SCOTTISH PARLIAMENTARY CORPORATE BODY
INTERNAL AUDIT 2006/07
REVIEW OF HOLYROOD FINAL ACCOUNTS
Final Report
Private and Confidential
March 2007

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As Draft
Audit Advisory Board
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Section 1  Executive Summary

1.1  Introduction and Background

1.1.1  In response to a specific request by the SPCB’s Clerk/Chief Executive, an internal audit review of the process for completing Holyrood Final Accounts and an overview of Project Flora were undertaken during December 2006 and January 2007.

Completion of Final Accounts

1.1.2  The completion of final accounts is being delivered on the SPCB’s behalf by the Holyrood Project Team (“HPT”). Throughout the Project’s build phase it was intended that final accounts should be processed as contractors completed their work. The volume of changes however meant that construction work was given priority and the pricing of change orders, and agreement of final accounts was delayed until construction was largely complete. All contract documentation to substantiate financial claims and payments, including change orders, was held by the Project’s Construction Manager, Bovis Lend Lease (“BLL. As part of the completion of the final accounts process since the Holyrood building became operational in summer 2004, the SPCB has sought from BLL, a complete copy of all final accounts files and documentation to ensure it has sufficient and appropriate evidence on file, in the event that any future matter arises between the SPCB and the project’s consultants and/or trade contractors.

1.1.3  Since the Holyrood building became operational, the HPT has experienced significant delays in receiving the required final account information from BLL. The delays were ongoing throughout 2005 and the first half of 2006 with little progress. This led to lengthy discussions between senior SPCB officials and senior BLL staff to identify the reasons for the delays and to make progress in providing the required final account information. The SPCB sought and received assurances from BLL that additional resources would be made available to provide the final accounts files and during the second half of 2006 significant progress was made with substantial final account information being provided.

Project Flora

1.1.4  Project Flora is the title given to a number of individual but linked pieces of work initiated by the SPCB during late 2005. The overall objective of Project Flora was to seek expert advice on the SPCB’s legal position in respect of the project’s consultants and key trade contract packages. Expert legal advice was sought from Shepperd & Wedderburn (“S&W”), supported by the SPCB’s Directorate of Legal Services, expert technical advice was sought from Turner Townsend (“TT”) supported by a representative of the SPCB with significant knowledge and experience of the Holyrood building project.

1.2  Objectives, Scope and Approach

Objectives

1.2.1  The overall objectives of the internal audit review in respect of the completion of Holyrood final accounts are:

- To identify the process and identify the key controls in place for final accounts;
- To undertake testing of key controls for a sample of final accounts; and
- To conclude on the overall control and completeness of the process.

1.2.2  In respect of project Flora, the audit objectives are:

- To review the approach to Project Flora including a review of the audit trail to support key decisions; and
- To comment on value for money considerations arising from the decision to proceed with Project Flora.
Section 1 Executive Summary (Continued)

1.2 Objectives, Scope and Approach (Continued)

Scope

1.2.3 Overall, much of the work relating to both the completion of final accounts was undertaken by technical and legal experts. The scope of this internal audit review does not include challenging the opinions and findings of their professional and expert opinions. The review is focussed on providing the SPCB with additional assurance that all reasonable steps have been taken to protect the SPCB's position both in completeness of final account documentation and in its considerations in respect of Project Flora.

Approach

1.2.4 Work was undertaken by reviewing relevant final account documentation held by the SPCB and key papers and reports commissioned under Project Flora. Discussions were also then held with key personnel both within the SPCB and the expert parties appointed by it. Detailed audit testing was undertaken on a sample of trade packages to gain further assurance on the completeness of final accounts information held.

1.3 Conclusion and Recommendations

1.3.1 This internal audit review has considered the SPCB’s approach to completing final accounts and its review of the Holyrood project's consultants and major contracts (Project Flora).

1.3.2 In accordance with the roles and responsibilities of each party, as defined by the CMA, the SPCB has relied on BLL, as construction manager, to maintain and retain files for the Holyrood project. However, in the event of any future issues arising in respect of project consultants and/or trade contractors, the SPCB has sought a complete copy of all final account documentation to be held by the SPCB. It was identified that for certain trade contract final accounts, documentation is incomplete and work is continuing by the HPT to ensure these are complete prior to finalisation and archiving. On the basis of the audit work undertaken on the process for completing final accounts, the approach taken by the HPT was found to be robust but, for the sake of completeness, the HPT should continue to pursue BLL for documentation missing from photo-copied Final Accounts. In addition, Internal Audit would welcome the Clerk/Chief Executive’s intention to take into account the provision of copies of final accounts when considering final settlement with BLL.

1.3.3 With regard to the review of project consultants and key trade contract packages (Project Flora), the aim of the internal audit review was not to challenge the opinion of the legal and technical experts but rather seek assurance that the SPCB had sufficiently considered certain key aspects of the review, including risk and value for money. In a paper to the SPCB in December 2005 the Clerk/Chief/Executive advised the SPCB that the decision to proceed with Project Flora was one based largely on risk. The estimated costs and risks were clearly outlined and explained within the paper. While latter SPCB papers and minutes infer that SPCB approval for Project Flora was granted in December 2005, the minute from that meeting does not make this approval explicit. As a result the key decision to proceed with the project is not fully documented. It was explained by the Clerk/Chief Executive that a conscious decision was taken to not expressly minute the approval of the December 2005 paper, and therefore not alert the relevant parties to the SPCB’s decision to proceed. This was deemed necessary in order to protect the SPCB’s legal interests in respect of Project Flora. Nevertheless, the audit concludes that the legal and technical advice received was taken by the SPCB. The overall approach was found to be robust and the SPCB's conclusions from the review were reasonable.
2.1 Final Accounts Process

2.1.1 The process for completing trade contract final accounts for the Holyrood project are set out in the flowchart below.

- Recommendation on Statement of Final Account (Signed by Construction Manager and Quantity Surveyor)
- Issued to client for authorisation

- Recommendation on Statement of Final Account (Signed by client as authorised)
- Returned to Construction Manager

- Recommendation on Statement of Final Account (Recommendation copied to Construction Manager and Quantity Surveyor; Original held in HPT files)

- Statement of Final Account (Prepared by Construction Manager)
- Issued to Trade Contractor for signature and return

- Statement of Final Account (Signed as agreed and accepted by Trade Contractor)
- Issued to Client for signature and return

- Statement of Final Account (Signed as agreed and accepted by Client; Original held in HPT file)

- Final Certificate (Client instructs Construction Manager to issue to Trade Contractor)

- Final Certificate (Issued by Construction Manager to the Trade Contractor)

- Final Invoice (Sent by Trade Contractor for payment)

- Final Payment - including retentions – to Trade Contractor
  (Payment by client to Trade Contractor subject to:–
  1. Signed and completed Statement of Final Account
  2. Receipt of Certificate of Making Good Defects
  3. Receipt of technical manuals)
Section 2  Detailed Findings (Continued)

2.1 Final Accounts Process (Continued)

2.1.2 The key stages of the final accounts process are the Recommendation on the Statement of Final Account and The Statement of Final Account and the key signatory controls thereon. Each trade contract should be signed by relevant parties in accordance with the respective contractual roles of each party within the Construction Management Agreement (“CMA”).

2.1.3 A total of 65 trade contracts were signed for the Holyrood project. At the time of this audit review, 51 recommendations on statement of final account had been signed off by SPCB. Of the 14 remaining trade contracts, recommendations on statement of final account had been submitted by BLL for 6 and a further 6 trade contractors had gone into liquidation and were no longer trading. The remaining 2 trade contracts were terminated. A random sample of 3 trade contracts were selected and tested for the existence and completeness of signatory controls. The results of the tests on each are shown in the tables below.

**Recommendation on Statement of Final Account:**

<table>
<thead>
<tr>
<th>Trade Contract</th>
<th>Signed as approved by Construction Manager</th>
<th>Signed as approved by Quantity Surveyor</th>
<th>Signed as evidence of review by HPT</th>
<th>Recommendation memo to Clerk/Chief Executive signed by Director of FM and BIT</th>
<th>Recommendation on Final Account signed by Clerk/Chief Executive</th>
</tr>
</thead>
<tbody>
<tr>
<td>TP5120 – Fit Out</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>TP3546 – Assembly Rook</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>TP3640 – MSP Block Roof</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

**Statement of Final Account**

<table>
<thead>
<tr>
<th>Trade Contract</th>
<th>Signed by Trade Contractor</th>
<th>Signed by Director of FM and BIT</th>
<th>Signed as approved for review by HPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>TP5120 – Fit Out</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>TP3546 – Assembly Rook</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>TP3640 – MSP Block Roof</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

2.1.4 For each of the trade contracts tested, key signatory controls were adhered to.
Section 2  Detailed Findings (Continued)

2.1  Final Accounts Process (Continued)

Review of Change Orders

2.1.5  The Recommendation on the Statement of Final Account and the Statement of Final Account are supported by schedules which detail the originally agreed contract sum, adjusted by the net effect of all change orders to arrive at the final contract sum. Copies of all completed change orders, filed in sequential order, should be held to support the schedules and should explain the nature of and need for the change.

2.1.6  For each of the three trade contract packages tested above (TP5120, TP3645, TP3640) a sample of change orders was selected for review. Each change order was tested for assurance that it had been signed by the trade contractor and accepted as approved by the client. It was also noted that while the Holyrood project was at build phase, delegated authority for changes up to £5,000 had been granted to the Project Architect to enable sign off on behalf of the client.

2.1.7  While the layout and format of the change orders does not allow for a specific space for the respective signatories of the BLL as construction manager and DL as quantity surveyor, both consultants were required to initial change orders as evidence that the work was required and completed (BLL) and that costs were accurate (DL).

TP5120 – Fit Out

2.1.8  TP5120 has 402 change orders. A random sample of 10 was selected for testing below

<table>
<thead>
<tr>
<th>Change reference:</th>
<th>Order as</th>
<th>Change initialled</th>
<th>Order as</th>
<th>Change initialled</th>
<th>Order as</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>reviewed by HPT</td>
<td></td>
<td>reviewed by BLL</td>
<td></td>
</tr>
<tr>
<td>40</td>
<td></td>
<td>Change Order approved by Architect under previous delegated authority arrangements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>80</td>
<td></td>
<td>Change Order approved by Architect under previous delegated authority arrangements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>120</td>
<td></td>
<td>Change Order approved by Architect under previous delegated authority arrangements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>160</td>
<td></td>
<td>Change Order approved by Architect under previous delegated authority arrangements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>200</td>
<td></td>
<td>Final Change Order not on file. Draft change order only</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>240</td>
<td></td>
<td>Change Order approved by Architect under previous delegated authority arrangements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>280</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>320</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>360</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>400</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2.1.9  For 2 of the 10 change orders tested, the relevant change order was not held on the final accounts file. A further review of all change orders for this trade contract (held over the 5 files) revealed that a significant number of change orders (CO’s 180 through 213) were not on file and a number of other change orders were either not signed by the client and/or the construction manager and/or the quantity surveyor/ cost consultant. At the time of this review the recommendation on Statement of Final Account and the Statement of Final Account had both been signed and completed.
Section 2 Detailed Findings (Continued)

2.1 Final Accounts Process (Continued)

Review of Change Orders (continued)

2.1.10 As explained by a representative of the HPT, the existence of completed change orders was not subject to a completeness check prior to the signing of either the Recommendation on Final Accounts or the Statement of Final Accounts, rather these were signed following advice from by BLL and DL, in accordance with the respective responsibilities of each consultant as defined by the CMA. The comprehensive check of final accounts files was not undertaken until final accounts files were received for filing.

2.1.11 It was explained by the HPT that, at the date of this audit review, the final accounts files for TP5120 had not been subject to a comprehensive review by the HPT and this was the reason for the incomplete file information. It was further advised by HPT that previous trade contract final account files provided by BLL had also been incomplete, resulting in significant correspondence to BLL by the HPT requiring further information to ensure file completeness. Example of such correspondence was seen and reviewed as part of this audit.

2.1.12 As explained by the HPT, limited investigatory work on the production of trade contract final accounts files was undertaken, as any further involvement by the HPT may have had an impact on the SPCB’s legal position going forward. Pro-active involvement in the preparation and completion of file documentation including final accounts may have compromised the separate duties and responsibilities of the respective parties as defined by the CMA. As a result, and in accordance with legal advice, HPT sought full and complete copies of final accounts files for each trade contract following the receipt of the Recommendation of Statement for Final Account and the subsequent Statement of Final Account.

2.1.13 The two other trade contract final accounts files (TP3645 and TP3640) selected as part of this audit review have been subject to HPT review prior to the date of this audit and the findings from the testing of these files is shown below.

TP3645 – Assembly Roof Change Orders

2.1.14 TP3645 has 65 change orders. A sample of 3 change orders was selected for testing.

<table>
<thead>
<tr>
<th>Change reference:</th>
<th>Order as</th>
<th>Change initialled reviewed by HPT</th>
<th>Order as</th>
<th>Change initialled reviewed by BLL</th>
<th>Order as</th>
<th>Change initialled reviewed by DL</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td></td>
<td>√</td>
<td></td>
<td>√</td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>40</td>
<td></td>
<td>√</td>
<td></td>
<td>(Signed Retrospectively)</td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>60</td>
<td></td>
<td>√</td>
<td></td>
<td>√</td>
<td></td>
<td>√</td>
</tr>
</tbody>
</table>
2.1 Final Accounts Process (Continued)

TP3640 – MSP Block Roof

2.1.15 TP3640 has 56 change orders. A sample of 3 change orders were selected for testing.

<table>
<thead>
<tr>
<th>Change reference</th>
<th>Order as reviewed by HPT</th>
<th>Order as reviewed by BLL</th>
<th>Order as reviewed by DL</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>Change Order approved by Architect under previous delegated authority</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>45</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

2.1.16 For both TP3645 and TP4640, the change orders selected at random were found to be complete and signed off as being checked.

Conclusion

2.1.17 As part of the process for completing final accounts, and to ensure that it has all relevant documentation to support decisions, financial claims and payments, the SPCB has sought a complete copy of all trade contract final accounts files project. The purpose of holding a complete copy is to ensure that the SPCB has the relevant information to call on in the event that a future issue arises between the SPCB and/or the project’s consultants and/or trade contractors. On receipt each file is subject to a comprehensive completeness check to ensure that all relevant documentation is in place and has been appropriately signed off.

2.1.18 The completeness check was not undertaken by the HPT prior to the signing of the Recommendation on Statement of Final Account and the Statement of Final Account. However, it was explained that responsibility for the completeness and reliability of final account files lies with BLL and explanations have been sought for information gaps on files. It was explained that the HPT’s role in preparing files was limited in order to maintain appropriate separation of duties as defined by the CMA. This is in accordance with recommendations to the SPCB from legal experts. It is understood that the HPT continues to pursue BLL for all remaining documentation in respect of the information gaps identified as part of the ongoing completion of files.

2.1.19 On the basis of the work undertaken as part of this short review, the audit concludes that the approach taken by the SPCB in the closure of final accounts is robust, subject to receipt of additional documentation from BLL. In addition, Internal Audit would welcome the Clerk/Chief Executive’s intention to take into account the provision of copies of final accounts when considering final settlement with BLL.
Section 2  Detailed Findings (Continued)

2.2 Project Flora

2.2.1 Project Flora was initiated by the SPCB to seek independent expert advice on its position with regard to legal proceedings in respect of the project consultants and key trade contract packages appointed to deliver the Holyrood building project. This internal audit review has sought assurance over the key decision making process for the project, commenting on the risks and value for money considerations of the project.

Project Flora and Key Decision Making Process

2.2.2 The concept of Project Flora was originally proposed by the Clerk/Chief Executive and Directorate of Legal Services during 2005. This followed the previously commissioned review of the top ten contracts which experienced significant cost overrun and the ongoing work of the Post Completion Advisory Group (“PCAG”). In addition generally accepted good practice within the construction industry requires an end of project review of all aspects of a construction project, including contract performance and compliance.

2.2.3 At its meeting on 20 December 2005, the SPCB was asked to confirm its approval of the proposals set out in a paper by the Clerk/Chief Executive and Directorate of Legal Services. The paper proposed the preparation of a report (latterly to become known as Project Flora) which would identify any scope for legal proceedings in respect of key contracts, contractors and consultants and would provide the SPCB with sufficient appropriate information with which to make an informed decision in respect of progressing legal action. The estimated costs of the project were £550,000 plus VAT. The minute of this meeting states that “The SPCB discussed a strategy for reviewing the Holyrood Project”. Whilst the minute of the 20 December 2005 meeting does not explicitly confirm SPCB approval of the preparation of the report, subsequent SPCB papers and minutes would infer that approval to proceed with Project Flora was granted by the SPCB. As a result a highly sensitive and strategic decision of the SPCB is not fully documented. It was explained by the Clerk/Chief Executive that a conscious decision was taken to not expressly minute the approval of the December 2005 paper, and therefore not alert the relevant parties to the SPCB’s decision to proceed. This was considered deemed in order to protect the SPCB’s legal interests in respect of Project Flora.

2.2.4 The SPCB commissioned expert professional advice to deliver Project Flora. Legal expertise was provided by Lynn Mendelsohn (Partner – Shepperd & Wedderburn) who had been advising the SPCB on matters Holyrood for over five years. Technical expertise was provided by John Boultwood (Partner – Turner Townsend) who had previously been commissioned by the SPCB to review the ten contracts with highest cost overrun. In addition, Brian Eggleston, an experienced arbiter who had worked with the Post Completion Advisory Group (“PCAG”) was appointed to assist.

2.2.5 Lynn Mendelsohn’s work focussed mainly on reviewing the correspondence files held between the SPCB, the HPT and the contractors and consultants. The work of TT was to review a number of trade contracts and comment on the overall quality of the information held on file to support claims made. Interim reports on the findings from their respective appointments were received during April 2006.
Section 2 Detailed Findings (Continued)

2.2 Project Flora (Continued)

2.2.6 At its meeting on 29 June 2006, the SPCB received an update from the Clerk/Chief Executive and Directorate of Legal Services, explaining delays in the preparation of final accounts and the impact that this was having on the progress of Project Flora. Crucially, delays were continuing in the preparation of final account information and this was having an impact on the scope of the information available for review by Lynn Mendelsohn and John Boulwood. As a result, the SPCB was invited to approve an amended approach to Project Flora which would mean that Project Flora would continue with a view to producing a final report by October 2006, based on the information available. The minute of the meeting on 21 June 2006 confirmed the SPCB’s approval to the amended approach to Project Flora.

2.2.7 The delays experienced in the production of final accounts were largely due to BLL’s failure to provide copies of completed final account files timeously. Given that BLL’s performance was subject to review by Project Flora, there was a risk that BLL by delaying their own work on final accounts were impeding the review of their performance by the SPCB. The possibility of this risk was discussed in detail with Lynn Mendelsohn, The Clerk/Chief Executive and HPT representatives and it was concluded that there is no evidence to suggest that BLL were deliberately delaying the production of final account information to impede the investigatory work commissioned by the SPCB. Furthermore, it was advised by the Clerk/Chief Executive that, in his opinion, BLL were making significant efforts to produce final account information throughout 2006, the underlying difficulty being the availability of staff resources with specific knowledge and experience of the Holyrood project. The view of the Clerk/Chief Executive is backed up by the fact that there was significant improvement in the timeliness of preparation final accounts files by BLL in the second half of 2006.

2.2.8 At its 21 September 2006 meeting, the SPCB received a presentation from Lynn Mendelsohn, John Boulwood and Brian Eggleston outlining the findings from their work on Project Flora. As per the minute of this meeting and as confirmed in discussions with her, Lynn Mendelsohn advised that while some shortcomings in the performance of BLL and DI had been identified, these should be viewed against the complexity of the Holyrood project. As a result, she advised that the SPCB would have difficulty demonstrating that any other consultant would have performed better in the circumstances. It was explained that this would be a crucial point in any legal argument. Crucially it was advised that the SPCB would have difficulty in proving causation, that is linking specific consultant failures to specific financial losses. In the absence of such a crucial legal argument, Lynn Mendelsohn recommended that the SPCB should not initiate proceedings against any of the consultants. Lynn Mendelsohn further advised that further analysis of trade packages would be unlikely to yield further benefit and would likely incur significant additional cost. Lynn Mendelsohn further advised that the SPCB should pursue non-litigious approach, in the form of a written letter to senior BLL and DL personnel. This would be most likely to progress the final accounts delays and close out the Holyrood project.
Section 2  Detailed Findings (Continued)

2.2  Project Flora (Continued)

2.2.9  The opinion and recommendation of Lynn Mendelsohn was shared by John Boulwood of TT. From his review, John Boulwood advised that while he could demonstrate cost escalation and its causes, he was also of the opinion that litigation would not be a suitable option for the SPCB for the reasons identified by Lynn Mendelsohn. Brian Eggleston also confirmed this view.

2.2.10  As a result, as is confirmed by a minute of the 21 September 2006 meeting, the SPCB agreed that no further analysis should be undertaken of specific trade packages of correspondence and a non-litigious approach should be made by the Clerk/Chief Executive to senior personnel within BLL and DL.

2.2.11  At its meeting on 26 October 2006, the SPCB received a report from the Clerk/Chief Executive on the progress made with regards the non-litigious approach to the consultants. Progress was reported with regards receiving final accounts files from BLL.

Risks and Value for Money Considerations

2.2.12  As a publicly funded body, the SPCB has a statutory obligation to make best use of the resources it has available and therefore demonstrate value for money. In addition, the SPCB is required to identify risks and to put in place actions to mitigate these risks where possible and to manage risks to an acceptable level.

2.2.13  There are significant financial costs in employing senior, experienced professionals, in technical and legal fields and the expenditure incurred in commissioning such services must be balanced with statutory value for money obligations. At the outset of Project Flora the SPCB was therefore required to consider whether to incur significant expenditure on Project Flora in view of its uncertain outcome. As with all preparatory legal work, costs may be sunk in the event that the outcome concludes no case for pursuing financial recompense to off set the initial expenditure.

2.2.14  However, this should be viewed against the alternative of not proceeding with the project. The SPCB’s statutory value for money obligation requires it to pursue any income to which it is legally entitled. As a result the SPCB was required to find a balance in respect of incurring significant investigatory costs against value for money.

2.2.15  At the date of this internal audit review, the overall costs of project flora, excluding internal management and other costs, was £480,048.34 (plus VAT) of professional fees billed by S&W TT and Brian Eggleston. This represents approximately 0.1% of the current forecast (again at the date of this report) final cost of the Holyrood building project. These costs are also within the £548,500 (plus VAT) presented to the SPCB at its meeting held on 20 December 2005. Given the specific risks associated with Project Flora, the level of expert professional advice required and in view of the need to find a balance with regards value for money, the costs associated with Project Flora do not appear unreasonable.
2.2 Project Flora (Continued)

Conclusion

2.2.16 Project Flora was initiated to investigate the scope for legal proceedings in respect of the project consultants and key trade contract packages in place for the Holyrood building project. This audit review has sought evidence that the key decisions taken by the SPCB and officials can be justified and are appropriately documented.

2.2.17 In a paper to the SPCB in December 2005 the Clerk/Chief/Executive advised the SPCB that the decision to proceed with Project Flora was one based largely on risk. The SPCB was informed of the relevant risks and the costs associated with the investigation. While latter SPCB papers and minutes infer that SPCB approval for Project Flora was granted, the minute from that meeting does not make this approval explicit. As a result the key decision to proceed with the project is not fully documented. It was explained by the Clerk/Chief Executive that a conscious decision was taken to not expressly minute the approval of the December 2005 paper, and therefore not alert the relevant parties to the SPCB's decision to proceed. This was deemed necessary in order to protect the SPCB's legal interests in respect of Project Flora.

2.2.18 Throughout the life-cycle of Project Flora the SPCB took regular progress reports from the Clerk/Chief Executive and the Director of Legal Services. In addition, the key decisions taken by the SPCB were based on expert professional advice. This was confirmed by the legal expert appointed.

2.2.19 From a value for money perspective it is reasonable to conclude that the decision to proceed with Project Flora was soundly based, given the uncertainty of the outcome of Project Flora at its outset and the level of expert professional advice required.

2.2.20 The aim of the internal audit review was not to challenge the opinion of the legal and technical experts but rather seek assurance that the SPCB had sufficiently considered certain key aspects of the review, including risk and value for money. The audit concludes that the legal and technical advice received was taken by the SPCB. The overall approach was found to be robust and the SPCB's conclusions from the review were reasonable.