

EAST RENFREWSHIRE COUNCIL  
AUDIT AND SCRUTINY COMMITTEE

21 AUGUST 2014

Report by Clerk

LOCAL EXTERNAL AUDIT REPORT ON MAJOR CAPITAL INVESTMENT IN COUNCILS  
TARGETED FOLLOW-UP REPORT

**PURPOSE OF REPORT**

1. To update the Committee on the publication of a local External Audit report on *Major Capital Investment in Councils – A Targeted Follow-Up Report*.

**RECOMMENDATION**

2. It is recommended that the Committee:-
- (a) agrees that, prior to the end of 2014, the Head of Accountancy submits an update to the Committee on the position regarding the Action Plan to be prepared in respect of the national report *Major Capital Investment in Councils* published in 2013; and
  - (b) otherwise, considers the report.

**PUBLICATION OF LOCAL EXTERNAL AUDIT REPORTS**

3. The Local External Audit Report *Major Capital Investment in Councils – A Targeted Follow-Up Report*, as published in June 2014, has already been circulated to all Audit and Scrutiny Committee Members. The Members of the Committee who are leading on the review of this particular report are Councillor Wallace and Councillor O’Kane.

**MAJOR CAPITAL INVESTMENT IN COUNCILS – A TARGETED FOLLOW-UP REPORT**

4. The national External Audit report on *Major Capital Investment in Councils* which was published in March 2013 on behalf of the Accounts Commission was the subject of a report to the Audit and Scrutiny Committee in June last year. Having considered the report, the Committee agreed that the Director of Finance and HR section be advised that further training on capital and treasury management issues for elected Members would be considered useful; and otherwise noted the report. The national report is one of two reports selected for targeted follow-up during the 2013/14 audit year in the local government sector. The follow-up work which is the subject of this report is being carried out in all 32 councils in Scotland with additional more detailed work being carried out in 9 local authorities of which East Renfrewshire is not one. The local follow-up work did not cover how capital projects are funded in detail which is to be covered in part by the forthcoming performance audit *Borrowing and Treasury Management in Local Government*.

5. The local follow-up audit which is the subject of this report looked at how the Council considered and responded to the findings and 14 recommendations set out in the national report *Major Capital Investment in Councils* published last year. This included the extent to

which a good practice guide and checklist had been adopted to support the management and delivery of major capital projects and the scrutiny of plans. It also looked at the extent to which the Council had a long term capital investment strategy and capital plan reflecting strategic priorities and elected Members were provided with appropriate information to support effective decision making.

6. Several areas of good practice locally were identified including that the Audit and Scrutiny Committee had considered the position of the Council relative to the national report and the related recommendations within it. Other examples of good practice cited were the Council's move to an 8 year Capital Programme to help deliver large scale projects; its consideration of a variety of funding sources for its capital projects and the increase in the Capital Reserve through revenue efficiency savings; and its history of joint working with other public bodies on major capital projects. Overall a good level of detail was considered to be provided to elected Members five times annually to allow an appropriate review of capital projects.

7. Some areas for improvement were also reported. For example it was commented that the Council had not produced a formal action plan following consideration of the national report. As referred to previously, it was acknowledged that a report on the position of the Council relative to the report had been prepared by the Head of Accountancy and submitted to the Audit and Scrutiny Committee. Action Point 2 within the recent, local report makes specific reference to a need for an update on this to be provided to the Committee.

8. Other areas for improvement reported on included that the good practice guidance and checklist had not been issued to project managers; and that the additional training on capital and treasury management suggested by the Audit and Scrutiny Committee had not been arranged at the time of the local audit. Other issues raised were that post implementation reviews were not conducted on all projects to ensure the delivery of anticipated benefits; and that the Council did not produce detailed project spend against milestones for every project, restricting these to major projects.

9. The report clarifies the management responses to the findings of the follow-up audit. More specifically, an Improvement Action Plan was appended to the report itemising four recommended actions. The Plan confirms that the guidance referred to previously will be circulated to all relevant staff; that a formal action plan addressing the recommendations in the national report will be prepared with relevant points actioned; that post implementation reviews of projects will be undertaken; and that the training referred to previously will be arranged and offered to Members. With the exception of the target for the circulation of the guidance which is September 2014, the target for completing the remaining actions is December 2014.

10. The report highlighted that the issues identified are only those that came to the attention of External Audit during the review and therefore are not necessarily all of the issues that may exist. It also highlighted that it remains management's responsibility to determine the extent of improvement action required.

## **OVERALL ASSESSMENT**

11. The report concludes that the Council has considered the recommendations made in the national External Audit report on *Major Capital Investments in Councils* and that, although no action plan was generated, had identified its position and areas for improvement. It points out that there has been no formal follow-up of action taken to address weaknesses and that the good practice checklist and guidance was not issued to project managers. A long term capital plan investment strategy is in place.

12. Overall a good level of detail is considered to be provided to elected Members five times annually to allow an appropriate review to be completed, but elected Members have noted that additional training would be beneficial.

## **RECOMMENDATION**

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- (b) otherwise, considers the report,

Local Government (Access to Information) Act 1985.

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Background papers:

- National External Audit report *Major Capital Investment in Councils* (Published March 2013)
- Report submitted to Audit and Scrutiny Committee on that report in June 2013
- Local External Audit report *Major Capital Investment in Councils – A Targeted Follow-Up Report* (Published June 2014)