

<b>Meeting:</b>	<b>Audit and governance committee</b>
<b>Meeting date:</b>	<b>Wednesday 24 January 2018</b>
<b>Title of report:</b>	<b>Capital project management and control internal audit progress update</b>
<b>Report by:</b>	<b>Chief finance officer</b>

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

(All Wards);

## **Purpose and summary**

To update the committee on progress in implementing the recommendations relating to capital project management and control raised in the Internal Auditors audit findings report regarding the joint customer services hub (Blueschool House) capital project presented in September 2017.

## **Recommendation(s)**

**That:**

- (a) progress of the plans to implement the recommendations made in the audit findings report regarding capital project management and control be reviewed; and**
- (b) the committee determine any recommendations it wishes to make to gain assurance that action is being taken in response to the issues raised.**

## **Alternative options**

1. There are no alternative options; this report ensures the committee can gain assurance that action is being taken in response to recommendations made by the internal auditors.

## Key considerations

2. As reported to the September Committee meeting an Internal Controls Improvement Board has been set up to ensure delivery of the specific thirteen recommendations in the internal auditors report regarding capital project management and control emerging from the lessons learnt from the joint customer services hub (Blueschool House) capital project. In addition to the thirteen specific recommendations the Internal Controls Improvement Board are considering a range of other changes and improvements to internal controls within the council.
3. The committee has established a member working group to act as a reference group for the internal control improvement board, and gain assurance that actions were appropriate and in proportion to the risk, and were being implemented in a timely fashion.
4. As reported to the November meeting of the committee the working group are working closely with the Internal Controls Improvement Board, who have indicated they are content with progress to date.
5. The table below details the recommendations, the action being taken in response, and the anticipated completion date.
6. As agreed at the September committee meeting once the improvements have been implemented SWAP will be invited to carry out a further review and report back to the committee. This work will be included in the internal audit work plan for 2018/19.

Recommendation	Internal Control Improvement board Response	Timescale for implementation
<p>The council should ensure there is a clear audit trail to show how budget figures have been derived and what the budget is based on.</p>	<p>Agreed. Each project's senior responsible officer, supported by finance staff, is required to keep records to show how budgets are constructed, including the assumptions used and the sensitivity analysis carried to the budget. These records to be kept in accordance with the council's records management policy.</p> <p>A toolkit is being prepared to guide officers on the process to be followed in developing proposals for inclusion in the capital programme and, once included in the approved programme, for implementing. This toolkit will include specification of the minimum information requirements and how information should be recorded.</p> <p>In addition the capital accountant is reviewing existing live capital projects to ensure compliance.</p>	<p>31 Mar 2018</p>

<p>Key decision reports and supporting business cases should contain all relevant information for an informed decision to be made including on what basis the budget was determined and what the budget includes</p>	<p>Agreed. This is a requirement of the decision making rules in the constitution.</p> <ul style="list-style-type: none"> <li>a) A meeting has been held with all report reviewers to review the guidance available, ensure it is sufficiently clear and comprehensive, and that reviewers are carrying out their reviews consistently.</li> <li>b) Following the above the guidance to report authors is being reviewed and will be published and promoted to all staff.</li> <li>c) A further series of training sessions are being arranged by the Democratic Services Manager, and will be promoted to all staff – this will include regular drop in sessions with report reviewers in attendance to provide advice and guidance on particular reports.</li> <li>d) Meetings have taken place with directors to emphasise the importance of identifying, as part of the PPdP process, those staff required to write reports/with a report writing development need, so that targeted training may be delivered as required.</li> <li>e) There is some anecdotal evidence that some professional comments/advice is being deleted without discussion with the advisor and before the draft report is sent to the director – this will be addressed in general through clearer guidance on this point and, if appropriate, on an individual basis through the performance management process.</li> <li>f) The business case template, which covers both financial and wider value considerations, and associated guidance is to be reviewed by the Head of Corporate Finance by the end of March 2018</li> </ul>	<p>31 Mar 2018</p>
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	<p>g) Consideration is being given to including in the annual member development programme a session on the use and analysis of data to enable members to have sufficient confidence to challenge appropriately.</p> <p>h) Induction processes for decision makers (at member and officer level) will include an understanding of accountability and decision-making principles.</p> <p>i) The process of changing culture is ongoing. We do have some good practice throughout the organisation and where possible this practice is being shared.</p>	
The gross cost of a capital project should be costed prior to a proposal being submitted to the Capital Strategy Group.	<p>Agreed. A phased approach to capital projects is being developed to make the distinction between feasibility work and the main project. The feasibility phase will enable the gross cost of a capital project to be costed before a final decision to include the project in the capital program is made.</p> <p>The toolkit mentioned above will provide clear guidance on this point.</p>	31 Mar 2018
When an external consultant is appointed to provide costing for a project this costing should be reviewed prior to the agreement of funding for a project.	<p>Agreed. Please refer to the response to the previous recommendation, all costings for projects will be subject to a feasibility phase during which all elements of a project will be reviewed. Where external consultants are used the senior responsible officer for the project is required to ensure that when external consultants are used sufficient records are retained by the senior responsible officer to demonstrate how the external consultant calculated the costings and the assumptions used</p>	31 Mar 2018
Officers must ensure that the Contracts Procedure Rules are followed for all procurements	<p>Agreed. A new project management system is being built that includes gateways that cover this and ensure that those authorising activity can evidence the relevant processes have been followed. This system was trialled in late December 2017 and the results of that trial are informing its further development before being implemented</p>	31 Mar 2018

<p>The rationale for decision to use two separate companies for the design and build stage or to use one company for both should be clearly documented at the outset of the project.</p>	<p>Agreed. A new project management system is being built that includes gateways that cover these type of decisions and ensure that those authorising activity can evidence the relevant processes have been followed. In future this type of decision will be made during the feasibility phase.</p>	<p>31 Mar 2018</p>
<p>Actions from project/programme boards should be completed by the relevant officer and the board should ensure that there is adequate governance oversight that actions are completed prior to any further decision being made on a project.</p>	<p>Agreed. A new project management system is being built that includes gateways that cover this and ensure that those authorising activity can evidence the relevant processes have been followed.</p>	<p>31 March 2018</p>
<p>The decision of contractor selection to invite to tender must be clearly documented and consultation with key officers must be followed in line with Contracts Procedure Rules.</p>	<p>Agreed. Senior responsible officers and decision makers have been reminded of this requirement. Procurement officers review all decision reports to ensure the process followed has complied with contract procedure rules</p>	<p>31 March 2018</p>
<p>Officers must ensure that value for money can be demonstrated as part of a tender submission and for additional works during the project.</p>	<p>Agreed. .  The senior responsible officer will be required to confirm that Value for Money can be demonstrated to the capital strategy working group, and evidence of this will be captured in line with the council's record management policy and contract procedure rules.</p>	<p>31 March 2018</p>
<p>If a tender submission is significantly different to the costing provided at the design stage or</p>	<p>Agreed. A new project management system is being built that includes gateways that cover this and ensure that those authorising activity can evidence the relevant processes have been followed. The finance procedure rules and the contract procedure rules cover</p>	<p>31 March 2018</p>

outside the budget agreed as part of the key decision, the tender should be subject to scrutiny and challenge prior to proceeding with the project and the relevant officer should take the decision back to cabinet.	this point. Project senior responsible officers will be advised of the need to comply with these rules.	
Compensation events should only be authorised by an officer with the relevant delegated authority.	Agreed. Authorisation is covered by the scheme of delegation.	31 March 2018
There should be robust budget monitoring and clear documentation of changes to a project if it progresses so there is a clear audit trail to support financial commitment	Agreed. A robust systemised capital budget monitoring process is being developed, The new project management system has appropriate gateways to deal with change control.	31 March 2018
Project boards must be presented with full and accurate information to ensure informed decisions can be made and actions recommended must be completed with a clear audit train to show the action has been completed.	Agreed. The new project management system has gateways to ensure informed decisions are taken and recorded in accordance with the Council's document policy.	31 March 2018

## Community impact

7. To ensure clear and transparent processes are in place to govern how resources of the council are effectively managed supports the council's corporate plan objective to manage finances effectively and to demonstrate one of the council's values, namely to be open, transparent, accountable and in accordance with the code of corporate governance.

## **Equality duty**

8. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
9. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

## **Resource implications**

10. There are no resource implications arising directly as a result of the recommendations in the SWAP report. However the recommendations reflect best practice for governance and project management of major projects. Adopting these measures and ensuring best practice is adhered to at all times will ensure that the council achieves best value for its projects.
11. Staff time has been resourced from existing budgets. Once the policies and recommendations are in place failure to follow them will be a matter for individual's performance management

## **Legal implications**

12. There are no legal implications from the content of this report which is provided for information purposes.

## **Risk management**

13. The report does not result in new additional risks.

## **Consultees**

14. The member working group has been briefed regularly and the working group has observed the Internal Control Improvement Board.

## **Appendices**

None.

## **Background papers**

None identified.