensure risk register is a standing item on both the E20 Stadium LLP Board and the Finance and Audit Committee agendas, Action Owner: XXXXXXXXXX</p> <p>Completion date: May 2015</p>

Findings & implication	Recommendation
<p>financial performance;</p> <ul style="list-style-type: none">– timetable and frequency of meetings– members including their individual roles and responsibilities.– monitor and review the effectiveness of the company’s internal audit function in the context of the company’s overall risk management system;– review and assess the annual internal audit plan, and– to review and monitor management’s responsiveness to the findings and recommendations of the internal auditor. <ul style="list-style-type: none">• E20 Stadium LLP budget is monitored by LLDC Executive Management Team (EMT) basis as part of the management accounts which are prepared by the LLDC’s Finance Team. Monthly management accounts include a detailed income and expenditure analysis as well as a comparison between actual and budgeted income and expenditures.• We confirmed that an E20 Stadium Change Board had been established to consider changes to the project, including call on project contingency.• We confirmed that pre-concession agreements which have been entered into to redevelop the stadium have been led by LLDC as per schedule 4 of the members agreement. We noted through review of minutes that the LLDC Investment Committee has had significant involvement in the appointment of the stadium Operator. For example, we established that the committee was provided with regular updates on the Operator Plus procurement process, and that it made the decision to award the Operator contract in accordance with the delegated authority it had been given by the LLDC Board on 23 September 2014.• We reviewed content of E20 Board minutes and confirmed that the ‘Declaration of Interests’ is a standing agenda item. Also, we noted that Board members are required to submit existing registers of interests where applicable.• We also established through the recent E20 Stadium Construction Programme review, and through interview discussions with management that, from a business continuity perspective, risks arising from the Stadium construction are managed through the project management function in consultation with Mace. <p>Areas for improvement & implication</p> <ul style="list-style-type: none">• Based on review of the content of E20 Board minutes and Board Paper, we found that the E20 Stadium LLP’s risk register is not discussed regularly to ensure that risks are appropriately assessed and managed to ensure that the organisation meets its business objectives.	

Key Risk Area 2: Inaccurate, incomplete and unclear recording of E20 transactions

Assessment:

Green

Background

All the expenditure pertaining to E20 Stadium LLP should be recorded in a separate database or ledger within the main accounting system to ensure that financial records are accurate, clear and complete. An Audit Committee should be in place to monitor the integrity of the financial statements of the company and also review significant financial reporting issues. Accounting policies should also be reviewed annually to ensure that financial statements are presented in true and fair manner..

We reviewed E20 Board minutes and supporting documents to confirm whether an Audit Committee had been established, and that accounting policies had been developed and approved correctly. For a sample of recent E20 Stadium LLP transactions, we tested to determine whether they had been correctly recorded in a separate ledger account within the main accounting system (PSF). In addition, we tested a sample of invoices paid, but incorrectly charged to LLDC's account to determine whether a corresponding credit note had been received, and that transaction were correctly recorded within PSF.

2.1 Delegation of Authority and the recording of financial transactions, and preparation of statutory accounts

Findings & implication

Recommendation

Positive findings

- A current Scheme of Delegations was adopted by the LLP board on 20 December 2013. It provides the E20 LLP Board (“the Board”) with a Deed of Variation which gives the LLP a power to sub-delegate and increase its power to spend. This Scheme of Delegations sets out how the LLP subsequently delegates that power to officers of LLDC and NLI.
- We confirmed that amendments had been made to the prevailing Scheme of Delegation in order to give the Stadium Director authority to approve revenue expenditure. We also confirmed that E20 Board was informed of the need to make further changes to the Scheme of Delegation in the coming periods as E20’s governance and staffing becomes more established.
- We confirmed through sample testing that financial transactions relating to E20 LLP are recorded separately in a separate E20 Ledger within PSF.
- We found that for a sample of 10 E20 Stadium LLP invoices that had been incorrectly charged to LLDC, a credit note had been received, retained on file, and corrective accounting entries had been made within PSF.
- We confirmed that E20 Stadium LLP accounting policies had been developed, and that they were approved by the E20 Board in May 2014 for the preparation of E20 Stadium LLP financial statements for the year ending 31 March 2014.
- Annual report and financial statements for E20 Stadium LLP were prepared for the period ending 31 March 2014. Management confirmed to us that KPMG as accounting and financial adviser to LLDC will produce statutory financial statements (2014/15) of E20 Stadium LLP on a timely basis.

None




Management response

N/A

Findings & implication	Recommendation
<p>Areas for improvement & implication</p> <ul style="list-style-type: none"> • None 	

2.2 Financial Arrangements

Findings & implication	Recommendation
<p>Positive findings</p> <ul style="list-style-type: none"> • Time spent by LLDC staff on E20 Stadium LLP matters is systematically identified, tracked, recorded and used to calculate recharges charged to E20 Stadium LLP. An excel spread-sheet is used to track time spent by LLDC staff on E20 Stadium activities .This helps to ensure that an adequate audit trail is maintained, and that LLDC recharges are accurate, and complete. • The cost of services provided to E20 stadium LLP by LLDC are charged to the accounts of E20 in accordance with an SA between the two organisations. • Costs incurred to date for E20 since 1st April 2013, were accrued within PSF whilst the Recharge Agreement was being negotiated and approved by both parties. A system is in place for regular recharging as this is an ongoing process. • Costs are calculated in accordance with Transfer Pricing requirements (i.e. full-cost recovery basis). We noted that supporting documents and/or evidence such as workings are retained centrally to ensure an adequate audit trail. We reviewed supporting documents, and confirmed that appropriate records demonstrating how recharge costs are arrived at are retained centrally to ensure an adequate audit trail. Also, we found that records are retained as an audit trail for all other E20 financial activities including payment of sales invoices. • We found that VAT implications arising from E20 invoices that had incorrectly been processed and charged to LLDC, had been addressed making corrective accounting entries in PSF. Also, we established through interview discussions and review of supporting documents that VAT implications are considered when calculating recharge costs. • We found that records related to E20 Stadium LLP (including those used to calculate recharge costs) are retained in a specific drive on the network (S-Drive) – access to which is appropriately 	<p>3. The LLP should either appoint an Internal Auditor or document a justification of why it does not require one. This matter should be resolved by the Audit Committee, and a final decision reported to the E20 Board.</p> <p>Priority 3</p> <p></p> <p>Management response</p> <p>Accept</p> <p>Action: Raise the appointment of internal auditors with the E20 Stadium LLP Finance and Audit Committee and present recommendations to the E20 Stadium LLP Board</p> <p>Action Owner: Martin Gaunt</p> <p>Completion date: May 2015</p>

Findings & implication	Recommendation
<p>restricted.</p> <p>Areas for improvement & implication</p> <ul style="list-style-type: none">• There is an need to appoint an Internal Auditor for E20 Stadium LLP, and/or document why such an appointment is not necessary or applicable. The role of an Internal Auditor will be to help the E20 Board and Member bodies to protect the assets, reputation and sustainability of the organisation.• At the time of our audit visit, a nominated Finance Officer for E20 Stadium LLP had not been appointed. It was confirmed to us by management that the Executive Director of Finance and Corporative Services will be acting in this capacity until the Finance Manager for E20 Stadium LLP is appointed. A formal recommendation has not been raised.	

Key Risk Area 3: Policies and procedures

Assessment:

Green

Background

Organisations need to have adequate governance and operational policies and procedures to ensure that organisational practices are consistent, and to minimise the risk of inappropriate and/or unauthorised actions by staff. At the time of our audit visit, E20 Stadium LLP had not employed its own policies and procedures for certain activities such as Finance and HR. Consequently, LLDC’s HR & Finance policies and procedures are currently used in the interim transitional period until E20 implements its own policies. We reviewed content of Board papers and key supporting documents to establish whether adequate policies and procedures had been developed and approved to manage operations of the company.

Findings & implication

Positive findings

- We confirmed that E20 Stadium LLP Governance Policies have been defined, documented, and that they were approved by the E20 Board in March 2014. Governance policies approved include:
 - Health and Safety Policy;
 - Procurement Code;
 - Anti-Bribery and Corruption Policy, and
 - Information Request Handling Protocol.
- Purchase order and invoice authorisation systems have been designed and implemented. These are now fully operational and have been implemented.
- We tested a sample of 10 E20 Stadium transactions for the period April 2014 to date, to ensure that PO and invoice authorisation templates have been developed and implemented.
- Sample testing identified that in all cases tested:
 - an Invoice Approval Form had been prepared and approved correctly;
 - sales invoices from the contractor had been matched to the relevant PO;
 - matched to a GRN, and a
 - payment certificate had been approved correctly.

Areas for improvement & implication

- None

Recommendation

None.



Management response

N/A

Key Risk Area 4: Arrangements for overseeing and monitoring activities of the operator

Assessment: Green Amber

Background

On 29 October 2014 the E20 LLP Board approved the appointment of the London Stadium 185 Limited (Vinci) consortium as the Operator for the Stadium and delegated the Chief Executive of LLDC and London Borough of Newham to finalise the contract. In January 2015, E20 Stadium LLP agreed a concession arrangement with Vinci to operate and exploit the Stadium and South Park. This arrangement grants considerable freedom to Vinci to operate the stadium and maximise its commercial success. E20 Stadium LLP has limited control on event and operations, aside from its obligation to fulfil primary user agreements with West Ham United, UK Athletics and the 2015 Rugby World Cup. An Interim Stadium Director was appointed in January 2015. Part of his role will involve the establishment of arrangements for overseeing and monitoring the Operator's activities. However, E20 core staff are expected to be appointed by autumn 2015. Permanent roles will include; a Stadium Director, Assistant Director, Finance Manager and an Administration Assistant. The Stadium Director will have overall responsibility for overseeing, managing and monitoring the operator's activities.

We interviewed key staff to ascertain current plans in place for establishing arrangements for overseeing and monitoring the operator's activities. Also, we reviewed content of the agreed contract between E20 Stadium LLP and Vinci to determine whether it covered appropriate clauses and provisions that will enable E20 Stadium LLP to monitor and manage Vinci's activities effectively. We tested to verify whether specific clauses and/or provisions had been incorporated in the contract agreement to facilitate sufficient control throughout the contract duration.

4.1 Arrangements for overseeing and monitoring operator's activities


Findings & implication

Positive findings

- A stadium operator (Vinci) has been appointed following appropriate authorisation by the E20 Stadium LLP Board.
- Commercial Arrangements pertinent to the concession agreements have been clearly outlined within the Contract Agreement, and have been communicated to the E20 Stadium LLP Board.
- The Contract Agreement contains a Service Matrix which sets out the services to be provided by the relevant parties (including the Operator and E20 Stadium LLP) during the course of the Agreement.
- Also contained in the Contract Agreement is a schedule that outlines Key Performance Indicators (KPIs) in relation to the operator's performance. In this section of the contract, KPIs are categorised, targets recorded, assessed, and defined. In addition, measurements and reporting mechanisms and requirements have been defined and documented within the contract agreement.
- We noted that KPIs included in the Contract Agreement are; specific, measurable, achievable,

Recommendation

4. A management framework setting out in specific details how E20 Stadium LLP will manage and monitor the activities of the operator should be defined, documented and agreed with the operator. This should build on the contract management arrangement mentioned in the contract agreement, and it should be agreed with the operator. The framework should:
 - a) define and/or describe how the operator's KPIs are incentive driven to encourage the operator to achieve more than the acceptable level. For this can be done by linking performance against budget reduction;
 - b) outline how key KPIs included in the Contract Agreement are linked to payment mechanisms where appropriate;
 - c) define and/or outline the contract audit arrangements to ensure compliance with the agreed contract clauses,

Findings & implication	Recommendation
<p>relevant and time-bound.</p> <ul style="list-style-type: none">• Clauses and/or provisions for benchmarking have also been incorporated into the contract agreement. For example, the operator is required to maintain the pitch to a standard and quality benchmarked against other international and Premier League stadiums.• The contract agreement requires both Vinci and E20 Stadium LLP to nominate a representative in writing who will have the authority to liaise with the other in connection with the Services to be performed under the Agreement.• The Contract Agreement clearly outline the type of information, and the frequency with which the operator will be required to provide such information to E20 Stadium LLP as part of the contract management process. This includes:<ul style="list-style-type: none">– a full record of all incidents relating to health, safety and security which occur during the Term;– a register of all complaints or claims for injury or damage to persons or property, including where the information is available, the date of the relevant incident, name and address of the complainant, the nature of the complaint and the action/remedy taken and all other information necessary to enable the Operator to act in accordance with any agreed customer care policy; and– full records of all maintenance works and procedures carried out during the contract period.• The contract agreement states that meetings between E20 Stadium LLP representatives and the Operator's representatives will take place at such times, dates and locations as are agreed between the parties, to discuss the Operator's performance by reference to the specification, contracts with suppliers, promoters or sponsors, and any other issues, at intervals of:<ul style="list-style-type: none">– one week until the performance of the Events due to be held in 2015; and– one month thereafter. <p>Areas for improvement & implication</p> <ul style="list-style-type: none">• It is not clear what formal management framework is in place at E20 Stadium LLP to monitor the performance of the Operator and to ensure that it complies with the agreement and delivers on the KPI's .	<p>performance criteria, legislation and Health, Safety and Environment (HS&E).</p> <p>Priority 2</p> <p></p> <p>Management response</p> <p>Accept</p> <p>Action: Agree a management framework with Vinci</p> <p>Action Owner: Martin Gaunt</p> <p>Completion date: June 2015</p>






A Additional information

None




B Audit objectives, Risks & Scope

Terms of reference	
Objectives and Scope	<ul style="list-style-type: none"> To provide assurance on the implementation of recommendations presented in the E20 Stadium LLP Roadmap report. To provide assurance on the adequacy and effectiveness of the governance framework and arrangements pertaining to the relationship between LLDC and E20 Stadium LLP, E20 Stadium and LLP and the Operator, and LLDC and the Operator to ensure effective support, oversight and risk management by LLDC, whilst protecting its interests.
Key risk areas	<ul style="list-style-type: none"> Failure to manage and operate E20 Stadium LLP as a separate entity due to inadequate governance arrangements, thereby increasing LLDC’s risk exposures; Inaccurate, incomplete and unclear recording of transactions pertaining to E20 Stadium LLP due to inadequate financial systems and processes; Lack of appropriate and/or inadequate policies and procedures for the activities of E20 Stadium LLP (e.g. Scheme of Delegation of authority, accounting policies, Schedule of Services, Service Agreement etc.); Inadequate and/or ineffective arrangements for overseeing and monitoring the activities of the Operator.

C Audit definitions

Opinion/conclusion	
 (Green)	Overall, there is a sound control framework in place to achieve system objectives and the controls to manage the risks audited are being consistently applied. There may be some weaknesses but these are relatively small or relate to attaining higher or best practice standards.
 (Green-Amber)	Generally a good control framework is in place. However, some minor weaknesses have been identified in the control framework or areas of non-compliance which may put achievement of system or business objectives at risk.
 (Amber)	Weaknesses have been identified in the control framework or non-compliance which put achievement of system objectives at risk. Some remedial action will be required.
 (Amber-Red)	Significant weaknesses have been identified in the control framework or non-compliance with controls which put achievement of system objectives at risk. Remedial action should be taken promptly.
 (Red)	Fundamental weaknesses have been identified in the control framework or non-compliance with controls leaving the systems open to error or abuse. Remedial action is required as a priority.

Any areas for improvement are highlighted with the key recommendations in the right-hand columns. The symbols summarise our conclusions and are shown in the far right column of the table:

Good or reasonable practice	
An issue needing improvement	
A key issue needing improvement	

Recommendation rating	
Priority ranking 1:	There is potential for financial loss, damage to the organisation's reputation or loss of information. This may have implications for the achievement of business objectives and the recommendation should be actioned immediately.
Priority ranking 2:	There is a need to strengthen internal control or enhance business efficiency.
Priority ranking 3:	Internal control should be strengthened, but there is little risk of material loss or recommendation is of a housekeeping nature.

D Staff consulted during review

Name	Job title
Colin Naish	Executive Director of Stadium
Mark Camley	Executive Director of Park Operations and Venues
Greg Smith	Project Sponsor
[REDACTED]	Senior Programme Manager
Gerry Murphy	Executive Director of Finance and Corporative Services
Richard Irish	Financial Controller
Rachel Massey	Head of Programme Management and Governance
[REDACTED]	Finance Business Partner
Martin Gaunt	Project Manager, Stadium Directorate

We would like to thank these staff for the assistance provided during the completion of this review.