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County Hall
Rhadyr
Usk
NP15 1GA

Wednesday, 18 May 2016

Notice of meeting:

Audit Committee

**Thursday, 26th May, 2016 at 2.00 pm.
The Council Chamber, County Hall, The Rhadyr, Usk, NP15 1GA**

AGENDA

Item No	Item	Pages
1.	Election of Chairman.	
2.	Appointment of Vice-Chairman.	
3.	Apologies for Absence.	
4.	Declarations of Interest.	
5.	Public Open Forum.	
6.	To confirm minutes of the previous meeting.	1 - 6
7.	Action list from the previous meeting.	7 - 8
8.	Annual Governance Statement - final.	9 - 28
9.	Internal audit 2016/17 Plan - final.	29 - 40
10.	Internal Annual audit report 2015/16.	41 - 56
11.	Update on Special Investigations.	57 - 60
12.	Work Programme.	61 - 64

Paul Matthews

Chief Executive

MONMOUTHSHIRE COUNTY COUNCIL
CYNGOR SIR FYNWY

THE CONSTITUTION OF THE COMMITTEE IS AS FOLLOWS:

County Councillors:

J. Higginson
D. Batrouni
P. Clarke
G. Down
A. Easson
D. Edwards
P. Murphy
P. Jordan
B. Hayward
J. Prosser
B. Strong

Mr. P. White

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Welsh Language

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Aims and Values of Monmouthshire County Council

Sustainable and Resilient Communities

Outcomes we are working towards

Nobody Is Left Behind

- Older people are able to live their good life
- People have access to appropriate and affordable housing
- People have good access and mobility

People Are Confident, Capable and Involved

- People's lives are not affected by alcohol and drug misuse
- Families are supported
- People feel safe

Our County Thrives

- Business and enterprise
- People have access to practical and flexible learning
- People protect and enhance the environment

Our priorities

- Schools
- Protection of vulnerable people
- Supporting Business and Job Creation
- Maintaining locally accessible services

Our Values

- **Openness:** we aspire to be open and honest to develop trusting relationships.
- **Fairness:** we aspire to provide fair choice, opportunities and experiences and become an organisation built on mutual respect.
- **Flexibility:** we aspire to be flexible in our thinking and action to become an effective and efficient organisation.
- **Teamwork:** we aspire to work together to share our successes and failures by building on our strengths and supporting one another to achieve our goals.

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Public Document Pack Agenda Item 6

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held
at The Council Chamber, County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 21st
April, 2016 at 2.00 pm

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

County Councillors: D. Batrouni, P. Clarke, A. Easson, B. Hayward,
P. Murphy, J. Prosser and B. Strong

OFFICERS IN ATTENDANCE:

Joy Robson	Head of Finance/Section 151 Officer
Mark Howcroft	Assistant Head of Finance
Andrew Wathan	Chief Internal Auditor
Peter Davies	Head of Commercial & People Development
Sarah McGuinness	Chief Officer, Children & Young People
Nikki Wellington	Finance Manager
Richard Williams	Democratic Services Officer

APOLOGIES:

Councillors D. Edwards and P. Jordan

1. Declarations of Interest

County Councillor D. Batrouni declared a personal and prejudicial interest in respect of minute 14 – Issue raised by a member of the public regarding Chepstow School due to his knowledge of one of the members of staff at the school. He left the meeting taking no part in the discussion or voting thereon.

2. Public Open Forum

There were no issues raised by the public.

3. Confirmation of minutes

The minutes of the Audit Committee Meeting dated 3rd March 2016 were confirmed and signed by the Chairman.

4. Action list from the previous meeting

We received the Action List from the meeting held on 3rd March 2016. In doing so, the following points were noted:

- A report on budget mandate targets was being presented to Cabinet and respective scrutiny committees.

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- Treasury Advisors retender – The Cabinet Member responsible for this had taken a Single Member Decision on 21st March 2016. Details were available on the County Council's website.

5. Draft Annual Governance Statement 2015/16

We received an early draft of the Council's Annual Governance Statement (AGS) prior to inclusion into the Statement of Accounts 2015/16. An updated version will be available for the next Audit Committee in May 2016.

Having received the draft report, the following points were noted:

- In response to a Member's question regarding the 'Buy for Wales' contracts and the Joint Procurement Unit, it was noted that this process was the standard system operated via the public sector. It was designed to be consistent and easier for authorities to go through the procurement process. There are rules in place that provides protection for officers, members and public monies.
- In response to a Member's question regarding the Council's Strategic Risk Assessment which contains 11 distinct risks. In particular, reference was made to the risk in which the Authority is unable to deliver its political priorities in the future because it does not yet have clarity on its future business model or longer term financial plan. The question was asked whether it was the failure at the previous year that the risk remained. The Chief Internal Audit Officer stated that he would investigate the matter and report back to the next meeting.
- The figures relating to the provision of high quality services needed to be updated.
- Paragraph 64 of the report did not refer to the Democratic Services Committee. The Chief Internal Audit Officer stated that he would refer this matter back.
- Paragraph 72 of the report referred to the number of Freedom of Information (FOI) requests. In 2015/16, 23 FOI requests had not been responded to within 20 days. The Chief Internal Audit Officer stated that he would investigate this matter and report back.

We resolved to endorse the report.

6. Internal Audit Section - Draft Operational Plan 2016/17

We received the early draft Internal Audit Operational Audit Plan for 2016/17. In doing so, the following points were noted:

- The garden waste audit – Ensures that a proper audit process is in place and is being run properly.

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- Chepstow School – Some work has been undertaken in 2015/16 in which an unsatisfactory audit opinion had been identified. Internal Audit are duty bound to follow up this matter within a 12 month period, which is being undertaken.
- Areas of slippage from the 2015/16 Operational Plan – How slippage is covered depends on the actual job itself. Internal Audit undertakes an assessment at the beginning of the year to identify if the work is still necessary in the following year.
- In response to a Member's question regarding the Internal Audit Team, it was noted that a full team was anticipated for the year. However, some sickness and annual leave is accounted for and these are removed from the figures.

We resolved to note that a more detailed Operational Plan for 2016/17 would be received by the end of the first quarter.

7. Internal Audit Section - Progress report on Unsatisfactory / Unsound Audit Opinions

We received a report on the progress of unsatisfactory / unsound audit opinions issued since 2012/13 by the Internal Audit Team.

Having received the report, the following points were noted:

- Paragraph 4.10 g. Markets – Investigations were on going regarding workforce planning arrangements. An investigation has been instigated in line with staff policies and inappropriate overtime payments have been stopped. A new Markets supervisor has been appointed and it is anticipated that these matters will be addressed. An update on progress will be presented to the Committee in due course.
- In response to a Member's question, the Chief Internal Audit Officer stated that if unsound audits were identified, these matters would be presented to the Audit Committee following an investigation.

We resolved to note the improvements that have been made by service areas following the unsatisfactory / unsound audit opinions issued.

8. 2016 Audit Plan

We received the Wales Audit Office 2016 Audit Plan for Monmouthshire County Council. In doing so, the following points were noted:

- A joint progress report would be presented to Audit Committee when submitting accounts in respect of the following issues:
 - Torfaen Pension Fund in respect of the Capita Gwent Pension liability.
 - Correcting the Innovation House asset life.

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- Recalculating certain asset values (those based on depreciated replacement cost).
- Transferring legal title to Osbaston School.
- The City Deal Fees were not anticipated to be increased.
- It was noted that the Leader of the Council had signed the City Deal along with the other Leaders of Authorities within the Cardiff Capital Region.

We resolved to receive the report and noted its content.

9. Early Departures & vacant posts

We received supplementary information on the early departures and vacant posts in response to queries previously raised by the Committee.

Having received the report, the following points were noted:

- In response to a Member's question, it was noted that vacant posts data for the entire work force had been presented to the Committee previously. The information presented today is additional to that received earlier.
- There have been vacancy freezes in operation which have been the result of the Authority managing overspend pressures. There will be budgetary discussions taken in future to determine whether these posts should be removed.
- Information regarding the Senior Leadership Team (SLT) restructure has been supplied in 2014/15. We are currently a year on and the Audit Committee will be furnished with an annual report in respect of vacant posts in due course.
- The SLT vacancy freezes have allowed the Chief Executive to bring restructure proposals to Cabinet in May 2016.
- In response to a Member's question regarding potential savings being made as a result of departmental re-organisations, it was noted that vacant posts data will change due to the turnover of staff. Vacancy freezes are not universal across the Authority. They are determined by management and senior leadership.
- The figures in the report are based on head count. We are seeing reductions year on year.
- A People Services Annual Report will be presented to Cabinet which will include information relating to early departures. The Audit Committee should receive this report for scrutiny purposes.

We resolved:

- (i) to receive the report and note its content;

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- (ii) that the People Services Annual Report would be presented to Audit Committee for future meetings.

10. Response to Unsatisfactory Audit Opinion of Passenger Transport Unit from Audit Committee Meeting on 22nd October 2015

We received a report by the Passenger Transport Unit Manager in which Members received information on the steps that had been taken to address the Unsatisfactory Audit opinion of the Passenger Transport Unit following a verbal response at the Audit Committee Meeting held on 14th January 2016.

It was noted that the report had indicated that the Head of Finance and the Chief Internal Auditor had been consulted and this was noted in the report. However, this had not been the case.

We resolved to receive the report and noted its content.

11. Audit Committee Annual Report 2015/16, Annual report 2014/15

We received the Audit Committee's annual report for 2015/16 and 2014/15. In doing so, the following points were noted:

- The report will be presented to Full Council and the Chairman had indicated that he would be prepared to present the report.
- The chair agreed to include a reference to the Committee continuing to look for ways to improve its effectiveness.

We resolved that the recommendation to Full Council should be as follows:

On behalf of the Audit Committee the Chairman submits this combined annual report 2015/16 and 2014/15 for consideration by Full Council. He believes that it shows over this period that the Committee has fulfilled its role as defined in the terms of reference. The report shows that the workings of the Committee have been both valuable and productive and it provides assurance to the Council regarding the Committee's activities in the effective governance of financial affairs and other matters by the authority.

12. Work Programme

We received the Audit Committee Work Programme. In doing so, it was noted that the Audit Committee meeting for October 2016 will be held on 13th October and not the 6th October, as indicated in the Work Programme.

We resolved to receive the work programme and noted its content.

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at The Council Chamber, County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 21st
April, 2016 at 2.00 pm**

13. Exclusion of the press and public

We resolved to exclude the press and public during consideration of the following item of business in accordance with paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

14. Issue raised by a member of the public regarding Chepstow School

We received a report establishing proposals to inform a response to questions posed by a member of the public during the public Open Forum item of Monmouthshire County Council's Audit Committee held in July 2015.

Having considered the content of the report, we resolved that the Chairman, in consultation with officers, prepares a response to the questions raised by the member of the public. The letter would be emailed to all Audit Committee Members allowing them to submit comments. The letter would then be sent to the member of the public.

The meeting ended at 4.22 pm

Agenda Item 7

Audit Committee Actions 21st April 2016

Agenda Item:	Subject	Officer	Outcome
Agenda Item 8	Internal Audit Section - Progress report on Unsatisfactory / Unsound Audit Opinions – Reference to Workforce Planning Arrangements within Markets.	Andrew Wathan	An update on progress will be presented to the Committee in due course regarding Reference to Workforce Planning Arrangements within Markets.
Agenda Item 10	Early Departures & vacant posts	Peter Davies	The People Services Annual Report to be presented to Audit Committee for future meetings.
Agenda Item 12	Audit Committee Annual Report 2015/16, Annual report 2014/15	Mr. P. White	The report will be presented to Full Council by the Audit Committee Chairman with an amended recommendation.
Agenda item 15	Issue raised by a member of the public regarding Chepstow School	Mr. P. White	The Audit Committee Chairman, in consultation with officers, prepares a response to the questions raised by the member of the public. The letter to be emailed to all Audit Committee Members allowing them to submit comments. The letter would then be sent to the member of the public.

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**SUBJECT: MONMOUTHSHIRE CC
ANNUAL GOVERNANCE STATEMENT, 2015/16**

**DIRECTORATE: Chief Executive
MEETING: Audit Committee
DATE: 26th May 2016
DIVISION/WARDS AFFECTED: All**

1. PURPOSE

To receive an early draft of the Council's Annual Governance Statement (AGS) prior to inclusion into the Statement of Accounts 2015/16.

2. RECOMMENDATION(S)

That the Audit Committee contribute to the appropriateness and content of the draft AGS and subsequently endorse it.

3. KEY ISSUES

- 3.1 Corporate Governance is about doing the right thing at the right time for the right people in an open and transparent way. The AGS sets out how Monmouthshire demonstrates it has appropriate governance arrangements in place and how they are continually reviewed to strengthen them moving forward.
- 3.2 Monmouthshire County Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and to proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 3.3 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.
- 3.4 The Code of Corporate Governance, which is consistent with the principles of the C.I.P.F.A./S.O.L.A.C.E. Framework 'Delivering Good Governance in Local Government', was approved by Council in July 2011; the Code was revised and updated in May 2014. A copy of the Code is available from the Chief Internal Auditor. This annual governance statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014.

4 The Purpose of the Governance Framework

- 4.1 The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

- 4.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 4.3 The governance framework has been in place at the Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.
- 4.4 The Statement itself [Appendix 1] demonstrates that Monmouthshire has governance arrangements in place to meet the challenges of the governance principles and that a review has been undertaken to assess the effectiveness of those arrangements. We have demonstrated that in most areas we have effective governance arrangements in place which are continually improving, but also recognise that there is further work to do. .

5 The Governance Framework

- 5.1 The Council's code of governance has been developed in line with the following principles:
- Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens;
 - Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk in order to foster innovation;
 - Developing the capacity and capability of members and officers to be effective; and
 - Engaging with local people and other stakeholders to ensure robust public accountability.

6 REASONS

- 6.1 In accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 an annual governance statement must be prepared and included within the Council's year end financial statements.

7 RESOURCE IMPLICATIONS

None.

8 CONSULTEES

Head of Finance

9 BACKGROUND PAPERS

MCC Code of Corporate Governance
CIPFA Delivering Good Governance

10 AUTHOR AND CONTACT DETAILS

Andrew Wathan, Chief Internal Auditor
Telephone: x.4243
Email: andrewwathan@monmouthshire.gov.uk

Monmouthshire CC

Annual Governance Statement 2015-16

Draft 05

26 April 2016

- 1 This Statement has been prepared in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy (C.I.P.F.A.) and the Society of Local Authority Chief Executives and Senior Managers (S.O.L.A.C.E.), the 'Delivering Good Governance in Local Government Framework'. It embraces the elements of internal financial control required by the 'Code of Practice on Local Authority Accounting in the United Kingdom'.
- 2 The Statement itself demonstrates that Monmouthshire has governance arrangements in place to meet the challenges of the governance principles and that a review has been undertaken to assess the effectiveness of those arrangements. We have demonstrated that in most areas we have effective governance arrangements in place which are continually improving, but also recognise that there is further work to do. Progress against the 2014/15 action plan is shown at Appendix 1. The main areas of concern identified by the Council are shown at paragraph 84 and an action plan to address known gaps is shown at Appendix 2; progress against the main areas of concern in 2015/16 is shown at Appendix 3.

Scope of Responsibility

- 3 Monmouthshire County Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This has been updated in recent years through the Wales Programme for Improvement 2005 and even more recently through the Local Government (Wales) Measure 2009 to encompass responsibility for securing continuous improvement based on the needs of and in engagement with communities.
- 4 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.
- 5 The Code of Corporate Governance, which is consistent with the principles of the C.I.P.F.A. / S.O.L.A.C.E. Framework 'Delivering Good Governance in Local Government', was approved by Council in July 2011; the Code was revised and updated in May 2014. A copy of the code is available from the Chief Internal Auditor. This statement explains how the Council has complied with the Code and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014.

The Purpose of the Governance Framework

- 6 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its population outcomes, priorities and objectives and to consider whether those objectives have met the outcomes and led to the delivery of appropriate, cost effective services.
- 7 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, outcomes and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 8 The governance framework has been in place at the Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

- 9 The Council's Code of Corporate Governance has been developed in line with the following principles:
- Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens;
 - Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk in order to foster innovation;
 - Developing the capacity and capability of members and officers to be effective; and
 - Engaging with local people and other stakeholders to ensure robust public accountability.
- 10 The Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 11 The key elements of the Council's governance arrangements are set out in The Improvement Plan; the latest version, Building Sustainable and Resilient Communities 2015-2017, was approved by Council in May 2015. Six monthly progress updates were presented to select committees during the year to enable scrutiny of progress and to allow Chief Officers and executive members to be held to account. The Council's four priorities are **education of young people, protecting the vulnerable, supporting business and job creation and maintaining locally accessible services**. The Council subscribes to a vision shared with other public service partners of working to deliver '*Sustainable resilient communities*'. This is the cornerstone of the County's Single Integrated Plan where three themes have been adopted: **Nobody is Left Behind; People are Confident, Capable and Involved; Our County Thrives**.

Review of Effectiveness

- 12 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Senior Leadership Team within the Authority which has responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 13 The governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 14 The processes that have been applied to maintain, review and improve the effectiveness of the governance framework include:
- i) The Monitoring Officer has reviewed the Council's Constitution and ethical governance arrangements during the year. A new constitution was approved by Council in September 2014;
 - ii) periodic reviews of the financial controls including the financial procedure rules by the Chief Finance Officer (Head of Finance); financial procedure rules were approved by Council in September 2014;
 - iii) Revisions and updates to strengthen the strategic risk Management Policy were approved by Cabinet in March 2015;

- iv) Formal risk management and regular ongoing review of the processes involved;
- v) Scrutiny Service Plan 2015-2018
- vi) the Internal Audit function, whose work takes account of identified risks through regular audits of the major systems, establishments and major projects in accordance with the annual internal audit plan, and which includes 'follow-up' work to ensure that agreed recommendations are implemented;
- vii) the work of the Council's Select and other Committees, including its Audit and Standards committees;
- viii) the opinions and recommendations of the Council's external auditors, following both financial audit work and per the Local Government Measure in regard to matters, including governance issues, which are considered for action and implementation and reported to Council, Cabinet and Audit Committee, as appropriate;
- ix) The opinions and recommendations of other inspection, regulation and review agencies which are reported to Council, Cabinet and Audit Committee as appropriate.
- x) regular monitoring of performance against the Improvement Plan and service plans and of key targets, and reporting of this to senior management and members;
- xi) corporate self-evaluation was carried out in Autumn 2014 and the findings addressed through an action plan that is being monitored by Strategic Leadership Team – Cabinet report next on Autumn 2016;
- xii) An annual Head of Service Challenge Process involving the Leader, Chief Executive and Executive Members which evaluates and challenges performance to drive improvements in services;
- xiii) Audit Committee review of effectiveness workshop;
- xiv) Evaluating the effectiveness of Safeguarding in Monmouthshire was taken through Cabinet;
- xv) Annual appraisal of the effectiveness of the authority's performance management arrangements reported annually to Audit Committee.

15 The following paragraphs review the effectiveness of the governance arrangements in Monmouthshire under the 6 principles. A senior officer working group was set up to undertake the initial review; the outcome of that process fed into this statement which then went to the Senior leadership team (SLT) for review before being taken to Audit Committee for a further review.

Principle 1: Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area

16 The Single Integrated Plan sets out the vision of the Local Service Board – a partnership of the key public service providers in Monmouthshire which includes the Council – it has three key themes; nobody is left behind, people are confident, capable and involved; and our County thrives. It is developed by and agreed by all our partner organisations who are members of the Board. The LSB will become the Public Service Board (PSB) from April 2016.

17 The Council's strategic partners and wider stakeholders were fully engaged in the development of the Single Integrated Plan 2013-17 (SIP) incorporating key themes and outcomes to realise the **shared vision**. The organisation's Stage 1 Improvement Plan underpins the Council's contribution to the SIP by setting Annual Improvement Objectives for 2015/16. The Stage 1 Improvement Plan (Two-year Plan), was presented to Council in May 2015 and was reviewed, Stage 2, at six months through the year in December 2015 and January 2016 through the Council's four Select committees.

18 In the 2015 Corporate Assessment WAO issued a Proposal for Improvement that the authority should "Improve performance management arrangements by: ensuring planned improvements are tangible; improving target setting to better reflect desired improvement; ensuring resources are allocated to deliver Council priorities through the MTFP and improving data quality arrangements to ensure that performance reporting is accurate and that decisions are made based on robust information.

19 The Annual Improvement Plan Objectives for 2015/16 are supported by service plans to operationally deliver these objectives. Planned improvements and targets are aligned to the Annual Improvement Objectives. Service plans were developed in 2015/16 covering all service areas. These were quality assessed as part of the service planning process.

- 20 In the 2015 Corporate Assessment Wales Audit Office issued a Proposals for Improvement that the Authority should “Improve strategic planning by ensuring clear links between strategies and agreed priorities; and developing cohesive strategies to underpin and support robust decision making”.
- 21 Reports were taken through the Scrutiny process during the year which linked service plans to the Council’s policies, priorities and objectives. The agendas and minutes of which became public documents available through the Council’s website.
- 22 Throughout 2015/16 the Council has been an early adopter of the Wellbeing of Future Generations Act and has received support from the WLGA as well as working with Wales Audit Office in preparing for the implementation of the Act in April 2016. Preparation has included increased awareness raising with Council members and officers, Wales Audit Office reviewing the Council’s preparedness for the Act and identifying key next steps for delivery and transitioning the Local Service Board (LSB) in to a Public Service Board. Action plan – 16/16 Scrutiny set up for service board'
- 23 In addition, the Medium Term Financial Plan (MTFP) supports the vision for Monmouthshire and extensive **public engagement** continued in 2015/16 for the 2016/17 budget and Medium Term Financial Plan which engaged with the public in their own community; this included website, social media, drop in sessions and open meeting. The Chief Executive and Leader of the Council also held consultation roadshows across the whole County with staff. These were key to providing people with the opportunity to become informed, involved and participate. There was broad agreement with the key priorities set out for Monmouthshire. Following the engagement in 2014/15 maintaining locally accessible services was added as fourth priority of the Council in the March 2015 partnership administration’s Continuance Agreement.
- 24 The Council is embracing the benefits of digital communications including social media use. It is also developing additional digital channels by introducing a Customer Services app, enabling people to interact and transact with the Council using mobile devices. We are also further developing the Council’s website making it easier to navigate and including more transactional functions. Social media continues to thrive during 2015/16 through Twitter, Facebook and You Tube to raise awareness of forthcoming events, to provide live streaming of Cabinet, Council and other political meetings, to promote the activities and services provided and to show support and encouragement for community groups.
- 25 The provision of **high quality of services** has been measured by the Welsh Government National survey for Wales. This stated that in 14/15 57% of Monmouthshire residents agree the local authority provides high quality services (Wales average 53%). In 13/14 63% agreed.
- 26 Dealing with customer complaints helps Monmouthshire to identify and deal with failures in service delivery. The Council’s complaint / compliment procedure is available on the web site. Out of 107 complaints received in 2015/16, 103 were resolved informally [96%]; this compared with 100 out of 116 complaints resolved informally in 2014/15. 2 complaints were referred to the Ombudsman who decided not to investigate. 91% of Stage 1 complaints received were dealt with within 25 working days of receipt. Within Social Services, 43 complaints were received in 2014/15, 86% were dealt with informally.
- 27 To ensure the **best use is made of resources** and that taxpayers and service users receive excellent value for money, there are a number of mechanisms within the Council to support this. The option appraisals for the 21st Century Schools considered cost and quality to determine the best outcome for the service; budget mandates were in place to monitor and capture the savings assessments; the IT Board reviewed business cases for future IT investment;
- 28 Regular budget / outturn reports for revenue and capital were presented to and approved by Cabinet during the year, and the budget management actions of Cabinet and senior officers are scrutinized by the 4 Select committees quarterly. The budget monitoring reporting cycle periodically contains some output measures and unit cost data, so that economic comparison of costs with other Councils can be made. Previously the Council has compared very favourably to others. This exercise is next due during 2016-17. The updated MTFP was reviewed and approved by Cabinet over the course of the budget setting period (Sept 2014 to Jan 2015) in response to feedback from engagement and scrutiny sessions and the budget was set in January 2015 by Council for 2015/16.
- 29 An authority-wide performance measurement system for the Council, the “data hub”, hosted on the Council’s intranet site continues to be use and further developed This is available within 3 clicks of the homepage that opens up on all laptops and engages members and officers to track and monitor key data at any point in time from key strategic plans to directorate level “dashboards”. This also allows

performance to be compared against other council areas, where applicable. A Cabinet level dashboard contains a number of key performance measures and is discussed quarterly by SLT and Cabinet.

- 30 Based on 2014/15 National Performance indicator data the council has seen service performance improve, or remain at the maximum level, in 84% of comparable National Performance indicators and declined for 14% of them. When comparing against other local authorities Monmouthshire was ranked in the top quartile for 44% of the published indicators and the bottom quartile for 16% of indicators. 63% of indicators met the targets that had been set, while 23% missed their targets.
- 31 Contract Procedure Rules exemptions are reported to the Audit Committee 6 monthly; managers have been challenged in year to justify their procurement outside the Council agreed procedures. Several managers were called in to Audit Committee to give an account of why accepted procedures were not followed.
- 32 The Council utilises 'Buy For Wales' contracts and the Joint Procurement Unit to ensure value for money is obtained in procuring the many goods and services required to run the Council. A nationwide analysis found that MCC had the highest proportion of spend with SMEs of any local authority in the UK (Source:<http://www.spendsmall.org/>)
- 33 Transparency and Openness is important to Monmouthshire; the Annual Statement of Accounts was taken through the Audit Committee process before being endorsed by Council. All Council decisions, reports and questions asked by Members are available on the website. Financial information, Improvement Plan progress, Council activities, achievements, developments, updates and events were included on the Council's intranet and website, with all Council, Cabinet and Scrutiny Committees now live streamed on You Tube.
- 34 The Equality Impact Assessment and Sustainable Development checklist have been revised and combined to align with the Future Generations Act. The "Future Generations Evaluation " ensures the decisions the council makes are carefully considered to take equality and sustainable development into account, this includes legislation that Monmouthshire County Council is subject to the Equality Act 2010, Wellbeing of Future Generations Act and Welsh Language (Wales) Measure 2011. A range of these were undertaken during 2015/16 which have been published on the website accompanying decision making reports.
- 35 The Local Service Board (LSB) review includes the monitoring of targets to ensure policies are delivering the agreed outcomes. The Council was an "early adopter" of the Wellbeing of Future Generations Act 2015, working with the WLGA; in line with the Act the LSB will become a Public Services Board with effect from 1st April 2016 and the Council has been involved in taking this forward.

Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens

- 36 The Constitution is updated periodically by the Monitoring Officer; it was reviewed and updated between January 2014 and June 2014, and was approved by Council in September 2014. It can be found on the Council's website and sets out:
 - how the Council operates and makes decisions,
 - the procedures to ensure that decision-making is transparent and accountable to local people and other stakeholders,
 - the key roles of all members and chief officers, including the lead responsibilities for corporate governance of the Leader, the Chief Executive and other designated chief officers,
 - a scheme of delegated powers for decision-taking
 - responsibilities for reviewing and agreeing the Council's corporate governance arrangements,
 - arrangements for ensuring it is regularly reviewed and updated
 - its related codes and protocols.

- 37 Policy and decision-making is facilitated through (i) the Cabinet, the meetings of which are open to the public except where exempt or confidential matters are being discussed, and (ii) a scheme of delegation

to committees and officers as set out in the Constitution: Four select committees and a separate audit committee review, scrutinise and hold to account the performance of the Cabinet, decision-making committees and officers. A Scrutiny "Call-In" process for decisions which have been made but not yet implemented is incorporated in the Constitution in order to consider their appropriateness.

- 38 Appropriate and relevant job descriptions were in place for the Chief Executive, Senior Leadership Team (SLT), Monitoring Officer and Head of Finance. The minutes of the SLT were also maintained during the year.
- 39 To ensure agreed procedures and all applicable statutes are complied with the Monitoring Officer attends all Council meetings; to ensure sound financial management is a key factor in decisions, the Head of Finance attends Cabinet and Council meetings.
- 40 There is Council policy on information sharing along with numerous information sharing protocols with our partners; this is included within the Data Protection Policy. Information sharing is key to joined-up service delivery. The Wales Accord on the Sharing of Personal Information (WASPI) was developed as a practical approach to multi agency sharing for the public sector in Wales, and Monmouthshire signed up to this in January 2011. The Authority is required to meet statutory obligations regarding the handling and sharing of data, in accordance with the Data Protection Act 1998. The Information Sharing protocol has been developed to ensure information is only shared appropriately, safely and compliantly.

Partnerships/collaboration working

- 41 The Council ensures that it has appropriate governance arrangements around its collaborations with other public agencies and other third parties. These can take a range of forms, from informal arrangements to those where governance arrangements are determined through legislation. The governance arrangements form a key part of the decision making processes that the Cabinet or Council follow when deciding to enter a collaborative arrangement, transparent local accountability is a key area of focus.
- 42 An exercise was undertaken by the Policy and Partnership Team in 2013/14 to determine the full extent of the Council's collaboration and partnership arrangements and their respective governance arrangements. A Partnership Audit was undertaken and reported into the Audit Committee in May 2014; 100 partnership / collaboration arrangements were identified. Although the governance arrangements for the majority of partnerships identified have been captured, further work is on-going to clarify the governance arrangements for all of the partnerships; this was reported to Members through the Audit Committee. Governance arrangements have been put in place around all key partnerships the Council is involved with. Monmouthshire's Partnership Structure is now shown on The Hub and was reported through Strong Communities Select in April 2016.
- 43 Wales Audit Office made a proposal for improvement to the Council as part of their Annual Improvement Report 2014-15, published in November 2015, to "Adopt a more planned, risk-assessed approach to partnership and collaborative working to make better use of resources." The action the Council is taking to response to the proposal was reported to Cabinet in January 2016. Their Corporate Assessment on the Council, reported through Audit Committee in January 2016, stated "The Council demonstrates ambition in its vision, enthusiasm to deliver and commitment to working collaboratively, but this needs to be supported by a clearly joined-up strategic approach and effective delivery mechanisms."

Principle 3: Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- 44 The code of conduct for members and a protocol on member / officer relations are set out in the constitution. A new version of the code of conduct for members will be adopted by Council in May 2016. The council also has a local protocol for the self-regulation of member conduct.
- 45 There were no successful "call-in" challenges to decisions on procedural grounds and no judicial review challenges on grounds of legality during the year.
- 46 There were 3 complaints of alleged breaches of the code of conduct for members that were referred to the Public Services Ombudsman for Wales in 2015. No further action was required on the complaints and none were referred to the Standards Committee.

- 47 All waivers of the Contract Procedure Rules are reported through Audit Committee quarterly. The Internal Audit team continues to deliver awareness raising sessions on the importance of compliance with these Contract Procedure Rules and Financial Procedure Rules.
- 48 The Audit Committee called in several senior managers during the year and challenged them on why a procurement process went outside the Council's normal tendering processes.
- 49 26 Internal Audit opinions were issued in 2015/16; 3 were deemed to be unsatisfactory.
- 50 The overall opinion on the adequacy of the internal control environment for 2015/16 was **REASONABLE**. Management agreed to implement the recommendations made in audit reports in order to address the weaknesses identified. The internal audit opinions issued in 2015/16 were as follows and more detail can be found in the Annual Internal Outturn Report for 2015/16, as reported to Audit Committee:

	2013-14	2014-15	2015-16
Very Good	0	1	0
Good	8	9	9
Reasonable	7	12	14
Unsatisfactory	0	6	3
Unsound	0	0	0
Total	15	28	26

- 51 The Internal Audit team did not have a full complement of staff for the full year; 74% of the 2015/16 plan was achieved, which was an improvement on the previous year (65%). The Chief Internal Auditor's overall audit opinion is based on the number of audits undertaken and their individual opinions; he was able to give an overall opinion on the adequacy of the control environment.
- 52 A framework is in place to ensure the economic, effective and efficient use of resources and for securing continuous improvement. This is supported by a range of mechanisms including collaborative working initiatives and reviews undertaken both internally and by the external auditors and inspectors. This framework works in conjunction with the Local Government Wales Measure 2009.
- 53 Chief Officers and Heads of Service are accountable for ensuring that the Council Priorities are delivered, and performance against key targets is regularly monitored via the performance management framework and is regularly reported to members via Select Committees.

Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk in order to foster innovation

- 54 There are robust arrangements for effective financial control through the Council's accounting procedures and financial regulations. These include established budget planning procedures, which are subject to risk assessment, and regular reports to members comparing actual revenue and capital expenditure to annual budgets. The Chief Finance Officer is responsible for the proper administration of the Council's financial affairs, as required by Section 151 of the Local Government Act 1972. Procedures for tendering and contract letting are included in the Contract Procedure Rules and Financial Regulations. The Council's Treasury Management arrangements follow professional practice, are subject to regular review and are contained in the Treasury Management Strategy approved by Council each year.
- 55 All public meetings of the Council are live streamed on YouTube and are available to view on the council's YouTube channel at any time after the meeting, which provides greater transparency of the council's business. Wales Audit Office made a proposal for improvement to the Council as part of their Annual Improvement Report 2014-15, published in November 2015, to "Strengthen the governance and challenge arrangements by: ensuring that minutes of meetings are signed at the next suitable

meeting in accordance with the Council's constitution to improve timeliness and transparency of public reporting; and reconsider the Council's policy of not formally minuting Cabinet meetings".

- 56** The action the Council is taking to response to the proposal was reported to Cabinet in January 2016. This identified the Modern Gov system has been implemented and improved the documentation of minutes, agendas and reports for meeting on the Council's website. A decision-log of Cabinet meetings is published on the website following each Cabinet meeting detailing the decisions that have been which include any amendments made to the proposed decision. Not publishing minutes for Cabinet has been a longstanding practice of the Council which has raised no issues of transparency and openness in the decision making process and the Council does not have any plans to change this process for recording decisions at Cabinet.
- 57** The ethical governance framework includes:
- codes of conduct for officers and members
 - a protocol governing Member/Officer relations,
 - a whistle-blowing policy widely communicated within the Council and which is regularly reviewed.
 - registers of personal and business interests for Members
 - an agreed policy and associated corporate procedures for ensuring that complaints about services can be properly made and investigated, and for ensuring that any lessons can be applied.
 - equalities awareness training
- 58** In accordance with the Local Government and Housing Act, 1989, the Monitoring Officer ensures compliance with established policies, procedures, laws and regulations. After appropriate consultation, this officer will report to the full Council in respect of any proposals, decisions or omissions which could be unlawful or which have been subject of an Ombudsman Investigation resulting in a finding of maladministration.
- 59** The anti-fraud and corruption strategy (approved by Cabinet March 2012) provides a deterrent, promotes detection, identifies a clear pathway for investigation and encourages prevention. The Council's Council Tax Reduction Anti-Fraud Policy was approved by Cabinet in June 2015.
- 60** The Audit Committee considers the effectiveness of the Council's arrangements for securing continuous improvement including risk management arrangements. The Audit Committee also considers corporate governance, monitors the work of auditors and inspectors, and monitors the relationships between auditors and staff and the responses to audit and inspection recommendations. It also has responsibility for reviewing the Annual Statement of Accounts and its associated reports (which include this statement) before approval by Council. The Audit Committee has an independent, non-political, Chairman.
- 61** Internal Audit operate to the standards set out in the 'Public Sector Internal Auditing Standards' which have been developed from the Institute of Internal Auditors (IIA) International Internal Auditing Standards which came into effect in April 2013. The team's role and status is set out in the Council's Internal Audit Charter. The Chief Internal Auditor reports to the Audit Committee a summary of audit findings for each quarter, and also reports annually an opinion on the overall adequacy and effectiveness of the Council's control environment.
- 62** The Chief Internal Auditor will ensure Internal Audit complies with the Public Sector Internal Audit Standards.
- 63** The Council has an objective and professional relationship with its external auditors and statutory inspectors.
- 64** Minutes, Agendas & Reports along with their subsequent decision schedules and questions to Cabinet Members are all available on the web site. Council, Cabinet, Scrutiny and Audit Committee reports are available on the Council's website. Modern Gov was implemented in September 2015 which has improved the documentation of minutes, agendas and reports for meeting on the Council's website making these more easily accessible for the public. All public meetings of the Council are live streamed on YouTube and are available to view on the Council's YouTube channel at any time after the meeting,

which provides greater transparency of the Council's business. A decision-log is published on the website following each Cabinet meeting detailing the decisions that have been which include any amendments made to the proposed decision.

Risk management

- 65** The Council's Strategic Risk Management Policy was updated and approved by Cabinet in March 2015. The revisions provide greater clarity on how the risk levels are to be assessed. The policy requires the proactive participation of all those responsible for planning and delivering services in identifying, evaluating and managing high level strategic risks to the Council's priorities, services and major projects. The risk controls necessary to manage them are identified and monitored to ensure risk mitigation.
- 66** A Whole Authority Strategic Risk Assessment for 2015-2016 has been compiled as a starting point from service improvement plans. In addition a wide range of performance information including reports from regulators and inspectors, data and performance analysis and feedback from the Authority's partners and service users was used. In order to mitigate the risks, proposed action was recorded and factored back into the respective service improvement plan. This was presented to Cabinet in March 2016. As well as being approved by Cabinet the risk assessment was presented to Council alongside consideration of the budget.
- 67** The Council's Strategic Risk Assessment contains 11 distinct risks. Following the revised policy these must now be updated and reviewed throughout the year with the latest version being made available to members via The Hub.

Ref	Risk	Year	Risk Level (Pre – mitigation)	Risk Level (Post – mitigation)
1 new	The authority is unable to deliver its political priorities in the future because it does not yet have clarity on its future business model or longer term financial plan.	2015/16	LowMedium	LowLow
		2016/17	Medium	Low
		2017/18		
2	Some services may become financially unsustainable in the short to medium term as a result of reducing budgets and increasing demand	2015/16	Low	Low
		2016/17	Medium	Low
		2017/18	Medium	Low
3	A failure to meet income targets could lead to unplanned changes in other services or a call on reserves to balance the budget.	2015/16	Medium	Medium
		2016/17	Medium	Medium
		2017/18	Medium	Medium
4a	Potential that the authority is unable to deliver its new schools capital programme due to capital receipts not generating the required income Pressure on capital budget from 21 st Century schools programme will impact on other areas requiring capital investment.	2015/16	Medium	Medium
		2016/17	Medium	Medium
		2017/18	High	Medium
4b				

5	Potential that the Council does not make sufficient progress in areas of weakness identified by regulators leading to underperformance	2015/16 2016/17 2017/18	low Medium Medium	Low Low Low
6a	Potential for significant harm to vulnerable children or adults due to factors outside our control.	2015/16 2016/17 2017/18	Medium Medium Medium	Medium Medium Medium
6b	Potential for significant harm to vulnerable children or adults due to failure of services and/or partners to act accountably for safeguarding			
7	Failure to meet the needs of individual learners may result in them not achieving their full potential.	2015/16 2016/17 2017/18	Medium Medium Medium	Low Low Low
8a	Potential that council services, including schools do not have the necessary ICT infrastructure meaning they are unable to maximise their offer to service users or learners needs.	2015/16 2016/17 2017/18	Medium Medium Medium	Medium Medium Medium
8b	Insufficient ICT infrastructure and skills in the county have the potential to lead to social and economic disadvantages	2015/16 2016/17 2017/18	Medium Medium Medium	Medium Medium Medium
9	Reductions in our workforce due to budgetary pressures will impact on our capacity to deliver transformational change and improve performance.	2015/16 2016/17 2017/18	Medium Medium Medium	Medium Medium Low
10	Not having appropriate governance mechanisms does not make it easy for communities to work with us when we are co- delivering and co-developing services which will impact on our shared ability to deliver sustainable and resilient communities.	2015/16 2016/17 2017/18	Medium Medium Medium	Medium Medium Low
11 new	The current configuration of the recycling service becomes unviable because of legislation requirements and financial constraints.	2015/16 2016/17 2017/18	Low Medium Medium	Low low Medium

Principle 5: Developing the capacity and capability of members and officers to be effective

- 68 The Standards Committee, which includes a majority of independent representatives, advises on and monitors the Members' Code of Conduct, the Protocol for Member/Officer Relations, and any other Codes relating to the conduct of Members.
- 69 The Council's recruitment procedures provide equality of employment opportunities. The equality-assessed pay structure meets the requirements of the Single Status Agreement of 1997. The Single Status Collective Agreement was approved by Cabinet in September 2010.

Good governance and upholding standards of behaviour

- 70 Agreed arrangements enable the Council to comply with statutory requirements in respect of child protection and the protection of vulnerable adults. Recruitment procedures help ensure that Council employees and Members working with children or vulnerable adults are checked for their suitability to do so.
- 71 In accordance with its statutory responsibilities, the Council has in place a Health and Safety Policy and related procedures.
- 72 The Council's website includes other information which the Council is required to publish, such as allowances paid to members in accordance with statutory provisions. There are also agreed procedures to meet the requirements of the Regulation of Investigatory Powers Act 2000. The Council operates a Data Protection policy and also has procedures in place to meet its responsibilities under the Environmental Information Regulations and the Freedom of Information Act, 2000.
- 73 There is continued support for Members' development through briefing sessions and other learning opportunities. There is also ongoing training and development which meets the needs of officers and members through the corporate programme. Coaching and leadership skills training will be rolled out to all managers in due course. Check in, Check Out provides a value-based performance assessment approach between staff and line managers and aims to ensure employees have clear and effective understanding of their contribution to the objectives of their teams and subsequently the Council.
- 74 Wales Audit Office made a proposal for improvement to the Council as part of their Annual Improvement Report 2014/15, published in November 2015, to "Ensure that the planned revisions and changes made to 'Check In Check Out' deliver a clear process of assessing and improving the performance of all staff and that department, team and individual objective setting is in line with the Council's corporate objectives." The action the Council is taking to response to the proposal was reported to Cabinet in January 2016. Based on feedback received the process has been evaluated and been further developed in 2015/16.

Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

- 75 The agendas are published in advance of all meetings on the Council's website.
- 76 The Scrutiny Annual Report is produced for the Council meeting in July each year. The scrutiny function has a 'Scrutiny Service Improvement Plan'. The plan is built into the Council's improvement framework. The plan is also scrutinised by the Council's Audit Committee annually to ensure they are satisfied that the Council has appropriate and effective scrutiny arrangements in place
- 77 The Scheme of Delegation sets out responsibilities for decision making. The Council's website includes the Cabinet and Cabinet Member decisions / **Page 23** / Member profiles. The Scrutiny Handbook provides a guide for Members, officers and the public on the role and value of scrutiny and the website displays the

Scrutiny Forward Work Programme and invites public submissions. Development of Customer Insight to better understand our communities. Dissemination of ward meeting minutes.

- 78** Social media, Twitter and Facebook for example, is increasingly being used to engage local people and communicate the corporate message. The council has partnered with an IT supplier to develop Monmouthshire Made Open – a digital engagement platform to enable local people to help shape ideas to the challenges facing their communities.
- 79** All meetings are held in public as shown from Committee agendas and minutes which are then available on the website. All meetings - The Council, Cabinet, Audit Committee, Select Committees and Planning / Licensing Committees are streamed live on the internet.
- 80** There were several extensive public engagement events undertaken in 2013/14, 2014/15 and 2015/16 for the budget. MCC's model of engagement in understanding its communities' views and the way it now operates as an organisation was shared with many delegates at a Welsh sustainability conference as exemplar. The development of 'Your County Your Way' and Whole Place approach has encouraged the community within Monmouthshire to actively contribute to making stepped changes to improve the way in which services are provided; the intention is to transform public service delivery. This links back to the population outcomes for Monmouthshire in the Single Integrated Plan.
- 81** The Council has received a number of Freedom of Information Act requests during the year, with no complaints made to the Information Commission Officer. 98% of requests were responded to within the required 20 days:

	2013-14	2014-15	2015-16
No' of FOI requests	918	1023	1057
No' responded to within 20 days	841	1002	1034
Percentage of FOIs responded to within 20 days	93%	95%	98%

Main areas of Concern

- 82** The Council will continue to monitor and review its governance arrangements and identify any gaps. These will be addressed during the year to further strengthen governance in Monmouthshire County Council.

Action Plan 2014/15

- 83** Appendix 1 shows how the 2014/15 Action plan issues have been addressed during 2015/16.
- 84** An Action Plan for 2015/16 has been developed to capture known gaps in the Council's governance arrangements; the issues will be reviewed and considered during 2016/17 to further enhance the Council's governance arrangements. This is shown at Appendix 2.

Monitoring & Evaluation

- 85** We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements

that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:2016
Leader

Signed:2016
Chief Executive

Main areas of Concern 2014/15 addressed

The following Table outlines where the Council has addressed gaps previously identified in its governance arrangements.

Governance Principle		Progress
Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens	The governance arrangements for all of the Monmouthshire partnerships will be clarified and reported to Members in due course through the Audit Committee.	Published internally on The Hub and externally on the MCC Website.
Principle 3: Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;	The Internal Audit team will work with the Procurement Team to continue to deliver awareness raising sessions on the importance of compliance with Contract Procedure Rules and Financial Procedure Rules	To be further developed in 2016/17.
Principle 5: Developing the capacity and capability of members and officers to be effective	The Appraisal process (CICO) will continue to be rolled out to all staff which will pick up any issues here.	All staff now go through a CICO process which is fully documented
Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability	Decision making work programmes will continue to be populated in advance in future.	Work programmes are include as agenda items for Scrutiny and Audit Committees.

Action Plan 2015/16

The following issues will be reviewed and considered during 2016/17 to further enhance the Council's governance arrangements:

Governance Principle		Progress
<p>Principle 1:</p> <p>Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area</p>		
<p>Principle 2:</p> <p>Members and officers working together to achieve a common purpose with clearly defined functions and roles in order to achieve the best possible outcomes for citizens</p>		
<p>Principle 3:</p> <p>Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;</p>		
<p>Principle 4:</p> <p>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk in order to foster innovation</p>		
<p>Principle 5:</p> <p>Developing the capacity and capability of members and officers to be effective</p>		
<p>Principle 6:</p> <p>Engaging with local people and other stakeholders to ensure</p>	<p style="text-align: center;">Page 27</p>	

robust accountability	public		
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**SUBJECT: INTERNAL AUDIT SECTION
OPERATIONAL PLAN, 2016/17
DRAFT**

**DIRECTORATE: Chief Executive
MEETING: Audit Committee
DATE: 26th May 2016
DIVISION/WARDS AFFECTED: All**

1. PURPOSE

To receive and consider the early draft Internal Audit Operational Audit Plan for 2016/17

2. RECOMMENDATION(S)

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

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 2016/17 Operational Audit Plan has been prepared and how the plan will be put together in future years. The risk matrix enables all possible systems, processes, sections and establishments that could possibly be audited within Monmouthshire to be risk assessed and ranked in a high to low risk priority. Size, Control and Detection were the overarching categories which risk was assessed against, each broken down to 4 sub categories. Each area was individually scored against each criteria with an overall score being determined by the risk matrix, where 5 was considered to be the highest risk and 1 the lowest.
- 3.3 Over 300 possible areas to audit across all services provided by Monmouthshire were risk assessed in this way and then sorted in risk order from high, then medium and low. 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 and financial 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 has been 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 2016/17, total available audit resources amounts to 917 days, which will be allocated across service directorates on a risk basis. This includes 116 days for special investigations and unplanned work. The work will be undertaken by 5.4 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 2016/17 allocation of days has been reduced to ensure appropriate coverage is given across service areas.
- 3.7 The detail of the plan is still to be determined following a consultation exercise with Heads of Service and a more detailed risk analysis of what needs to be reviewed in year. The first quarter will include finalisation of 2015/16 work which was at draft report stage at year end, work planned for 2015/16 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 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 Although we plan to achieve 100% of the plan based on the available resources within the Internal Audit team, we know from experience that we actually achieve around 70%. In order to get closer to achieving more of 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 2016/17 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) 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;
 - b) Areas of slippage from the 2015/16 Operational Plan; and
 - c) 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. 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 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 new 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 2015/16 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 2016/17 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 2016/17 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 2013 the Public Sector Internal Audit Standards came into play for all public sector bodies including local government organisations and applies to all public sector internal audit service providers. The Chief Internal Auditor will ensure that the audit team undertake their work in accordance with these Standards.

5. RESOURCE IMPLICATIONS

None.

6. CONSULTEES

Head of Finance

7. BACKGROUND PAPERS

Strategic Audit Risk Matrix
Public Sector Internal Audit Standards
CIPFA Local Government Internal Audit Manual

8. AUTHORS AND CONTACT DETAILS

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Internal Audit Draft Plan 2016/17

Summary

	2015/16	2016/17	2016/17
	Days		
Chief Executive's Unit	306		253.5
- Democracy & Regulatory Services		24	
- Finance		117	
- Operations		74	
- Policy & Engagement		38.5	
Children & Young People's Directorate	173		190
Enterprise	93		139
Social Care, Health & Safeguarding	80		81
Corporate/Other	64		138
TOTAL	716		801.5
Special Investigations	130		116
OVERALL TOTAL	846		917.5

INTERNAL AUDIT PLAN 2016-17				
			Risk	Days
Directorate:	Chief Executive's - Democracy & Regulatory Services			
Service Area:	Description:			
Emergency Planning				
Customer Relations				
Data Protection /FOI				
Scrutiny				
Local Democracy				
Community Protection	Environmental Health			
	Trading Standards			
	Licensing		Low	10
	Registrars		Medium	10
	Health & Safety			
	Building Control			
Legal	Monitoring Officer			
	Legal Services			
	Land Charges			
Finalisation of 2015/16 Audits:				
Follow-up of Audit Recommendations				2
	Audit Advice			2
Directorate Total:				24

Directorate:	Chief Executive's - Finance			
Service Area:	Description:		Risk	Days
Accountancy	Budgetary Control			
	Grants Administration			
	Capital Accountancy	Fixed Assets	Medium	12
	Treasury Management			
	Insurances			12
Revenues	Council Tax	C Tax & NDR Systems review	High	27
	Non-Domestic Rates			
	Coporate Sundry Debtors			

Financial System Support Team				
	Agresso System Administration			
	i-World System Administration			
	Civica System Administration			
	Comino System Administration			
	Creditor Payments		High	12
	Procurement Cards Follow-up		Medium	8
	Value Added Tax			
	Banking			
	Cashiers			
	Suspense, Control & Holding Accounting Reconciliation		Medium	10
Finalisation of 2015/16 Audits:				
	Creditors		High	3
	Benefits		High	3
	Agresso Systems Administration		Medium	2
Follow-up of Audit Recommendations				17
	Audit Advice			11
Directorate Total:				117

Directorate:	Chief Executive's - Operations				
Service Area:	Description:		Risk	Days	
Highways Operations					
SWTRA / Street Lighting					
Traffic & Network					
Passenger Transport Unit					
	PTU follow-up			12	
Transport					
	Transport Unit	Leased Vehicles	Medium	12	
		Fuel Cards	Low	8	
	Car Parks				
Property Services & Facilities Management					
	Strategic Procurement				
	Facilities				
	Office Services				
	School Meals (in progress)		Medium	2	
	Property Maintenance				
	Procurement follow-		High	9	

	up			
Waste & Street Services				
	Grounds Operations			
	Parks & Playgrounds			
	Refuse Collection	Garden Waste	Low	9
	Street Cleansing			
	Recycling			
	Waste Transfer			
	Contact Centre			
Finalisation of 2015/16 Audits:				
	Ground Operations		Medium	2
Follow-up of Audit Recommendations				
	Audit Advice			8
				12
Directorate Total:				
				74

Directorate:	Chief Executive's - Policy & Engagement			
Service Area:	Description:		Risk	Days
Communications & Engagement				
	Communications			
	Website & Digital Media			
Policy & Performance				
	Performance Indicators - NSI, PAM, SIDS		Medium	22
	Performance Indicators - Local		Medium	14
	Sustainability			
	Equalities & Welsh Language			
Strategic Partnerships				
	Local Services Board			
	Families First			
Mandate Delivery				
Finalisation of 2015/16 Audits:				
Follow-up of Audit Recommendations				
	Audit Advice			2.5
Directorate Total:				
				38.5

Directorate:	Children & Young People				
Service Area:	Description:		Risk	Days	
Resources	Finance				
	Admissions	School Admissions	Medium	10	
	Catchment Areas				
	Performance Management				
	Audit Advice			6	
Standards	Education Achievement Service				
	School Improvement	Education Improvement Grant	Medium	10	
		Pupil Deprivation Grant	Low	10	
		Outside of School Childcare Grant	Low	8	
	Special Needs				
	Additional Learning Needs			12	
	Audit Advice			2	
21st Century Schools	21st Century Schools				
	Audit Advice			1	
Schools	Primary				
		The Dell	Low	8	
		Raglan	Low	8	
		Pembroke	Low	8	
		Our Lady & St. Michael's	Low	8	
		Ysgol Y Ffin	Low	8	
		Magor (follow-up)	Medium	8	
		Llantilio Pertholey (in progress)	Low	3	
	Secondary				
		Chepstow (follow-up)	Medium	10	
	Special				
	Pupil Referral Service (in progress)		Low	3	
	Audit Advice			22	
Youth Service					
	Audit Advice			1	

Finalisation of 2015/16 Audits:				
	Llanvihangel Crucorney Primary		Low	2
	Magor Primary		Medium	2
	Durand Primary		Low	2
	Dewstow Primary		Low	2
	King Henry VIII Comprehensive		Medium	3
Follow-up of Audit Recommendations				33
Directorate Total:				190

Directorate:	Enterprise			
Service Area:	Description:		Risk	Days
Community Delivery				
	Estates	Markets follow-up	Medium	8
		County Farms (in progress)	Medium	2
	Housing	Homelessness	Medium	10
	Community Learning			
	Whole Place			
	Events (in progress)		Medium	3
	Museums			
	Tourist Information Centres			
	Community Hubs		Medium	10
	Audit Advice			5
People & Commercial Development				
	People Services	Payroll - Full systems review	High	24
	People Services	Policy Review	Medium	15
	Organisational Development			
	Economy & Enterprise	Economic Development	Medium	10
	Digital & Technology			
	Audit Advice			8
Planning				
	Development Control			
	Development Plans			
	Community Infrastructure Levy/s.106			
	Audit Advice			1
Tourism, Leisure & Culture				
	Planning new models of service delivery		High	10
	Leisure			
	Sports Development		Low	10
	Outdoor Learning			
	Countryside			

	Audit Advice			10
Finalisation of 2015/16 Audits:				
				0
	Outdoor Education		Medium	2
Follow-up of Audit Recommendations				
				11
Directorate Total:				
				139

Directorate:		Social Care, Health & Safeguarding		
Service Area:	Description:		Risk	Days
Integrated (Adult) Services				
	Integrated Services	Former Monmouthshire Enterprises follow-up	Medium	11
Mental Health & Learning Disabilities				
	Service development & Commissioning	Supporting People Grant Claim	Medium	10
	Audit Advice			8
Children's Services				
	Placement & Support Team	External Placements	Medium	14
Children & Young People & Support Team				
	Family Support Team			
	Disability Service			
Youth Offending Service				
	Safeguarding			
	Audit Advice			3
Older People's Direct Care Services				
	Day Service			
	Residential Care	Mardy Park	Low	8
	Domiciliary Care			
Community Meals Service				
Centre Based Intermediate Care				
Performance & Improvement				
	Audit Advice			5
SCH Finance				
	SCH Debtors			
	Benefits Advice			
Appointeeships & Deputyships				
	Audit Advice			2

Finalisation of 2015/16 Audits:			
	Youth Offending Service	Medium	2
	Community Meals	Low	2
	SCH Debtors	High	2
Follow-up of Audit Recommendations			14
Directorate Total:			81

Directorate:	Corporate/Other		
Service Area:	Description:	Risk	Days
	Compliance with Bribery Act	Medium	10
	Risk Management Arrangements	High	12
	BACS - Compliance with SHA-2 protocols	High	9
	Monitoring of MTFP savings mandates	High	12
	Capital Receipts	Medium	12
	Capital Programme (in progress)	High	6
	Software Licensing (with SRS)	Medium	12
	IT Procurement	Medium	12
	National Fraud Initiative	Medium	18
	Volunteering	Medium	12
	Annual Governance Statement	n/a	7
Finalisation of 2015/16 Audits:			
	Mobile Phones	Low	3
	National Fraud Initiative	Medium	2
Follow-up of Audit Recommendations			11
Total:			138



**SUBJECT: INTERNAL AUDIT SECTION
Outturn Report 2015/16**

**DIRECTORATE: Chief Executive
MEETING: Audit Committee
DATE: 26th May 2016**

DIVISION/WARDS AFFECTED: All

1. PURPOSE

To receive and consider the Annual Audit Outturn Report for 2015/16.

2. RECOMMENDATION(S)

That the Audit Committee endorse the Outturn Report.

3. KEY ISSUES

3.1 The Chief Internal Auditor has to give an overall opinion on the adequacy of the internal control environment operated within the systems and establishments of Monmouthshire County Council.

3.2 28 audit opinions were issued during 2015/16 ranging from Good to Unsatisfactory. The overall opinion was **Reasonable**, which indicates the systems were well controlled although some risk identified which needs addressing.

3.3 No reviews were deemed to be *Unsound*.

3.4 The Internal Audit team achieved 74% of the agreed 2015/16 audit plan against a target of 80%.

4. REASONS

4.1 Monmouthshire County Council, as a local government organisation, is subject to The Accounts and Audit (Wales) Regulations 2014 and therefore has a duty to make provision for internal audit in accordance with the Local Government Act.

4.2 Internal Audit is an independent function established by the management of Monmouthshire County Council to provide an

independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4.3 In line with the Public Sector Internal Auditing Standards, the Chief Internal Auditor should present a formal annual report to the Council which gives an opinion on the overall adequacy and effectiveness of the Council's internal control environment.

4.4 This is the Internal Audit Annual Report.

5. RESOURCE IMPLICATIONS

None.

6. CONSULTEES

Head of Finance

7. BACKGROUND PAPERS

Annual Outturn Report 2015/16 - attached
Operational Audit Plan 2015/16
Strategic Audit Plan
Public Sector Internal Auditing Standards
CIPFA Local Government Internal Audit Manual

9. AUTHOR AND CONTACT DETAILS

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**INTERNAL AUDIT SECTION
ANNUAL OUTTURN REPORT
2015/16**

YEAR ENDED 31st MARCH 2016

Date: May 2016

1. Introduction

- 1.1 Monmouthshire County Council, as a local government organisation, is subject to The Accounts and Audit (Wales) Regulations 2014 and therefore has a duty to make provision for internal audit in accordance with the Local Government Act.
- 1.2 The Regulations state that the Responsible Finance Officer (S.151) of the organisation shall maintain an adequate and effective internal audit of the accounts of that organisation and its systems of internal control. Internal Audit undertakes this role on behalf of the S.151 Officer. Internal Audit is seen as an independent function established by the management of Monmouthshire County Council for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources.
- 1.3 In line with the Public Sector Internal Auditing Standards, the Chief Internal Auditor should present a formal annual report to the Council which gives an opinion on the overall adequacy and effectiveness of the Council's internal control environment. The annual report should also:
- a. disclose any qualifications to that opinion, together with reasons for the qualification;
 - b. present a summary of the audit work undertaken to formulate the opinion;
 - c. draw attention to any issues the Chief Internal Auditor judges particularly relevant to the preparation of the annual governance statement (to be reported separately);
 - d. compare the work actually undertaken with that planned and summarise the performance of the internal audit function against its performance measures and criteria; and
 - e. comment on compliance with these standards and communicate the results of the internal quality assurance programme.
- 1.4 This report is the Annual Internal Audit Report which meets the requirements of the Standards. It provides the overall audit opinion for Members on the internal controls operating within the County Council and provides a summary of the work completed during the year, identifying key findings and outcomes from the work undertaken. It also outlines the performance of the Internal Audit team during the year against agreed pre-set targets.

- 1.5 The internal controls operating within the Council are of a complex nature, reflecting the organisational arrangements. Internal Audit plans its work to address the major risks that the Authority faces. That work is not designed to check the work of others but to comment on the controls in place to protect the Council from loss of assets or inefficient operations, whatever the cause.
- 1.6 The objectives of the Section for the year were: -
- (a) To deliver an internal audit service in accordance with the Public Sector Internal Auditing Standards and meeting statutory requirements;
 - (b) To undertake risk-based assessments of the Authority's internal control environment and hence contribute to the Annual Governance Statement;
 - (c) To maintain and enhance the audit involvement in all areas as an aid to good financial stewardship;
 - (d) To assist external audit in forming their audit opinion as part of the Managed Audit arrangements;
 - (e) To assist the Corporate Management Team in the improvement process and to review the Performance Indicators contained in Monmouthshire County Council's Improvement Plan.

2. Audit Opinion

- 2.1 In 2015/16, based on the planned work undertaken during the year, overall, the systems and procedures in place were well controlled although some risk identified which needs addressing. The opinion definitions are noted at Appendix A.
- 2.2 The overall audit opinion for the internal controls operating within the Council in 2015/16 was **Reasonable**:

We have completed our internal audit work for the year based upon the Operational Audit Plan approved by the Audit Committee in June 2015. The Plan was designed to ensure adequate coverage over the Council's accounting and operational systems using a risk based assessment methodology.

Our audit work included reviews, on a sample basis, of each of these systems/establishments sufficient to discharge the Authority's responsibilities for Internal Audit under section 151 of the Local Government Act 1972 and The Accounts and Audit (Wales) Regulations 2014. The opinion is based upon the work undertaken. We planned our work to provide us with sufficient evidence to give us reasonable assurance of the internal control environments tested.

Based on the planned work undertaken during the year, in my view the internal controls in operation are **Reasonable**; well controlled although some risk identified which needs addressing.

The opinion expressed relates only to the systems and areas reviewed during the year.

Andrew Wathan
Chief Internal Auditor
May 2016

- 2.3 On undertaking audit reviews in accordance with the Annual Audit Plan, an opinion is given on how well the internal controls of the system or establishment are operating. Internal audit reports provide a balanced view of the controls in place. The opinion is determined by the number of issues identified during the course of the review and the risk rating and priority given to each. Each audit review undergoes a comprehensive review process by the Audit Manager and occasionally the Chief Internal Auditor before the draft report is sent out to management. The controls are generally measured against a predetermined matrix of expected internal controls for each system; for fundamental systems these are usually derived from CIPFA.
- 2.4 The opinions given for each directorate during 2015/16 are shown at Appendix B; these have been compiled from individual audit reviews undertaken during the year [Appendix C].

Audit Opinion	2012/13	%	2013/14	%	2014/15	%	2015/16	%
Very Good	1	3	0	0	1	4	0	
Good	16	42	8	53	9	32	9	35
Reasonable	19	50	7	47	12	43	14	54
Unsatisfactory	2	5	0	0	6	21	3	11
Unsound	0	0	0	0	0	0	0	
	38	100	15	100	28	100	26	100
Overall Opinion	Reasonable		Good		Reasonable		Reasonable	

2.5 Managers within directorates need to ensure that robust internal controls are in place and adhered to in order to ensure that the systems in operation run efficiently and effectively and the scope for misappropriation, theft or error is minimised. Heads of service have a responsibility to ensure that the Council's Financial Regulations and Contract Procedure Rules are complied with at an operational level. Staff should be made aware of these and the requirements therein and the consequences of non-compliance.

3. Extent of Coverage

3.1 It is considered that adequate audit coverage was provided to all clients, although staff vacancies have led to certain areas receiving less audit coverage than planned.

3.2 Overall, whilst not all planned audits were carried out, the actual number achieved is considered acceptable in view of the relative risk and priorities of other audit needs.

4. Audit Coverage

4.1 The full list of audit reviews completed by the Section during the year is shown in the attached Appendix C, together with the relevant internal control opinion awarded at the end of each audit.

4.2 Control opinions range from Good to Unsound in accordance with the definitions shown in Appendix A.

4.3 Audit reviews concluding with a control opinion of unsatisfactory or unsound are routinely reported (in summary form) to the Audit

Committee. For 2015/16 there were 3 Unsatisfactory opinions but no Unsounds.

- 4.4 During the year a new report format was piloted to simplify the outcome of the audit process and give operational managers a clear indication of the audit opinion following the audit review. The audit opinions were revised to provide a level of assurance and were colour coded in line with the traffic light system (Appendix A). Following feedback these opinions will be further refined for 2016/17 and will be reported to Audit Committee in due course.

5. Non-Audit Duties

- 5.1 The team now has a minimal involvement with controlled stationery, although still administers the imprest account process and the school meal income returns.

6. Fraud, Irregularity and Special Work/Investigations

- 6.1 During the year the Section undertook unplanned or special work, including the investigation of suspected fraud, irregularities and non compliance.

- 6.2 The team was also involved in unplanned work:

- (a) Skate Park
- (b) NOVUS/GENESIS Grant
- (c) Community Council Training
- (d) Monmouthshire Enterprises Development Fund Audit
- (e) Follow up of Previous Recommendations

7. Training

- 7.1 During the year a number of staff attended external courses / seminars on a variety of topics to ensure continued professional development.

- 7.2 The Section also participates in a number of local audit groups including the Welsh Chief Auditors' Group, the South Wales Chief Auditors' Group and respective sub groups for Capital, Social Services, Computer, Core Financial Systems and Education.

- 7.3 Management fully support the development and training of the audit staff and will continue to send staff to appropriate seminars/courses etc., to maintain an awareness of technical and legislative developments and to support user groups within the area in order to

provide a more effective service. This will be beneficial on a personal and professional level.

8. Audit Team Performance

- 8.1 To ensure a quality Internal Audit service is provided, the Section uses a range of performance indicators which it compares with other Welsh authorities via the Welsh Chief Auditors' Group.
- 8.2 As shown at Appendix D, the performance of the audit team during 2015/16 was mixed, but considering the team was not at full establishment during 2015/16 those in post did very well to achieve a greater percentage of the audit plan than the previous year. Moving forward into 2016/17, the team has a full complement of staff.
- 8.3 74% of the agreed audit plan was achieved against 65% in the previous year; target was 80%.
- 8.4 Excluding finalisation work from 2014/15, 65 audit jobs were planned for 2015/16; 48 were completed to at least draft report stage, hence 74% of the plan was achieved, despite not having a full complement of staff for the whole year. [Not all jobs in the plan would warrant an audit opinion eg financial advice, Annual Governance Statement, NFI, external work]. Productive audit days planned for the year amounted to 913; actual days charged were 808.
- 8.5 The team's performance of completion of work within planned time showed the team completed 27% of jobs within planned time compared to 50% in the previous year. This is something audit management will continue to look to improve in the current year.
- 8.6 As a measure of the quality of the work produced, the Section was able to report that 97% of its recommendations were accepted by the relevant client managers, which was the same as the previous year's figure of 97%. [This does not take into account reports that were in draft at year end]. In future years we will aim to capture data on the implementation of agreed recommendations.
- 8.7 Getting audit reports out to clients in a timely manner is a key aspect of maintaining relationships and ensuring control weakness are addressed at an early stage. As a result of the lack of resource in the team and management involvement with significant special investigations throughout the year, the team did not do as well as expected in getting reports out to operational managers.
- 8.8 Final reports were sent out 22 (16) days following receipt of management comments, against a target of 5 days.

- 8.9** Draft reports were sent out to clients 75 (37) days after the completion of the audit work against a target of 17 days. Given that the resources issue has subsequently been resolved, improvements will be made in this area moving forward.

9. Conclusions

- 9.1 It is considered that, over the course of the financial year, the objectives of the Section (as stated in paragraph 1.6) have been met.
- 9.2 The reporting procedures for all areas of the Section are now well established. Working practices are updated as a matter of course to underpin the quality of work undertaken. Team meetings will be held on a regular basis to ensure all staff are kept aware of new developments.
- 9.3 However, due to the impact of special work, sickness and other staffing issues there were certain areas in the Audit Plan that could not be covered in the year. The Section's management maintained a continuous review process throughout the year to ensure that the highest risk areas were targeted and the Section's Operational Plan for 2015/16 was also designed to ensure that any priority areas outstanding from 2015/16 will be covered in the new financial year.
- 9.4 The objective of the Internal Audit team is to provide assurance to Management and Members of the adequacy of the internal control environment within Monmouthshire. Reduced audit staff resources leads to less coverage across the services provided by the Council which limits the assurance that can be given. In addition the team becomes less flexible in its ability to undertake special investigations in response to allegations of fraud, theft or non compliance.
- 9.5 The Chief Internal Auditor will have to monitor the situation closely and use a range of options to ensure appropriate audit coverage is provided. Although, demands on the resources are increasing, the Chief Internal Auditor is confident that adequate and appropriate coverage will be provided throughout the Council although prioritisation is required.
- 9.6 Finally, the support of all audit staff as well as senior management must be acknowledged in helping to continue to provide a comprehensive and valuable service to the Authority.

Definitions of Internal Control Opinions Used

Opinion	Description
Very Good	Very well controlled with minimal risk identified; a few minor recommendations
Good	Well controlled although some risk identified which needs addressing
Reasonable	Adequately controlled although some risks identified which may compromise the overall control environment
Unsatisfactory	Not very well controlled, unacceptable levels of risk identified; changes required urgently
Unsound	Poorly controlled, major risk exists; fundamental improvements are required with immediate effect

AUDIT OPINIONS PILOTED DURING 2015/16

SUBSTANTIAL	<p>Substantial level of assurance.</p> <p>Well controlled although some minor risks may have been identified which require addressing;</p>
REASONABLE	<p>Reasonable level of assurance.</p> <p>Adequately controlled, although risks identified which could compromise the overall control environment. Improvements required;</p>
LIMITED	<p>Limited level of assurance.</p> <p>Poorly controlled, with unacceptable levels of risk. Fundamental improvements required immediately.</p>

AUDIT OPINIONS TO BE USED DURING 2016/17

LEVEL OF ASSURANCE	DESCRIPTION
SUBSTANTIAL	Very well controlled, with numerous strengths identified and any risks being less significant in nature.
CONSIDERABLE	Generally well controlled, although some risks identified which should be addressed.
REASONABLE	Adequately controlled, although risks identified which could compromise the overall control environment. Improvements required.
LIMITED	Poorly controlled, with unacceptable levels of risk. Fundamental improvements required urgently.

Summary of Opinions

Overall Opinion	2015/16	Reasonable
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	OPINION			
	2012/13	2013/14	2014/15	2015/16
Chief Executives	Good	--	Reasonable	Reasonable
Children & Young People	Reasonable	Good	Reasonable	Good
Cross Cutting	Good	Good	-	-
Regeneration & Culture	Reasonable	Good	-	-
Social Care & Health	Reasonable	Reasonable	Reasonable	Reasonable
Enterprise				Reasonable

Internal Audit Opinions 2015/16

	2014/15	2015/16
Very Good	1	0
Good	9	9
Reasonable	12	14
Unsatisfactory	6	3
Unsound	0	0
Total	28	26
Qualified	1	0
Un-qualified	3	4
Not Applicable (N/A)	3	

Monmouthshire County Council
Internal Audit Section Annual Outturn Report 2015/16

Job number	Directorate	Service	Job Name	Risk Rating / Priority	Complete when FINALISED	Opinion given
P15/16/10	Chief Executive's	Policy & Engagement	NSI's & SID's Pis	Medium	Finalised	Good
P15/16/11	Chief Executive's	Policy & Engagement	Local Pis	Medium	Finalised	Good
P15/16/23	Children & Young People	Schools	Llanvihangel Crucorney	Low	Draft	Good
P15/16/27	Children & Young People	Schools	Durand Primary	Low	Draft	Good
P15/16/28	Children & Young People	Schools	Dewstow Primary	Low	Draft	Good
P15/16/31	Children & Young People	Schools	Caldicot Comprehensive	Medium	Finalised	Good
P15/16/50	Social Care & Health	Children's Services	Fostering	High	Finalised	Good
P15/16/59	Social Care & Health	Resources & Performance	SCH Debtors (14/15)	Medium	Draft	Good
P15/16/65	Corporate	Corporate	Eisteddfod Planning	Medium	Finalised	Good
P15/16/04	Chief Executive's	Finance	Benefits	High	Draft	Reasonable
			Archbishop Rowan Williams Primary			
P15/16/26	Children & Young People	Schools	Archbishop Rowan Williams Primary	Low	Draft	Reasonable
P15/16/45	Enterprise	Tourism, Leisure & Culture	Outdoor Education	Medium	Finalised	Reasonable
P15/16/54	Social Care & Health	Adult Services	Community Meals	Low	Draft	Reasonable
P15/16/01	Chief Executive's	Finance	Creditors (14/15)	Medium	Draft	Reasonable
P15/16/02	Chief Executive's	Finance	Creditors	Medium	Draft	Reasonable
P15/16/05	Chief Executive's	Finance	Debtors (14/15)	Medium	Finalised	Reasonable
P15/16/06	Chief Executive's	Finance	Agresso System Admin	Medium	Draft	Reasonable
P15/16/08	Chief Executive's	Democracy & Regulatory Services	Building Control	Medium	Finalised	Reasonable
P15/16/14	Chief Executive's	Operations	Grounds Ops	Low	Draft	Reasonable
			King Henry VIII Comprehensive			
P15/16/32	Children & Young People	Schools	King Henry VIII Comprehensive	Medium	Draft	Reasonable
P15/16/37	Enterprise	Commercial & People Development	Payroll (14/15)	Medium	Draft	Reasonable
P15/16/49	Social Care & Health	Children's Services	Safeguarding	Medium	Draft	Reasonable
P15/16/51	Social Care & Health	Children's Services	Youth Offending Team	Medium	Draft	Reasonable
P15/16/03	Chief Executive's	Finance	Procurement Cards	Medium	Draft	Unsatisfactory
P15/16/25	Children & Young People	Schools	Magor Primary	Low	Draft	Unsatisfactory
P15/16/41	Enterprise	Community-led Delivery	Markets	Medium	Finalised	Unsatisfactory
P15/16/19	Children & Young People	Standards	Foundation Phase Revenue Grant	Medium	Finalised	Unqualified
P15/16/20	Children & Young People	Standards	Out of School Childcare Grant	Low	Finalised	Unqualified
P15/16/43	Enterprise	Community-led Delivery	Digital Inclusion Grant	Low	Finalised	Unqualified
P15/16/57	Social Care & Health	Commissioning	Supporting People Grant Claim		Draft	Unqualified

Performance of the Internal Audit Section

Performance Indicator	2012/13	2013/14	2014/15	Annual Target	2015/16
Percentage of planned audits completed	74%	60%	65%	80%	74%
Percentage of audits completed within planned time	45%	50%	50%	67%	27%
Average no. of days from audit closing meeting to issue of a draft report	17 days	37 days	52 days	17 days	75 days
Average no. of days from receipt of response to draft report to issue of the final report	4 days	16 days	29 days	5 days	22 days
Percentage of recommendations made that were accepted by the clients	87%	97%	96%	95%	97%
Percentage of planned audits for which a questionnaire was issued		78%	88%	90%	78%
Percentage of clients at least 'satisfied' by audit process	100%	100%	91%	95%	100%
Percentage of Directly Chargeable Time (actual versus planned)	100%	91%	85%	100%	91%



**SUBJECT: INTERNAL AUDIT SECTION
Update on Special Investigations**

**DIRECTORATE: Chief Executive
MEETING: Audit Committee
DATE: 26th May 2016
DIVISION/WARDS AFFECTED: All**

1. PURPOSE

To receive and consider an Update on Special Investigations

2. RECOMMENDATION(S)

That the Audit Committee note the involvement of the Internal Audit Team and updates provided on the Special Investigations.

3. KEY ISSUES

- 3.1. From time to time the Internal Audit team get involved with Special Investigations as a result of allegations of financial irregularities or non-compliance with Council policy. During 2015/16 the Team were involved with 10 Special Investigations. 99 days were spent dealing with this type of audit work during 2015/16; 120 days were allocated to Special Investigations in the 2015/16 Internal Audit Plan.
- 3.2. As part of a routine primary school audit, it became evident that there were minimal records available to support the transactions of the school fund and that this particular school arranged with two other neighbouring primary schools to certify their annual school fund statements blind, i.e. they were pre-signed before the transactions for the year were included on the statement.
- 3.3. The School Administrator went off sick and was non co-operative. She resigned from her position before a formal investigation in line with the Council's disciplinary code could be instigated. The Audit Team eventually managed to obtain a sample of cashed cheques from the fund's bank account which, on the face of it, showed there were no issues with the cheque payments from that account.
- 3.4. Concerns were raised around the financial situation of a primary school including the excess level of school dinner money debt. The Local Authority suspended the Governing Body's right to a delegated budget and financial control was taken over by the Local Authority. Alongside this process the Local Authority and local Diocese also appointed additional governors to the Governing Body to help with oversight and governance moving forward. The previous Headteacher left the

Authority and an Acting Headteacher joined the School. An Executive Head within Monmouthshire was working closely with the Acting Headteacher to improve systems and to provide support to the School.

- 3.5. Senior Management within Education and a Cabinet Member instigated an investigation concerning the financial transactions of a Headteacher of a school following a suspension and the engagement of a consultant at that school. Issues were identified and reported back to Senior Management to ensure appropriate controls were put in place moving forward in order for a more robust financial environment to be maintained.
- 3.6. Within Social Care and Health (Children's Services) an issue was raised concerning the payment of staff wages through the imprest cash account, i.e. cash payments were made direct to the employee rather than through the normal payroll process. The payments being made to the employee could potentially lead to mistreatment of tax, national insurance contribution and pension liabilities. Issues were identified with the process and the matter was reported to Senior Management within the service area who were responsible for implementing adequate controls to prevent this happening in the future and to ensure proper use of the imprest account.
- 3.7. Following a prolonged review of the financial transactions of Social Care and Health establishment the Chief Internal Auditor was involved as a witness in a Care Council for Wales hearing against a former manager of the Council. The manager no longer works for the Council and as a social worker had a removal order imposed on him.
- 3.8. Following a POVA panel concerns were raised around the potential of missing monies from clients within the Council's care. The care was provided by an independent care organisation. Although there was a significant reduction in the client's funds theft could not be proved. Recommendations were made to management to tighten the controls around handling clients' monies to protect the client and the carer.
- 3.9. A concern was raised by Schools' Finance about a primary school running a separate governors fund in addition to the normal school fund. A sample of transactions was tested and found to be appropriate spend in line with normal school activities. This fund was closed down and the money transferred to the school account.
- 3.10. A former employee alleged that financial fraud was ongoing within a particular department within the Council from which existing employees were benefiting financially. The Audit team undertook a thorough investigation and managed to obtain a report from the specific system which wasn't being used by management to reconcile back to the income collected and output produced. This proved that there was no substance to the allegation.
- 3.11. One investigation linked to the primary school fund issue mentioned previously. Three primary school administrators got together and arranged to sign off each other's annual school fund statements prior to any transactions being recorded. As mentioned earlier, one school

administrator resigned from her position prior to a formal investigation. The Headteachers and Governing Bodies of the other two school administrators appointed an independent investigator to pursue the concerns. Both still work for at the respective schools.

- 3.12. A complaint was received from a user of a service around the poor billing and invoicing process of a service offered by the Council. A review of the invoicing and payment controls in place of the service was undertaken. We identified that the concern raised was an exception rather than the norm, which is likely to have occurred through the Authority holding multiple contact details for the individual; although cover arrangements for a planned vacancy in the service area appear to have been inadequate. Recommendations were made to the service management to improve the financial control environment.
- 3.13. Although the time allocated to special investigations is usually a pressure point the 2016/17 allocation of days has been reduced to ensure appropriate coverage is given across service areas. The Internal Audit Team will continue to investigate allegations to ensure the proper use of public funds and to minimise the potential for fraud, theft or corruption within Monmouthshire.

4. REASONS

- 4.1 Further information requested by the Audit Committee regarding the involvement of Internal Audit with previously reported Special Investigations.

5. RESOURCE IMPLICATIONS

None.

6. CONSULTEES

Head of Finance

7. BACKGROUND PAPERS

IA Operational Plans

8. AUTHOR AND CONTACT DETAILS

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AUDIT COMMITTEE WORKPLAN 2016/17	
21ST APRIL 2016	
<i>Deadline for finalised reports to Cheryl – Tuesday 12th April - end of day</i>	
Annual Governance Statement, 2015/16	Andrew Wathan
Internal Audit Section, Operational Plan 2016/17 - Draft	Andrew Wathan
Internal Audit Section Progress report on Unsatisfactory/Unsound Audit Opinions	Andrew Wathan
2016 Audit Plan	WAO
Early Departures & vacant posts	Peter Davies
Issued raised by member of public regarding Chepstow School	Kellie Beirne
Response to Unsatisfactory Audit Opinion of Passenger Transport Unit from Audit Committee meeting on 22nd October 2015	Richard Cope
Audit Committee Annual Report 2015/16, Annual report 2014/15	Andrew Wathan
26TH MAY 2016	
<i>Deadline for finalised reports to Cheryl – 10am Monday 16th May 2016</i>	
<i>Finalised reports to Committee Section – end of day Monday 16th May 2016</i>	
SUBJECT	AUTHOR
Annual Governance Statement - final	Andrew Wathan
Internal Audit Section Operational Plan 2016 17 - draft	Andrew Wathan
Internal Annual Section Outturn report 2015/16	Andrew Wathan
30TH JUNE 2016	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section-</i>	
Update on Special Investigations	Andrew Wathan
2015/16 Treasury Outturn Report	Jon Davies/Lesley Russell
Draft MCC Accounts 2015/16	Mark Howcroft/Jon Davies
Review of Reserves	Joy Robson
Draft Welsh Church Fund Trust Accounts 2015/16	Mark Howcroft/Jon Davies
Draft Llanelly Hill Social Welfare Centre, Trust Fund Accounts 2015/16	Mark Howcroft/Jon Davies
Draft Monmouthshire Farm School Trust Fund Accounts 2015/16	Mark Howcroft/Jon Davies
CPR Exemptions 6 monthly	Andrew Wathan
People Services Annual Report & workforce plan	Peter Davies
Annual Governance Statement - Update	Andrew Wathan
15TH SEPTEMBER 2016	

Deadline for finalised reports to Cheryl –	
Finalised reports to Committee Section	
MCC Audited Accounts 2015/16 (formal approval)	WAO/Mark Howcroft/Jon Davies
ISA 260 report - MCC Accounts	WAO/Mark Howcroft/Jon Davies
Internal Audit Charter	Andrew Wathan
Internal Audit Progress report 2016/17 quarter 1	Andrew Wathan
Assessment of Financial Resilience	WAO
Review of Governance	WAO
Annual Improvement report	WAO
13TH OCTOBER 2016	
Deadline for finalised reports to Cheryl –	
Finalised reports to Committee Section –	
Review of MRP	
Audited Welsh Church Fund Trust Fund Accounts 2015/16	Mark Howcroft
Audited Monmouthshire Farm School Trust Fund Accounts 2015/16	Mark Howcroft
Audited Llanelly Hill Social Welfare Centre Trust Fund Accounts 2015/16	Mark Howcroft
ISA 260 reports - Trust Funds	WAO
Review of Human Resources	WAO
Information Technology	WAO
17TH NOVEMBER 2016	
Deadline for finalised reports to Cheryl –	
Finalised reports to Committee Section –	
Internal Audit progress report 2016/17 - quarter 2	Andrew Wathan
Unsatisfactory Audit Opinions	Andrew Wathan
15TH DECEMBER 2016	
Deadline for finalised reports to Cheryl –	
Finalised reports to Committee Section –	
Implementation of Audit Recommendations	Andrew Wathan
Update on Special Investigations	Andrew Wathan

2ND FEBRUARY 2017

Deadline for finalised reports to Cheryl –

Finalised reports to Committee Section

CPR Exemptions 6 monthly	Andrew Wathan
Q3 Progress report	

16TH MARCH 2017

Deadline for finalised reports to Cheryl –

Finalised reports to Committee Section

Internal audit 2017/18 plan	Andrew Wathan

Apr-17

Deadline for finalised reports to Cheryl –

Finalised reports to Committee Section –

Unsatisfactory audit Opinions	Andrew Wathan
Annual Governance Statement	Andrew Wathan

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