

<b>Meeting:</b>	<b>Audit and governance committee</b>
<b>Meeting date:</b>	<b>Wednesday 19 September 2018</b>
<b>Title of report:</b>	<b>Capital project management and control internal audit update – closure report</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 enable the committee to receive the closure report from SWAP in respect of the recommendations made in the audit findings report regarding the joint customer services hub capital report presented to the committee in September 2017.

The report to the September 2017 committee meeting confirmed that SWAP would carry out a further review, and the report from SWAP in respect of this further review is appended to the report.

The September 2017 meeting approved the creation of an internal control improvement board and a working group of the Audit and Governance Committee. An update on the work of the working group was presented to the committee on 29 November 2017.

The September 2017 meeting resolved to ask the council's management board to consider commissioning a peer review. The Local Government Association LGA accepted an invitation from the council to carry out a corporate peer challenge, which was carried out in spring 2018.

## **Recommendation(s)**

**That:**

- (a) the committee identifies any further recommendations it wishes to make to secure further improvements; and**
- (b) the member working group is stood down**

## **Alternative options**

1. To not receive the report, this is not recommended as it is a function of the committee to consider summaries of specific internal audit reports and the main issues arising and seek assurance that the action has been taken where necessary, in order to provide assurance about the effectiveness of the councils system of internal controls.

## **Key considerations**

2. SWAP were appointed to carry out a special investigation into the scheme to develop a joint customers service hub, the full findings report was considered by the committee at its meeting in September 2017.
3. The annual governance statement approved by the committee at its 30th July 2018 meeting clarified the council's approach to dealing with the issues raised as in the audit findings report regarding the joint customer services hub capital report presented to the committee in September 2017.
4. The Internal Control Improvement Board (ICIB) is being brought together with the capital strategy programme board to remove duplication and provide oversight of ongoing implementation and embedding of change.
5. The culture of the organisation is being changed so that the changes are embedded in the organisation and care is being exercised to ensure that the changes are fit for purpose and have been designed in such a way as to minimise the incentive to circumvent the processes. In addition processes and controls have been implemented to flag if people attempt to circumvent the process. The appendix evidences progress against the actions in relation to the SWAP recommendations.
6. Cabinet, at its meeting on 28 June 2018, considered the findings of the Local Government Association (LGA) corporate peer challenge that was carried out during the spring of 2018, and agreed how to take forward the recommendations made by the peer challenge team. The peer team were made aware of the issues relating to the management of Blueschool House as a key part of the context of the corporate peer challenge and their work included a focus on understanding whether processes are effective and whether there is a culture to address problems when they arise. The peer team did not find evidence that the issues in relation to Blueschool House were a manifestation of systemic cultural issues with the Economy, Communities and Corporate directorate. The team noted the council's improvement actions planned, and undertaken, which sought to strengthen capital management and mitigate against any further incidents of this type, and emphasised the importance of maintaining this focus.

7. The annual internal audit plan agreed by the committee in March 2018 covers internal control matters, which includes the issues raised in the SWAP report in September 2017.

## **Community impact**

8. To ensure clear and transparent processes are in place to govern how resources of the council are effectively managed to support the council's corporate plan objective to manage its finances effectively and to demonstrate one of the council's values, namely to be open, transparent and accountable.
9. Through its adopted code of corporate governance Herefordshire Council is committed to: behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law; managing risks and performance through robust internal control and strong public financial management; and implementing good practices in transparency, reporting, and audit to deliver effective accountability. The council is committed to promoting a positive working culture that accepts, and encourages constructive challenge. To support effective accountability the council is committed to reporting on actions completed and outcomes achieved, and ensuring stakeholders are able to understand and respond as the council plans and carries out its activities in a transparent manner. Internal audit contributes to effective accountability.

## **Equality duty**

10. 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.

## **Resource implications**

11. 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.

## **Legal implications**

12. There are no specific legal implications arising from this closure report.
13. The recommendations identified in the SWAP report identifies areas for action to ensure the council complies with legal requirements.

## **Risk management**

14. This report does not result in new additional risks.

## **Consultees**

15. None.

## **Appendices**

Appendix A – Blueschool House Refurbishment Special Investigation Follow-up Final report  
2018/19

## **Background papers**

None identified.