

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 31st January, 2019 at 2.00 pm

PRESENT: County Councillor P White (Chairman)
County Councillor J. Higginson (Vice Chairman)

County Councillors: P. Clarke, A. Easson, M. Feakins, M. Lane,
P. Murphy, V. Smith, B. Strong and J. Watkins

OFFICERS IN ATTENDANCE:

Mark Howcroft	Assistant Head of Finance
Andrew Wathan	Chief Internal Auditor
Annette Evans	Customer Relations Manager
Wendy Barnard	Democratic Services Officer
Lesley Russell	Senior Accountant - Fixed Assets and Treasury

APOLOGIES:

County Councillor S. Woodhouse
Chief Officer, Resources, Peter Davies

1. Declarations of Interest

Items 6 and 7: County Councillors M. Feakins, A Easson and P. Murphy declared a personal, non-prejudicial interest as trustees of the Monmouthshire Farm School Endowment Trust Fund.

2. Public Open Forum

No members of the public were present.

3. To note the Action List from the last meeting

The Action List from the last meeting was noted.

1. Bribery Act: Peter Davies was unable to attend the meeting today but will send the presentation slides to Committee Members. Queries can be raised at a future meeting.
2. Scrutiny training: The Chair read a statement from the Head of Policy and Governance as follows – “The Scrutiny Manager has previously arranged training for all select committee members with an external facilitator. This had to be postponed when the trainer had to pull out. An alternative provider has now been identified and an alternative date will be sought in the coming weeks to enable all members to access training necessary to fulfil their roles in accordance with the WLGAs Development Framework for Councillors in Wales”.
3. CPR exemptions: The Chief Internal Auditor explained that it has been decided to revise the CPR exemption form and guidance, and present the updated documents to Senior Leadership Team to remind Chief Officers to cascade expectations (completion of the form, the authorisation process and the return of forms to audit) to managers.
4. Performance Management arrangements: Consideration was deferred until the next meeting. The Chief Officer, Resources to provide more information at the next meeting.

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5. Wales Audit Office improvement progress paper: This concerns an extract from the Council's constitution included in the report and ensuring it's accuracy. The Monitoring Officer has been asked to consider amending the extract when next reviewing the constitution.

4. Annual Whole Authority Complaints

The Customer Relations Manager presented the Whole Authority Complaints Report (April 2017 – March 2018) relating to complaints, comments, compliments and Freedom of Information requests.

It was noted that the services attracting most complaints are Waste and Street Services, Highways, Leisure, Community Hubs, Passenger Transport Unit and Development Control. Examples of the types of complaints and outcomes were provided. There are separate regulations for Social Services complaints. Comments are dealt with as informal complaints as they are normally negative. Compliments are mainly received for building control and registrars. This is in the context of questionnaires being sent out to service users.

It is always the intention to learn from the complaints brought to the authority's attention. Any recommendations, particularly from formal complaints, are added to an action plan for the manager. These are followed up to make sure they are acted upon. Complaints that proceed to the Ombudsman will be checked upon and progress reported back.

Freedom of Information requests and environmental information regulations are mainly from the Press, campaigners and political researchers with fewer from members of the public. Commonly, topics requested are Social Care, HR and staffing, procurement and contracts.

A Committee Member asked why two complaints concerning staff members were not dealt with under staffing procedures. The Member accepted that the complaints were external; one concerned a volunteer position and the other was a complaint from a member of staff from another authority.

Noting that the Council is taking on the role of Single Point of Contact for highways issues, it was queried if the authority will take on responsibility for complaints against speeding fines and for parking disputes and complaints. It was also queried if complaints about MonLife would also be handled centrally. Clarification will be sought on these matters

The contents of the report were noted.

5. Audited Trust Funds accounts (Welsh Church Funds & Mon Farms)

The report was presented by the Assistant Head of Finance/ Deputy Section 151 Officer. Following presentation of the report, questions were invited.

A Member received assurance about the inclusion of current names of Committee Members and Officers in both reports. County Councillor B. Strong declared a personal, non-prejudicial interest as a trustee of the Roger Edwards Educational Trust.

In response to a question, it was clarified that funds are distributed to councils proportionally based on population.

A Member noted that the names of Committee Members responsible for distribution of Welsh Church Fund money are not listed in the report. Noting that no buildings or property are listed on the assets register, a Member questioned the reference to rental income. It was clarified that

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Monmouthshire County Council is the sole trustee of the Welsh Church Fund. In terms of Monmouthshire Farm Schools Endowment Trust, there are various councils involved hence why the trustees are listed. It was clarified that the reference to property returns was in relation to property pooled funds rather than rentals from actual properties.

The report was noted.

6. ISA 260 or equivalent for Trust Funds

The report, considered in conjunction with the previous item, was noted.

7. Treasury Strategy

The report was presented by the Senior Accountant and questions were invited from the Committee, as follows:

- A Member referred to the disparity between interest rates for long and short term debt and the significant amount of internal borrowing. Considering the drive to remove older, more expensive debt, it was queried if there is scope to continue this approach. It was responded that a number of years ago, the interest rate on PWLB (Public Works Loan Board) loans was raised by 1% and the restructuring of debt has not been economically viable from that time. This position is not forecast to change. The Treasury Management advisors provide quarterly reports that include debt management including the cost of early redemption.
- A Member asked if the fixed term debt is indexed and was informed that there are various PWLB loans, the majority are fixed rate. There is also £13million of variable rate PWLB debt and these rates are reviewed every six months. In relation to questions about Brexit, it was commented that the main risk to treasury markets is uncertainty that could create volatility.

The report was endorsed with no variation and was recommended for circulation to Full Council.

8. Unsatisfactory Internal Audit Opinions

The Chief Internal Auditor presented the regular 6 monthly report to the Audit Committee of unsatisfactory audit opinions issued until December 2018 across all County Council Services. The opinions arise from work undertaken by the Internal Audit Team to assess the adequacy of the internal control environment, apply a rating and provide an update on previously reported matters that have been followed up.

Referring to the report, the Chief Internal Auditor provided details of historic opinions, as follows:

2013/14: No unsatisfactory audit opinions were issued.

2014/15: 6 unsatisfactory opinions were issued - these were followed up and reported back to Audit Committee

2015/16: 7 unsatisfactory opinions issued - all were followed up and an improved audit opinion issued

2016/17: 8 reports had a limited opinion, some were followed up with an improved opinion. 2 had a second consecutive limited opinion issued and this was reported back to Audit Committee, 4 have yet to be followed up but are in the plan for this quarter and will be reported back.

2017/18: 8 limited opinions were issued with only one followed up with an improved opinion. The remainder are due in quarter 4 or the following year.

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2018/19: 3 limited opinion have been issued, information will be provided to Audit Committee in due course.

The Chief Internal Auditor had no particular concerns about service areas and therefore there were no requests to call in managers.

A Member commended the report, the positive progress and that follow ups are on schedule.

The recommendation that the Audit Committee note the improvements made by service areas following the original unfavourable audit opinions issued was accepted.

9. Strategic Risk Assessment

The report was introduced by the Policy and Performance Manager. Members were informed that the purpose of the strategic risk assessment is to assure the Council of the adequacy of its risk management framework. It was explained that the strategic risk register considers risks and threats to the Council's services to communities. The document is available on The Hub.

A Member was pleased to see that the condition of roads has been identified as a risk.

The Chair noted that some risks appear not to have lessened despite mitigation. It was responded that risk levels are assessed on the most recently available evidence and post mitigation action. Some actions are outside the Council's control; external factors may mean a risk level doesn't change. Some of the actions may not impact until next year. It is important to ensure that mitigating actions reduce risk as far as possible and that managers can see where the risks lie.

The recommendations were accepted as proposed.

10. Review of Reserves

The Assistant Head of Finance/Deputy Section 151 Officer presented the report on prospective reserve usage. Audit Committee Members were reminded that, for financial planning, there is a distinction between the Council Fund Balance and earmarked reserves. A Council Fund Balance to cover contingencies of 4-6% of net expenditure is recommended in any one year. It is 5% this year. It is predicted that school budget balances will fall into deficit, and in these circumstances, the reserve will fall to 4.5% of net expenditure.

It was explained that the forecasting of school budgets may be at fault. To improve the quality of forecasting, the scheme of delegation has been changed to require schools projecting a deficit to complete a recovery plan immediately.

It is planned to use any surpluses at the end of the financial year to replenish earmarked reserves and to consider invest to redesign and redundancy reserves but there will be limited opportunity to re-engineer services.

A Member questioned the resource implications of holding reserves of 4-6% of net expenditure before financing. It was responded that the net expenditure includes e.g. Police precept which is not council expenditure so a revised net expenditure is used to set a reserve for the council's contingencies. It was queried if this is before financing costs. It was responded that the annual budget is effectively zero and all costs have to be made by financing and reflect gross expenditure levels in the County.

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Considering schools' balances, it was noted that the deficits mainly relate to secondary schools. A Member advised that, encouragingly, productive meetings have been held with King Henry VIII and Monmouth Comprehensive Schools. Chepstow School is being monitored, having moved from a surplus to a deficit situation.

A Member commented that the outturn schools balance is in the region of £650,000 deficit. It was questioned if this will have to be managed to nil by the schools that contributed to the deficit. It was responded that, if financial planning is on track, that will be the balance at the end of the year. The importance of recovery plans was emphasised whilst acknowledging the difficulties such as outstanding education grants are often not published until Month 12. It was confirmed that the Children and Young People Directorate holds £300,000 to assist in the management of redundancies. Work is in hand to provide governing bodies with better quality information.

It was emphasised that, due to the size of deficits, recovery plans have been extended over a 5 year period to allow steady and meaningful progress.

A Member observed that if school budgets are flat-lined, there will be a bigger problem. It was responded that this is not planned and added that the pay award has been funded and teachers' pensions are increasing. The authority has made some provision for pensions and the increased business rates for Monmouth Comprehensive and Caldicot Schools, and is engaging with Welsh Government and the Welsh Local Government Association about funding the rise in teachers' pensions.

The report was noted. Feedback was provided that the report is useful.

11. Update report on Anti-Bribery Compliance

This matter was considered earlier in the meeting. The Chair asked that feedback is provided by the Chief Officer, Resources after his presentation, at the next meeting.

12. Internal Audit Progress Report 18/19 - quarter 3

The Chief Internal Auditor presented the quarterly report on Internal Audit progress. Following presentation of the report, Members asked questions:

- Members complimented the team on the improvements as evidenced in the report.
- A Member asked about the national fraud initiative and asked if the team had any input. It was responded that this is an UK wide process, administered by the Cabinet Office. It was confirmed that the team co-ordinate this on behalf of the authority every two years. It involves data collection that is sent off, compared and any information relative to Monmouthshire is returned.

13. Forward Work Programme

The Forward Plan was noted. The Chair asked that the plan is fully populated.

14. To confirm minutes of the previous meeting held on 8th November 2018

The minutes of the meeting held on the 8th November 2019 were confirmed and signed as a true record.

15. To confirm the date of the next meeting as 14th March 2019 at 2pm

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The meeting ended at 3.26 pm