

CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of Meeting:	31 st January 2013
Report of:	Head of Performance, Customer Services and Capacity
Subject/Title:	Action Plan arising from Internal Audit Report into Waste Transfer Station (Lyme Green)
Portfolio Holder:	Councillors Barry Moran/Paul Findlow/Peter Raynes

1.0 Report Summary

- 1.1 The purpose of the report is to provide an update on progress in implementing the action plan approved at the last meeting of the Committee. This was put in place following the findings of the internal audit review of the project relating to a potential waste transfer station at Lyme Green. The original audit report was submitted to this Committee in June 2012 and the first progress report was discussed in September 2012.
- 1.2 The Council is committed to an open and transparent way of working and is putting significant emphasis on improving its procedures and systems as a result of this review. The action plan is comprehensive and focuses on all the issues identified, so as to properly address the findings of the internal review and ensure that learning points are fully embedded across the Council as a whole.
- 1.3 The findings have been separated into three central themes covering; the need for more robust option appraisal; the need for a comprehensive framework for programme and project management; and the need for better systems to ensure compliance. By implementing the improvements in project initiation, governance, monitoring and staff training, the sanctions which exist for any future non compliance with these enhanced arrangements can, and will, be instigated readily for any relevant instances in future.
- 1.4 A separate report is being compiled by the Interim Chief Executive summarising with the findings arising from the confidential report of the Dedicated Independent Person (DiP) on this matter which was received by the Council in December 2012. This completes the final element of the necessary corrective actions. This makes sweeping changes to management roles and responsibilities, in response to the cultural and behavioural aspects. .
- 1.5 The Summary action plan attached at Appendix A highlights that the majority of the agreed actions are fully implemented and those with timescales for delivery over the next few months are on target to be achieved. To some

extent, the types of actions identified will always be being developed further given that they are about the whole management approach to our change programmes and projects. The continuous improvement of these processes and the quality assurance mechanisms are kept under review as we react to the pace of change required, with reduced management capacity as part of our wider cost cutting measures.

2.0 Recommendation

- 2.1 That the Committee note the good progress being made on implementing the agreed action plan at Appendix A.

3.0 Reasons for Recommendations

- 3.1 To ensure that the learning points arising from the internal audit review of the failures arising from this project are being effectively implemented and monitored, so that the Council's future working practices are consistently improved and the risk of repetition of such difficulties is reduced.

4.0 Wards Affected

- 4.1 All wards.

5.0 Local Ward Affected

- 5.1 Not applicable.

6.0 Policy Implications

- 6.1 Not applicable.

7.0 Financial Implications (Provided by the Director of Finance and Business Services)

- 7.1 Resources have been realigned, within the overall budget, to provide the appropriate focus on improvements required to implement the new governance arrangements and processes that have been established in response to the lessons learned.
- 7.2 The central themes of the Action Plan clearly state the areas relating to finance, that is, robust financial appraisal, monitoring and control:
 - A. The need for more robust option appraisal, **financial analysis** and authorisation for project commencement.
 - B. The need for a comprehensive, corporate programme/project management framework and effective project management. (This includes **financial** and planning **implications**)

- C. The need for better systems to ensure adherence to compliance with EU rules and internal **financial and contract procedure rules**.

The associated improvements in processes are already implemented and are becoming embedded across the Council.

8.0 Legal Implications

- 8.1 Apart from the issues raised in the investigation itself which have been separately addressed, there are no further legal implications arising from this report.

9.0 Risk Assessment

- 9.1 There are a number of risks arising from the implementation of actions within the Appendix. However, the key risk is around failure of implementation which would not mitigate risks around non achievement of outcomes, financial control, reputation and public confidence.
- 9.2 There is a risk that the balance between robust and comprehensive processes on the one hand and the need for decisive action on the other could create an approach that is overly bureaucratic or leads to an overly risk averse way of working. Significant effort has been put into the design of the new processes to ensure that this balance is achieved. The gateway process, for example, is proportionate to the level of spend and impact, and the Executive Monitoring Board, will review projects on an exception basis where variances are outside of the tolerances as acceptable.

10.0 Background and Options

- 10.1 The Audit and Governance Committee on 31st January 2012 resolved that “a thorough and robust investigation of all issues surrounding the expenditure incurred on the proposed waste transfer station at Lyme Green be added to the work plan; in particular to identify any governance issues and whether all financial and contractual regulations have been complied with.”
- 10.2 At its meeting on 27th March 2012, the Committee further resolved that a special meeting be held to consider the outcome of the investigation. This special meeting was held on 14th June 2012, where it was resolved that progress reports against the identified actions in the Action Plan be submitted to the Committee on a quarterly basis. This is the second and last of these progress reports as the new arrangements will, in future, be covered by our normal performance monitoring framework.
- 10.3 A Member/Officer task and finish group was set up following the special meeting of the 14th June 2012 with membership comprising three Portfolio Holders, the Head of Performance, Customer Services and Capacity and Internal Audit representation. The interim Chief Executive has since joined the group. That group will now stand down.

- 10.4 "Issues and Actions arising from Lyme Green" is one of the significant governance issues identified in the Council's Annual Governance Statement (AGS) for 2011/12. Progress against the actions in the AGS Action Plan are monitored throughout the year by the Corporate Governance Group and reported to this Committee.
- 10.5 At the Audit and Governance Committee meeting in September 2012, an updated action plan and progress report to improve working practices highlighted by the findings of the internal audit review was approved. This agenda item provides an update on the approved action plan.
- 10.6 A further report relating to staffing issues arising from the investigation is being prepared by the interim Chief Executive. This will provide a summary of the issues raised by the report of the DIP and sets out separate plans to respond to these issues, linked to a comprehensive review of management roles and responsibilities, reporting lines and functions. This is part of a wider review of the authority, to ensure it is fit for purpose within the context of significant fiscal pressures and a need to redefine the way local government works and engages with the public and its key partners.

11.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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