

## **Recommendations from the McKelvey Report, presented to RCVS Council on 3 November 2011**

**The Group's remit was "to look at all aspects that relate to the RCVS budgeting and expenditure processes and to propose lessons that should be learned".**

### **Recommendations for future Capital Building Projects**

We would make the following recommendations with regard to the future management of capital building projects and the authorisation of expenditure:

The College should urgently review its protocols for the agreement of business plans and project specifications, the processes for sign-off of those plans, the procedures for tendering and agreement of contracts, and the methodology for timeous reporting of progress, against agreed milestones, to Officers and to Council. This should include a review of written authorisation limits for expenditure at all levels. These limits should be approved by Council, and regularly reviewed.

The RCVS General Administration Bye Laws indicate that the Treasurer is ultimately responsible, on behalf of Council, for the oversight of capital projects and for their delivery on budget. Day-to-day responsibility should be formally devolved to the Chief Executive, Project Manager or Facilities Manager, according to their limits of authority. They should be required to provide regular and timeous reports in an agreed format, against project milestones, to the Treasurer, and thereby to Council, throughout the project. We suggest that a standard Red/Amber/Green (RAG) reporting system would be a useful start.

The Treasurer should be set clear guidelines, with respect to his/her devolved level of authority from the Council, to amend plans, alter budgets or agree contractual changes on behalf of the College once initial contracts have been signed.

The College should consider the skills sets available within the current College staffing compliment with regard to the management of major capital building projects. As the management of major capital building projects is not a regular requirement of the College staff, the College may wish to consider the appointment of professional Project Managers to oversee major capital building projects in future.

The College should carefully consider the pivotal role of the Treasurer in ensuring not only financial accountability, but also in ensuring that best practice standards are regularly reviewed across all College operations through internal audit and external benchmarking of business processes. The skills set required for the Treasurer should be formally reviewed and the appointment process should take due consideration of these skills requirements.

### **Recommendations regarding future IT projects**

The Treasurer should have the overall responsibility for the delivery of IT projects on budget on behalf of the Council, with day-to-day authority devolved for project delivery to the Chief Executive and the Head of Corporate Services.

The Planning and Resources Committee (PRC) and the Council should clarify the limits of authority that the Treasurer has to change project specifications, alter an existing contract, or increase expenditure, without formal reference to the PRC and to the Council.

Improved routes of communication require to be established for consultation with members of PRC regarding project expenditure outwith normal PRC meeting schedules.

We would recommend that lines of communication are formalised and strengthened with written project milestones and regular written progress reports, against agreed milestones, provided by the Executive staff for Officers. Variances from plan should be easily identifiable.

The College should review the skills available within the core College staff compliment and consider the appointment of an independent Project Manager to oversee the specification, evaluation, tendering and delivery of major IT investments.

### **Implications for Governance – general observations**

During the course of our discussions with staff and with Officers we have made a series of observations with regard to procedures and governance within the College. In terms of the prevention of future “overspends” we have a number of recommendations to make which we would hope will be given due consideration by the Governance Review Group and by the RCVS Council.

### **Audit and Risk**

During the course of our investigations of the “overspends”, it became clear to us that the Planning and Resources Committee is, *de facto*, acting as both a Finance and General Purposes Committee, and as a quasi Audit Committee. In our view this is entirely inappropriate and does not reflect best governance practice. It became clear to us that the PRC did not interrogate projects in detail, received post-hoc information, and at times exhibited a ‘them and us’ culture which was not conducive to open, challenging, and transparent governance.

We were unable to determine the current criteria for the appointment of the “independent auditor” who is an *ex officio* member of the PRC, nor were we able to establish the exact remit for that role. However, it is clear to us that the role is not as fully independent as might properly be expected, and the skills requirements of the post are ill defined.

We are very concerned that a formal internal audit function does not exist in the College, and therefore appropriate benchmarking of procedures and practices is not regularly undertaken through independent external assessment. Without such assessment we are unclear as to how members of the Council can

satisfy themselves with regard to ensuring best practice across the College's various statutory and business functions

We are firmly of the view that an Audit and Risk Committee, fully independent of the Finance and Planning portfolio, should be formed. The Audit and Risk Committee should take oversight of both external and internal audit procedures and maintain the Risk Register.

We understand (from anecdotal accounts) that a similar recommendation was made some years ago following a similar investigation of an overspend on a buildings project, and that the Registrar and Head of Finance supported this recommendation. However the Council has failed, for whatever reasons, to act on that recommendation.

### **Reporting mechanisms**

During the course of our investigations we have been unable to determine exactly how Executive staff report to Officers. Current mechanisms appear to be somewhat *ad hoc* in relation to management reports. We would recommend that these routes of communication are formalised and that Minutes of Management Team meetings, with action points, are made available to Officers.

### **Project Planning and Management**

As noted above, we were unable to determine, for the Lower Ground Floor project, where ultimate responsibility lay for agreement of plans, contracts and budgets. We would recommend that in future this is formally set down and recorded and that one person takes overall responsibility for these matters. In this respect the paper which was presented to PRC on 12 May 2011, from the Facilities Manager, on "Management of major projects" forms the rudimentary basis of such a project management framework. We recommend that this is further developed by the PRC, benchmarked externally, and implemented as soon as possible.

### **Commitment and Authorisation of Expenditure**

During the course of our investigations we were unable to clearly determine the limits for commitment and authorisation of expenditure that is currently held by Officers or staff. We strongly recommend that clear limits for both the commitment, and for the authorisation of the expenditure, are formally recorded and implemented as a matter of urgency, and that these are reviewed annually by the Audit and Risk Committee.

### **Council Skills Matrix**

Whilst we fully understand and appreciate that the skills portfolio inherent in the Council is essentially determined through an electoral process, we would recommend that the College gives due consideration to the co-option and appointment of non-elected members of Council through a defined skills matrix approach. This is particularly relevant with regard to the role of the Treasurer and our proposal to form an Audit and Risk Committee so that there is independent external assessment with regard to best practice in management and governance processes.

### **External Auditors**

The current external auditors have been contracted for the provision of audit services for a significant period of time (apparently more than ten years). In our view this is inappropriate and is a significant failing on behalf of the Council to ensure proper governance. We were unable to determine the criteria for tendering for the reappointment of auditors. We would recommend that this matter requires urgent attention by the Council and the Audit and Risk Committee in order to comply with acceptable governance practice. An Internal Audit process should also be put in place as soon as possible.

### **Overall Conclusions**

Weaknesses exist in the governance of the RCVS which pose significant risks to the proper conduct of its business. Executive staff have not been provided with a robust governance framework by the Council, and this has led to a number of unnecessary misunderstandings between Executive staff and Non Executive members of Council. These matters should be urgently addressed by Council in order to ensure that the confidence of ordinary members of the profession in their College can be restored.