

Audit Committee

Tuesday, 22nd September, 2015
6.00 - 7.35 pm

Attendees	
Councillors:	Colin Hay (Chair), Chris Nelson (Vice-Chair), Matt Babbage, Flo Clucas, Dan Murch and Pat Thornton
Also in attendance:	Robert Milford, Bryan Parsons and Andrew North

Minutes

1. APOLOGIES

There were no apologies

2. DECLARATIONS OF INTEREST

None

3. PUBLIC QUESTIONS

There were no public questions.

4. ART GALLERY AND MUSEUM OVERSPEND

The Head of Audit Cotswolds, Rob Milford, gave members a presentation on the review undertaken to establish why the Art Gallery and Museum project overspends occurred. The slides of the presentation are attached to these minutes for information.

Members discussed the issues and the following points were addressed :

- When asked why this report had taken so long to be submitted to Audit Committee, the Head of Audit Cotswolds explained that as he wished to present a report in the public domain it required significant review from One Legal and HR as it addressed personal sensitive information. This had taken some time.
- Members noted that the removal of the Board had been critical in terms of its significant impact on the outturn thus far. They asked how the council would address this in other significant projects they were undertaking. In response the Head of Audit Cotswolds referred members to the first recommendation in the report which stated that projects of significant size must now ensure a top board is appointed to oversee all aspects of the project. It was noted that the process for scoping roles and responsibilities within Project Initiation Documents (PID's) for monitoring and reporting had already been improved. Members agreed that it was important that workstreams were brought together and thus silo thinking culture avoided.
- A member suggested that the role of councillors on the Board should be defined in a protocol as their role was key in acting as a "critical friend", i.e. someone who was outside of the project structure who could ask

challenging questions about the project. In response officers confirmed that a protocol for this would be developed, in addition to training for both members and officers. The Corporate Governance, Risk and Compliance Officer added that subsequent to the Grant Thornton report PIDs for Key projects would now be submitted to Overview and Scrutiny for review. In addition project management procedures were being reviewed on a live basis with the cemetery and crematorium project and subsequent to this meeting there would be a lessons learned session internally to examine the issues raised from the Art Gallery and Museum project.

- Poor communication issue was highlighted. The Chief Executive commented that it was important to understand that two of the three governance silos (teams) identified in the report were populated by the same people i.e. they were in the management structure but had also taken positions in the project structure appropriate for their level. As he saw it, the way people were operating meant that conversations in the management structure were not relayed into the project hierarchy and thus not shared in the relevant meetings taking place. This culture meant that at times “common sense” did not always prevail and due to the overall workload of those concerned and also a lack of understanding of roles and importance, repercussions were inevitable. He highlighted therefore that whilst systems were important to have in place, it was ultimately people who had not acted as they should have.
- In response to a question on training, the Corporate Governance, Risk and Compliance Officer explained that this was ongoing. The Programme Team were all qualified with Prince 2 with those supporting projects having their own specific skills. At the development stage, there was now more emphasis on identifying the skills required by specific roles to deliver. He reported that the Chief Executive and SLT received a resource plan update which identified capacity in the organisation. The Chair added that it would be useful for members, particularly Cabinet members as they had collective responsibility to have basic Prince 2 training so they could understand the language being used. The Corporate Governance, Risk and Compliance Officer confirmed that he would request that the Programme Team arrange suitable training as soon as possible.
- The Chief Executive acknowledged that due to the scale of the project in terms of Council funding and funding from charitable organisations, a proper structure was justified but highlighted that less sizeable projects would not benefit from the same structure. He assured members that in the future any projects with a sizeable spend, or with significant importance to the council’s reputation, would have a project board and if requests were made to disband the board then these would be refused.
- A question was raised on the presence of an HR representative on a significant sized project. The Head of Audit Cotswolds confirmed that CBC would continue to monitor capacity to deliver projects and the target date for this particular action was listed as January 2016 as this formed part of the general review of project management.
- In response to a question, Members were assured that there was extensive governance of the Vision 2020 project
- A member asked how the lack of appropriate oversight regarding the variations and a lack of proper assessment of the potential of liquidated

damages claims could be avoided in the future. In response the Head of Audit Cotswolds said that the late introduction of project management had exacerbated these issues as the contractor Davis Langdon had been appointed prior to the corporate project officially starting so the project was playing 'catch-up'. This delay, in the event, led to less effective monitoring and control of the construction project. He explained that going forward there should be no siloing of information and a project board could oversee better how to monitor these third party contracts. He was confident that there would thus be better scrutiny and better control of the deliverables. The Corporate Governance, Risk and Compliance Officer assured members that the project management toolkit was continuing to be updated to ensure that the roles and responsibilities would be clearly defined as well as the oversight and reporting.

- The Chief Executive acknowledged that it would be impossible to say that this situation would not reoccur due to the fact that however good the procedures were it was ultimately a "people business". He emphasised that this project had been led by the most experienced project manager in the council, an Executive Director and Service Manager. He believed the problems had arisen due to cultural issues and acknowledged that asking challenging questions throughout the process would have greatly helped.
- A member asked whether in terms of project planning in future contractors should be asked for a bond when they are appointed. Officers agreed that this should be considered.
- In response to a question it was confirmed that there had been no additional expenditure to the overspend reported at the January meeting of the Audit Committee. It was also confirmed that money owed to the Council by certain funding organisations would be released shortly.
- A question was asked whether the cause of the excessive utility overspend in the accounts for the Art Gallery and Museum had been identified. In response the Director Resources said this had been raised in the Bridging the Gap Programme Board meeting and some initial work was currently being undertaken by the property team.

In summing up the Chair made the following points:

- Consideration should be given as to how members should be used on projects
- Crisis management and triggers should be linked by milestones
- Concern was expressed that if projects were driven by "ticking boxes" there was a danger that common sense would not prevail. It was a question of instilling the culture of common sense
- One issue which had not been addressed was instilling wellbeing into officer culture i.e. looking after one another and recognising stress
- There had not been adequate control over the overspend, the money had not been lost, it was now a question of addressing and controlling issues as they arise. There was however a loss of control in terms of how these issues could have been mitigated. Such issues could have been better addressed if all the information had been present and in a timely way at project board and project team meetings.
- Members wished to receive feedback on the recommendations contained within the report and monitor them

The Corporate Governance, Risk and Compliance Officer explained that at the close of project (which was pending due to rectifying of the outstanding “snagging issues”) the Chief Executive would discuss with the project manager and a report would be forthcoming on the lessons learned and what progress had been made against the recommendations. This was estimated to be in January/March. Another member added that this report should include details of what training had taken place by this point. Members wished to see the report in January 2016.

Finally, the Chief Executive reminded members that there were a number of other projects ongoing such as 2020, bulking waste, REST and the JCS which could benefit from a review against the principles set out in the recommendations of this report. This review should provide assurance to all that the relevant requirements were being fulfilled. The Head of Audit Cotswolds undertook to complete this exercise.

RESOLVED

To note the findings of the report and to monitor the implementation of the recommendations with a report to be submitted to Audit Committee at its January 2016 meeting.

- 5. DATE OF NEXT MEETING**
Wednesday 23 September 2015.

Colin Hay
Chairman