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County Hall
Rhadyr
Usk
NP15 1GA

Wednesday, 6 March 2019

Notice of meeting

Audit Committee

Thursday, 14th March, 2019 at 2.00 pm,
County Hall, The Rhadyr, Usk, NP15 1GA

AGENDA

Item No	Item	Pages
1.	Apologies for Absence	
2.	Declarations of Interest	
3.	Public Open Forum	
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5.	Joint Progress Report - Statement of Accounts Refinements	3 - 14
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11.	To confirm minutes of the previous meeting	65 - 70
12.	To note the date of the next meeting as 2nd May 2019	

Paul Matthews
Chief Executive

MONMOUTHSHIRE COUNTY COUNCIL
CYNGOR SIR FYNWY

THE CONSTITUTION OF THE COMMITTEE IS AS FOLLOWS:

County Councillors:

P White
P. Clarke
A. Easson
M. Feakins
J. Higginson
M. Lane
P. Murphy
V. Smith
B. Strong
J. Watkins
S. Woodhouse

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Welsh Language

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Aims and Values of Monmouthshire County Council

Our purpose

Building Sustainable and Resilient Communities

Objectives we are working towards

- Giving people the best possible start in life
- A thriving and connected county
- Maximise the Potential of the natural and built environment
- Lifelong well-being
- A future focused council

Our Values

Openness. We are open and honest. People have the chance to get involved in decisions that affect them, tell us what matters and do things for themselves/their communities. If we cannot do something to help, we'll say so; if it will take a while to get the answer we'll explain why; if we can't answer immediately we'll try to connect you to the people who can help – building trust and engagement is a key foundation.

Fairness. We provide fair chances, to help people and communities thrive. If something does not seem fair, we will listen and help explain why. We will always try to treat everyone fairly and consistently. We cannot always make everyone happy, but will commit to listening and explaining why we did what we did.

Flexibility. We will continue to change and be flexible to enable delivery of the most effective and efficient services. This means a genuine commitment to working with everyone to embrace new ways of working.

Teamwork. We will work with you and our partners to support and inspire everyone to get involved so we can achieve great things together. We don't see ourselves as the 'fixers' or problem-solvers, but we will make the best of the ideas, assets and resources available to make sure we do the things that most positively impact our people and places.

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Agenda Item 4

Audit Committee Actions 31st January 2019

Audit Committee Actions 8th November 2018

Agenda Item:	Subject	Officer	Outcome
8	Performance Management Arrangements	Chief Officer , Resources	Figures relating to Performance Management to be provided for the Committee At meeting on 14 th March 2019

31st January 2019

Agenda Item:	Subject	Officer	Outcome
3.	Bribery Act	Chief Officer, Resources	Send presentation slides to Committee Members

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WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

MCC/WAO Joint Progress Document

Monmouthshire County Council

Audit year: 2018-19

Issued: March 2019

Document Reference: 132A2019-20

Status of report

This document has been prepared for the internal use of Monmouthshire County Council as part of work performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

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Summary

Introduction

1. Our *2017-18 - Audit of Financial Statements report* was presented to the Audit Committee on 13 September 2018 and summarised the more significant matters arising from our audit. It highlighted the 'corrected' and 'uncorrected' misstatements in the final financial statements. None of the issues in the report prevented the Auditor General from issuing an unqualified audit opinion. However, action is required by the Council to address some of these issues when preparing its 2018-19 financial statements. These are set out in [Exhibit 1](#).
2. We also identified other important matters during our audit that were not reported to the Audit Committee within our *2017-18 Audit of Financial Statements report*. These issues are set out in [Exhibit 2](#). As part of our audit we also carry out a high level review of the Council's key computer systems. The findings of this work have been discussed and agreed with key officers and are included in this exhibit.
3. We have also reviewed the progress with implementing the agreed issues that we reported in our *2016-17 Joint Progress report*. We are pleased to report that the Council has implemented the majority of the agreed actions. There are three that remain outstanding and these are shown in [Exhibit 3](#).
4. The Council needs to address the issues reported above during 2018-19 and we will review implementation as part of the forthcoming year's audit. We also recommend that management update the Audit Committee with progress made in implementing the agreed actions when presenting the draft 2018-19 Financial Statements. The issues raised in this report have already been discussed with the Assistant Head of Finance and his team.
5. The deadlines to produce and certify the accounts remain unchanged for 2018-19, but will be brought forward to 31 July by the year 2020-21. The Council is in a strong position as it was able to present its accounts for audit by 4 June 2018, which is not far off the anticipated deadline of the end of May by the year 2019-20. The intervening years will be important as we work towards the earlier deadlines. It will also be vitally important to have early working papers to a good quality standard to support the accounts, as this will enable our audit work to start much sooner with an earlier audit opinion issued. For the Council this requirement will need to be balanced against the resources and the finite number of staff that is has available to work on the accounts and the pressures of the routine work of the finance team.

Exhibit 1: summary of issues raised in the Audit of Financial Statements Report

Issue/Recommendation	Agreed Action/Date	Progress
<p>6. Accrued income and deferred income overstated by £1,372,006</p> <p>For internal monitoring purposes the accountant responsible had tried to split (via journal postings) the income from Welsh Government over two ongoing projects to reflect their year-end positions. These postings resulted in an overstatement of both accrued income (Debtors) and deferred income (Creditors). However, there was no impact on income per the Comprehensive Income and Expenditure Statement (CIES). The impact on the financial statements is that Short-term Creditors and Short-term Debtors is overstated by £1,372,006.</p> <p>Recommendation</p> <p>The Council should ensure that any journals posted for internal monitoring purposes, do not result in the accounts being misstated.</p>	<p>This is considered a one off error, however closure journals in this area will be reviewed carefully to ensure future postings are correct</p>	<p>Ongoing</p>
<p>7. Termination Benefits understated by £15,000</p> <p>During testing of termination benefits we identified a commitment to terminate the employment for one individual, which was not included in the accounts. The impact on the financial statements is that both Accruals and Termination Costs (included in Employee Benefit Expenses) are understated by £15,000.</p> <p>Recommendation</p> <p>The Council should review their year-end process regarding termination benefits to ensure there are no cut-off errors for the 2018-19 accounts.</p>	<p>Note to be circulated to finance teams as part of closure documents to remind them of the requirements of the code:</p> <p><i>For termination benefits payable as a result of an employee's decision to accept an offer of redundancy, the time when an authority can no longer withdraw the offer is the earlier of when:</i></p> <ul style="list-style-type: none"> • <i>the employee accepts the offer; and</i> • <i>a legal, regulatory or contractual restriction on the authority's ability to withdraw the offer takes effect. This would be when the offer is made, if the restriction existed at the time of the offer.</i> 	<p>To be included in 2018/19 year end procedures</p>

Issue/Recommendation	Agreed Action/Date	Progress
<p>8. Property, Plant and Equipment overstated by £1,020,000</p> <p>During testing of Property, Plant and Equipment (PPE) we identified one asset (Monmouthshire Leisure Centre) that was under reconstruction and was not considered for an impairment review at year-end. The Authority has capitalised all the costs for the renovation under Assets Under Construction (AUC) but had not undertaken an impairment of the 'old' leisure centre that was included in Land and Buildings (L&B). The impact on the financial statements is that Property, Plant and Equipment (PPE) is overstated by £1,020,000 and the Revaluation Reserve/Surplus on revaluation of PPE Assets in the CIES is overstated by £1,020,000.</p> <p>Recommendation</p> <p>The Council should review its process for impairment review. In particular, any assets that are being re-constructed and included in both L&B and AUC, to ensure this error is not repeated in the 2018-19 accounts.</p>	<p>An annual review will be carried out to assess any assets held in two places in the asset register to prevent duplication. Demolition has been added to Revaluation request procedure given to Estates as a reason for impairment.</p>	<p>Duplication assessment to be completed during 18/19 closure.</p> <p>Impairment due to demolition already discussed with Estates/documentated.</p>
<p>9. Grant income and expenditure understated by £343,825</p> <p>During income cut-off testing, we identified one 2017-18 bank receipt (from Welsh Government) for the Schools Maintenance Revenue Grant that was not recognised in grant income. Instead, an incorrect posting/journal had reduced both income and expenditure. The impact on the financial statements is that both Cost of Services Income (Grant Income) and Cost Services Expenditure are understated by £343,825.</p> <p>Recommendation</p> <p>The Council should remind finance teams of the correct procedure and at year-end review expenditure codes for any grant income incorrectly coded.</p>	<p>Directorate finance team have been reminded of the need not to net off grant income on income codes when transferring the funding to school cost centres from central areas</p>	<p>Complete</p>

Issue/Recommendation	Agreed Action/Date	Progress
<p>10. The Council is failing to ‘de-recognise’ existing infrastructure assets when these assets are replaced or where improvements are made</p> <p>We noted that the Council is failing to ‘de-recognise’ existing infrastructure assets when these assets are replaced or where improvements are made. This is because the Council is unable to identify the individual assets, due to insufficient detail being contained in the asset register.</p> <p>Recommendation</p> <p>The Council needs improve the description of assets within the fixed assets register, to ensure that infrastructure assets are more clearly identifiable and can be ‘de-recognised’. We are comfortable that the net book value of the assets included in the accounts at 31 March 2018 is not materially misstated.</p>	<p>The inference is that members may conclude management being deficient against the code of practice. The code of practice requires a depreciated historic cost model to be used for infrastructure assets. The authority is required to ensure assets are carried at their cost less any accumulated depreciation & impairment losses and the Authority is satisfied that we are complying with that requirement.</p> <p>There is currently no requirement to further split down the historic infrastructure base into individual assets or de-recognise individual pieces of roads, bridges, culverts or street lighting for example.</p> <p>Moving forward, we will continue to introduce improvements in better identifying new infrastructure assets when capital expenditure is incurred in preparation for any new code requirements that could potentially arise.</p>	<p>Improvements in identifying new capital expenditure in the register to be progressed as part of 2018/19 closure of accounts</p>
<p>11. Revaluations</p> <p>The revaluation of Caldicot Comprehensive School was treated in the financial statements as two separate valuations, when it should have been treated as one (single asset). This resulted in an impairment of the old school asset debited to the CIES and an upwards revaluation of the new school asset credited to the Revaluation Reserve. The Authority</p>	<p>An annual review will be carried out to assess any assets that potentially fall into this scenario. Each will need to be assessed on their own merit to establish the sequence of events and the subsequent accounting treatment</p>	<p>To be included as part of 2018/19 year end closure procedures</p>

Issue/Recommendation	Agreed Action/Date	Progress
<p>should have recorded the net movement as it is a single asset. The value of the correction was £6,886,100.</p> <p>Recommendation</p> <p>The Council should review its process for revaluations. In particular, any assets that are being re-constructed and included in both L&B and AUC, to ensure this error is not repeated in the 2018-19 accounts.</p>		
<p>12. Classification / presentational errors</p> <p>There were a number of classification / presentational errors identified in the financial statements, as follows:</p> <p>i) <u>Note 11.2 Nature of Expenditure</u> Fees, charges and other service income decreased by £8,059,000 and External grants and contributions increased by £8,059,000.</p> <p>ii) <u>Note 13.4 Nature and extent of risks arising from financial instruments</u> Short-Term Borrowings PWLB increased by £998,873 and Long-Term Borrowings BWLB decreased by £998,873. Loans Mature between one and two years decreased by £5,000,000 and Loans Mature between two to five years increased by £5,000,000.</p> <p>Recommendation</p> <p>The Council should review its process to ensure there are no presentational errors for the 2018-19 accounts.</p>	<p>With the significant amount of time being taken out of the accounts closure process due to statutory requirements it is accepted that the time pressure this puts on finance teams means that isolated errors that impact the disclosure notes may become more common practice.</p> <p>The quality review process will be re-looked at for 2018/19 closure to see if any enhancements can be made to reduce the risk of presentational errors.</p>	<p>To be reviewed as part of 2018/19 closure</p>

Exhibit 2: summary of issues arising not previously reported

Issue/Recommendation	Agreed Action/Date	Progress
<p>1. IT Risk Register</p> <p>There is no IT risk register, or a clear way of identifying IT risks at the council.</p> <p>Recommendations</p> <p>The Council should consider the need for IT risk register. This would enable the Council to have a coordinated overview of its IT risks.</p>	<p>Agreed/TBC</p>	<p>Ongoing</p>

Exhibit 3: summary of progress against issues reported in the prior-year joint progress document

Issue/Recommendation	2016-17 Agreed action & implementation date	Agreed Action 2018-19
<p>1. Osbaston School – transfer of legal title</p> <p>The Council needs to formally complete the transfer of legal title for Osbaston School. We noted the Council had begun the process to transfer legal title in 2015-16, but had not complete it by the time the accounts were produced. This transfer did not progress in 2017-18.</p>	<p>Work ongoing to transfer title by 2017/18 year-end.</p>	<p>Work still ongoing with further complications due to change in Authority personnel</p>
<p>2. IT Control Environment – Monmouthshire County Council</p> <p>Some controls under the Council’s responsibility should be strengthened as follows:</p> <ul style="list-style-type: none"> i) There are 5 people with system administrator access rights to the payroll system. It is not clear whether they require this level of access. ii) Security checks are not undertaken when resetting passwords for payroll user access. <p>Recommendations</p> <p>The Council to:</p> <ul style="list-style-type: none"> i) Identify whether the number or people with system admin rights within the payroll system is appropriate, and where possible, limit the access to only those that require it ii) Implement adequate security checks when resetting user passwords for the payroll system 	<ul style="list-style-type: none"> i) This was highlighted by NGA as part of their system review. As part of the actions arising from that review is a full-scale analysis of all operator profiles and access as well as screen, menu and task access. This is one of the priorities to ensure that ‘Resourcelink’ is a secure system holding vital information (People Services). Implementation date: April 2018 ii) This ties in with the review of ‘Resourcelink’ users above. Implementation date: April 2018 	<ul style="list-style-type: none"> i) Payroll have been waiting for the most recent Northgate upgrade release (R21) in February 2019 to fix this issue. The release has now been installed and work has commenced with effect from March 2019 to implement the access rights issue. ii) Payroll can no longer reset passwords. They are now system generated to a user e-mail account.

Issue/Recommendation	2016-17 Agreed action & implementation date	Agreed Action 2018-19
<p>3. IT Control Environment – SRS</p> <p>Some controls under the SRS’s responsibility should be strengthened as follows:</p> <ul style="list-style-type: none"> i) There are a high number of users with access to add/amend/remove network user accounts. Those with domain admin rights (around 25 users) and 'IT Servicedesk' (around 40 users) access have the ability to create/amend/delete user access. There are also some service accounts, which SRS are planning to minimise. ii) Backup tapes are stored on the same industrial estate in Blaenavon. These may be at risk (including material financial data) if a serious incident were to occur <p>Recommendations</p> <ul style="list-style-type: none"> i) SRS should identify whether the number of people with domain admin rights and IT service desk rights is appropriate, and where possible, limit the access to only those that require it ii) Risk assess and consider the locality of backup tapes, and if required relocate them to somewhere more suitable and further away 	<ul style="list-style-type: none"> i) Domain Admin access is currently under review across MCC as part of the recent PSN penetration tests. This is to be resolved by 1 October. Implementation date: October 2018 ii) Risk Assessments will be undertaken and discussion onto where tapes can be held away from Blaenavon can be considered. Implementation date: January 2018 	<ul style="list-style-type: none"> i) A review of domain admins has taken place, and the SRs have reduced access down to the minimum required to ensure we provide the necessary service to MCC, and removed access to Domain Admins for staff who no longer require it. i.e. the Server team & Service Desk staff covering MCC only. We have implemented a script whereby it automatically removes anyone added to Domain Admins who has not been approved. ii) Backup tapes - Have reduced the amount of backup tapes required by only backing up personal drive data to tape. The rest is replicated to DR SAN equipment in Pontypool. We are also implementing VEEAM

Exhibit 3 Summary of progress against issues reported in the prior year joint progress document

Issue/Recommendation	2016-17 Agreed action & implementation date	Agreed Action 2018-19
		<p>solutions to further increase our resilience for backups by holding data in a secure cloud solution provided by VEEAM. Any tapes that are used are removed from the Data Centre and placed in a fire proof safe held in Ty Cyd 2.</p>

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**SUBJECT: INTERNAL AUDIT SECTION
OPERATIONAL PLAN, 2019/20
DRAFT**

**DIRECTORATE: Resources
MEETING: Audit Committee
DATE: 14th March 2019
DIVISION/WARDS AFFECTED: All**

1. PURPOSE

To receive and consider the early **draft** Internal Audit Operational Audit Plan for 2019/20.

2. RECOMMENDATION(S)

That the Audit Committee reviews, comments on and shapes the early Draft Audit Plan with a view to receiving a more detailed plan by the end of the 1st quarter for approval.

3. KEY ISSUES

- 3.1 A comprehensive risk matrix was developed for the 2011/12 planning process which gave an outline programme of work that would enable the Internal Audit Section to cover all material audit risks across all services of the Council.
- 3.2 This report explains how the 2019/20 Operational Audit Plan has been prepared and how the plan will be put together in future years. The planning process takes into account all possible systems, processes, sections and establishments that could possibly be audited within Monmouthshire which are then risk assessed and allocated a high / medium / low risk priority.
- 3.3 Consideration is given to over 300 possible areas to audit across all services provided by Monmouthshire which are risk assessed and allocated a high, medium or low risk. The audit team staff resources would then be allocated to cover the higher ranked risks as a priority. That said, inevitably there will be reviews which the audit team have to undertake annually such as performance indicators, annual governance statement, mandatory grant claim audits and audit advice, which have also been incorporated into the plan, along with follow up reviews, finalisation work and planned work from previous year not undertaken.

- 3.4 An allocation of time will be included in the plan for special investigations where the team might receive allegations of fraud, theft, non compliance. The plan also needs to be flexible enough to respond to changes to risk profiles and other developments in year; the audit management team will continually monitor this situation.
- 3.5 For 2019/20, total available audit resources amounts to 908 days, which will be allocated across service directorates on a risk basis. This includes 120 days for special investigations and unplanned work. The work will be undertaken by 5.5 FTE audit staff. The available resource is based on all staff being in place for the whole of the year.
- 3.6 Although the time allocated to special investigations is usually a pressure point the 2019/20 allocation of days has been maintained to ensure appropriate coverage is given across service areas.
- 3.7 The detail of the plan is still to be finalised following completion of the ongoing consultation exercise with Heads of Service. The first quarter will include finalisation of 2018/19 work which was at draft report stage at year end, work planned for 2018/19 but not completed, corporate performance indicators along with the collation of the Annual Governance Statement.
- 3.8 This plan may change as the year progresses if the risk profile of audit work changes. Any significant change will be brought back to the Audit Committee for approval. The Audit Committee will be kept updated with the progress against the agreed plan via quarterly reports. The intention is to bring an updated plan back to Audit Committee for formal approval by the end of the 1st quarter.
- 3.9 The team comprises of one Audit Manager supported by one Principal Auditor, two Senior Auditors and one Auditor with the Chief Internal Auditor having overall responsibility for the team; he operates on a shared services arrangement with Newport City Council.
- 3.10 To seek to maximise performance against the plan, Audit Management will ensure audit reports are more focused and timely, that staff with the right skill sets are allocated to appropriate work and non-productive time is minimised.

4. REASONS

- 4.1 The draft 2019/20 Internal Audit Summary Plan is attached at Appendix 1 to this report. The Plan will be based on the risk assessment matrix along with cumulative audit knowledge. This will be reviewed on an annual basis in order to determine the appropriateness of the risk assessment each year where audit resources will be deployed to cover the higher risk reviews.
- 4.2 The Operational Plan has been updated to take account of:
 - a) The Authority's latest Risk Assessment;

- b) New areas for inclusion in the Plan identified from changes to legislation and the regulatory framework for local government and from ongoing discussions with service managers;
 - c) Areas of slippage from the 2018/19 Operational Plan; and
 - d) The published Regulatory Plan produced by the Wales Audit Office.
- 4.3 Each review will be risk assessed and categorised as High, Medium or Low risk. Within the cycle of audits the team would aim to cover the higher risk areas as a priority but also provide coverage across directorates with lower risk services. All fundamental financial systems may now not be covered on an annual basis, especially if they have been previously determined as well controlled, with no significant changes to the system or to personnel. We will ensure that these are incorporated within the plan every few years to provide ongoing assurance. This approach and methodology has been discussed and agreed with the external auditor who places reliance on the work undertaken by Internal Audit.
- 4.4 Where audits planned for 2018/19 were unable to be undertaken during the year due to insufficient resources and the effects of unplanned special work, these audits will be included in the Operational Plan for 2019/20 and will be undertaken in the early part of the financial year. Similarly, those audits in progress at the year-end will be completed early in the 2019/20 financial year, and an allowance of time will be included within the Plan for these audits.
- 4.5 Consultation will be undertaken, with visits and email correspondence to the various managers and finance representatives of each directorate. As a result there may be further minor amendments to the Plan to reflect specific suggestions from various representatives of Chief Officers and Heads of Service.
- 4.6 The Operational Plan will be kept under review through the course of the year to identify any amendments needed to reflect changing priorities and emerging risks. Material changes to the Plan will be reported to the Audit Committee at the earliest opportunity.
- 4.7 An annual Outturn Report will be prepared for the Audit Committee to provide details on the performance of the Section against the Operational Plan. Interim progress reports will also be provided to the Committee three times per year.
- 4.8 With effect from 1st April 2016 the revised Public Sector Internal Audit Standards came into force for all public sector bodies including local government organisations. The Chief Internal Auditor will ensure that the Audit Team undertake their work in accordance with these Standards.

5. RESOURCE IMPLICATIONS

None.

6. CONSULTEES

Heads of Service

7. BACKGROUND PAPERS

Strategic Audit Risk Matrix
Public Sector Internal Audit Standards

8. AUTHORS AND CONTACT DETAILS

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DIRECTORATE:

Children & Young People

Service Area

Subject

Type

Risk

21st Century Schools

Audit Advice

Achievement & Extended Services

Education Improvement Grant

Grant Claim Audit

Med

Achievement & Extended Services

Pupil Deprivation Grant

Grant Claim Audit

Low

Achievement & Extended Services

Outside School Childcare Grant

Grant Claim Audit

Low

Achievement & Extended Services

Monitoring Implementation of Audit Recommendations

Follow-up

Achievement & Extended Services

Audit Advice

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Schools

Caldicot School

New Audit

Med

Schools

Ysgol y Fenni

New Audit

Low

Schools

Llandogo Primary School

New Audit

Low

Schools

Castle Park Primary School

New Audit

Low

Schools

Undy Primary School

New Audit

Low

Schools

Llanfoist Fawr Primary School

New Audit

Low

Schools

Shirenewton Primary School

Finalisation of Report

Low

Schools

Magor Primary School follow-up

Finalisation of Report

Med

Schools

Monmouth Comprehensive School

Finalisation of Report

Med

Schools

Monitoring Implementation of Audit Recommendations

Follow-up

Schools

Audit Advice

CYP Resources

Monitoring Implementation of Audit Recommendations

Follow-up

CYP Resources

Audit Advice

DIRECTORATE:

Enterprise

Service Area

Subject

Type

Risk

Enterprise & Community Delivery
 Enterprise & Community Delivery
 Enterprise & Community Delivery

Borough Theatre
 Events

Finalisation of Report
 Follow-up
 Audit Advice

High
 High

Tourism, Leisure & Culture
 Tourism, Leisure & Culture
 Tourism, Leisure & Culture
 Tourism, Leisure & Culture
 Tourism, Leisure & Culture
 Tourism, Leisure & Culture
 Tourism, Leisure & Culture

Shire Hall
 Tintern Old Station
 Evolve - Educational Visits Management
 Alternative Delivery Model Implementation
 Youth Service
 Caldicot Castle
 Monitoring Implementation of Audit Recommendations

New Audit
 New Audit
 New Audit
 Completion of Work in Progress
 Follow-up
 Follow-up
 Follow-up
 Audit Advice

Med
 Low
 Med
 High
 Med
 Med

Policy & Governance
 Policy & Governance
 Policy & Governance

National Performance Indicators
 Local Performance Indicators

New Audit
 New Audit
 Audit Advice

Med
 Low

Planning, Housing & Place Shaping
 Planning, Housing & Place Shaping
 Planning, Housing & Place Shaping

Housing Renovation Grants
 Monitoring Implementation of Audit Recommendations

New Audit
 Follow-up
 Audit Advice

Med

DIRECTORATE:

Enterprise - Operations

Service Area

Subject

Type

Risk

Passenger Transport Unit

Personal Transport Budgets

Finalisation of Report

Low

Passenger Transport Unit

PTU Vehicle Maintenance

New Audit

Med

Passenger Transport Unit

Monitoring Implementation of Audit Recommendations

Follow-up

Passenger Transport Unit

Audit Advice

SWTRA & Street Lighting

Street Lighting

New Audit

Low

SWTRA & Street Lighting

Audit Advice

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Transport

Fuel Cards follow-up

Finalisation of Report

Med

Transport

Monitoring Implementation of Audit Recommendations

Follow-up

Transport

Audit Advice

Waste & Street Operations

Monitoring Implementation of Audit Recommendations

Follow-up

Waste & Street Operations

Audit Advice

Highways & Flood Management

Monitoring Implementation of Audit Recommendations

Follow-up

Highways & Flood Management

Audit Advice

County Highways Operations

Highways Operations

New Audit

Med

County Highways Operations

Audit Advice

DIRECTORATE:

Resources

Service Area

Subject

Type

Risk

People	Payroll	New Audit	Med
People	Attendance Management	Follow-up	Med
People	Term Time Working - new contractual arrangements	Finalisation of Report	Med
People	HR Policy Review follow-up	Finalisation of Report	High
People	Monitoring Implementation of Audit Recommendations	Follow-up	
People		Audit Advice	
Digital & Agile		Audit Advice	
Finance	Creditor Payments System	New Audit	Med
Finance	Creditors 2018/19	Completion of Work in Progress	Med
Finance	Treasury Management	Finalisation of Report	Med
Finance	Cashiers	Completion of Work in Progress	Med
Finance	Bank Reconciliations	New Audit	Med
Finance	Business World - System Administration	New Audit	Med
Finance	Budgetary Control	New Audit	Med
Finance	Monitoring Implementation of Audit Recommendations	Follow-up	
Finance		Audit Advice	
Business Planning & Redesign		Audit Advice	

DIRECTORATE:

Resources

Service Area

Subject

Type

Risk

Commercial & Integrated Landlord Services

Investment Property Acquisitions

Finalisation of Report

High

Commercial & Integrated Landlord Services

Health & Safety of Authority's existing buildings

Finalisation of Report

Med

Commercial & Integrated Landlord Services

Procurement

Follow-up

High

Commercial & Integrated Landlord Services

Monitoring Implementation of Audit Recommendations

Follow-up

Commercial & Integrated Landlord Services

Audit Advice

DIRECTORATE:

Social Care & Health

Service Area

Subject

Type

Risk

Integrated Services	Direct Payments	Completion of Work in Progress	Med
Integrated Services	Domiciliary Care (Internal)	New Audit	Med
Integrated Services	Supporting People Grant - Outcomes Data (May)	Grant Claim Audit	High
Integrated Services	Supporting People Grant - Financial Data (Sept)	Grant Claim Audit	Med
Integrated Services	Monitoring Implementation of Audit Recommendations	Follow-up	
Integrated Services		Audit Advice	
Children's Services	Review of Imprest Account	Follow-up	Med
Children's Services	Monitoring Implementation of Audit Recommendations	Follow-up	
Children's Services		Audit Advice	
Public Protection	Environmental Health	New Audit	Med
Public Protection	Health & Safety	Follow-up	High
Public Protection	Monitoring Implementation of Audit Recommendations	Follow-up	
Public Protection		Audit Advice	
Social Services Finance Unit	SCH Debtors	New Audit	Med
Social Services Finance Unit		Audit Advice	

DIRECTORATE:

Corporate

Service Area

Subject

Type

Risk

Cross Cutting	National Fraud Initiative	New Audit	High
Cross Cutting	Annual Governance Statement	New Audit	
Cross Cutting	General Data Protection Regulation	Completion of Work in Progress	High
Cross Cutting	Wellbeing of Future Generations Act	Finalisation of Report	Med
Cross Cutting	Business Continuity	New Audit	High
Cross Cutting	Corporate Complaints	New Audit	Med
Cross Cutting	Culture	New Audit	Med
Cross Cutting	Agency Workers	Follow-up	Med
Cross Cutting	Compliance with Bribery Act	Follow-up	High
Cross Cutting	Safeguarding Arrangements	New Audit	High
Cross Cutting	Volunteering follow-up	Finalisation of Report	Med
Cross Cutting	Mobile Phones follow-up	Completion of Work in Progress	Med
Cross Cutting	Monitoring Implementation of Audit Recommendations	Follow-up	
Cross Cutting	Future Monmouthshire	Audit Advice	

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit Plan – Monmouthshire County Council

Audit year: 2019

Date issued: March 2019

Document reference: 1121A2019-20

This document has been prepared as part of work performed in accordance with statutory functions.
Further information on this is provided in [Appendix 1](#).

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

This document was produced by Ann-Marie Harkin, Huw Rees, Terry Lewis, Rhodri Davies, Non Jenkins and Dave Wilson

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2019 Audit Plan

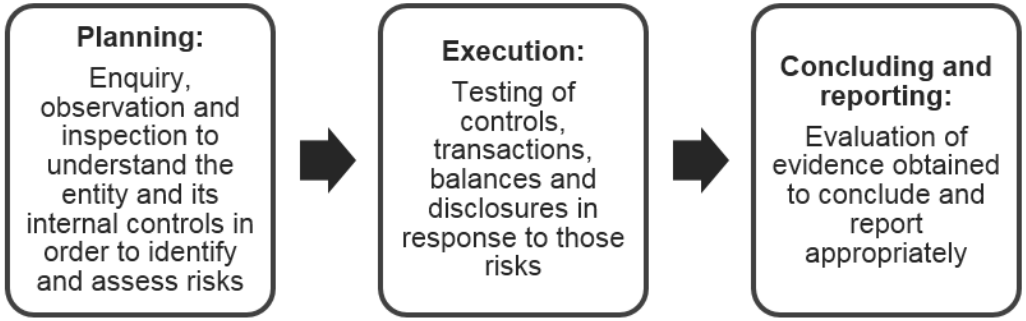
Summary

- 1 As your external auditor, my objective is to carry out an audit which discharges my statutory duties as Auditor General and fulfils my obligations under the Public Audit (Wales) Act 2004, the Local Government (Wales) Measure 2009 (the Measure), Wellbeing of Future Generations (Wales) Act 2015, the Local Government Act 1999, and the Code of Audit Practice, namely to:
 - examine and certify whether your financial statements are 'true and fair';
 - assess whether you have made proper arrangements for securing economy, efficiency and effectiveness in the use of resources;
 - audit and assess whether you have discharged the duties and met requirements of the Measure; and
 - undertake studies to enable me to make recommendations for improving economy, efficiency and effectiveness or for improving financial or other management arrangements.
- 2 The purpose of this plan is to set out my proposed work, when it will be undertaken, how much it will cost and who will undertake it.
- 3 There have been no limitations imposed on me in planning the scope of this audit.
- 4 My responsibilities, along with those of management and those charged with governance, are set out in [Appendix 1](#).

Audit of accounts

- 5 It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on their 'truth and fairness'. This provides assurance that the accounts:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
- 6 I also consider whether or not Monmouthshire County Council (the Council) has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception if the Annual Governance Statement does not comply with requirements.
- 7 [Appendix 1](#) sets out my responsibilities in full.
- 8 The audit work I undertake to fulfil my responsibilities responds to my assessment of risks. This understanding allows me to develop an audit approach which focuses on addressing specific risks whilst providing assurance for the financial statements as a whole. My audit approach consists of three phases as set out in [Exhibit 1](#).

Exhibit 1: my audit approach



9 The risks of material misstatement which I consider to be significant and which therefore require special audit consideration, are set out in **Exhibit 2** along with the work I intend to undertake to address them. Also, included are other key areas of audit attention my team will be focusing on.

Exhibit 2: financial audit risks

Financial audit risk	Proposed audit response
Significant risks	
<p>Management Override</p> <p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> test the appropriateness of journal entries and other adjustments made in preparing the financial statements; review accounting estimates for biases; and evaluate the rationale for any significant transactions outside the normal course of business.
<p>Revenue Recognition</p> <p>There is a risk of material misstatement due to fraud in revenue recognition and as such is treated as a significant risk [ISA 240.26-27].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> evaluate if there is a risk and, if so, which types of revenue give rise to such risks; and obtain an understanding of the Council's related controls relevant to such risks and focus testing on the timing and value of revenue where appropriate.

Financial audit risk	Proposed audit response
<p>Sensitive Disclosures</p> <p>The Council's 2018-19 financial statements will include a number of disclosures which are material by nature. These include the disclosure of Related Parties, Senior Officers' Remuneration and Members' Allowances.</p>	<p>My audit team will review:</p> <ul style="list-style-type: none"> disclosures that are material by nature and test to ensure that they are consistent with supporting evidence and all required disclosures are made in line with the Code of Practice on Local Authority Accounting.
<p>Other areas of audit attention</p>	
<p>Early Closing of year-end accounts</p> <p>The current deadlines for the production and audit of Local Government bodies' accounts are 30 June and 30 September respectively. The Welsh Government will be bringing these dates forward to 31 May and 31 July over the next few years in all local government bodies, with full compliance by the 2020/21 financial year. Whilst the earlier deadlines may seem like a distant challenge, the scale of the changes required for the Council and us means that planning needs to start now.</p>	<p>We are working with the Council and have already 'brought forward' a range of audit work so that it is completed earlier in the audit cycle.</p> <p>The Council is expecting to have its accounts ready for audit by the end of May and a full set of working papers shortly afterwards. In order to close the accounts earlier it will be necessary in some areas to base figures on 'estimates' and we will audit the basis of these estimates and the basis of any assumptions made to ensure there are not likely to be any material differences that may affect the accuracy of the accounts.</p> <p>We have also produced an updated 'Audit Deliverables' document so that both the Council and we are clear on the documentation required to support our audit work and to ensure that our audit progresses as smoothly and as quickly as possible.</p>

Financial audit risk	Proposed audit response
<p>New accounting standards</p> <p>IFRS 9 financial instruments applies from 1 April 2018 and brings in a new principles-based approach for the classification and measurement of financial assets. It also introduces a new impairment methodology for financial assets based on expected losses rather than incurred losses. This will result in earlier recognition of expected credit losses and will impact on how the bad debt provision is calculated.</p> <p>IFRS 15 revenue from contracts with customers introduces a principles-based five-step model for recognising revenue arising from contracts with customers. It is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration a body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required.</p>	<p>My audit team will assess the likely impacts of the new IFRSs and undertake work to respond to any identified risks of material misstatement.</p>

- 10 I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee prior to completion of the audit.
- 11 For reporting purposes, I will treat any misstatements below a 'trivial' level (the lower of 5% of materiality or £100,000) as not requiring consideration by those charged with governance and therefore I will not report them.
- 12 My fees and planned timescales for completion of the audit are based on the following assumptions:
- the financial statements are provided in accordance with the agreed timescales, to the quality expected and have been subject to a robust quality assurance review;
 - information provided to support the financial statements is in accordance with the agreed audit deliverables document¹;
 - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;

¹ The agreed audit deliverables document sets out the expected working paper requirements to support the financial statements and include timescales and responsibilities.

- all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and
 - Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.
- 13 In addition to the audit of the accounts, I have statutory responsibilities to receive questions and objections to the accounts from local electors. These responsibilities are set out in the Public Audit (Wales) Act 2004:
- Section 30 Inspection of documents and questions at audit; and
 - Section 31 Right to make objections at audit.
- 14 Audit fees will be chargeable for work undertaken in dealing with electors' questions and objections. Because audit work will depend upon the number and nature of any questions and objections, it is not possible to estimate an audit fee for this work.
- 15 If I do receive questions or objections, I will discuss potential audit fees at the time.

Other financial audit work

- 16 In addition to my responsibilities in respect of the audit of the statutory financial statements set out above, I am also responsible for the audit of Monmouthshire County Council Welsh Church Act Fund and the Monmouthshire Farm School Endowment Trust Fund. My team will undertake the audit of these accounts on my behalf in accordance with the timescales agreed with the Council, as trustees and the Charity Commission.
- 17 The fee for this work will be discussed with the Council and is excluded from the fee set out in this Plan.

Performance audit

- 1 I need to balance my existing, new and proposed statutory duties with the need to continue to undertake meaningful, risk-based and proportionate audits and assessments. In discharging my responsibilities, I will continue to seek to strike the most appropriate balance and add value by:
- providing assurance on the governance and stewardship of public money and assets;
 - offering insight on the extent to which resources are used wisely in meeting people's needs; and
 - identifying and promoting ways by which the provision of public services may be improved.
- 2 As it is likely that the anticipated Local Government Wales Bill will propose that the Local Government (Wales) Measure 2009 no longer applies to councils, I will continue to minimise work that focuses on the process of improvement planning.

- 3 In my audit plan for 2018 I explained that in previous years I had placed reliance on my work under the Measure to help discharge my duty under the Public Audit (Wales) Act 2004 to satisfy myself that councils have made proper arrangements to secure economy, efficiency and effectiveness (value for money) in the use of resources. Given that in the future it is likely that I will be unable to rely on my work under the Measure, in 2019-20, and subsequent years, the focus of my local performance audit programmes will continue to be more clearly aligned to discharging my Public Audit (Wales) Act 2004 duty.
- 4 In 2018-19 I undertook an examination of the extent to which you are acting in accordance with the sustainable development principle in taking steps to meet your well-being objectives. During 2019-20 I will undertake a further examination to assess the extent to which you are applying the sustainable development principle when taking steps towards meeting your well-being objectives. This will be the final piece of work I will undertake to discharge my duties under the Wellbeing of Future Generations Act at the Council prior to laying my first cyclical report with the National Assembly in 2020. During 2019-20 I will also be considering how to discharge my duties under the Act over the period 2020 to 2024 and I will seek to engage with local authorities as well as other stakeholders in developing my approach.
- 5 The Wales Audit Office also undertakes a programme of local government studies. This work is included within the Wales Audit Office estimates for funding from the Welsh Consolidated Fund and not local fees. These studies primarily lead to a national report augmented by good practice and shared learning outputs rather than by local reports. Local findings, where relevant, will be captured in improvement assessment work and reported in annual improvement reports depending on the timing and the focus of conclusions.
- 6 Taking all these factors into consideration, my 2019-20 programme of work will comprise:

Exhibit 3: performance audit programme

Performance audit programme	Brief description
Improvement audit and assessment work including improvement planning and reporting audit.	Audit of discharge of duty to publish an improvement plan, and to publish an assessment of performance.
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	Examination of the extent to which the Council has acted in accordance with the sustainable development principle when taking steps to meet its wellbeing objectives.
Assurance and Risk Assessment	Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper

Performance audit programme	Brief description
	arrangements to secure value for money in the use of resources.
Financial Sustainability	A project common to all local councils that will assess financial sustainability in light of current and anticipated future challenges.
Procurement and contracting	A review of the robustness and sustainability of the Council's procurement and contracting arrangements in meeting recent, current and future needs.
Follow up review of the Shared Resource Service (SRS)	This review will follow up on the recommendations made by the Auditor General in his 2015 report reviewing the SRS. The review will be carried out across the four local councils that are members of the SRS.
2019-20 Local Government Studies	(Funded by the Welsh Consolidated Fund) The Auditor General has recently completed his consultation on his forward work programme and new local government studies to commence in 2019-20 will be confirmed shortly.

- 18 The performance audit projects included in last year's Audit Plan, which are either still underway or which have been substituted for alternative projects in agreement with you, are set out in [Appendix 2](#).

Certification of grant claims and returns

- 19 I have been requested to undertake certification work on the Council's grant claims and returns. A total of 12 grant claims were audited in respect of 2017-18, the same number of claims as in 2016-17. The total value of these claims was £83.4 million compared to £76.4 million in 2016-17. The overall work programme in 2019 is expected to include HB subsidy, 21st Century Schools, Non-domestic rates, Teachers' Pensions, Social Care Workforce Development and the Summary Schedule of Welsh Government funding. Locally, there may also be pooled budgets and money transfers.
- 20 As was the case last year, the Welsh Government will not require me to provide any report of factual findings related to any activity levels or outcomes.
- 21 My audit fee for this work is set out in [Exhibit 5](#).

Overall issues identified

- 22 **Exhibit 4** summarises the more significant and/or recurring issues I identified when undertaking grant certification work in 2018-19.

Exhibit 4: overall issues relating to grant claim and return certification

Qualified grant claims and returns qualified in 2017-18
Of the 12 claims that were certified, four were qualified. Three claims were amended/adjusted to reflect changes required following our audit.
Effectiveness of grant co-ordination arrangements
The co-ordination arrangements for the compilation of grant claims are good and there were no significant areas where problems arose. The supporting working papers were of an adequate standard. The Council submitted 50% of its 2017-18 grant claims to us on time. All claims were certified by the required deadlines and we can confirm that we have certified all of the claims.

Fee, audit team and timetable

Fee

- 23 Your estimated fee for 2019 is set out in **Exhibit 5**. There have been some small changes to my fees rates for 2019, however my audit teams will continue to drive efficiency in their audits to ensure any resulting increases will not be passed to you.

Exhibit 5: audit fee

Audit area	Proposed fee (£) ²	Actual fee last year (£)
Audit of accounts ³	176,068	176,068
Performance audit work ⁴	103,282	103,341
Grant certification work ⁵	65,000	68,000
Total fee	344,350	347,409

² Notes: The fees shown in this document are exclusive of VAT, which is not charged to you

³ Payable November 2018 to October 2019.

⁴ Payable April 2019 to March 2020.

⁵ Payable as work is undertaken

- 24 Planning will be ongoing, and changes to my programme of audit work and therefore my fee, may be required if any key new risks emerge. I shall make no changes without first discussing them with the Council.
- 25 Further information on my [fee scales and fee setting](#) can be found on our website.

Audit team

- 26 The main members of my team, together with their contact details, are summarised in [Exhibit 6](#).

Exhibit 6: my audit team

Name	Role	Contact number	E-mail address
Ann-Marie Harkin	Engagement Director and Engagement Lead – Financial Audit	02920 320562	ann-marie.harkin@audit.wales
Huw Rees	Engagement Lead Performance Audit	02920 320599	huw.rees@audit.wales
Terry Lewis	Financial Audit Manager	02920 320641	terry.lewis@audit.wales
Rhodri Davies	Financial Audit Team Leader	02920 320500	rhodri.davies@audit.wales
Non Jenkins	Performance Audit Manager	02920 320595	non.jenkins@audit.wales
David Wilson	Performance Audit Lead	02920 320500	david.wilson@audit.wales

- 27 I can confirm that that my team members are all independent of the County Council and your officers. In addition, I am not aware of any potential conflicts of interest that I need to bring to your attention.

Timetable

- 28 I will provide reports, or other outputs as agreed, to the County Council covering the areas of work identified in this document. My key milestones are set out in [Exhibit 7](#).

Exhibit 7: timetable

Planned output	Work undertaken	Report finalised
2019 Audit Plan	December 2018 to January 2019	March 2019
Financial accounts work:		

Planned output	Work undertaken	Report finalised
<ul style="list-style-type: none"> Audit of Financial Statements Report Opinion on Financial Statements Financial Accounts Memorandum 	February to September 2019	September 2019 September 2019 October 2019
Performance work		
<ul style="list-style-type: none"> Reviews in 2018 Plan still in progress (see Appendix 2) 	January - August 2019	May – September 2019
<ul style="list-style-type: none"> Improvement Plan Audit 	April 2019	April 2019*
<ul style="list-style-type: none"> WFG Act Examination 	April - September 2019	September 2019*
<ul style="list-style-type: none"> Assessment of Performance Audit 	October- November 2019	November 2019
<ul style="list-style-type: none"> Assurance and Risk Assessment 	October – November 2019	December 2019*
<ul style="list-style-type: none"> Financial Sustainability 	To be confirmed	To be confirmed
<ul style="list-style-type: none"> Procurement and contracting 	To be confirmed	To be confirmed
<ul style="list-style-type: none"> SRS Review 	To be confirmed	To be confirmed
Annual Improvement Report	April 2019 – May 2020	June 2020*
2020 Audit Plan	October to December 2019	January 2020*

* Estimated

Future developments to my audit work

- 29 Details of other future developments including forthcoming changes to key International Financial Reporting Standards, the Wales Audit Office's Good Practice Exchange (GPX) seminars and my planned work on the readiness of the Welsh public sector for Brexit, are set out in [Appendix 3](#).

Appendix 1

Respective responsibilities

Audit of accounts

As amended by the Public Audit (Wales) Act 2013, the Public Audit (Wales) Act 2004 sets out my powers and duties to undertake your financial audit. It is my responsibility to issue a certificate and report on the financial statements which includes an opinion on:

- their 'truth and fairness', providing assurance that they:
 - are free from material misstatement, whether caused by fraud or error;
 - comply with the statutory and other applicable requirements; and
 - comply with all relevant requirements for accounting presentation and disclosure.
- the consistency of information in the Annual Report with the financial statements.

I must also state by exception if the Annual Governance Statement does not comply with requirements, if proper accounting records have not been kept, if disclosures required for remuneration and other transactions have not been made or if I have not received all the information and explanations I require.

The Public Audit (Wales) Act 2004 requires me to assess whether Monmouthshire County Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. To achieve this, I consider:

- the results of the audit work undertaken on the financial statements;
- Monmouthshire County Council's system of internal control, as reported in the Annual Governance Statement and my report thereon;
- the results of other work carried out including work carried out under the Local Government (Wales) Measure 2009 (the Measure), certification of claims and returns, and data-matching exercises;
- the results of the work of other external review bodies where relevant to my responsibilities; and
- any other work that addresses matters not covered by the above, and which I consider necessary to discharge my responsibilities.

The Public Audit (Wales) Act 2004 sets out the rights of the public and electors to inspect Monmouthshire County Council's financial statements and related documents, to ask me, as the Appointed Auditor questions about the accounts and, where appropriate, to challenge items in the accounts. I must also consider whether in the public interest, I should make a report on any matter which comes to my notice in the course of the audit.

My audit work does not relieve management and those charged with governance of their responsibilities which include:

- the preparation of the financial statements and Annual Report in accordance with applicable accounting standards and guidance;

- the keeping of proper accounting records;
- ensuring the regularity of financial transactions; and
- securing value for money in the use of resources.

Management agrees to provide me with:

- access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- additional information that I may request from management for the purpose of the audit; and
- unrestricted access to persons within Monmouthshire County Council from whom I determine it necessary to obtain audit evidence.

Management will need to provide me with written representations to confirm:

- that it has fulfilled its responsibilities for the preparation of the financial statements;
- that all transactions have been recorded and are reflected in the financial statements;
- the completeness of the information provided to me for the purposes of the audit; and
- to support other audit evidence relevant to the financial statements or specific assertions in the financial statements if I deem it necessary or if required by ISAs.

Performance audit

The Public Audit (Wales) Act 2004 requires me, by examination of the accounts or otherwise, to satisfy myself that the body has made proper arrangements for:

- securing economy, efficiency and effectiveness in its use of resources; and
- that the body, if required to publish information in pursuance of a direction under section 47 (performance information) has made such arrangements for collecting and recording the information and for publishing it as are required for the performance of its duties under that section.

The Measure places a general duty on improvement authorities to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. It also places specific requirements on authorities to set improvement objectives, and to publish annual improvement plans and assessments of performance. Improvement authorities are defined as county and county borough councils, national park authorities, and fire and rescue authorities.

The Measure also requires me to carry out an improvement assessment for each improvement authority every year, to determine whether the authority is likely to comply with its general duty and requirements of the Measure. I must also carry out an audit of whether the authority has discharged its improvement planning and reporting duties.

The Auditor General may also in some circumstances carry out special inspections (under section 21), in respect of which he will provide a report to the relevant authorities

and Ministers, and which he may publish (under section 22). The Auditor General will summarise audit and assessment reports in his published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

Section 15 of the Well-being of Future Generations Act (Wales) 2015 requires me to carry out examinations of public bodies for the purposes of assessing the extent to which it has acted in accordance with the sustainable development principle when:

- (a) setting well-being objectives; and
- (b) taking steps to meet those objectives.

I must carry out such an examination of each public body at least once during a five-year period. Before the end of the period I must report on the results of those examinations to the National Assembly.

Appendix 2

Performance work in last year's audit outline still in progress

Exhibit 8: performance work in last year's audit outline still in progress

Five pieces of performance audit work included in last year's audit plan remain outstanding.

Performance audit project	Status	Comment
Environmental Health Review of the arrangements the Council has put in place to deliver environmental health services building on the study previously undertaken by the Auditor General as part of the 'delivering with less' themed studies.	Scoping	We are conducting a short follow up of the Council's progress in addressing the recommendations made in the Auditor General's national study. We aim to conclude this work by early Autumn 2019.
Leisure Services Review of the arrangements the Council has put in place to deliver leisure services building on the 'study previously undertaken by the Auditor General as part of the 'delivering with less' themed studies.	Scoping	We are conducting a short follow up of the Council's progress in addressing the recommendations made in the Auditor General's national study. We aim to conclude this work by early Autumn 2019.
Corporate Safeguarding Arrangements Follow-up review of progress in implementing the proposals for improvement from the Auditor General's 'Whole Authority review of children's safeguarding'.	Scoping	We are conducting a short follow up review of the Council's progress in implementing proposals for improvement included in this report. We aim to conclude this work by early Autumn 2019.
Review of Whistleblowing and Fairness at Work (Grievance) arrangements Review of the Council's arrangements for dealing with whistleblowing concerns and for dealing with employee grievances (Fairness at Work).	Scoping	We aim to report on this work in May 2019

Performance audit project	Status	Comment
<p>Service User Perspective Review - Customer contact. Review of the extent to which services respond to the needs and expectations of service users both in their design and delivery and take their views and aspirations into account.</p>	Fieldwork complete	We aim to report on this work in Spring 2019
<p>WFG examinations This examination will enable the Auditor General to assess the extent to which the Council is acting in accordance with the sustainable development principle when taking steps to meet its Wellbeing Objectives.</p>	Fieldwork nearly complete	The final workshop will take place in March 2019 and we will report on this work in Spring 2019.

Appendix 3

Other future developments

A. Forthcoming key IFRS changes

Exhibit 9: changes to IFRS standards

Standard	Effective date	Further details
IFRS 16 leases	Expected in 2020-21	IFRS 16 will replace the current leases standard IAS 17. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on balance sheet as an asset based on a right of use principle with a corresponding liability for future rentals. This is a significant change in lessee accounting.

B. Good Practice Exchange

The Wales Audit Office's GPX helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face to face and resources shared on line. The main areas of work are regarding financial management, public-sector staff and governance.

[Further information, including details of forthcoming GPX events and outputs from past seminars.](#)

C. Brexit: preparations for the United Kingdom's departure from membership of the European Union

In accordance with Article 50 of the Treaty of Rome, on 29 March 2019 the United Kingdom will cease to be a member of the European Union. Negotiations are continuing, and it currently remains unclear whether agreement will be reached on a transition period to 31 December 2020, or whether a 'no deal' immediate exit will take place in March.

The Auditor General is undertaking a programme of work looking at the arrangements that the devolved public sector in Wales, including all NHS bodies, is putting in place to prepare for, and respond to, Britain's exit from the European Union. This will take the form of a high-level overview to establish what is being put in place across the Welsh public sector, and what the key issues are from the perspectives of different parts of the Welsh public service.

The Auditor General intends to carry out this initial work in two tranches. In autumn 2018, he issued a call for evidence to compile a baseline summary of arrangements being put in place. On 19 February 2019, the Auditor General issued a report⁶ on preparations in Wales for a 'no deal' Brexit. This will be followed up by further audit fieldwork during the rest of 2019.

⁶ <http://www.audit.wales/publication/preparations-wales-no-deal-brexite>

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Certification of Grants and Returns 2017-18 – Monmouthshire County Council

Audit year: 2017-18

Date issued: March 2019

Document reference: 137A2019

This document has been prepared as part of work performed in accordance with statutory functions.

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

The team who delivered the work comprised of Ann-Marie Harkin, Terry Lewis, Rhodri Davies, Mel William, Shahida Tontus, Martin Hall, Jane Davies, Gayle Howard, Scott Jenkins and Rhys Meadows.

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Summary

- 1 Under Paragraph 20 of Schedule 8 to the Government of Wales Act 2006 the Auditor General shall, if required by a local government or other grant-receiving body, make arrangements for certifying claims and returns (referred to as grant claims, hereafter).
- 2 We have completed the audit work in respect of 2017-18 and conclude that the Council had generally sound arrangements in place for the production and submission of its grant claims. There is some scope for improvement and we are continuing to work with the Council to make these improvements for the 2018-19 claims.
- 3 The Council submitted 50 percent of its 2017-18 grant claims to us on time. We can confirm that we have certified all the claims, at a total audit cost of some £68,330. Overall, the audits resulted in £4,204 less being claimable by the Council in respect of 2017-18.
- 4 For 2017-18 we certified 12 grant claims (the same as 2016-17). Four of the twelve claims received an 'audit qualification'.

Headlines

<p>Introduction and background</p>	<p>This report summarises the results of work on the certification of the Council 's 2017-18 grant claims and returns</p> <ul style="list-style-type: none"> • As appointed auditors of the Council we are asked, on behalf of the Auditor General, to certify grant claims made by the Council. • In respect of 2017-18 we certified 10 grants with a total value of £53,863,232 and 2 returns with a total value of £29,543,021. • At the start of our grant audit work for 2017-18, we met with the grant co-ordinator and key financial officers (having the responsibility of grant claim preparation). The Council continues to use a comprehensive Good Practice Grant Checklist which is included on each grant claim file. This checklist highlights the key areas we review when performing our grant auditor certification work. • Although this checklist was used on the majority of grant claim files, there is room for improvement in its completion as some errors were still found on the claims which should have been identified when undertaking the checks required in the checklist. • We have produced this report so that we can provide feedback collectively to those officers having the responsibility for grant management so that we can work together to identify further improvements which can be made to improve the processes.
<p>Timely receipt of claims</p>	<ul style="list-style-type: none"> • Our analysis shows that 50 percent of grants received during the year were received by the Council's deadline. The remaining grants were received between 5 and 104 days late. • In future the Grants Co-ordinator should ensure that all grant claims are submitted by the deadlines.
<p>Certification results</p>	<p>For the 12 grants and returns we issued 8 (67%) unqualified certificates and 4 qualifications (33%)</p> <p>The reasons for qualifying the grants can be summarised as follows:</p>

	<ul style="list-style-type: none"> • Contract Procedure Rules were not followed for 2 of the grants (Land Drainage grant and the Local Transport grant). The total value of the contracts was £702,396 (£158,396 and £544,000 respectively). The claim has not been amended for these errors and therefore has been qualified. • The Partnership agreement between the Council and Aneurin Bevan University Health Board (ABUHB) for the Section 33 NHS (Wales) Act 2006 Pooled Budgets was not signed until after year-end. Additionally, at the date the audit was undertaken, ABUHB had not paid any financial contributions to the pooled funds as per the section 33 agreement. • The Local Transport Grant had £32,390 of 2018-19 expenditure, incorrectly included in the 2017-18 claim. The claim has not been amended for these errors and therefore has been qualified. • The Bus Services Support Grant included £225,930 of ineligible expenditure. This expenditure was deemed ineligible as it either related do a different financial year or it was expenditure where the authority could not provide supporting invoices. The claim has not been amended for these errors and therefore has been qualified. <p>Details are contained in the table under paragraph 7 of this report.</p>
Audit adjustments	<p>Adjustments were necessary to 2 of the Council 's grants and returns as a result of our audit work in respect of 2017-18</p> <ul style="list-style-type: none"> • These adjustments related to Housing Benefit and Teacher's Pension. None of these were significant (i.e. over £10,000) and are detailed on page 8
Fees	<p>Our overall fee for certification of grants and returns for 2017-18 is (£68,330), which is a slight increase (4.7%) on last year's final fee of £65,265.</p>

Summary of certification work outcomes

- 5 Detailed on the following page is a summary of the key outcomes from our certification work on the Council 's 2017-18 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.
- 6 A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant-paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

Key information for 2017-18

Overall, we certified 12 grants and returns:

- 6 were unqualified with no amendment
- 2 were unqualified but required some amendment to the final figures
- 4 required a qualification to our audit certificate
- 0 were qualified but required some amendment to the final figures

Ref – Para 7	Grants and returns	Claim due	Claim received	Late	Qualified certificate	Adjustment (>£10,000)	Adjustment (<£10,000)	Unqualified certificate
1	Housing Benefit Subsidy	30/04/18	13/09/18	Yes	No		-£4,530	
2	21 st Century Schools	30/09/18	25/09/18	No	No			
3	Pooled Budgets	27/04/18	12/07/18	Yes	Yes			
4	Health Act S28a & b Money Transfers	30/09/18	18/09/18	No	No			
5	National Non-Domestic Rates	31/05/18	05/06/18	Yes	No			
6	Summary of Grants WG Schedule	15/06/18	27/09/18	Yes	No			
7	Land Drainage	Ongoing	12/03/18	N/a	Yes			
8	Teachers' Pension Return	31/05/18	05/06/18	Yes	No		+£326	
9	Social Care Workforce Development Plan	28/09/18	27/09/18	No	No			
10	Free Concessionary Travel	N/a	31/12/18	No	No			
11	Local Transport Grant	30/09/18	27/09/18	No	Yes			
12	Bus Services Support Grant	22/10/18	13/12/18	Yes	Yes			
	Total				4		-£4,204	8

7 This table summarises the key issues behind each of the adjustments or qualifications that are shown above. In addition, it also includes 'Certification Feedback Notes'. These relate to errors found on grant claims and returns to the Welsh Government where the amount of the error found is less than £10,000. In line with our agreed approach with the Welsh Government, we do not qualify grant claims and returns or request changes for these errors. We are however required to bring them to your attention.

Ref	Summary observations	Amendment
1	<p>Housing Benefit Subsidy - Unqualified (Amendment to claim)</p> <p>There were no errors found from the testing of Housing Benefit cases. The only amendments to the claim related to the compilation/reconciliation process, as follows:</p> <ul style="list-style-type: none"> • Compilation error as "Benchk106 report" figures were not included in spreadsheet used to populate the claim, and • Corrections to manual adjustments on the SUB57 and RBE263 reports. <p>The above issues did not result in a qualification but resulted in a reduction in the claim of £4,530.</p>	-£4,530
3	<p>Pooled Budgets – Qualified (no amendment)</p> <p>During our testing the following issues were identified:</p> <ul style="list-style-type: none"> • The Partnership agreement between the Council and Aneurin Bevan University Health Board (ABUHB) was not signed until after year-end (signed May 2018), when it should have been signed and dated before the contract start date (1 April 2017). • When the audit was undertaken, ABUHB had not paid any financial contributions to the pooled funds as per the agreement. Section 15.10 of the section 33 agreement states the partners will pay their financial contributions to the Pooled Funds in annual instalments in advance. <p>The above issues resulted in a qualification to the claim.</p>	£Nil

Ref	Summary observations	Amendment
7	<p>Land Drainage – Qualified (no amendment)</p> <p>During our testing the following issue was identified:</p> <ul style="list-style-type: none"> • A contract (expenditure totalling £158,396) was awarded but there was no evidence to support the Authority's normal procurement process. <p>The above issue resulted in a qualification to the claim.</p>	£Nil
8	<p>Teacher's Pension - Unqualified (Amendment to claim)</p> <p>During our testing the following issues were identified:</p> <ul style="list-style-type: none"> • The values recorded in Section 3 for Teachers Contributions and for Employer's Contributions were incorrectly transpose; and • Employer contributions were incorrectly reported for Tier 1 (7.4%) by £326. <p>The above issues resulted in an amendment to the claim and an increase in the amount claimable of £326.</p>	+£326
11	<p>Local Transport Grant – Qualified (no amendment)</p> <p>During our testing the following issues were identified:</p> <ul style="list-style-type: none"> • Contracts with expenditure totalling £544,000 for the 2017-18 claim were awarded without evidence that the authority's normal procurement processes had been followed; • The claim included approximately £32,390 of expenditure that related to 2018/19 Financial Year. <p>The above issues resulted in a qualification. No amendments were made to the claim, but these issues identified would result in a reduction of the claim by £576,390.</p>	£Nil

Ref	Summary observations	Amendment
12	<p>Bus Services Support Grant – Qualified (no amendment)</p> <p>During our testing the following issues were identified:</p> <ul style="list-style-type: none"> • The claim included expenditure of £202,305.00 incurred by third parties on Audio Visual (AV) equipment that should not be allowed because it was installed prior to March 2017; • Expenditure on the claim was overstated by £3,139.00 as payments due to two Community Transport Operators had been omitted and a payment to a Local Authority, which was subsequently returned had been included; • Expenditure included two returned BACs totalling £1,997.40, when the original payments related to the Young Persons Discount scheme; • Expenditure on the claim was overstated by £21,144.74, as a recoverable over payment (of £21,444.74) due from one Bus Operator, had not been included; • Expenditure on the claim was overstated by £1,338.00 as a recoverable ‘over payment’ from one Community Transport Operator had not been included. <p>The above issues resulted in a qualification. No amendments were made to the claim, but these issues identified would result in a reduction of the claim by £225,930.</p>	£Nil
	Total effect of amendments to the Council	- £4,204

Fees

8 A year-on year comparison of our fees has been detailed below.

Breakdown of fee by grant/return	2017-18	2016-17
Housing Benefit Subsidy	£19,770	£21,563
21st Century Schools	£2,459	£2,691
Flying Start	N/a	£2,143
Families First	N/a	£3,809
Pooled Budgets	£3,116	£1,551
Health Act S28a & b Money Transfers	£3,848	£3,905
National Non Domestic Rates	£4,154	£4,577
Summary Statement	£6,712	N/a
Land Drainage	£3,401	N/a
Teachers' Pension Return	£3,634	£2,444
Social Care Workforce Development Plan	£2,988	£5,008
Local Transport Grant	£2,990	£2,112
Free Concessionary Travel	£529	£3,307
Bus Services Support Grant	£5,117	£2,897
Grant Planning, Management and Review	£9,612	£9,258

Breakdown of fee by grant/return	2017-18	2016-17
Total fee	£68,330	£65,265

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2ND MAY 2019	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section -</i>	
Draft Annual Governance Statement 2018/19	Andrew Wathan
Implementation of Audit Recommendations	Andrew Wathan
CPR Exemptions 6 monthly	Andrew Wathan
Jun-19	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section</i>	
Review of Reserves outturn	Mark Howcroft

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Public Document Pack Agenda Item 11

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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**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**

The meeting ended at 3.26 pm