

## Audit and Governance Committee

### Friday, 16 March 2018, County Hall, Worcester - 10.00 am

#### Present:

#### Minutes

Mr N Desmond (Chairman), Mr R W Banks, Mr A I Hardman, Mr L C R Mallett, Mr P Middlebrough, Mr C Rogers, Mrs E B Tucker and Ms R Vale

#### Available papers

The members had before them:

- A. The Agenda papers (previously circulated); and
- B. The Minutes of the meeting held on 8 December 2017 (previously circulated).

**445 Apologies and Named Substitutes (Agenda item 1)**

An apology was received from Dr A J Hopkins.

Mr A I Hardman substituted for Dr A J Hopkins.

**446 Declarations of Interest (Agenda item 2)**

None.

**447 Public Participation (Agenda item 3)**

None.

**448 Confirmation of Minutes (Agenda item 4)**

**RESOLVED** that the Minutes of the meeting held on 8 December 2017 be confirmed as a correct record and signed by the Chairman.

**449 Final Accounts 2016/17 - Lessons learned update report (Agenda item 5)**

The Committee considered the Final Accounts 2016/17 - Lessons learned update. The details were set out in the report.

In the ensuing debate, the following principal points were raised:

- In response to a query about the impact of the new approach to the valuation of Property, Plant and Equipment on workloads, Jenni Morris, Finance Manager explained that the advantage of undertaking a full valuation on a particular asset was that it provided an opportunity to cover every

aspect of that particular asset. The previous approach of valuing 20% of each asset class meant that the remaining 80% would need to be considered for comparison purposes. Therefore although the new approach would lead to peaks in the workload, overall there would be less work involved. John Gregory from Grant Thornton confirmed that the new approach was consistent with the CIPFA Code of Practice and he welcomed the Council's approach to de-cluttering its transactions

- Sue Alexander, the Interim Chief Financial Officer indicated that the next time the Committee met in July, it would be to consider the full accounts. However a lot of work would need to take place between now and then. Grant Thornton would return to review the work undertaken to date on 9 April and again on 29 May
- The progress being made on preparing the Accounts was welcomed however an assurance was requested that the Senior Leadership Team (SLT) had had oversight of the process. Sue Alexander responded that the Lessons Learned report had been reviewed by SLT. SLT had also received regular updates. In addition, the Cabinet Member with Responsibility for Finance had been kept informed of progress
- John Gregory commented that it was clear that the production of the Council's Accounts was higher up the Council's agenda than this time last year. Many of the issues that arose last year had been or were being addressed this year. There still remained progress to be made. The majority of the issues to date had arisen due to issues associated with the new finance system which was to be expected. It was important that the Council provided the necessary information to allow the external auditor to undertake their testing of the Accounts and he welcomed the planned contingency audit arrangements in April. Overall he was cautiously optimistic about the progress of the accounts to date
- The Chairman thanked Sue Alexander for her professional approach in producing an honest appraisal of the work to date during this challenging period. He was content with the progress made so far particularly the improved leadership and pre-planned activity. He welcomed the regular meetings that were taking place with Liberata as he recognised that the biggest risk to the Council was obtaining information off the

**450 HR/Finance systems Implementation - Lessons Learned Report (Agenda item 6)**

finance system in the appropriate format. Although good progress was being made, there remained significant hurdles to overcome

- Sue Alexander commented that ensuring all the necessary information was available for Grant Thornton's next visit on 9 April was the next key stage of the publication of the Accounts. Jenni Morris added that a lot of work had been undertaken with colleagues in Liberata and IT to ensure that reporting systems produced the right information in advance of the testing by Grant Thornton
- Although considerable progress had been made, concern was expressed about the tightness of the timescale for the publication of the Accounts this year and in particular the ability of Liberata to respond to the Council's demands. What assurances had been received from Liberata and would the Council be compensated for any costs? Sue Alexander advised that she was working very closely with colleagues in Liberata on a daily basis and had been encouraged by their positive response. She had also been in contact with their external auditor.

**RESOLVED that:**

- a) The Lessons Learned update report be noted;**
- b) The review of the technical accounting policies be noted; and**
- c) The Chairman and Vice Chairman of the Committee be provided with regular updates on any issues that may arise with the closing of the 2017/18 accounts.**

The Committee considered the HR/Finance systems Implementation - Lessons Learned Report. The details were set out in the report.

In the ensuing debate, the following principal points were raised:

- There was a lack of detail in the report about the impact on staff of the failure of the Council to pay them staff on time. It appeared to represent a catastrophic failure of the Council's approach to outsourcing. In addition, the action plan had not been completed in 100 days. Jo Charles, Head of Commercial acknowledged that the system should

not have gone live when it did and recognised the impact on staff and schools as a result. Every effort was being made to ensure that the 100 day plan was being actively implemented, monitored and managed effectively. It was recognised that the title of the plan was misleading because in effect the plan represented a rolling programme of actions

- What was the logic behind the decision to go live when it did? Jo Charles responded that the decision had been made by a senior officer who was no longer with the Council
- It was important to receive details of the number and type of wider issues (including complaints) raised by Council and School employees to understand the proportionality of the issues experienced. Richard Taylor, Head of HR and OD commented that the vast majority of staff had been paid correctly. The main issue concerned the usability of claim forms. Every effort was made to resolve these issues as soon as possible. It was important to understand what were system errors and what were other errors, for example user errors
- What proportion of the staff had not received their correct pay? Richard Taylor responded that this information could be provided to members. The main issues arose from changes to working hours or where staff moved posts. Jo Charles added that the key issue was that where an issue had been identified, the payment was made immediately
- Any details of complaints made about the system should also reflect the geographical context
- Jo Charles explained that where an issue had been escalated by a school, work had taken place with the school and Liberata to rectify the problem as soon as possible. In addition, staff training and the cascade of information to staff had been examined to ensure that the issue did not arise again
- It was disappointing that the report did not reflect the impact on customers and the business community of the failure of the system. As a result, there had been a cost to the Council in terms of lost business and reputational damage
- Sue Alexander indicated that Grant Thornton had been provided with a report setting out the issues associated with the system. Helen Lillington from Grant Thornton commented that the report indicated that of 22,000 payments made to staff and schools, 147 were incorrect which

represented 0.7% of the payroll. All errors had been addressed within 48 hours. Although the impact on the individual member of staff could be significant, in terms of the Value for Money conclusion, the scale was small and did not have a material impact on the running of the Council. On the initial payment run, £5m was recalled, £0.9m of which had been recalled through the BACS system.

- The number of errors reported to the external auditor did not seem to tally the number of complaints received by local councillors
- It should be emphasised that staff and schools did not feel adequately prepared to deal with the change of system. In addition there were issues associated with the processing of casual staff
- There was no indication in the report of the level of tolerance for errors built into the system. Were the number of errors recorded within tolerance levels and were they proportionally larger than previous years?
- Jo Charles emphasised that as soon as an employee experienced a loss as a result of an error, they were reimbursed immediately. Problems with the usability of the system had been recognised in the 100 day plan. Training had also been recognised as an issue and Liberata had introduced a programme of training for schools
- Schools had a particular issue with accessing financial information through the system and paying invoices
- A motion was put forward to defer consideration of the report until the next meeting pending the receipt of further information about the errors made. In response it was commented that It was unnecessary to defer consideration but a further report should be brought to the next meeting on the basis that the Committee would wish to receive a summary details including categorisation of any under/overpayments since go live; the number and type of wider issues (including complaints) raised by Council and School employees to understand the proportionality of the issues experienced; and a copy of the audit report provided to the external auditor.

**RESOLVED** that

- a) the governance arrangements associated with the HR/Finance systems implementation be noted; and
- b) a further report be brought to the Committee meeting on 26 July 2018 including:
  - summary details including categorisation of any under/overpayments since go live;
  - the number and type of wider issues (including complaints) raised by Council and School employees to understand the proportionality of the issues experienced, and
  - a copy of the audit report provided to the external auditor.

**451 External Audit Plans - Worcestershire County Council and Worcestershire County Pension Fund (Agenda item 7)**

The Committee considered the External Audit Plans - Worcestershire County Council and Worcestershire County Pension Fund. The details were set out in the report.

In the ensuing debate, the following principal points were raised:

- Was the review of the risks associated with the Council's commissioning arrangements being considered in respect of the totality of the Council's commissioning arrangements or would it focus on contracts commissioned within the last 12 months? John Gregory indicated that the focus would be on more recent larger contracts to get an idea of the bigger picture of the Council's approach to outsourcing
- The proposed review was welcomed as it was important that the Council received assurance on its outsourcing arrangements. Helen Lillington commented that it was anticipated that this work would be completed in time for the next Committee meeting.

**RESOLVED** that the content of the Audit Plans for Worcestershire County Council and Worcestershire County Pension Fund be noted.

**452 External Audit Plan - Informing the Audit Risk Assessment for Worcestershire**

The Committee considered the External Audit Plan - Informing the Audit Risk Assessment for Worcestershire County Council and Pension Fund. The details were set out in the report.

**County Council  
and Pension  
Fund (Agenda  
item 8)**

**453 Internal Audit  
Progress  
Report 1  
November to 31  
January 2018  
(Agenda item 9)**

**RESOLVED** that the content of the External Audit Report – Informing the Audit Risk Assessment for Worcestershire County Council and Pension Fund be noted.

The Committee considered the Internal Audit Progress Report for the period 1 November to 31 January 2018. The details were set out in the report.

In the ensuing debate, the following principal points were raised:

- In the context of concerns about the impact on local residents, a request was made and agreed by the Committee that the findings of the audit review of the lessons learned report into the Evesham Abbey Bridge project be reported to the next Committee meeting. The Committee emphasised that this report would not duplicate any work being undertaken by the relevant scrutiny panel and should not delay the scrutiny process.

**RESOLVED:** that

- a) the Internal Audit Progress Report be noted; and
- b) the findings of the audit review of the lessons learned report into the Evesham Abbey Bridge project be reported to the next meeting of the Committee.

**454 Work  
Programme  
(Agenda item  
10)**

The Committee considered its future work programme.

In the ensuing debate, the following principal points were raised:

- It was noted that further items on Liberata and Evesham Abbey Bridge had been added to the agenda for the July meeting and concern was expressed that the agenda had become too large. The Chairman acknowledged the concern but felt that it was not possible to defer any items and considered the agenda to be lengthy but manageable.

**RESOLVED** that the work programme be noted.

The meeting ended at 11.40am.

Chairman .....