

GOVERNANCE AND AUDIT COMMITTEE

Minutes of an Extraordinary Hybrid Meeting held on 20th May, 2024.

The Committee agenda is available [here](#).

The recording of the meeting is available [here](#).

Present: Councillors: P. Drake, E. Goodjohn, M.J. Hooper, J.M. Norman, J. Protheroe and N.J. Wood; and G. Chapman, M. Evans and N. Ireland (Lay Members).

Also present: Councillors I.R. Buckley, L. Burnett (Executive Leader and Cabinet Member for Performance and Resources), G. John (Cabinet Member for Leisure, Sport and Wellbeing) and Dr. I.J. Johnson.

43 ANNOUNCEMENT –

Prior to the commencement of the business of the Committee, the Democratic and Scrutiny Services Officer read the following statement: “May I remind everyone present that the meeting will be live streamed as well as recorded via the internet and this recording archived for future viewing”.

44 APPOINTMENT OF CHAIR –

RESOLVED – T H A T G. Chapman (Lay Member) be appointed Chair for the current Municipal year.

45 APPOINTMENT OF VICE-CHAIR –

RESOLVED – T H A T N. Ireland (Lay Member) be appointed Vice-Chair for the current Municipal year.

46 MINUTES –

RESOLVED – T H A T the minutes of the meeting held on 22nd April, 2024 be approved as a correct record.

47 DECLARATIONS OF INTEREST –

No declarations of interest were received.

48 ORACLE FUSION IMPLEMENTATION (PART I) (REF) –

The Part I reference from Corporate Performance and Resources Scrutiny Committee from 17th April, 2024, as contained within the agenda, was presented.

The Head of Finance/Section 151 Officer provided a PowerPoint presentation, the key points included:

- A business case was in place for the system's replacement in August 2020 and move to Oracle Fusion in January 2022 with the implementation to have a Go Live cost of £1.5m.
- During 2021, the project suffered from a number of delays, including the disruption and challenges to capacity caused by Covid-19. That resulted in the project being reset, which as a consequence, had led to the final cost of the new system being significantly greater than planned. There were further challenges and subsequently the cost increased to £5.192m by the final implementation date of April 2023.
- During January 2022, there was a replacement and strengthening of the Project Management Team as well as an increased scope.
- The Oracle system was rescheduled to go live during November 2022 with some challenges in relation to data migration and Payroll. As a result, outside consultancy was brought in to assist the Council's in house teams. The issues had meant that there was also extension to the use of the Council's previous system.
- Cabinet had been kept apprised of the progress of the project and the revised dates for Go Live and the additional costs incurred.
- A commitment was given to undertaking a lessons learnt exercise once the new system was up and running. The system went live in April 2023 but the exercise was put on hold until a contractual dispute with the System Implementer was resolved in the summer.
- A very comprehensive lessons learnt exercise had been undertaken which was led by the Council's external Project Manager who had initially been brought in mid-way through the project when it was first identified that additional resource was required to manage the implementation.
- The lessons learnt work had been carried out using a specific software package which the Council could use in similar reviews in the future.
- 59 lessons were identified which had been organised across four themes where were broadly in line with the lifecycle of such an implementation:
 - Organisational capacity to run effective projects;
 - Project management methodologies and effective use of project tools;
 - Testing infrastructure and testing capability; and effective project team planning.
- There were a number of detailed recommended actions and the 38 priority ones were set out in the body of the report.
- In terms of implementation of the recommendations, there would be sharing of experiences with other live projects. There had been joint sessions with the Council's Strategic Leadership Team and Heads of Services. An action plan would also be devised.

Councillor Hooper stated that he was glad that there were independent Lay Members appointed to the Governance and Audit Committee as they could probably take a more dispassionate view of the issues. Councillor Hooper commented that there had been a complete lack of scrutiny throughout the process and it felt that Councillors had not been fully informed. For example, the Governance and Audit Committee had not been made aware of the level of overspend which had gone up from £1.5m to £5.2m. Councillor Hooper stated that responsibility and accountability was required as for residents the overspend was a huge issue. The reduction in Council resources was something that had impacted on the project and it was important to recognise that if the Council did not have sufficient capacity then it would fail which would cost residents money. Therefore, the report represented a political issue and so there was a need for political responsibility.

Mr. M. Evans (Lay Member) felt it was unclear as to why the project was not classified as high risk given its financial / transformational remit and a replacement for a major Council financial system. Mr. Evans queried whether there were any other projects of a similar nature where the risk could have been misclassified. Mr. Evans also queried whether the Council had the correct controls in place and was the Council comfortable that the Oracle system was where it needed to be.

In reply, the Head of Finance advised that awareness raising had been undertaken through the Council's Strategic Leadership Team and through the Heads of Services. The draft lessons learnt document was considered by the Council's Strategic Leadership Team a few months ago, that meant there was awareness in relation to the high risk of the project. In terms of control and security, the Head of Finance stated that the Council did have a very good product which was now fully implemented and there would be a rolling cycle of assurance through the Council's Internal Audit team. The key functions of the new Oracle system had been tested and that would be an ongoing process. The Council was fully assured about how the system was currently working.

Mr. Evans then asked whether it was right that the report had only been referred to the Governance and Audit Committee at this stage. The Head of Finance clarified that the report had also previously been reported to the Strategic Leadership Team, then Cabinet and also on to the relevant Scrutiny Committee. The Director of Corporate Resources also confirmed that the issues and matters in relation to Oracle were regularly discussed by the Council's Strategic Leadership Team.

Members of the Governance and Audit Committee were also advised that relevant minutes in relation to the Oracle Fusion Project would be shared with Members outside of the meeting and Members would be able to make individual comments on the matter when the report would be referred to Cabinet.

Mr. G. Chapman (Chair and Lay Member) commented that it was clear that the Council at the start of the project, did not have the necessary expertise in place in order to successfully implement the project. It was also clear that the initial projected cost of the project of £1.5m was insufficient and it was also important to recognise that the initial project budget also lacked money for areas such as archiving and contingency funding. The Chair stated that he was not in full agreement to Recommendation 59 and stated that legal input should be there from the inception of

any such large project. In terms of dates, the Chair stated that April 2022 was straight before the elections in May which, on top of Covid, had meant that there were other significant priorities facing the Council. In terms of people being informed, the Chair referred to reports being produced around the Chief Executive's use of Emergency Powers and reports being presented to Cabinet so there would have been opportunity for Councillors to call in the matter to Scrutiny. The Chair also added that a lessons learnt paper was extremely important which highlighted some significant areas for improvement in dealing with high profile projects. One aspect that would be interesting to understand was whether the cost of the project would have been significantly different had the Council carried out things properly at the beginning. The Chair added that it was important for the lessons learnt paper to be cascaded throughout the Council with the key principle being that input and officers from all the relevant areas such as HR, Finance, IT and Legal etc. needed to be involved from a project's inception. So with the right processes in place and the correct procedures the Council should be in a better position going forward. The Chair agreed that some additional reporting on the matters should have been undertaken and, in particular, the role of Internal Audit when issues were being identified. Therefore, assurance should have been provided sooner to the Governance and Audit Committee as to whether the correct controls and procedures were in place once issues had been identified.

Mr. N. Ireland (Lay Member) asked what lessons had been learned in relation to risk management within the Council. Mr. Ireland added that at the start of the project, which was in the middle of Covid, the project was assessed as not a high risk, which was obviously incorrect. Projects like this were always a risk and therefore what learning was there in relation to the operational or strategic risk management within the Council. In reply, the Director of Corporate Resource stated that one of the findings from the lessons learnt document was that the Council needed to train and talk to colleagues about the Council's Project Management Toolkit to ensure that risk management was an integral part of all projects. A piece of work would be undertaken with Heads of Services and Directors in terms of sharing the lessons learnt and the Council would go further in that training would be delivered around the use of the Project Management Toolkit. In terms of the Council's approach around risk management as a whole, there had been some reflective work around other similar projects such as the Wales Community Care Information System and how the Council reported individual projects and the risks to the Governance and Audit Committee. That was a good example of a service risk although managed by the relevant service also being included on the Council's Risk Register. The threshold around inclusion on the Risk Register was something that would be considered as part of the Council's Risk Register refresh activity.

The Chair commented that the lessons learnt document contained 59 recommendations and he queried whether there would be a workshop for Members in order to better understand how the Council would deliver on those recommendations. In reply, the Director of Corporate Resources stated that the Council was open to providing a workshop and so the best way of framing any workshop would be taken away and considered.

Councillor Hooper raised a point of clarification in regard to the timelines and the decision made in April 2022 but that decision, as part of the Chief Executive's

Emergency Powers, was not published until the July, with an implementation date of August. That meant that the timelines were insufficient for the matter to have been called-in. There was also insufficient time for scrutiny of the project.

Councillor E. Goodjohn commented that scrutiny of the project should have been carried out sooner, but the window for scrutiny was also very short. He added that at the time of inception, the Council did not envisage the project taking so long to implement which was because of not having the right expertise in place. Councillor Goodjohn stated that he hoped that the recommendations within the lessons learnt document were not lost and greater emphasis of training needed to be given regarding procurement and value for money as well as the way that project management should be carried out. He also stated that he hoped that the lesson learned around scrutiny had also been fully embraced as it was important to advise scrutiny of any issues sooner and in more detail.

Councillor Protheroe, commented as Chair of the Corporate Performance and Resources Scrutiny Committee. Councillor Protheroe stated that the commissioning part of the project was where there was an absence of expertise. The appointment of the Head of Digital and the Council's relationship with Ardal should mean that the Council would have great strategic support with other projects. Councillor Protheroe agreed that the Council should consider cross functional commissioning teams, with a full range of expertise available at a project's inception. There should also be distinction between a project management approach and the procurement part.

Councillor Dr. Johnson, not a member of the Committee but with permission to speak, referred to the importance of scrutiny and the timelines. He commented that the first-time members were made aware of any issues was when an overspend was reported in September 2022 which was also when the Corporate Performance and Resources Scrutiny Committee requested a report, which had been provided in April 2024. He commented on the 18-month delay in providing the report, but an interim briefing paper or update would've been helpful.

In terms of the delay to provide a report, Councillor Goodjohn commented that there were legal proceedings ongoing that had delayed the production of a report. He concurred that the Scrutiny Committee needed to have been provided with whatever information was available as early as possible, but members were aware that Legal was involved.

Subsequently, it was

RESOLVED – T H A T the comments of the Governance and Audit Committee be referred to Cabinet alongside the comments from the Corporate Performance and Resources Scrutiny Committee meeting held on 17th April, 2024. The key comments of the Governance and Audit Committee being:

- Projects could be impacted, and costs increased if the Council did not have adequate resources and capacity.
- Members of the public required greater accountability around the challenges that the project faced, and greater Scrutiny should have been carried out.

- At the start of any project, the Council needed to ensure that it had the right expertise in place from all relevant service areas, including Commissioning, Human Resources, Information Technology, Finance and Legal.
- The proposed budget for the Oracle system at its inception appeared insufficient as it did not include archiving, contingency etc.
- The Corporate Performance and Resources Scrutiny Committee and the Governance and Audit Committee should have been made aware of issues sooner and provided assurance in respect of the control environment.
- The Lessons Learnt review document needed to be cascaded widely throughout the organisation.
- A workshop for members should be arranged to understand how the 59 recommendations would be implemented.

Reason for decision

Having regard to the contents of the report and discussions at the meeting.

49 ACCOUNTING POLICIES 2023/24, KEY HEADLINES FOR 2023/24 AUDIT AND PREPARATION AND AUDIT OF THE 2022/23 STATEMENT OF ACCOUNTS REVIEW AND CONSIDERATION OF LESSONS LEARNT (HOF/S1510) –

The report advised of the proposed timelines for the closure of the 2023/24 accounts and the proposed accounting policies to be utilised.

The 2022/23 Statement of Accounts were completed by 30th June, 2023 and presented to Governance and Audit Committee on 17th July, 2023.

The Audit was completed by 16th November, 2023 alongside the ISA260 and was reported to Full Council in early December 2023. The November date was in line with the Audit Wales planned deadline which was set in the context of some resourcing challenges regarding the Audit of Local Authority accounts by Audit Wales.

The preparation of the 2022/23 accounts was impacted by a number of key issues as set out below:

- Valuation of Land and Building Assets;
- Pressures associated with resource implementing Oracle Fusion and an upgrade on Pay 360 cash management system in April 2023 in addition to some long term vacancies in the team that have now been filled;
- Some delay with obtaining information from BFCC accounts and Joint Committee accounts impacting consolidation and group accounts.

The report detailed some of the potential reasons for delay and considered how these issues could be mitigated for 2023/24.

Councillor Hooper raised a query in regard to paragraph 2.5 and the delay in receiving information from the Big Fresh Catering Company accounts and Joint

Committee accounts impacting consolidation and group accounts. In reply, the Principal Accountant advised that the Finance Section had looked to build on communication with the Big Fresh Catering Company as some of the information came through quite late. The majority of accounts for Joint Committees were relatively straight forward and information was usually provided in a timely manner. With regard to the City Deal, the Committee would be aware that the accounts for 2022/23 were still subject to Audit Wales approval and a similar delay was expected for 2023/24.

The Chair stated that the lessons learnt paper was extremely important and he offered his thanks to the Finance Team for the hard work in dealing with the accounts and ensuring they were submitted to Audit Wales for sign off.

RESOLVED – T H A T the contents of the report be noted.

Reason for decision

Having regard to the contents of the report and discussions at the meeting.

50 INTERNAL AUDIT LIMITED OPINIONS 2023-24 (HRIAS) –

In line with the Public Sector Internal Audit Standards the Head of Internal Audit had to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The Risk-based Audit Plan should cover the Council's overall control environment including risk, governance and internal controls as far as practicable.

On behalf of the Head of Internal Audit, an audit assurance opinion was issued at the conclusion of each audit job within the Plan, based on the strengths and weaknesses identified throughout the audit work.

The opinions used by RIAS were those recommended by CIPFA and were used throughout Internal Audit within the public sector in the UK; *Substantial, Reasonable, Limited, No Assurance*.

Limited Assurance opinions were reported into Governance and Audit Committee on 22nd April 2024; these related to:

- Debtors;
- Residential Homes – Food stock control;
- Leisure Centres – Contract and Performance Management.

Governance and Audit Committee recommended that the relevant Directors / Heads of Service for the three *Limited Assurance* audits identified be requested to attend the next meeting of the Governance and Audit Committee to provide a report and update on the actions being taken in response to the recommendations following the review of Internal Audit.

In terms of debtors, the Head of Finance referred to reference point 1.6 under Appendix A(i) attached to the report and stated there had been a lull in activity from the Council's debt collector, Marstons but a meeting had taken place on 4th April in order to address how issues could be taken forward. The first batch of debts over 12 months old was sent a final notice on 23rd April, 2024 and these related to Council Tax debts. Unfortunately, it appeared that the notices took well over a week to land with customers and the Council was still working through the contacts from these. However, any remaining cases would be progressed once all the queries had been resolved.

The Chair, Mr. Chapman, queried the success rate in terms of the collection of debt and were any figures available. In reply, the Head of Finance stated that information was not currently available but data would be supplied for a six month update report.

The Head of Finance added that a good practice guide had been updated and would be considered by the Council's Strategic Leadership Team on 22nd May, 2024.

With regard to recommendations relating to residential food costs and stock control, Mr. Ireland (Lay Member) commented that there appeared to be a theme running through the limited assurance reports in terms of value for money and he asked for assurance as to whether that was a key part in relation to food costs and stock control. In reply, the Head of Resource Management and Safeguarding stated that value for money was clearly integral with regards to food costs and stock control across the Council's four residential care homes. It was important to recognise that value for money was also about the quality of food at the care homes which supported some of the most vulnerable residents in our communities. Therefore, the Council wanted to ensure that residents had good quality nutritious food, but that had been significantly impacted by food inflation and increases in prices.

Councillor Protheroe queried the tender process behind the food stock agreements and wanted assurance that there was a contract to ensure products were purchased on a consistent basis. In response, the Operational Manager (Social Services) advised the Committee that it was important to consider that the service was in contract with the Council's Big Fresh Catering Company who were required to provide their expert advice. There had been an assumption that food ordered through companies was based on a consistent price agreed by Big Fresh Catering Company. That was the key result of the audit. The review therefore highlighted that there was scope for the buying of food to be tighter and that would be progressed in time for the summer menu. In total, over 1700 products were ordered by the care homes and that had been a massive exercise, so the issue was that each care home ordered different varieties at different quantities. The service would aim to standardise and make food procurement more consistent across the four homes.

The Chair queried whether as part of the contract with Big Fresh Catering Company, was there a process of regular performance management and were any such arrangements meeting the contractual requirements. In reply, the Operational Manager stated that there was an agreement in the contract that included the monitoring of produce provided by suppliers. It included regular audits of kitchen practices and included assistance with a review of health and safety and the

Council's Catering Manual. There was also training provided to staff and so it was considered that Big Fresh Catering Company were working in accordance with their contractual obligations.

With regard to the leisure centres (contract and performance management) arrangements, Mr. Ireland stated that there appeared to be a lot of reliance on the contractor to provide the Council with information and he queried the process where complaints were directed directly to Legacy Leisure. Mr. Ireland also queried whether the Council had a real measure around customer satisfaction. In reply, the Director of Environment and Housing stated that there was a reliance on legacy leisure but there was also an annual report presented to the Healthy Living and Social Care Scrutiny Committee. However, the Director stated that more checks and balances were required as did more detailed investigations around complaints. In addition, the Council needed to consider how complaints were responded to. One thing that was being considered was the use of the Council's own complaints system through the Stage 1 and Stage 2 processes and there was no reason why Legacy Leisure could not use that system. That would also feed into the Council's performance monitoring arrangements. The Director also stated that there were regular meetings with Legacy Leisure and he had made arrangements to attend future meetings in person. The Director advised that he intended to work with Council colleagues around the reporting mechanism for performance management and through the development of a balanced score card. That would require a new suite of performance indicators that would be collected every quarter and would help inform the annual report to Scrutiny.

The Director further advised the Committee that the original contract with Legacy Leisure was for the period 2012 – 2022 but that had been extended to 2029. It was important to consider that the Vale of Glamorgan Council appeared to be the only Council in Wales receiving revenue income from its leisure contract and the Council was projected to receive £300k in revenue up to 2029. However, it was recognised that there was still work to do in terms of customer performance and the monitoring of the contract was carried out at a very high level through the Committee process as well as a lot of more testing carried out by the Council.

Mr. Ireland referred to the 117 complaints that had been investigated and stated that it would be a good idea for those to be included on the balanced score card. In reply, the Director stated that he was content to have complaints within the balanced score card and that would be progressed.

Councillor Hooper queried whether a reduction of staff resources had impacted on the monitoring of the contract. In reply, the Director stated that the Operational Manager was responsible for the monitoring of the contract but there had been staff resources implications which had been a factor but the progress of work would be picked up by the Director himself.

Councillor E. Goodjohn queried whether the information contained within the Annual Report had been looked into as there was not much regarding emissions. In reply, the Director advised that there would be further information provided in the report and discussions with Legacy Leisure would be held on an almost daily basis to

discuss aspects such as building projects and performance issues within the leisure centres.

In terms of the use of the Sustainable Development Principles within leisure centres, the Director stated that it was important to recognise that the five ways of working had not been identified when the contract was let in 2012. The Council had appointed an officer specifically to work on the Sustainable Development Principles and a report on that went to the February Group meeting.

The Chair, stated that it was important for complaints to be picked up so that a lessons learnt exercise could be carried out. The Chair highlighted that for some of the actions within the report, there were no implementation dates and the Chair asked if those could be picked up alongside point 2.2 and the building condition surveys to be progressed during quarter 1. In reply, the Director stated that in terms of the building conditions surveys those would be progressed during July and August and the matter would be raised with the Council's Property Department.

Subsequently, it was

RESOLVED – T H A T the relevant Directors / Heads of Service for the three limited assurance audits (Debtors, Residential Homes – food stock control and Leisure Centres – contract and performance management) be requested to provide an update report in six months' time.

Reason for decision

Having regard to the contents of the report and discussions at the meeting.

51 EXCLUSION OF PRESS AND PUBLIC –

RESOLVED – T H A T under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part 4 of Schedule 12A (as amended) of the Act, the relevant paragraphs of the Schedule being referred to in brackets after the minute heading.

52 ORACLE FUSION IMPLEMENTATION (PART II) (REF) (EXEMPT INFORMATION – PARAGRAPH 14) –

The Part II reference from Corporate Performance and Resources Scrutiny Committee from 17th April, 2024 was presented.

RESOLVED – T H A T the contents of the report be noted.

Reason for decision

Having regard to the contents of the report and discussions at the meeting.