
Subject: Programme and financial management
Report No: Public Item 02.3
Meeting date: 16 September 2009
Report to: Board
Report of: Andrew Travers, Group Director, Resources and Performance
Key Theme: Corporate

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1. Purpose

- 1.1. To present a report of KPMG on key findings from their investigation into Olympic land commitments.
- 1.2. To present an action plan developed in response to these findings.

2. Recommendations

- 2.1. That the report of KPMG is **noted**.
- 2.2. That the action plan is **agreed**.

3. Summary

- 3.1. KPMG have made recommendations for improvements to financial governance within the LDA. This report presents an action plan responding to these recommendations and to other areas for improvement.

4. Background

- 4.1. A report elsewhere on the agenda deals with issues which have arisen in respect of Olympic land commitments. That report sets out an increased level of commitments, above existing budgets, for the acquisition of Olympic land.
- 4.2. KPMG, who had been appointed to perform planned financial due diligence work on the set-up of the Olympic Park Legacy Company, were asked to investigate the causes of the failure to plan adequately for these commitments.

5. LDA financial governance arrangements

- 5.1. The normal governance processes which should lead to the timely identification of, and planning for, expenditure commitments are as follows:

- delegation to budget holders of the management of activity and the use of resources;
- governance processes for the appraisal and approval of projects;
- review and updating of budgets through the annual investment strategy and business planning process;
- on-going project management and risk management;
- the monthly performance and budget monitoring process.

5.2. These arrangements are underpinned by the internal control environment of the Agency and the revised Financial Regulations, a key part of which is the delivery of the internal audit plan. The operation of the internal control environment is recognised through annual stewardship statements signed by each Group Director and by the Annual Governance Statement signed by the Chair and the Chief Executive.

5.3. Over the last year, very significant progress has been made in improving the governance of the Agency. Specifically:

- delegation levels have been reduced to increase the oversight of significant projects;
- Board involvement has been enhanced through the operation of the Investment and Audit, Risk and Performance Committees;
- new gateway arrangements have been introduced for projects, overseen by the Programme Management Office;
- improved resourcing and processes for procurement and financial due diligence have been introduced;
- in-house legal resources have been enhanced to provide more consistent input to commercial matters with greater control over the use of external firms;
- a new document management system has been implemented;
- compliance in the use of corporate systems has been enforced; and
- there has been renewed focus at project level on outputs, outcomes, unit costs and value for money, including corporate scrutiny of individual projects.

5.4. Early attention was particularly focussed on the risks identified through the investigatory work following the allegations which appeared in the Evening Standard in early 2008, and also highlighted in the reports of the Mayor's Forensic Audit Panel and the DLA Piper investigation. Scrutiny was extending to the Olympic Legacy Directorate as part of

the planned due diligence to support the proposed transfer to the Olympic Park Legacy Company (OPLC).

- 5.5. Comprehensive legal and financial due diligence has now been completed and made available to the OPLC and its owners, and is supporting transition arrangements to ensure that all financial, legal and governance issues are identified and resolved.

6. KPMG report

- 6.1. The KPMG report is presented at appendix 1. The report sets out the scope of their work, a summary of findings, and recommendations for improvement.
- 6.2. The LDA has agreed to implement all the recommendations.

7. Financial governance action plan

- 7.1. An action plan has been prepared in response to KPMG's recommendations and to address other issues. The action plan is attached as appendix 2.

8. Comments of the Director of Corporate Finance and Performance

- 8.1. The action plan is comprehensive and may require additional resourcing for implementation.

9. Comments of the Director of Law & Governance

- 9.1. A key aspect in implementing the action plan is to integrate risk management processes from a legal, financial and project management point of view. This work is now well advanced in respect of Olympic land compensation claims. It will be essential to maintain the rigour of this joined up approach going forward in order to track LDA liabilities in the round and constrain costs, including litigation costs, as effectively as possible.

10. Appendices

- Appendix 1 – KPMG report
- Appendix 2 – Financial governance action plan

11. Background documents

- None

Report approval checklist

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Head of/Director(s): N/A
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Please click on the relevant box to select it.

	Yes	No
Approved by Director of Finance and Performance or nominee (please state): Caroline Mikardo, Director of Finance and Performance	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Approved by Director of Law and Governance or nominee (please state): Cathy Ley, Head of PPP law	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Approved by Group Director (please state): Name and title	<input type="checkbox"/>	<input type="checkbox"/>