MAYOR OF LONDON
OFFICE FOR POLICING AND CRIME

DIRECTORATE OF AUDIT, RISK AND ASSURANCE
Internal Audit Service to the GLA

REVIEW OF
LONDON ENGAGEMENT (MARKETING AND EVENTS)

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EXECUTIVE SUMMARY

1.   Background

1.1   The audit was carried out as part of the 2011/12 audit plan. The London Engagement Team promotes the GLA, its policies and strategies to Londoners. The team's objectives are to ensure that they effectively communicate the benefits of the Authority's work in a way that is relevant to the target audiences.

1.2   The London Engagement Team consists of five teams: Creative Services; Events for London; Marketing; Commercial Partnerships/Sponsorship and the Web Team. This review focusses on the Events for London and Marketing teams for day-to-day controls, and also the overall monitoring and reporting structure for the London Engagement Team.

1.3   At the outset of the review, the potential key risks to the achievement of objectives were identified as:

- Lack of clarity of roles, responsibilities and accountabilities
- Ineffective procedures for project management
- Inappropriate procurement or payments to suppliers
- Inappropriate use of media
- Ineffective targeting
- Inadequate budgetary monitoring and control
- Failure to comply with the GLA Financial Regulations and relevant legislation
- Reputational damage

1.4   We are looking to provide assurance that the key risks are being effectively managed.

1.5   As at period 12 (out of 13) of 2011/12 the year to date budgetary position for the London Engagement Team was showing an underspend of £751k against a budget of £5m. The underspend includes approved expenditure against events that are due to take place early in 2012/13, and the appropriate accruals will be processed by Finance Unit as part of the year end closedown procedures.

2.   Audit Assurance

Substantial Assurance

Key risks are being managed effectively, however some controls need to be improved to ensure business objectives for the London Engagement Team are met.

3. Areas of Effective Management Control

<u>Marketing and Events for London Teams</u>

3.1 The objectives for marketing campaigns and for events are adequately recorded, and controls are in place within both teams to ensure that projects are undertaken appropriately, and deliver stated outcomes to deadlines. Joint meetings also take place to ensure that internal joint working is effective, and work with external agencies is appropriately managed.

3.2 There is adequate control over the approval of expenditure for events, including the marketing element, with initial authorisation from Mayoral Decisions. The Mayor's Events Steering Group approves how the available budget will be allocated and approval to use external services is effectively documented.

<u>London Engagement Team</u>

3.3 Roles and responsibilities of the individual teams that make up the London Engagement Team are clearly documented and made available on the intranet. Although accountabilities are not documented, the work is allocated between teams to ensure there is no overlap. Each team within the London Engagement Team is responsible for a specific area of work. Where work is undertaken with external agencies, the roles, responsibilities and accountabilities are clearly documented in contractual arrangements such as Funding Agreements or Hire Agreements.

3.4 There is adequate budgetary control governing the work of the London Engagement Team through the provision of four weekly reports on the budgetary position by Finance. We found the budget for 2011/12 was on target for the year end.

4. Key Risk Issues for Management Action

4.1 A contract let through TfL for marketing and buying services expired at the end of June 2011, but continued to be utilised by the Marketing team, as TfL had informed them that the requested extension had been formalised. However, we found that the extension had not been completed; although this was immediately rectified there is a risk of non-compliance with the GLA Financial Regulations if this was to reoccur.

4.2 Actual income through concessions and sponsorship for events is not being adequately reconciled to the expected income, and this has led to the inability to evidence that £2k of income, over two events, has actually been received. Failure to undertake an effective reconciliation of the expected income for each event could result in financial loss to the Authority.

5. Review Objectives

5.1 Our overall objective was to review the effectiveness of the control framework for the communication and delivery of marketing and events objectives. In particular we are looking to provide assurance that:

- Roles, responsibilities and accountabilities are clearly defined both within the London Engagement Team and with other agencies.
- Adequate procedures are in place to ensure that the stated outcomes of each project are clearly documented, deadlines are met, and where joint working between the teams or with other agencies is required, this is included in the programme.
- Adequate control over the procurement of external services in support of the work of the team and there is a robust budgetary control process in place.
- The London Engagement Team adequately monitors, reviews and reports as appropriate on the work of the individual teams.

6. Scope

6.1 Our review assessed the effectiveness of the control framework supporting the output of marketing of GLA projects, events, Mayoral strategies and initiatives.

6.2 We looked at the effectiveness of the Marketing and Events for London teams individually and when working together to assess the achievement of business objectives, and the controls in place around procurement.

6.3 We also reviewed the effectiveness of overall budgetary control and the structures in place for monitoring, review and reporting against the achievement of objectives for the London Engagement Team.

7. Roles, Responsibilities and Accountabilities

7.1 The roles of each of the five teams that jointly make up the London Engagement Team are outlined on the Authority's intranet. Our review of the information available showed that there was adequate definition of the roles and responsibilities of each team. The accountabilities of the teams have not been documented, however each team's area of work is independent from the other and when necessary for specific events, Marketing and Events for London work effectively together through joint project meetings.

7.2   The team undertakes campaigns as directed from across the Authority, and the Events for London Team oversee events as directed by the Mayor's Events Steering Group. The identification of objectives of each marketing campaign and event is adequate, and is covered in sections 8 and 9 of this report.

Marketing Team

7.3   The Marketing Team is not required to work with external agencies for joint working, but it does manage a media contract and utilise advertising space across the TfL network. The advertising space is adequately controlled and managed via a schedule which is updated by the GLA Marketing Team and forwarded to TfL on a fortnightly basis.

Events for London Team

7.4   There are two main types of activities that the Events for London Team are involved in:

- GLA led events, where the event is staged by the GLA through a production company selected from a framework agreement, and

- GLA supported events, where external organisations are supported financially by the Authority.

7.5   The roles, responsibilities and accountabilities of the GLA led and supported events are adequately recorded in contractual agreements or funding agreements respectively.

7.6   Events also take place where permission is given to use Trafalgar Square, and these are governed by Hire Agreements which are completed and managed through the GLA Resilience and Facilities Management Team. We did not review this area as the Events for London Team are not involved in these arrangements and they will be covered in an internal audit review planned for early 2012/13.

8.   Programme Management – Marketing Team

8.1   The role of the Marketing Team is to provide effective advice and support to GLA projects, events and Mayoral strategies and initiatives.

8.2   We selected a sample of 10 campaigns from a list of 91 covering the period April to October 2011. We reviewed the sample to ensure there was adequate programme management with supporting documentation detailing the project outcomes, key dates and where appropriate joint working arrangements. We found that:

- Two had project briefs in place that provided adequate information on the marketing campaign. The project briefs were standard in format and included expected outcomes, key dates / deadlines and both internal and external joint working arrangements,

- One campaign should have had a project brief, however due to changes around the venue and date of the event, there was insufficient time to complete a brief. However, email trails provided adequate evidence of agreed requirements and approvals and

- Seven did not require project briefs to be produced, as they were not marketing campaigns but included web portal design and sign off by the Assistant Director for Communications, and watching briefs where no action is required.

8.3   The 3 marketing campaigns identified in paragraph 8.2 were supported by adequate records defining project requirements to ensure that work could be undertaken and delivered effectively.

8.4   To monitor the progress of current and planned campaigns, the Marketing Team holds a status meeting on Mondays, at which they discuss work progress. The status meetings are also attended by personnel from Creative Services and the Web Team. Actions are recorded on the status report for the following week, and an update presented at that meeting. We found the status meeting actions were adequately documented and progressed.

8.5   Internal joint meetings between Events for London, Marketing, Creative Services and the Web Team are held on a fortnightly basis and more frequently if required. There are no formal minutes from these meetings, but each team makes notes of the agreed actions they are responsible for. Updates are given at the next meeting.

8.6   Overall the programme management for marketing is adequate to ensure that the Marketing Team's objectives are met.

9.   Programme Management – Events for London Team

9.1   The team delivers the Mayor's events programme, including cultural events and festivals. All events that are either led or supported by the Events for London Team, and use of Trafalgar Square is approved by the Mayor's Events Steering Group (MESG), in conjunction with the usual Mayoral / Director decision process for funding.

9.2   A computer spreadsheet of events is maintained containing a breakdown of GLA funded, GLA led and non-GLA events. We reviewed a sample of three of each type of event to ensure there was adequate documentation detailing the expected outcomes, key dates and joint working arrangements.

9.3   From the 9 events selected we found that 6 had not been accurately recorded on the spreadsheet, and were advised that the spreadsheet that had been provided to select our sample from was used for internal monitoring purposes only, and not for reporting purposes. We found that:

- Three were not in fact events with GLA involvement in which the Events for London Team were involved,

- Two related to the use of Trafalgar Square only, which is governed and monitored by another team within the Authority, and

- Four were supported by Mayors Events Steering Group (MESG) approval and where funding was to be provided and Director Decision Form and detailed Funding Agreements.

9.4   For the four events where the Events for London Team were involved, the documentation containing the expected outcomes, key dates and joint working arrangements was adequate.

9.5   Weekly team meetings are held to monitor progress of the events at planning stage and a list of agreed actions circulated. Actions are reviewed at the next meeting. Project meetings are also held to discuss and monitor each individual project, and the frequency of these meetings is dependent on the size and complexity of the event.

9.6   Internal joint working meetings with Creative Services, Marketing and the Web Team are usually held fortnightly and more frequently if the need arises. The internal joint working meetings are adequate to ensure that objectives are being achieved.

9.7   External joint working is adequately governed through contractual arrangements. For example, with GLA led events a production company is used from a framework agreement to oversee the event, for GLA supported events a Funding Agreement is in place, and for use of Trafalgar Square a Hire Agreement is in place.

9.8   We selected a sample of two Funding Agreements and reviewed them to ensure that there was adequate evidence available to support the achievement of milestones. For each event we were provided with adequate evidence that the identified milestone had been achieved. Information is retained electronically within the project workbook, which is available to all staff in the Events for London Team.

9.9   Overall the programme management for events is adequate to ensure that the Events for London Team's objectives are met.

10.   Procurement of External Services

Marketing Team

10.1   The Marketing Team have entered into a contract for media marketing and buying services. Authority was given through a Director Decision (DD 458), and the contract commenced on 01 January 2011 for a period of six months, with an option to extend for a further 2.5 years. At expiry the Marketing Team informed TfL that a six month extension was required, however as at the beginning of February 2012 TfL had not actioned this request. During the course of the audit, an extension until 31 December 2013 was appropriately signed off by both the Authority and the agency.

> **Risk**
> Expenditure may be incurred that is not compliant with the Authority's Financial Regulations unless adequate evidence of contractual arrangements is seen by GLA staff, not just email confirmation.
>
> **Recommendation**
> TfL is required to provide adequate evidence that contract extensions where applicable have been executed as expected.

10.2   Corporate responsibility in relation to this contract extension issue will be reviewed in greater detail in the planned 2012/13 audit entitled Contract Monitoring.

Events for London Team

10.3   The Events for London Team procure some services on an ad hoc basis. From an expenditure report, as at Period 5 (2011/12), we selected a sample of ten items of expenditure and checked to ensure that they were compliant with the Authority's Financial Regulations.   Overall, we found that the expenditure was appropriately authorised:

- Four were not for the procurement of goods and services, but were one off payments for things such as contribution to the World Cup 2018 bid and prizes. Each was supported by adequate documentation for authorisation of payment,

- Six were for the procurement of goods and services such as hotels, photographers and crowd control. We found that each was compliant with GLA Financial Regulations and the Contracts and Funding Code.

10.4   Some events are supported by income through either sponsorship or concessions. We selected a sample of three events that took place during 2011 that included a level of income and sought evidence that the expected amount had been received.   We were provided with copies of the Sales

Invoice Request Forms raised, but no reconciliations were undertaken to evidence the actual matched the expected. There was some confusion over the level of income from one organisation over two events. Although the Business Support Officer receives monthly reports on outstanding sales invoices, this does not mitigate the risks of expected income not being received or miscoded.

Risk

Failure to complete reconciliations for each event of expected income from sponsorship and concessions to actual income received (not invoices raised on SAP which shows as income in the budget) could result in expected income not being received.

Recommendation

A reconciliation of the income expected and actually received should be undertaken and signed off for each event.

11. Budgetary Control and Monitor, Review and Reporting – London Engagement Team

11.1 On a four weekly basis, the Link Accountant supplies a SAP report showing the budgetary position for the London Engagement Team. While budgetary responsibility rests with the Assistant Director, these reports are also received and reviewed by the Business Support function within the London Engagement Team. As at period 12 (of 13) there was a year to date underspend of £751k, against a year to date budget of £5m. However, it is forecast that the full year end budget will be close to break even once the accruals for events authorised in 2011/12 but due to take place in 2012/13 have been effected by Finance as part of the year end procedures.

11.2 In addition to the team meetings and general meetings referred to in sections 8 and 9 of this report, both the Marketing and Events for London teams monitor the progress of their individual projects consistently. The Marketing Team use a 'Gantt chart' and Events for London use a project workbook, which is an Excel based document. Both procedures are adequate for the monitoring of individual projects. These processes are further supported through the Assistant Director of London Engagement Team conducting regular one-to-ones with the managers in the individual teams.

11.3 The Assistant Director of the London Engagement Team also reports progress against agreed targets, and any other issues arising, to the Director of Marketing. As this is not recorded we were unable to evidence that this was adequate.

RISK CATEGORISATION

RISK AND AUDIT ASSURANCE STATEMENT - DEFINITIONS

Assurance Level	Assurance	Criteria
1	**Full** There is particularly effective management of key risks and business objectives are being achieved.	There is a sound framework of control operating effectively to achieve business objectives.
2	**Substantial** Key risks are being managed effectively, however some controls need to be improved to ensure business objectives are met.	The framework of control is adequate and controls to mitigate key risks are generally operating effectively.
3	**Limited** Some improvement is required to address key risks before business objectives can be met.	A number of controls to mitigate key risks are not operating effectively.
4	**No** Significant improvement is required to address key risks before business objectives can be met.	The control framework is inadequate and controls in place are not operating effectively to mitigate key risks. The business area is open to abuse, significant error or loss and/or misappropriation.

Definitions of Risk Ratings

Priority	Categories recommendations according to their level of priority.
1	Critical risk issues for the attention of senior management to address control weakness that could have significant impact upon not only the system, function or process objectives, but also the achievement of the organisation's objectives in relation to: • The efficient and effective use of resources • The safeguarding of assets • The preparation of reliable financial and operational information • Compliance with laws and regulations.
2	Major risk issues for the attention of senior management to address control weaknesses that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisational objectives.
3	Other recommendations for local management action to address risk and control weakness that has a low impact on the achievement of the key system, function or process objectives ; or this weakness has exposed the system, function or process to a key risk, however the likelihood is this risk occurring is low.
4	Minor matters need to address risk and control weakness that does not impact upon the achievement of key system, function or process or process objectives; however implementation of the recommendation would improve overall control.

ACTION PLAN

Ref.	Findings and Risk	Rating	Recommendations	Accepted	Responsibility	Target Date
10.1	The Marketing Team have been using a contract for media and buying services that TfL had not extended as requested to. Expenditure may be incurred outside of the Authority's Financial Regulations unless adequate evidence of contractual arrangements is seen by GLA staff, not just email confirmation.	3	TfL is required to provide adequate evidence that contract extensions where applicable have been executed as expected.	Yes	Assistant Director of London Engagement in liaison with TfL Procurement	September 2012
10.4	Where events are approved with sponsorship or concession income, there is no reconciliation in place to ensure that all invoices are raised, and all income is received. Failure to complete reconciliations for each event of expected income from sponsorship and concessions to actual income received (not invoices raised on SAP which shows as income in the budget) could result in expected income not being received.	3	A reconciliation of the income expected and actually received should be undertaken and signed off for each event.	Yes	Assistant Director of London Engagement in liaison with GLA Finance	September 2012