

Meeting:	Audit and governance committee
Meeting date:	Wednesday 21 March 2018
Title of report:	Capital project management and control internal audit progress update
Report by:	Chief finance officer

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 raised in the Internal Auditor's audit findings report regarding project management of the joint customer services hub (Blueschool House) capital project presented in September 2017.

Recommendation(s)

That:

- (a) The committee reviews progress of the plans to implement the recommendations raised by SWAP in their audit findings report regarding project management of the joint customer services hub (Blueschool House) capital project.**

Alternative options

12. There are no alternative options; this report ensures the committee is fully briefed on progress on the recommendations raised by the internal auditors.

Key considerations

13. As reported to the January meeting of the committee all of the processes included in the thirteen recommendations in the SWAP report into Blueschool House will be implemented by the end of March 2018. As discussed at the January committee meeting it is recognised that in parallel to the process changes a culture change program is required to embed a different set of behaviours to ensure that similar events that led to the SWAP investigation do not reoccur.
14. It is recognised that culture change takes time to fully embed into an organisation and it will be a number of years before it is fully embedded. The SWAP internal audit program will be revised so that culture will be examined as part of their audit work when they examine relevant sections of the organisation as part of their work programme.
15. The culture change programme is comprised of four key themes, these are detailed below. A senior manager has been assigned to lead each section, and the work will be overseen by the internal control improvement board.
 - a) Financial controls.
 - b) Contract monitoring.
 - c) HR issues including management training.
 - d) Policies, ensuring that staff are aware of them and how management obtain assurances that they are being followed.
16. The council's finance procedure rules are currently being revised, relevant internal stakeholders are currently being consulted, including the constitution review working group, with the revised procedure rules being presented to the May meeting of the Audit and Governance Committee.
17. It is important that we build into our plans the need for management and staff engagement in regard to improvements within the council, in which we also embed learning arising from the internal and external investigations into Blueschool House. This is already underway. Having discussed the best approach within the senior management team, we are rolling out training and development of key management and staff on the improvements now being introduced to our project and capital planning processes. The aim here is to embed excellent and robust systems and knowledge/ know-how among key management and staff.
18. We are also seeking culture change within the council, to keep improving in every area of service. We already have strong improvement planning in place within our directorate and good approaches to examining how we review performance – such as the Performance Challenge Meetings which were very positively commented upon by the Corporate Peer Challenge team. Our focus is on embedding continuous improvement as part of our aims to strengthen the culture. Therefore we have introduced a refreshed approach to continuous performance improvement – known as the Continuous Performance Improvement Programme (CPIP). This is becoming established across the council at every level, led by the chief executive, and is seen as a very important approach to short-medium and long-term improvements in all service areas.
19. The majority of the expenditure on the refurbishment of the joint customer services hub was incurred in 2017/18. The council's external auditors are due to commence their audit work shortly on the financial year 2017/18 and will report later in the municipal year on the conclusions of their audit work to the committee.

Recommendation	Response	Source of assurance
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.	The revised Finance Procedure Rules will be presented to the May meeting of the committee,	The revised rules will be presented to the committee in May 2018. SWAP follow up audit in 2018/19
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	Revised guidance is being issued to report authors in respect of items to be covered in the resources section of the report including senior responsible officers responsible for the production of business cases. The culture change program will ensure that the changes are embedded,	Guidance issued by 31 Mar 2018 SWAP follow up audit in 2018/19
The gross cost of a capital project should be costed prior to a proposal being submitted to the Capital Strategy Group.	The revised Finance Procedure Rules will be presented to the May meeting of the committee, The new project management program clarifies the process for costing potential new capital projects. The culture change program will ensure that the changes are embedded,	The revised rules will be presented to the committee in May 2018. SWAP follow up audit in 2018/19
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.	The senior responsible officer for a project is accountable for costings provided for the project. The capital accountant will review costings before they are submitted to the Capital Strategy Group, The culture change program will ensure that the changes are embedded,	SWAP follow up audit in 2018/19
Officers must ensure that the Contracts Procedure Rules are followed for all	The new project management system includes gateways that evidence assurances from the senior responsible officer that Contracts Procedure Rules have	SWAP follow up audit in 2018/19

procurements	<p>been followed.</p> <p>The culture change program will ensure that the changes are embedded,</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>The new project management system includes gateways that evidence decisions that are made by the senior responsible officer for the project. Therefore if the situation arises in the future that two separate companies are required the rational will be documented.</p> <p>The culture change program will ensure that the changes are embedded,</p>	SWAP follow up audit in 2018/19
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>The new project management system includes gateways that keep track of recommendations and ensure that evidence is provided by the senior responsible officer for the project before the project is allowed to progress to the next stage.</p> <p>The culture change program will ensure that the changes are embedded,</p>	SWAP follow up audit in 2018/19
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>Agreed. Senior responsible officers and decision makers have been reminded of this requirement. The new project management system records the decisions around contractor selection.</p> <p>Procurement officers review all decision reports to ensure the process followed has complied with contract procedure rules.</p> <p>The culture change program will ensure that the changes are embedded,</p>	SWAP follow up audit in 2018/19
Officers must ensure	The senior responsible officer will be	SWAP follow up

that value for money can be demonstrated as part of a tender submission and for additional works during the project.	<p>required to confirm that Value for Money can be demonstrated to the capital strategy working group,</p> <p>This will be captured in the project management system.</p> <p>The culture change program will ensure that the changes are embedded,</p>	audit in 2018/19
If a tender submission is significantly different to the costing provided at the design stage or 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.	<p>The new project management system includes gateways that require the senior responsible officer to demonstrate compliance with contract procedure rules,</p> <p>The culture change program will ensure that the changes are embedded,</p>	SWAP follow up audit in 2018/19
Compensation events should only be authorised by an officer with the relevant delegated authority.	Authorisation is covered by the scheme of delegation.	SWAP follow up audit in 2018/19
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	<p>The revised Finance Procedure Rules will be presented to the May meeting of the committee,</p> <p>The new capital monitoring process, including reports to cabinet, is designed to bring greater transparency to monitoring of gross capital expenditure and funding,.</p> <p>The culture change program will ensure that the changes are embedded,</p>	<p>SWAP follow up audit in 2018/19</p> <p>Revised capital monitoring reports to The Cabinet.</p>
Project boards must be presented with	The new project management system includes gateways that require the senior	SWAP follow up

full and accurate information to ensure informed decisions can be made and actions recommended must be completed with a clear audit trail to show the action has been completed.	responsible officer to demonstrate compliance with contract procedure rules, The system also provides a clear audit trail. The culture change program will ensure that the changes are embedded,	audit in 2018/19
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Community impact

20. 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 and accountable.

Equality duty

21. 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.
22. 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

23. 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

24. There are no legal implications arising from this report and recommendation which is to review progress.

Risk management

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

Consultees

26. None

Appendices

None

Background papers

None identified.