

<b>Meeting:</b>	<b>Audit and governance committee</b>
<b>Meeting date:</b>	<b>Wednesday 20 September 2017</b>
<b>Title of report:</b>	<b>Internal audit report re project management of the joint customer services hub (Blueschool House) capital project.</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 consider the findings of an internal audit report on the project management of the refurbishment of Blueschool House and the main issues arising and to provide assurance that action has been taken where necessary.

Following an identified and unauthorised overspend on the capital project to refurbish Blueschool House to provide a joint customer services hub, as reported to the May 2017 Audit and Governance Committee, the section 151 officer requested internal audit to investigate the circumstances which led to the overspend and identify any improvements to processes and procedures in order to maintain effective financial controls and ensure value for money. Cabinet received a report on the expenditure and revised business case in July 2017, approved a new financial package, and requested that audit and governance committee identify and recommend improvement actions to strengthen property capital project management and control.

## **Recommendation(s)**

**That:**

- (a) the committee identifies any further recommendations it wishes to make to strengthen capital project management and control;**
- (b) a further report be provided in January 2018 on progress re agreed actions; and**
- (c) when the project board has implemented the recommendations SWAP be invited to carry out a further review to report back to the committee.**

## **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 action has been taken where necessary, in order to provide assurance about the effectiveness of the council's 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 at a refurbished Blueschool House their report is attached at appendix A to this paper. The report has not been redacted, it is presented in full to this committee.
3. The report has been considered by management board and the recommendations accepted in full. A project board has been established to oversee implementation of the agreed actions and the approved terms of reference are attached at appendix B for information.
4. Following implementation of the recommendations internal audit will carry out a further review. The work of the project board is designed to change processes and safeguards and embed necessary culture change to enable the committee to get assurance in future. The committee is invited to identify any further recommendations to be considered as part of this process to improve internal controls.
5. In line with the council's employment policies a formal investigation has been commissioned to investigate the behaviours and actions of current and former officers.
6. The report at appendix A and the subsequent SWAP report following the project board implementing the recommendations will inform the committee's planned review of the constitution.

## **Community impact**

7. To ensure clear and transparent processes are in place to govern how resources of the council are effectively managed support the council's corporate plan objective to manage finances effectively and to demonstrate one of the council's values, namely to be open, transparent and accountable.
8. 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**

9. 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

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

10. 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**

11. There are no resource implications arising directly as a result of recommendations (a) to (c) above. However, the recommendations identified in the SWAP report (appendix A) 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 implication**

12. There are no legal implications arising directly as a result of recommendations (a) to (c) above. However, the recommendations identified in the SWAP report (appendix A) ensures the council complies with legal requirements.

## **Risk management**

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

## **Consultees**

14. None.

## **Appendices**

15. Appendix A – SWAP report Blueschool House Refurbishment Special Investigation

16. Appendix B – Project board terms of reference

## **Background papers**

17. None identified,