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NP15 1GA

County Hall
Rhadyr
Usk
NP15 1GA

Wednesday, 8 March 2017

Notice of meeting / Hysbysiad o gyfarfod:

Audit Committee

**Thursday, 16th March, 2017 at 2.00 pm,
County Hall, The Rhadyr, Usk, NP15 1GA**

AGENDA

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Paul Matthews

Chief Executive / Prif Weithredwr

MONMOUTHSHIRE COUNTY COUNCIL
CYNGOR SIR FYNWY

THE CONSTITUTION OF THE COMMITTEE IS AS FOLLOWS:

County Councillors:

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

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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.

Nodau a Gwerthoedd Cyngor Sir Fynwy

Cymunedau Cynaliadwy a Chryf

Canlyniadau y gweithiwn i'w cyflawni

Neb yn cael ei adael ar ôl

- Gall pobl hŷn fyw bywyd da
- Pobl â mynediad i dai addas a fforddiadwy
- Pobl â mynediad a symudedd da

Pobl yn hyderus, galluog ac yn cymryd rhan

- Camddefnyddio alcohol a chyffuriau ddim yn effeithio ar fywydau pobl
- Teuluoedd yn cael eu cefnogi
- Pobl yn teimlo'n ddiogel

Ein sir yn ffynnu

- Busnes a menter
- Pobl â mynediad i ddysgu ymarferol a hyblyg
- Pobl yn diogelu ac yn cyfoethogi'r amgylchedd

Ein blaenoriaethau

- Ysgolion
- Diogelu pobl agored i niwed
- Cefnogi busnes a chreu swyddi
- Cynnal gwasanaethau sy'n hygyrch yn lleol

Ein gwerthoedd

- **Bod yn agored:** anelwn fod yn agored ac onest i ddatblygu perthnasoedd ymddiriedus
- **Tegwch:** anelwn ddarparu dewis teg, cyfleoedd a phrofiadau a dod yn sefydliad a adeiladwyd ar barch un at y llall.
- **Hyblygrwydd:** anelwn fod yn hyblyg yn ein syniadau a'n gweithredoedd i ddod yn sefydliad effeithlon ac effeithiol.
- **Gwaith tîm:** anelwn gydweithio i rannu ein llwyddiannau a'n methiannau drwy adeiladu ar ein cryfderau a chefnogi ein gilydd i gyflawni ein nodau.

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Public Document Pack Agenda Item 4

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 2nd February, 2017 at 2.00 pm

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

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

OFFICERS IN ATTENDANCE:

Mark Howcroft	Assistant Head of Finance
Andrew Wathan	Chief Internal Auditor
Kellie Beirne	Chief Officer, Enterprise
Non Jenkins	Wales Audit Office
Tracey Harry	Head of People and Information Governance
Terry Lewis	

1. Apologies for Absence

There were no apologies for absence.

2. Declarations of Interest

No declarations of interest were made by Members.

3. Public Open Forum

No members of the public were present.

4. To confirm minutes of the previous meeting

The minutes of the previous meeting held on the 15th December 2016 were confirmed.

5. To note the Action List from 15th December 2016

We noted the Action List from the meeting held on the 15th December 2016. In doing so, the following points were noted:

- Overview of Performance Management Arrangements: A progress report on improvement objectives will be presented in 6-12 months.
- Youth services: It was noted that a response had been circulated clarifying that there had been a misunderstanding regarding a reduction in funding from Welsh Government (WG).

It was observed that the response referred to a full business case on how to maintain youth services for the future with community focus and queried if Audit Committee should look at the business case. The Chief Officer for Innovation and Enterprise responded that the business case is part of a comprehensive restructure and a report in

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Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 2nd February, 2017 at 2.00 pm

the wider context of the whole directorate is due; a report, detailing the Youth Service element of the review, will be presented to Committee.

In response to a question, it was confirmed that all youth centres are under review, including The Zone in Caldicot. Feedback suggests that single facilities are not valued by young people and it was added that the Aspire project, run in the Leisure Centre, is well attended and has better integration. A Member asked what would happen to The Zone and the £70,000 WG grant to provide the facility. It was responded that this aspect will be part of the review and conclusions will be presented to Cabinet. The Youth Service elements will be reported to this Committee when the business plan is finalised, particularly including budgets and outturns.

A further question was asked about timescales and it was confirmed that outline proposals will be available in March for decision making with more details after May 2017.

- Roger Edwards Trust: It was reported that the Trust hasn't met since the last meeting. In the meantime, it has been confirmed that cheques are not released until the end of the year, when the accounts are published. The Trust will consider the request to release cheques earlier.
- Zero hours contracts: It was confirmed that a letter had been sent to County Councillor F. Taylor (and circulated to the Committee), responding to questions raised in the minutes of the last meeting. The outstanding matters relating to employment practice in schools will be reported upon at the next meeting of the Audit Committee.
- Early Departure and Redundancies Costs: It was noted, with thanks, that the details had been circulated as requested.
- Exemptions to Contract Procedure Rules: It was reported that of the five outstanding exemptions, four have been received and authorised by the relevant Chief Officer. The fifth exemption is related to a service trial and the exemption has not yet been applied but may be used in future when the best option is known.

6. Q3 Progress report

The Chief Internal Auditor presented the Quarter 3 Progress Report (to 31st December 2016) with a purpose of providing assurance to Audit Committee and senior managers on the adequacy of the control environment, and the performance of the Internal Audit Team. The following points were noted:

- There have been 30 audit jobs; not all opinion related and 10 draft reports have opinions allocated (as defined in the report).
- Regarding team performance, 98% of recommendations have been accepted by office managers and work is being undertaken to assure implementation. Timeliness of reports is identified as an issue and is attributed to the workload of the Audit Manager who is responsible for quality control, consistency and reactive issues. It was explained that 42% of the plan has been covered which is below the target of 50% but a small improvement on last year. The team is on track to achieve 75% of the plan by year end.
- A question was asked if there are any major concerns including workload and areas of greatest sensitivity. It was responded that priorities have to be drawn because of the limited number of auditors to consider matters that include corporate and service areas, and will be reported to Audit Committee in March 2017.

A question was asked about the **Limited** assurance opinions on school meals and community led delivery and more details were requested. It was explained that audits and

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opinions are defined based on strengths and weaknesses measured against key control objectives. If it is found that control objectives are not in place, a financial risk is identified. A **Limited** opinion is awarded where weaknesses outweigh strengths. An overview was provided as follows:

- i. School meals: There was a lack of official documentation outlining responsibilities for schools and Property Services (which manages the service). Income data was not monitored appropriately and there were differences not reconciled between school and Property Services systems. Additionally, significant outstanding debts were not being followed up.
- ii. Events: A number of aspects required some improvement:
 - a) Some contracts were not always signed although in place;
 - b) Income reconciliation in terms of allocation and stock control of tickets;
 - c) Record keeping of staff working at events;
 - d) Issues concerning the contract tender; and
 - e) Reconciliation of financial aspects of an event which were not received as promptly as expected.

A Member requested assurance regarding unsigned contracts. It was confirmed that these were not always in place for some events and commitment to improvement has been given for future events. The Chief Officer Innovation and Enterprise provided assurances and context, that the recommendations are wholly or partially addressed. It was explained that these types of events are at the heart of the council's commercial strategies and is necessary to balance income generation and risk. The council acts as the event promoter and receives 100% of the income generated. This is a high risk position but also potentially high reward and it is necessary to clearly set this position out. The Committee was invited to reflect that the timing of the audit was during the National Eisteddfod and the Status Quo concert and it was accepted that there were some shortcomings due to the many tasks and responsibilities necessary at that time. The Chief Officer expressed her confidence in the Events Team referring to the forthcoming Little Mix concert at Caldicot Castle. It was explained that safeguards are in place, but as the focus is profit generation, the council must be prepared for higher risk thresholds.

It was confirmed that, as the opinion is **Limited** the matter will be revisited in 6 to 12 months to monitor if the recommendations have been followed up and reported back to Audit Committee in due course.

Reference was made to the **Qualified** opinion on Adult Services (Supporting people with Grants) and it was confirmed that this was one of the council's claims. It is responsible for submitting a return to WG and whilst the financial element was acceptable, the conditions were changed during the year determining that outcomes should also be audited and an internal audit certificate awarded. It was not possible to fully demonstrate the terms and conditions of the grant had been met.

A Member queried the appropriateness of a high risk/high reward approach and encouraged Audit Committee to monitor the situation as councils should take a cautious approach when dealing with public money. The Chief Officer explained that in times of austerity, an entrepreneurial approach is needed and this adds value to the county. It was clarified that the audit was of the collective work of several teams, reflecting how the authority works together. In response to a comment, it was confirmed that CMC² was a community interest company not a high risk/high reward enterprise. The Head of Resources added further context that the events team works with finance officers adding that downside risk is managed with sensitivity and market analyses undertaken. It was added that events present a measured risk that should be viewed in a wider context.

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The Committee were reminded that treasury transactions are much larger and of a completely different magnitude to events.

In response to a suggestion, it was confirmed that this topic has been regularly scrutinised by the Economy and Development Select Committee and it is part of its ongoing work programme. It was agreed that the follow up audit report in September should include aspects of risk to the authority, including audit of the procedures for the two major events this year.

The Quarter 3 Progress Report was formally noted.

7. Corporate Assessment Follow on review - Human Resources

The Wales Audit Officer reported on the Corporate Assessment Follow on Review of Human Resources.

It was concluded that there has been good progress in planning, managing and engaging the workforce. There is good support from the HR team and ICT systems are being developed e.g. return to work interviews and sickness information. There is evidence that the Council is acting on feedback from staff; it has held its first staff and has also established Monminds.

The Corporate Assessment report's proposals for improvement needing further work were summarised as follows:

- Engage more effectively with staff to ensure the Council's values are clearly evident across the organisation;
- 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; and
- Develop the Council's workforce planning arrangements by including accurate data and key management information around workforce issues and statistics, reporting regularly to Senior Leadership and Management Teams to enable effective monitoring of progress and management of these issues on an ongoing basis.

The HR Corporate Assessment identified the following new proposals for improvement:

- P1 Develop further workforce data to include staff establishment, contract status, vacancies, agency use, age, gender, and grade/pay distribution, to better inform future workforce planning activity.
- P2 Improve oversight and ongoing implementation of the staff appraisal process. In particular:
 1. Ensure staff appraisal completion is uploaded onto the Council's Hub to accurately reflect the numbers of staff in receipt of an annual appraisal; and
 2. Increase the appraisal completion rate.
- P3 Further develop HR ICT systems to better support operational managers and improve recording of sickness and disciplinary matters.
- P4 Improve the evaluation of HR improvement actions to better measure the impact and outcomes.

The Management response was presented and the following points noted:

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- The first two proposals follow on from previous proposals for improvement and strengthen arrangements.
- It was agreed that the authority is good at measuring activities but not outcomes, and a change in management practice is required to provide evidence that the changes to systems, policy and guidance results in a change in management practices e.g. better sickness levels, less grievances etc. The intention is to improve HR practice and responses, and to work much closer with managers to identify and address concerns.
- The proposals were welcomed and will be reported upon in the Annual People Report in July 2017.

A Member queried, if managers don't have profile information of their workers, how redundancies (and any particular demographic thereof) can be monitored. Additionally, the point that senior managers and members find it difficult to assess if progress has been made was questioned. It was asked if there was confidence in the progress made and whether or not managers can be challenged on underperformance. It was also queried if there will be demonstrably better outcomes when they are reported in July.

It was responded that the data has been available but not in an easily accessible format for managers. Consequently, a dashboard containing information such as Full Time Equivalent (FTE), gender, turnover, sickness level, grade, age profile and length of service, is being developed and is close to launch. An offer was made to demonstrate the dashboard at a future meeting. Work is in progress to assure data protection, and then the intention is that managers will access the data to aid future workforce planning.

It was explained that, for example managing ill health, is to do with changing management practice referring to the new return to work video. It is also about encouraging the workforce to have responsibility for its own health and wellbeing with clear expectations and identification of underperformance as required. Impact could then be measured by monitoring the number of capability, grievances and disciplinary cases. In the wider context, the organisation will also develop a broader range of indicators to include complaints, freedom of information requests and training to refine where HR services for managers are required.

In response to a question, it was confirmed that the dashboard will be launched on 1st April 2017. A question was asked about the adequacy of the IT systems underpinning the dashboard and replied that there has been minimal development capacity within the Payroll and HR team who are developing Resource Link. There has been a staff restructure with modest investment in systems to enable the team to explore the capability of systems and options.

It was agreed that a presentation on the dashboard would be provided at the next meeting. Members welcomed the opinion of the Wales Audit Office, looked forward to the presentation at the next meeting and the future provision of better information on the profile of the workforce.

A Member asked if there were sufficient resources in place to deliver the improvements. It was explained that there had been investment in the HR and Payroll team to develop capacity adding that a HR adviser review is being conducted with a view to ensuring there are sufficient advisers to develop a partner approach with business managers. It was emphasised that the priority is to change management practice and manage staff appropriately.

It was added that, in terms of return on investment, the digital programme office is being used to improve understanding and to enable better use of systems. Where opportunities are identified, avenues for further investment will be sought as necessary.

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8. Forward Work Programme

The Forward Work Programme was received noting that it only extends as far as the election in May. A twelve month plan will be prepared with standard items for Committee Members to understand the annual work cycle.

9. To confirm the date and time of the next meeting as Thursday 16th March 2017 at 2.00pm

The meeting ended at 3.15 pm

Audit Committee Actions 2nd February 2017

Agenda Item:	Subject	Officer	Outcome
5	Youth Service	Kellie Beirne	A report detailing the Youth Service (including The Zone and grant funding) element of the whole directorate review to be presented to Committee when the business plan is finalised.
5	Zero Hours Contracts	Tracey Harry	Report on employment practice in schools to next meeting.
6	Risk	Andrew Wathan	Aspects of risk to the authority to be included in September follow up audit report.
7	HR and Payroll Dashboard	Tracey Harry	Demonstration of dashboard at next meeting

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WALES **AUDIT** OFFICE

SWYDDFA **ARCHWILIO** CYMRU

MCC / WAO Joint Progress Document

Monmouthshire County Council

Audit year: 2015-16

Issued: February 2017

Status of report

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Summary

Introduction

1. Our *2015-16 - Audit of Financial Statements report*, which we presented to the September 2016 Audit Committee, summarised the matters arising from the audit including highlighting corrected and uncorrected misstatements and other issues for the Council's attention. None of the issues in that report prevented the Auditor General from issuing an unqualified opinion on the financial statements. However, action is required by the Council to address some of these issues when preparing the 2016-17 financial statements. These are summarised in Exhibit 1.
2. We also identified other matters during our audit that were not reported to the Audit Committee within our *2015-16 Audit of Financial Statements report*. These issues are summarised in Exhibit 2.
3. In addition, in completing our audit, we reviewed the progress made by management in implementing the agreed issues that we reported in our *2014-15 Joint Progress report*. *Although* we are pleased to report that the Council has implemented the majority of the agreed actions, there are a small number of areas that remain outstanding. These are included in the report within Exhibit 3.
4. The Council needs to address each of these issues during 2016-17 and we shall monitor implementation during the forthcoming audit. We also recommend that management update the Audit Committee with progress made in implementing the agreed actions when presenting the draft 2016-17 Financial Statements. The issues raised in this report have already been discussed with the Head of Finance and her team.
5. The deadlines to produce and certify accounts remain unchanged for 2016-17. Discussions are ongoing with Welsh Government as to when the deadline will be brought forward although, in readiness, several Welsh Council's piloted early closure and production of accounts in 2015-16 with final accounts being certified by 31 July 2016. The Council was able to present its accounts for audit by mid June 2016, so is not that far off the anticipated deadline of the end of May. This deadline will not become mandatory until 2020 but the intervening years will be important as we work towards this. It will also be important to have early working papers to a good quality standard to support the accounts, as this will enable our audit work to start much sooner with an earlier audit opinion issued. For the Council this requirement will need to be balanced against the resources and the finite number of staff that is has available to work on the accounts and the pressures of the routine work of the finance team.

Issue/Recommendation	Agreed Action/Date	Progress
<p>1. Classification of Creditor balances (Priority - Medium)</p> <p>We identified several Creditor payment transactions that were misclassified in Note 13.6 (Creditor payments analysis) as a result of incorrect ledger codes being used in the period 2015-13 that resulted in Central Government Creditors being included in the Other Creditors category.</p> <p>No amendment was made to the accounts as we were not able to identify the extent of the issue without significant additional resources being committed to do so. We were satisfied that the Creditors balance overall was complete and the error related to potential reclassification within the note</p> <p>Recommendation</p> <p>Creditors should be coded appropriately to enable the correct classification within the accounts.</p>	<p>The Systems & Control Team is currently identifying the most appropriate coding structure to capture this data fully. Revised structure to be in place for 2016/17 year end.</p>	<p>To be implemented as part of 2016/17 accounts closure work.</p>

Issue/Recommendation	Agreed Action/Date	Progress
<p>2. Production of Accounts/Quality assurance (Priority – High)</p> <p>The accounts were produced by mid-June in 2015-16 and the supporting working papers were adequate to support our audit work. With earlier closure of the accounts there will be a greater need to use estimation and to have good quality working papers to enable our audit to progress quickly. We have highlighted some areas where the information provided could be improved:</p> <ul style="list-style-type: none"> • Some of disclosures required for Note 16.5 (Trust Funds) and Note 16.6 (Related businesses) were excluded from the draft accounts; • An amendment was required to Note 12.6 (Capital Commitments) for some £2.5m as the commitment value included amounts that had already been expended. The working papers did not provide a clear audit trail from the contract value to the outstanding commitment after taking account of expenditure incurred to date; and • Working papers relating to S106 agreements (Developer contributions) did not clearly state what conditions needed be satisfied so that the income outstanding against each scheme could be recognised. <p>Recommendation</p> <p>The Council can improve its closedown process further in readiness for earlier accounts deadlines by:</p> <ul style="list-style-type: none"> • improving some working papers through its own internal quality review processes; and • ensuring tasks are included in the closedown plan for all agreed actions in this report. 	<p>Certain Trust funds and related party information is problematic to obtain in a timely fashion consistent with reporting deadlines. This is likely to be one area where the use of estimates rather than actuals is advocated as it has no bearing on the main accounting statements of the Council. Also there are no plans to produce more detailed notes in relation to S106 agreements.</p>	<p>To be implemented in part as part of 2016/17 accounts closure work.</p>

Issue/Recommendation	Agreed Action/Date	Progress
<p>3. Retention of payroll records (Priority – Medium)</p> <p>In testing payroll records, we identified two payroll transactions where evidence was not provided to support the payslip entries. Both transactions related to enhancements of pay as summarised below:</p> <ul style="list-style-type: none"> Employee number 502993 was paid for 12 enhanced hours, which had been input into payroll via a spreadsheet upload, with no documentation retained to support it; and Employee number 502534 included 1 hour of additional time which we were informed was initiated by the school’s head teacher authorising the timesheet which was then archived in the school. <p>Recommendation</p> <p>Staff need to reminded of the need retain documentation in line with the Council's document retention policy.</p>	<p>Agreed.</p>	<p>To be implemented as part of 2016/17 accounts closure work.</p>

Issue/Recommendation	2015-16 Audit Finding	Agreed Action/Date
<p>4. Osbaston School – transfer of legal title</p> <p>The Council needs to formally complete the transfer of legal title for Osbaston School prior to closing the 2015-16 accounts.</p>	<p>Partially implemented (Priority – High)</p> <p>We noted the Council had begun the process to transfer legal title but had not been able to complete it by the time the accounts were produced.</p> <p>Recommendation to be addressed in 2016-17</p>	<p>The Accounts correctly reflect the substance of the transaction, however legal capacity and ongoing ‘diocese’ engagement continues to make it unlikely that the retrospective conveyance will be completed by March 2017. The Accounts will still continue to report correctly substance over form.</p>
<p>5. Agency income and Expenditure</p> <p>The Council needs to ensure it excludes the amounts of income and expenditure relating to other bodies in 2015-16.</p>	<p>Partially implemented (Priority – High)</p> <p>During the 2015-16 audit we identified that the draft accounts included Trunk Road agency (SWTRA) income and expenditure for which an adjustment was required to remove the amounts from the accounts. We reported a similar issue in 2014-15 which the Council undertook to correct.</p> <p>Recommendation</p> <p>The Council needs to:</p> <ul style="list-style-type: none"> • Ensure that SWTRA income and expenditure is correctly identified at the year end to enable it to be excluded from the accounts. • Update the closedown plan to ensure this exercise takes place each year end. 	<p>For the 2016-17 closedown plan Finance teams will ensure the correct exclusion of the SWTRA transactions.</p>

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

Issue/Recommendation	2015-16 Audit Finding	Agreed Action/Date
<p>6. Cashflow statement</p> <p>In 2014-15 we reported that the Cashflow Statement and supporting working papers needed to be improved in 2015-16 to ensure movements were linked more clearly to movements in the accounts.</p>	<p>Partially implemented (Priority – Medium)</p> <p>Whilst some enhancements had been made to the working papers for 2015-16, they did not fully reconcile the Cashflow figures to movements in the balance sheet.</p> <p>Repeat Recommendation for 2016-17</p>	<p>More complete working papers to be prepared for 2016-17 closure.</p>

Issue/Recommendation	2015-16 Audit Finding	Agreed Action/Date
<p>7. Removal of nil value assets from the fixed asset register (FAR)</p> <p>The fixed asset register needs to be reviewed to ensure all assets in use that are fully depreciated and still owned by the Council are allocated a £1 nominal value.</p> <p>The Council needs to review its working papers supporting note 12.1c to ensure that there are clear links to the fixed asset register.</p>	<p>Partially implemented (Priority – Medium)</p> <p>Whilst we noted that the FAR had been updated to remove nil value assets, we noted that:</p> <ul style="list-style-type: none"> • a number of vehicles that had been included in the FAR that were not owned by the Council but held on operating leases; and • other assets (tractors etc.) had been included in the FAR at a nominal value of £1 instead of the purchase price. This arose as the initial purchase price had not been recorded by Fleet Administration before commencing the reconciliation process. No depreciation was therefore charged on these assets. <p>Recommendation</p> <p>The Council needs to:</p> <ul style="list-style-type: none"> • ensure assets held on operating leases are excluded from the FAR; and • formalise procedures with the Fleet Administration department that ensures vehicle data is complete and accurate for inclusion in the FAR. 	<p>FAR to be assessed for extent of vehicles held under operating lease. Logotech to be amended following rollover in January 2017</p> <p>The only assets held at £1 are ones which were not purchased from capital and were therefore held only for reconciliation of numbers of owned vehicles. They could not be held at cost and depreciated if not capitalised.</p> <p>NFA required relating to procedures with fleet administration.</p>

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**SUBJECT: INTERNAL AUDIT SECTION
OPERATIONAL PLAN, 2017/18
DRAFT**

**DIRECTORATE: Chief Executive
MEETING: Audit Committee
DATE: 16th March 2017
DIVISION/WARDS AFFECTED: All**

1. PURPOSE

To receive and consider the early **draft** Internal Audit Operational Audit Plan for 2017/18.

2. RECOMMENDATION(S)

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

3. KEY ISSUES

- 3.1 A comprehensive risk matrix was developed for the 2011/12 planning process which gave an outline programme of work that would enable the Internal Audit Section to cover all material audit risks across all services of the Council.
- 3.2 This report explains how the 2017/18 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, mandatory grant claim audits and audit advice, which have also been incorporated into the plan, along with follow up reviews, finalisation work and planned work from previous year not undertaken.

- 3.4 An allocation of time will be included in the plan for special investigations where the team might receive allegations of fraud, theft, non compliance. The plan also needs to be flexible enough to respond to changes to risk profiles and other developments in year; the audit management team will continually monitor this situation.
- 3.5 For 2017/18, total available audit resources amounts to 886 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 2017/18 allocation of days has been maintained to ensure appropriate coverage is given across service areas.
- 3.7 The detail of the plan is still to be finalised following completion of the ongoing consultation exercise with Heads of Service. The first quarter will include finalisation of 2016/17 work which was at draft report stage at year end, work planned for 2016/17 but not completed, corporate performance indicators along with the collation of the Annual Governance Statement.
- 3.8 This plan may change as the year progresses if the risk profile of audit work changes. Any significant change will be brought back to the Audit Committee for approval. The Audit Committee will be kept updated with the progress against the agreed plan via quarterly reports. The intention is to bring an updated plan back to Audit Committee for formal approval by the end of the 1st quarter.
- 3.9 The team comprises of one Audit Manager supported by one Principal Auditor, two Senior Auditors and one Auditor with the Chief Internal Auditor having overall responsibility for the team; he operates on a shared services arrangement with Newport City Council.
- 3.10 To seek to maximise performance against the plan, Audit Management will ensure audit reports are more focused and timely, that staff with the right skill sets are allocated to appropriate work and non-productive time is minimised.

4. REASONS

- 4.1 The draft 2017/18 Internal Audit Summary Plan is attached at Appendix 1 to this report. The Plan will be based on the risk assessment matrix along with cumulative audit knowledge. This will be reviewed on an annual basis in order to determine the appropriateness of the risk assessment each year where audit resources will be deployed to cover the higher risk reviews.
- 4.2 The Operational Plan has been updated to take account of:

- a) The Authority's latest Risk Assessment;
- b) New areas for inclusion in the Plan identified from changes to legislation and the regulatory framework for local government and from ongoing discussions with service managers;
- c) Areas of slippage from the 2016/17 Operational Plan; and
- d) The published Regulatory Plan produced by the Wales Audit Office.

4.3 Each review will be risk assessed and categorised as High, Medium or Low risk. Within the cycle of audits the team would aim to cover the higher risk areas as a priority but also provide coverage across directorates with lower risk services. All fundamental financial systems may now not be covered on an annual basis, especially if they have been previously determined as well controlled, with no significant changes to the system or to personnel. We will ensure that these are incorporated within the plan every few years to provide ongoing assurance. This 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 2016/17 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 2017/18 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 2017/18 financial year, and an allowance of time will be included within the Plan for these audits.

4.5 Consultation will be undertaken, with visits and email correspondence to the various managers and finance representatives of each directorate. As a result there may be further minor amendments to the Plan to reflect specific suggestions from various representatives of Chief Officers and Heads of Service.

4.6 The Operational Plan will be kept under review through the course of the year to identify any amendments needed to reflect changing priorities and emerging risks. Material changes to the Plan will be reported to the Audit Committee at the earliest opportunity.

4.7 An annual Outturn Report will be prepared for the Audit Committee to provide details on the performance of the Section against the Operational Plan. Interim progress reports will also be provided to the Committee three times per year.

4.8 With effect from 1st April 2016 the revised Public Sector Internal Audit Standards came into force for all public sector bodies including local government organisations. The Chief Internal Auditor will ensure that the Audit Team undertake their work in accordance with these Standards.

5. RESOURCE IMPLICATIONS

None.

6. CONSULTEES

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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Draft Internal Audit Plan, 2017/18

Directorate/Department: Children & Young People

Service Area	Subject	Type of Audit
21st Century Schools		Audit Advice
Achievement & Attainment	Education Improvement Grant	Grant Claim Audit
Achievement & Attainment	Pupil Deprivation Grant	Grant Claim Audit
Achievement & Attainment	Outside School Childcare Grant	Grant Claim Audit
Achievement & Attainment	Special Educational Needs	Completion of Work in Progress
Achievement & Attainment	Monitoring Implementation of Audit Recommendations	Follow-up
Achievement & Attainment		Audit Advice
Schools	Mounton House Special School	New Audit
Schools	Deri View Primary School	New Audit
Schools	Thornwell Primary School	New Audit
Schools	Osbaston Primary School	New Audit
Schools	Overmonnow Primary School	New Audit
Schools	Cross Ash Primary School	New Audit
Schools	Trellech Primary School	New Audit
Schools	The Dell Primary School	Finalisation of Report
Schools	Raglan Primary School	Finalisation of Report
Schools	Pembroke Primary School	Finalisation of Report
Schools	Our Lady & St. Michael's Primary School	Finalisation of Report
Schools	Ysgol Y Ffin Primary School	Finalisation of Report
Schools	Magor Primary School	Finalisation of Report
Schools	Chepstow School	Finalisation of Report

Draft Internal Audit Plan, 2017/18

Service Area	Subject	Type of Audit
Schools	Raglan Primary School	Follow-up
Schools	Monitoring Implementation of Audit Recommendations	Follow-up
Schools		Audit Advice
CYP Resources	School Uniform Grant	Grant Claim Audit
CYP Resources	School Private Fund Accounts	New Audit
CYP Resources	School Admissions	Finalisation of Report
CYP Resources	Monitoring Implementation of Audit Recommendations	Follow-up
CYP Resources		Audit Advice

Draft Internal Audit Plan, 2017/18

Directorate/Department: Enterprise

Service Area	Subject	Type of Audit
Economy & Enterprise	Agri-Urban URBACT Scheme	Grant Claim Audit
Economy & Enterprise		Audit Advice
Tourism, Leisure & Culture	Borough Theatre Trust	Completion of Work in Progress
Tourism, Leisure & Culture	Leisure Centres Payroll Review	New Audit
Tourism, Leisure & Culture	Alternative Delivery Models	New Audit
Tourism, Leisure & Culture	Youth Service	New Audit
Tourism, Leisure & Culture	Sports Development	Finalisation of Report
Tourism, Leisure & Culture	Events	Follow-up
Tourism, Leisure & Culture		Audit Advice
Tourism, Leisure & Culture	Monitoring Implementation of Audit Recommendations	Follow-up
Planning	Community Infrastructure Levy/ s106	New Audit
Planning	Homelessness	Finalisation of Report
Planning	Monitoring Implementation of Audit Recommendations	Follow-up
Planning		Audit Advice

Draft Internal Audit Plan, 2017/18

Directorate/Department: Governance, Engagement & Improvement

Service Area	Subject	Type of Audit
Policy & Performance	National Performance Indicators	New Audit
Policy & Performance	Local Performance Indicators	New Audit
Policy & Performance		Audit Advice
Communications		Audit Advice
Community Led Delivery	Investment Property Acquisitions	New Audit
Community Led Delivery	Community Hubs	Finalisation of Report
Community Led Delivery	Markets	Follow-up
Community Led Delivery	Monitoring Implementation of Audit Recommendations	Follow-up
Community Led Delivery		Audit Advice
Partnerships/Whole Place	Whole Place/Community Governance	New Audit
Partnerships/Whole Place		Audit Advice
Local Democracy	Members' Expenses & Allowances	New Audit
Local Democracy		Audit Advice
Scrutiny		Audit Advice

Draft Internal Audit Plan, 2017/18

Directorate/Department: Operations

Service Area	Subject	Type of Audit
Passenger Transport Unit	Monitoring Implementation of Audit Recommendations	Follow-up
Passenger Transport Unit		Audit Advice
SWTRA & Street Lighting	SWTRA Agreement	New Audit
SWTRA & Street Lighting		Audit Advice
Transport	Fuel Cards	Completion of Work in Progress
Transport	Monitoring Implementation of Audit Recommendations	Follow-up
Transport		Audit Advice
Property Services & Facilities	School Meals System (Parent Pay)	New Audit
Property Services & Facilities	Procurement	New Audit
Property Services & Facilities	Monitoring Implementation of Audit Recommendations	Follow-up
Property Services & Facilities		Audit Advice
Waste & Street Operations	Monitoring Implementation of Audit Recommendations	Follow-up
Waste & Street Operations		Audit Advice
Traffic Network	Kerbcraft	New Audit
Traffic Network	Streetworks	New Audit
Traffic Network		Audit Advice
Highways Operations		Audit Advice
Infrastructure Projects		Audit Advice

Draft Internal Audit Plan, 2017/18

Directorate/Department: Resources

Service Area	Subject	Type of Audit
People & Information Governance	Payroll	New Audit
People & Information Governance	Attendance Management	New Audit
People & Information Governance	Payroll 2016/17	Finalisation of Report
People & Information Governance	HR Policy Review	Finalisation of Report
People & Information Governance	Monitoring Implementation of Audit Recommendations	Follow-up
People & Information Governance		Audit Advice
Digital & Technology	Loan Laptops	New Audit
Digital & Technology	Monitoring Implementation of Audit Recommendations	Follow-up
Digital & Technology		Audit Advice
Finance	Creditor Payments System	New Audit
Finance	Procurement Cards	Completion of Work in Progress
Finance	Corporate Sundry Debtors	New Audit
Finance	Cashiers	New Audit
Finance	Budgetary Control	New Audit
Finance	NDR Transitional Reliefs	New Audit
Finance	Council Tax & NDR Systems	Finalisation of Report
Finance	Suspense Control & Holding Accounts	Finalisation of Report
Finance	Monitoring Implementation of Audit Recommendations	Follow-up
Finance		Audit Advice

Draft Internal Audit Plan, 2017/18

Directorate/Department: Social Care & Health

Service Area	Subject	Type of Audit
Integrated Services	Section 117 Mental Health Act	New Audit
Integrated Services	Social Services Wellbeing Act - Outcomes framework	New Audit
Integrated Services	My Day My Life	Follow-up
Integrated Services	Supporting People Grant	Grant Claim Audit
Integrated Services	Monitoring Implementation of Audit Recommendations	Follow-up
Integrated Services		Audit Advice
Children's Services	External Placements	Follow-up
Children's Services	Monitoring Implementation of Audit Recommendations	Follow-up
Children's Services		Audit Advice
Public Protection	Health & Safety	New Audit
Public Protection	Licensing	Finalisation of Report
Public Protection	Monitoring Implementation of Audit Recommendations	Follow-up
Public Protection		Audit Advice
Social Services Finance Unit		Audit Advice

Draft Internal Audit Plan, 2017/18

Directorate/Department: Corporate Audits

Service Area	Subject	Type of Audit
Cross Cutting	National Fraud Initiative	New Audit
Cross Cutting	Annual Governance Statement	New Audit
Cross Cutting	Counter Fraud Arrangements	New Audit
Cross Cutting	Wellbeing of Future Generations Act	New Audit
Cross Cutting	IT Procurement	Completion of Work in Progress
Cross Cutting	Risk Management	Finalisation of Report
Cross Cutting	Capital Receipts	Finalisation of Report
Cross Cutting	Capital Programme	Finalisation of Report
Cross Cutting	Volunteering 2016/17	Finalisation of Report
Cross Cutting	Mobile Phones 2016/17	Finalisation of Report
Cross Cutting	Compliance with Bribery Act 2016/17	Finalisation of Report
Cross Cutting	Safeguarding Arrangements	Follow-up
Cross Cutting	Compliance with Bribery Act	Follow-up
Cross Cutting	Volunteering	Follow-up
Cross Cutting	Mobile Phones	Follow-up
Cross Cutting	Monitoring Implementation of Audit Recommendations	Follow-up
Cross Cutting	Future Monmouthshire	Audit Advice

SUBJECT	RESERVE USAGE OUTTURN FORECAST 2016/17
DIRECTORATE	Chief Executive's Unit
MEETING	Audit Committee
DATE	16th March 2017
DIVISIONS/WARD AFFECTED	All Authority

1 PURPOSE

- 1.1 To appraise audit members of the prospective reserve usage in conjunction with continuing to highlight the revised reserves protocol endorsed by Cabinet in July.
- 1.2 A periodic focus by Audit Committee on reserve usage is important due to
- Future funding gap and continuing low settlements
 - Pressures arising from such issues as increasing demand, new and changing legislation, changes in the wider economy and hard to predict events.
 - Grant funding streams being reduced or stopped at short notice
 - Capital receipts and other income streams not being achieved
 - Saving proposals not being delivered and increased demand on services leading to overspends

2 REVISED RESERVES PROTOCOL

- 2.1 The detailed report received by Cabinet in July was prompted by;
- Faster than expected use of earmarked reserves over the last 4 year period
 - Limited opportunities to replenish reserves from in year underspends as budgets get tighter
 - Limited opportunities to redistribute reserves as various reserves are used up
 - Risks around the on-going austerity measures, the projected gap in the MTFP and the lack of clarity on the Authority's future business model or longer term financial plan to respond to this, notwithstanding the work recently commenced around 'Future Monmouthshire'.
 - Huge commitment of capital resources to Future Schools
 - The need for reserves to work harder
 - The need to consider some issues as requiring base budgets rather than continued funding from reserves e.g. redundancy costs are unfortunately going to be an ongoing feature of expense for the Authority every year.

3 RESERVE ACTIVITY

3.1 The Council has unallocated reserves in the form of Council fund balance and school reserves. At the end of 2015-16 the unallocated reserve amounted to,

	2015/16 c/fwd	Activity Month 9 monitoring	Forecast 2016/17 outturn
	£'000	£'000	£'000
Council Fund	(7,111)	(79)	(7,190)
School reserves	(1,156)	1,080	(76)
Total	(8,267)	1,001	(7,266)

3.2 Revenue and Capital monitoring reflects an approved use of earmarked reserves. These are reserves created for specific purposes. Whilst commonly managers will assume full reserve usage of amounts previously approved, as the year proceeds there are some likely deferrals in use identified together with an increased call upon reserves which account for the net difference in budgeted use of reserves against actuals in Appropriations section of financial monitoring. These variances are,

Reduced call upon reserves

- Innovations & marketing officer contribution £44k (deferral)
- Innovations & marketing CYP £60k (deferral)
- Eisteddfod Community fundraising backstop £72.3k (no longer required)
- LDP expenditure contribution £100k (deferral)
- RDP expenditure contribution £62.7k (deferral)
- Social Care & health Leadership review £35k (deferral)
- Elections expenditure contribution £100k (deferral)

Total £474k

Increased call upon reserves

- Digital Programme Officer (£60.5K)
- Payroll / Human Resources Restructure (£25k)

Total £85.5k

Net £387k

3.3 In addition the following 2 items are a caveated use of reserves.

- Pension strain costs (£101k) reflection increased redundancies
- Industrial Tribunal Costs (£318k) is forecasted to be drawn if costs cannot be contained within overall annual budget

The distinction between caveated use of reserves and approved use of reserves is that an approved use of reserves is included in the reserve forecast below where as a caveated use wouldn't normally be. This is because a caveated use merely means that

there may be an additional reserve call at outturn depending upon whether the bottom line position has been sufficient to absorb such.

3.4 Other than the pension strain costs above (which is not an unusual volatility) and will be commonly addressed longer term in a revision to future annual budgets, no additional reports since period 3 have been approved by Members that recommend a use of reserves.

3.5 The following predicted position reflects capital and revenue presumptions evident in period 3 (month 9) monitoring.

Summary Earmarked Reserves Forecast 2016-17						
Earmarked Reserves	2015-16	Revenue Approved Usage		Capital Usage	2016-17	Additional Caveated Use of reserves
	b/fwd	Replenishment of reserves	Draw upon reserves		c/fwd	
Invest to Redesign	-1,298,155	-72,508	459,644	62,797	-848,222	
IT Transformation	-826,835		60,500	238,862	-527,473	
Insurance & Risk Management	-1,236,396				-1,236,396	
Capital Receipt Regeneration	-322,361		95,376		-226,985	
Treasury Equalisation	-990,024				-990,024	
Redundancy & Pensions	-1,274,256		592,521		-681,735	101,000
Capital Investments	-1,264,599			586,168	-678,431	
Priority Investments	-1,120,069		808,861		-311,208	318,000
Museum Acquisitions	-56,760				-56,760	
Elections	-108,183	-25,000			-133,183	
Grass Routes Buses	-139,703	-5,000			-144,703	
Sub Total	-8,637,341	-102,508	2,016,902	887,827	-5,835,120	419,000
Restricted Use Reserves					0	
Youth Offending Team	-325,000				-325,000	
Building Control Trading	-12,008				-12,008	
Outdoor Education Centres	-190,280				-190,280	2,753
CYP Maternity	-104,000				-104,000	
Total Earmarked Reserves	-9,268,629	-102,508	2,016,902	887,827	-6,466,408	421,753

- 3.5 In addition to this and being consistent with the need to provide a 4 year medium term financial plan, the prediction of earmarked reserve levels over the next 4 years built upon existing approvals is as follows

Financial Year ending	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000
Earmarked Reserves					
Invest to Redesign Reserve	(1,298)	(850)	(658)	(781)	(893)
IT Transformation Reserve	(827)	(527)	(457)	(457)	(457)
Insurances & Risk Management Reserve	(1,236)	(1,236)	(1,236)	(1,236)	(1,236)
Capital Receipt Generation Reserve	(322)	(227)	(105)	(105)	(105)
Treasury Equalisation Reserve	(990)	(990)	(990)	(990)	(990)
Redundancy and Pensions Reserve	(1,274)	(682)	(383)	(219)	(131)
Capital Investment Reserve	(1,265)	(678)	(618)	(606)	(594)
Priority Investment Reserve	(1,120)	(311)	569	569	569
Museums Acquisitions Reserve	(57)	(57)	(57)	(57)	(57)
Elections Reserve	(108)	(133)	(58)	(83)	(108)
Grass Routes Buses Reserve	(140)	(145)	(150)	(155)	(160)
Restricted Use Reserves	(631)	(631)	(631)	(631)	(631)
Sub Total Earmarked Reserves	(9,269)	(6,469)	(4,776)	(4,753)	(4,795)

- 3.6 In the final budget report to Cabinet it was reported that the Priority Investment reserve will need to be replenished at the end of 2016/17. This is so that we can assess the outturn position and any opportunity to either not use the reserves or replenish with any underspend delivered.

4 REASONS

- 4.1 To comply with best practice regarding the management and review of earmarked reserves and the Financial Procedure Rules within the Authority's constitution.

5 RESOURCE IMPLICATIONS

- 5.1 There is an immaterial level of reserve replenishment built into the annual budget, and by necessity Head of Finance considers the replenishment of specific reserves where year end surpluses result. As a result Invest to Redesign, Redundancy and to a lesser extent IT reserve received a contribution at end of 2015/16.
- 5.2 Currently the month 9 outturn forecast exhibits an outturn forecast of £79,000 surplus, which is a little unusual for month 9. The presumption is that credit would affect general reserve balance but it could, as part of Head of Finance outturn consideration, instead involve a small replenishment of earmarked reserves at end of 2016/17.
- 5.3 As a financial planning assumption, the level of general reserves should be between 4% - 6% of net expenditure. Based on a budgetted net expenditure before financing of £148.7 million, the anticipated outturn forecast reserve level equates to 4.8%, which is very much towards the bottom end of acceptable levels.
- 5.4 Earmarked reserves remain at limited levels unlikely to provide any material capacity/headroom to meet unanticipated volatility or significantly facilitate future

service re-engineering and design consequential with setting an annual budget that involves generating circa £5million savings annually.

6 EQUALITY AND SUSTAINABLE DEVELOPMENT IMPLICATIONS

- 6.1 The decisions highlighted in this report have no direct equality implications. A sensible and robust reserve usage strategy does however underpin sustainability of the organisation.

7 CONSULTEES

Strategic Leadership Team
All Cabinet Members
All Select Committee Chairman
Head of Legal Services
Head of Finance

8 BACKGROUND PAPERS

None

9 AUTHOR

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10 CONTACT DETAILS

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**SUBJECT: MONMOUTHSHIRE CC
ANTI FRAUD, BRIBERY AND CORRUPTION
POLICY STATEMENT**

**DIRECTORATE: Chief Executive
MEETING: Audit Committee
DATE: 16th March 2017
DIVISION/WARDS AFFECTED: All**

1. PURPOSE

To receive and consider the Council's updated and revised Anti Fraud, Bribery and Corruption Policy Statement.

2. RECOMMENDATION(S)

That the Audit Committee provides comment before endorsing the revised Anti Fraud, Bribery and Corruption Policy Statement prior to Cabinet and Council approval.

3. KEY ISSUES

- 3.1 The previous Anti Fraud, and Corruption Statement was approved by Cabinet and then Council in 2011. In line with good practice this Policy should be reviewed and updated periodically. This is the first review and update since it was approved. The revised Policy Statement is shown at Appendix 1.
- 3.2 Monmouthshire Council is one of the largest organisations in the County. The Council controls millions of pounds of public money and takes very seriously the high expectations of the public and the degree of scrutiny to which the affairs of the Council are subject.
- 3.3 Good Corporate Governance requires that the Authority must demonstrate clearly that it is firmly committed to dealing with fraud and corruption and will deal equally with perpetrators from inside (Members and employees) and outside the Council. In addition there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not.
- 3.4 This policy statement embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and the steps to be taken if such action occurs.

3.5 It incorporates The Fraud Act 2006 which defines fraud through three key offences, provides a definition of corruption and takes account of The Bribery Act 2010 where there are four key offences.

3.6 The maximum sentence is 10 years imprisonment when found guilty of Fraud and / or Bribery, with the potential of an unlimited fine when found guilty of Bribery.

4 REASONS

4.1 In line with good practice and sound governance arrangements, the Council's Anti Fraud, Bribery and corruption policy has been updated to incorporate The Fraud Act 2006 and The Bribery Act 2010.

5 RESOURCE IMPLICATIONS

None.

6 CONSULTEES

Head of Finance
Senior Leadership Team

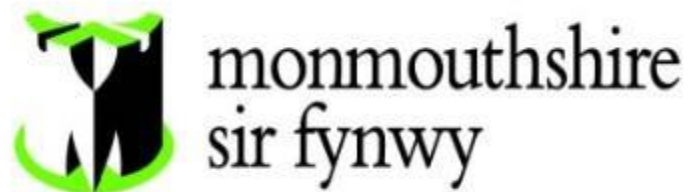
7 BACKGROUND PAPERS

Fraud Act 2006
The Bribery Act 2010
Monmouthshire Anti-fraud & Corruption Policy 2011

8 AUTHOR AND CONTACT DETAILS

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MONMOUTHSHIRE COUNTY COUNCIL:



ANTI FRAUD, BRIBERY & CORRUPTION STRATEGY POLICY STATEMENT

Version: Draft 01
Date: 28th Feb 2017
Author: Andrew Wathan, Chief Internal Auditor

1. Introduction

1.1 Good Corporate Governance requires that the Authority must demonstrate clearly that it is firmly committed to dealing with fraud and corruption and will deal equally with perpetrators from inside (Members and employees) and outside the Council. In addition there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not. This policy statement, however, will not compromise the Council's Strategic Equality Plan and Objectives, the requirements of the Human Rights Act 1998 or the Council's Regulation of Investigatory Powers Act (RIPA) Policy.

1.2 This policy statement embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and the steps to be taken if such action occurs. For ease of understanding it is separated into five areas as below:-

Culture	Section 3
Prevention	Section 4
Deterrence	Section 5
Detection and Investigation	Section 6
Training	Section 7

1.3 The Council is also aware of the high degree of external scrutiny of its affairs by a variety of bodies including:

- Public Services Ombudsman for Wales
- Wales Audit Office
- Central Government Departments and Parliamentary Commissions
- Her Majesty's Revenue & Customs
- The Department for Work & Pensions
- National Assembly and Welsh Government

2. What is Fraud and Corruption ?

Fraud

2.1. The Fraud Act 2006 defines fraud through three key offences:

- ***Fraud by false representation*** – where a person dishonestly makes a false representation and intends by making the representation, to make a gain for himself or another or to cause or expose the risk of loss to another;
- ***Fraud by failing to disclose information*** – where a person has dishonestly failed to disclose to another person information which he is under a legal duty to disclose; and intends by failing to do so, to make a gain for himself or another; or to cause or expose another to the risk of loss; and

ANTI-FRAUD, BRIBERY & CORRUPTION STRATEGY POLICY STATEMENT

- **Fraud by abuse of position** – where a person occupies a position in which he is expected to safeguard or not to act against the financial interests of another; dishonestly abuses that position with the intention to make a gain for himself or another or to cause or expose the risk of loss to another.

2.2. It also creates new offences:

- Obtaining services dishonestly
- Possessing, making and supplying articles for use in frauds
- Fraudulent trading applicable to non- corporate traders.

2.3. The maximum sentence is 10 years imprisonment.

2.4. The Act largely replaces the laws relating to obtaining property by deception, obtaining a pecuniary advantage and other offences that were created under the Theft Act 1978.

Corruption

2.5. There is no universally accepted definition of corruption, although the World Bank defines it as '*offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party*'.

2.6. Corruption is often associated with the act of bribery. The Bribery Act 2010 identifies four key criminal offences:

- **Bribing another person** - A person commits an offense by offering, promising or giving a financial or other advantage to another person, directly or through an intermediary: intending that advantage to induce a person to perform improperly a Function or to reward a person for so doing (whether or not it is the same person to whom the advantage is offered) or knowing or believing that accepting the advantage would itself be improper performance of a Function;
- **Being bribed** - A person commits this offence by requesting, agreeing to receive or accepting a financial or other advantage, directly or through a third party, for his or her own or someone else's benefit: that person intends that, as a consequence, there is improper performance of a Function (whether as a reward, in anticipation of or as a consequence of the request, agreement or acceptance). The request, agreement or acceptance itself may be the improper performance of a Function;
- **Bribery of a Foreign Public Figure** – This offence will be committed if a person offers or gives a financial or other advantage to a foreign public official with the intention of influencing the foreign public official and obtaining or retaining business, where the foreign public official was neither permitted nor required by written law to be so influenced; and

ANTI-FRAUD, BRIBERY & CORRUPTION STRATEGY POLICY STATEMENT

- **Failing to prevent Bribery** – An organisation is “strictly liable” for any bribe paid by a person performing services on its behalf, unless the organisation proves that adequate anti-bribery procedures were in place.
- 2.7. The maximum penalty for the offences is 10 years' imprisonment and/or an unlimited fine. For the "failure to prevent" offence, the fine alone applies.
- 2.8. The Bribery Act 2010 replaces the fragmented and complex offences at common law and in the Prevention of Corruption Acts 1889-1916.

3. Culture

- 3.1. The culture of the Council has always been embedded in the core values of Openness, Fairness, Flexibility & Teamwork support this. The culture therefore supports the opposition to fraud and corruption.
- 3.2. The prevention/detection of fraud, bribery and corruption and the protection of the public purse are responsibilities of everyone, both internal and external to the organisation. There is an expectation and requirement that all individuals and organisations associated with the Council will act with integrity and that elected Members and Employees at all levels will lead by example. All aspects of this Policy must be complied with and the Council will maintain a zero tolerance culture to fraud and corruption.
- 3.3. The Council's elected Members and employees play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud and corruption, immaterial of seniority, rank or status. The public also has a role to play in this process and should inform the Council if they feel that fraud/corruption may have occurred.
- 3.4. Concerns must be raised when members, employees or organisations associated with the Council reasonably believe that one or more of the following has occurred, is in the process of occurring or is likely to occur:
- A criminal offence;
 - A failure to comply with a statutory or legal obligation;
 - Improper or unauthorised use of public or other official funds;
 - A miscarriage of justice;
 - Misconduct or malpractice;
 - Deliberate concealment of any of the above
- 3.5. Concerns must be raised, in the first instance, directly with the Supervisor/Business Unit Manager/Head Teacher/Head of Establishment or if necessary, anonymously (letter, telephone) and via other routes:-
- Chief Executive, Chief Officers, Heads of Service, or the Council's Monitoring Officer, who will report such concerns to the Chief Internal Auditor;

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- Directly to the Chief Internal Auditor;
 - Where line management is suspected of fraud, directly to Head of Service or Chief Internal Auditor;
 - External Auditor, who depending upon the nature of the concern will liaise with the Chief Internal Auditor;
 - Trade Union Representative.
- 3.6.** This can be done in the knowledge that such concerns will be treated in the strictest confidence and be properly investigated.
- 3.7.** The Council also has a *Whistleblowing Policy* to ensure the highest possible standards of openness probity and accountability. The Council will ensure that any allegations received in any way, including by anonymous letters or telephone calls, will be taken seriously and investigated in an appropriate manner.
- 3.8.** The Council will deal firmly with those who defraud the Council or who are corrupt, or where there has been financial malpractice. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as employees/Members raising malicious allegations) may be dealt with as a disciplinary matter (employees) or through the Standards Committee (Members).
- 3.9.** When fraud and corruption has occurred due to a breakdown in the Council's systems or procedures, Heads of Service will ensure that appropriate improvements in systems of control are implemented in order to prevent a recurrence.

4. Prevention

Elected Members

- 4.1.** As elected representatives, all Members of the Council have a duty to the Citizens of the County to protect the Council and public money from any acts of fraud, bribery and corruption.
- 4.2.** This is done through adherence to the Anti-Fraud, Bribery and Corruption Policy Statement, as well as compliance with the Council's Code of Conduct for Members, the Council's Constitution, including Financial Regulations and Contract Standing Orders, and relevant legislation.
- 4.3.** Elected Members sign to the effect that they have read and understood the Code of Conduct for Members when they take office. Conduct and ethical matters are specifically brought to the attention of Members during induction and include the declaration and registration of interests. The Head of Legal Services will advise Members of new legislative or procedural requirements.

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Employees

The Role of the Head of Finance

- 4.4. The Head of Finance has been designated the statutory responsibilities of the Finance Director as defined by s151 of the Local Government Act 1972. These responsibilities outline that every local authority in England & Wales should:

“make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of those affairs”.

- 4.5. Under the Head of Finance responsibilities, proper administration encompasses all aspects of local authority financial management including:

- Compliance with the statutory requirements for accounting and internal audit;
- Ensuring the Authority’s responsibility for ensuring proper administration of its financial affairs;
- The proper exercise of a wide range of delegated powers both formal and informal;
- The responsibility for managing the financial affairs of the local authority in all its dealings; and
- The recognition of the fiduciary responsibility owed to local tax payers.

- 4.6. Under these statutory responsibilities the Head of Finance contributes to the Anti-Fraud, Bribery and Corruption framework of the Council.

The Role of Managers

- 4.7. Managers at all levels are responsible for the communication and implementation of this strategy in their work area. They are also responsible for ensuring that their employees are aware of the Council’s policies and procedures, the Council’s Financial Procedure Rules and Contract Procedure Rules and that the requirements of each are being met in their everyday business activities. In addition, managers must make their employees aware of the requirements of the Employee Code of Conduct through the induction process.

- 4.8. Managers are expected to create an environment in which their officers feel able to approach them with any concerns they may have about suspected irregularities. Where they are unsure of the procedures they must refer to the information on the Intranet site or seek advice from appropriate senior managers.

- 4.9. Special arrangements will apply where employees are responsible for cash handling or are in charge of financial systems and systems that generate payments, for example payroll, creditor payments or the Revenues

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computer system. Managers must ensure that relevant training is provided for all employees.

- 4.10.** The Council recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts and agency staff. The Council's formal recruitment procedure contains appropriate safeguards in the form of written references, the verification of qualifications held and employment history. As in other public bodies Disclosure and Barring Service (DBS) checks are undertaken for employees / volunteers working with or who may have contact with children or vulnerable adults.

Responsibilities of Employees

- 4.11.** Each employee including agency and volunteer staff is governed in their work by the Council's Contract Procedure Rules and Financial Procedure Rules, Employee Code of Conduct and other policies on conduct Health, Safety and Welfare Policy, Information Management Policy and Information Security Policy, etc.). Included in the Council policies are guidelines on gifts and hospitality, and codes of conduct associated with professional and personal conduct and conflict of interest. These are issued to all employees when they join the Council and are available to all on the Intranet or from their line manager.
- 4.12.** Employees are responsible for ensuring that they follow the instructions given to them by management, particularly in relation to the safekeeping of the assets of the Authority. These will be included in induction training and procedure manuals.
- 4.13.** Employees are expected always to be aware of the possibility that fraud, bribery, corruption and theft may exist in the workplace and be able to share their concerns with management. If for any reason, they feel unable to speak to their manager they must refer the matter to one of those named above in section 3.5.

Contractors and Third Party Organisations

- 4.14.** There are joint ventures, partnerships and contracted work carried out on behalf of the Authority. As an organisation, it should be ensured that third party organisations should have a similar culture and approach as the Authority in tackling fraud, bribery and corruption.
- 4.15.** Members and officers should ensure that partner organisations have appropriate mechanisms in place to prevent, detect, deter and investigate where necessary any concerns raised in relation to fraud and corruption.
- 4.16.** Members and officers including officers working for contractors and third party organisations should be able to raise any concerns through the mechanisms identified in 3.5. The Council has a duty to notify the relevant organisations, Government Agencies and take action where appropriate to investigate any concerns raised.

Conflicts of Interest

4.17. Both elected Members and employees must ensure that they avoid situations where there is a potential for a conflict of interest. Such situations can arise with externalisation of services, internal tendering, planning and land issues etc. Effective role separation will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information.

Official Guidance

4.18. In addition to Financial Procedure Rules and Contract Procedure Rules, service areas may have their own procedures to prevent and deter fraud. There may also be audit reports, which recommend methods to minimise risks and losses to the Authority. Managers and employees must be made aware of these various sources of guidance and alter their working practices accordingly.

Role of Internal Audit

4.19. Internal Audit plays a vital preventative role in trying to ensure that systems and procedures are in place to prevent and deter fraud, bribery and corruption. Internal Audit investigates all employee cases of suspected financial irregularity, fraud or corruption, except Benefit fraud investigations (see below), in accordance with agreed procedures. Within the Financial Procedure Rules in the Constitution, representatives of Internal Audit are empowered to:

- Enter at all reasonable times any Council premises or land;
- Have access to all records, documentation and correspondence relating to any financial and other transactions as considered necessary;
- Have access to records belonging to third parties such as contractors when required;
- Require and receive such explanations as are regarded necessary concerning any matter under examination;
- Require any employee of the Council to account for cash, stores or any other Council property under his/her control or possession;
- Internal Audit liaises with management to recommend changes in procedures to reduce risks and prevent losses to the Authority.

The Role of the Shared Benefits Service and the Single Fraud Investigation Service (Department for Work and Pensions)

4.20. The administration of Housing Benefits and the Council Tax Reduction Scheme in Monmouthshire is undertaken by the Shared Benefits Service, operated by Torfaen CBC. The Service investigates suspected frauds in the Council Tax Reduction Scheme and refers suspicions in respect of Housing Benefits and other Benefits to the DWP's Single Fraud

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Investigation Team, in accordance with legislation and agreed codes of conduct. In cases where Council employees are involved, the Shared Benefits Service will work with Internal Audit, People Services and appropriate senior management to ensure that correct procedures are followed and that this Policy is adhered to.

The Role of the External Auditor

- 4.21.** Independent external audit is an essential safeguard of the stewardship of public money. The Wales Audit Office (including any associated third party external audit partners) are responsible for this through specific reviews that are designed to test (amongst other things) the adequacy of the Council's financial systems and arrangements for preventing and detecting fraud, bribery and corruption. It is not the external auditors' function to prevent fraud and irregularities, but the integrity of public funds is at all times a matter of general concern. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice. The external auditor has a responsibility to review the Council's arrangements for preventing and detecting fraud and irregularities, and arrangements designed to limit the opportunity for corrupt practices.
- 4.22.** Where external audit is required to undertake an investigation they will operate within legislation and their own codes of conduct.

Co-operation with Others

- 4.23.** As appropriate, arrangements will be made to encourage the exchange of information between the Council and other agencies on national and local fraud and corruption activity in relation to local authorities. These include :
- Police
 - Local Authority Financial Organisations
 - Internal Auditor Networks
 - Wales Audit Office
 - Other councils
 - Central and local government partners;
 - National Anti-Fraud Network.
 - National Fraud Initiative
 - Action Fraud
 - CIFAS
 - National Fraud Intelligence Bureau

The Role of the Public

- 4.24.** This Policy, although primarily aimed at those within or associated with the Council, enables concerns raised by the public to be investigated, as appropriate, by the relevant person in a proper manner.

5. Deterrence

5.1. There are a number of ways to deter potential fraudsters from committing or attempting fraudulent or corrupt acts, whether they are inside and/or outside of the Council, and these include:

- Publicising the fact that the Council is firmly set against fraud and corruption and states this at every appropriate opportunity e.g. clause in contracts, statements on benefits claim forms, website, publications etc.
- Acting robustly and decisively when fraud and corruption are suspected and proven e.g. the termination of contracts, dismissal, prosecution, reporting employee to their professional body etc.
- Taking action to effect the maximum recoveries for the Council e.g. through agreement, court action, penalties, under Proceeds of Crime Act etc.
- Having sound internal control systems, that still allow for innovation, whilst at the same time minimising the opportunity for fraud and corruption.
- The operation and advertising of a Benefit Fraud Hotline and formal arrangements for whistleblowing.
- Publicising instances of fraud/corruption and the resultant disciplinary/prosecution action for cases both within the Council and for other public organisations.

6. Detection and Investigation

6.1. Internal Audit plays an important role in the detection of fraud, bribery and corruption. Included in their strategic plan are reviews of system controls including financial controls and specific fraud and corruption tests and auditors will, on occasions, make spot checks and unannounced visits.

6.2. In addition to Internal Audit, there are numerous systems and management controls in place to deter fraud and corruption but it is often the vigilance of employees and members of the public that aids detection. The Council's *Whistleblowing Policy* is intended to encourage and enable staff to raise their concerns.

6.3. In some cases frauds are discovered by chance or "tip-off" and arrangements are in place to enable such information to be properly dealt with.

6.4. The Council takes part in the National Fraud Initiative which is co-ordinated by Internal Audit.

6.5. All suspected irregularities are required to be reported (verbally or in writing) to one of the officers identified at 3.5. This is essential to the strategy and:

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- Ensures the consistent treatment of information regarding fraud and corruption; and
- Facilitates a proper and thorough investigation by an experienced audit team or appropriate officer, in accordance with agreed procedures.

6.6. This process will apply to all the following areas:

- a) fraud/corruption by elected Members;
- b) internal fraud/corruption;
- c) other fraud/corruption by Council employees;
- d) fraud by contractors and/or partnership employees;
- e) external fraud (the public)

6.7. Cases under d) and e) where necessary would be referred to the external auditor or Police. Cases under (a) in respect to the Code of Conduct for Members will be referred to the Public Services Ombudsman for Wales in addition to the External Auditor and/or the Police. Cases under b) and c) may be dealt with under the Council's disciplinary procedures and / or referred to the Police.

6.8. Any decision to refer a matter to the Police will require the involvement of the Head of Finance, the Monitoring Officer, Chief Internal Auditor and the relevant Head of Service or, in their absence of any of these Officers, their nominated representatives. In these circumstances, it will be the responsibility of the Chief Internal Auditor to call a formal meeting of these officers to discuss the appropriate course of action. Any referral to the Police must be agreed by the relevant Chief Officer or Head of Service.

6.9. Depending on the nature of an allegation under b) to e), the Chief Internal Auditor will normally work closely with the Head of Service concerned to ensure that all allegations are thoroughly investigated and reported upon.

6.10. The Council's disciplinary policies will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees. The processes as outlined in paragraph 3.8 will cover Members.

7. Awareness & Training

7.1. The Council recognises that the continuing success of this Policy and its general credibility will depend in part on the effectiveness of training and awareness for members and employees. The Policy is an integral part of the induction programme.

7.2. To facilitate this, the Council supports the provision of training programmes and circulation of relevant information to ensure that responsibilities and duties in this respect are regularly highlighted and reinforced. This includes the requirement for information to be provided to third parties providing services to and on behalf of the Council.

7.3. Specialist training in fraud and corruption issues will also be given to appropriate staff involved in investigation work.

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- 7.4.** Internal Audit will publicise the Anti-Fraud, Bribery and Corruption Policy on the Intranet with other up to date advice and guidance on current issues and will facilitate fraud awareness training to staff as and when required.

8. Conclusion

- 8.1.** The Council has always prided itself on setting and maintaining high standards and a culture of openness, with core values Openness, Fairness, Flexibility and Teamwork. This Policy fully supports the Council's desire to maintain an honest authority, free from fraud and corruption.
- 8.2.** The Council has in place a network of systems and procedures to assist it in dealing with fraud and corruption when it occurs. It is determined that these arrangements will keep pace with any future developments in both preventative and detection techniques regarding fraudulent or corrupt activity that may affect its operation.
- 8.3.** The Council will maintain a continuous review of all these systems and procedures through Internal Audit.
- 8.4.** This policy statement will be reviewed on a regular basis, with a maximum of three years between each review.

February 2017



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

2017 Audit Plan – **Monmouthshire County Council**

Audit year: 2016-17

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

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2017 Audit Plan

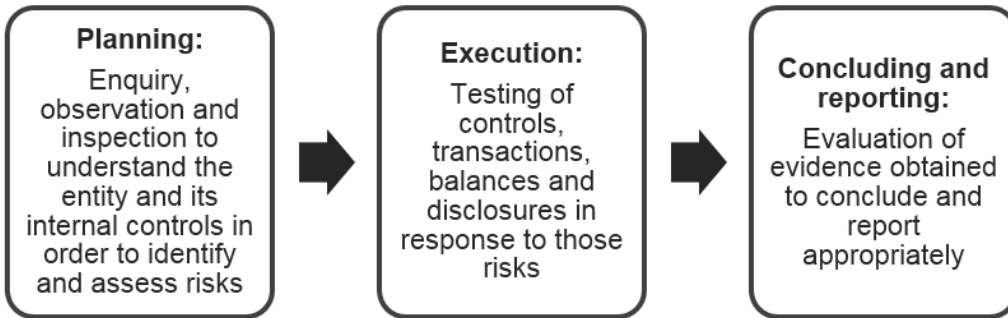
Summary

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

Audit of accounts

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

Exhibit 1: my audit approach



9 The risks of material misstatement which I consider to be significant and which therefore require special audit consideration, are set out in [Exhibit 2](#), along with the work I intend to undertake to address them.

Exhibit 2: financial audit risks

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

Financial audit risk	Proposed audit response
<p>Risk of Misstatement</p> <p>Risk of material misstatement in the financial statements arising from error or omission of transactions, balances and disclosure.</p>	<p>On receipt of the 2016-17 draft financial statements, my audit team will undertake a review of the statements and update our risk assessment accordingly.</p> <p>We will design audit testing programmes to focus our work on material balances and transactions and any additional financial statement risks that arise following our review of the draft financial statements.</p>
<p>Accounts Preparation</p> <p>The preparation of the Statement of Accounts will involve the estimation of a number of account figures such as provisions for the Council's liabilities.</p>	<p>My audit team will review:</p> <ul style="list-style-type: none"> • the annual assessment made by officers of the basis on which estimates are made and revised in line with the latest information; and • documentation held to support estimates derived and judgements made, and refer to papers provided in support of them. <p>We will also ensure that appropriate accounting and disclosure requirements are included within the financial statements.</p>
<p>Sensitive Disclosures</p> <p>The Council's 2016-17 financial statements will include a number of disclosures which are material by nature. These include the disclosure of Related Parties, Senior Officer's Remuneration and Members' Allowances.</p>	<p>My audit team will review all notes and disclosures that are material by nature and will substantively test these to ensure that they are consistent with supporting evidence and all required disclosures are made in line with the Code of Practice on Local Authority Accounting.</p>
<p>Joint Progress Document (JPD)</p> <p>A number of issues were identified during our 2015-16 audit which the Council agreed to address for 2016-17 including:</p> <ul style="list-style-type: none"> • classification of Creditor balances; • retention of payroll records; • transferring legal title of Osbaston School; • ensuring Agency income and Expenditure is excluded from the financial statements; • cash flow statement is supported by comprehensive working papers; and • removal of assets held under operating leases from the fixed asset register. 	<p>My audit team will follow up the progress made by the Council in addressing the issues raised within the Joint Progress Document.</p>

Financial audit risk	Proposed audit response
<p>Cardiff Capital Region City Deal</p> <p>City deals are arrangements negotiated with government that give greater accountability for actions in return for new powers to help encourage growth and jobs. The Cardiff Capital Region City Deal (the City Deal) involves ten South Wales' local authorities. The City Deal was ratified by all participating authorities, including Monmouth Council, on 1 March 2017.</p> <p>The authorities have established a joint committee (the Regional Cabinet) to oversee delivery of a range of programmes designed to increase connectivity and to improve physical and digital infrastructure over the course of 20 years. The City Deal includes funding of £734 million for the South Wales Metro, of which over £500 million is provided by the Welsh Government and £125 million from the UK Government. In addition, the UK Government has provided a £375 million contribution, and the ten local authorities have agreed a commitment to borrow a combined total of £120 million as part of the Wider Investment Fund.</p> <p>This significant programme will have financial, governance and delivery risks that need to be managed. There will also be a number of accounting issues to address.</p>	<p>Liaising closely with the Council and the external auditors of the other nine Local Authorities, my audit team will monitor progress with the City Deal project and carry out early work, as necessary, to assess the existing and proposed financial and governance arrangements. We will also take into account the work undertaken by HM Treasury to scrutinise the effectiveness of the region's governance arrangements.</p>

Financial audit risk	Proposed audit response
<p>Early Closing of year end accounts</p> <p>The current deadlines for the production and audit of Local Government bodies' accounts are 30 June and 30 September respectively. The Welsh Government will be bringing these dates forward to 31 May and 31 July over the next few years in all local government bodies, with full compliance by the 2020/21 financial year. Whilst the earlier deadlines may seem like a distant challenge, the scale of the changes required for the Council and ourselves means that planning needs to start now.</p>	<p>We are working with the Council and have already 'brought forward' a range of audit work so that it is completed earlier in the audit cycle. This is part of our working together to the earlier accounts closure deadlines. The Council is expecting to have its accounts ready for audit by the end of May and a full set of working papers shortly afterwards. In order to close the accounts earlier it will be necessary in some areas to base figures on 'estimates' and we will audit the basis of these estimates and the basis of any assumptions made to ensure there are not likely to be any material differences that may affect the accuracy of the accounts. We have also produced an updated 'Audit Deliverables' document so that both the Council and ourselves are both clear on what should be produced to support our audit work and to ensure that our audit progresses as smoothly and as quickly as possible. We have attached a copy of this document at Appendix 2.</p>

- 10 I do not seek to obtain absolute assurance on the truth and fairness of the financial statements and related notes, but adopt a concept of materiality. My aim is to identify material misstatements, that is, those that might result in a reader of the accounts being misled. The levels at which I judge such misstatements to be material will be reported to the Audit Committee prior to completion of the audit.
- 11 For reporting purposes, I will generally treat any misstatements below a 'trivial' level (the lower of 5% of materiality or £100,000) as not requiring consideration by those charged with governance and therefore I will not report them.
- 12 My fees are based on the following assumptions:
- information provided to support the financial statements is timely, to the quality expected and has been subject to quality assurance review;
 - appropriate accommodation and facilities are provided to enable my audit team to deliver the audit in an efficient manner;
 - all appropriate officials will be available during the audit;
 - you have all the necessary controls and checks in place to enable the Responsible Financial Officer to provide all the assurances that I require in the Letter of Representation addressed to me; and

- Internal Audit's planned programme of work is complete and management has responded to issues that may have affected the financial statements.

13 In addition to my responsibilities in respect of the audit of Monmouthshire Country Council's statutory financial statements set out above, I am also required to certify a return to the Welsh Government which provides information about Monmouthshire County Council to support preparation of Whole of Government Accounts.

Certification of grant claims and returns

- 14 I have been requested to undertake certification work on Monmouthshire County Council's grant claims and returns as set out in [Appendix 2](#). A total of 12 grant claims were audited in 2015-16 with a total value of £82.6 million. Whilst the final programme of grants and returns requiring certification for 2016-17 is yet to be finalised, I anticipate the number of claims requiring audit to be of a similar number.
- 15 My audit fee for this work is set out in [Exhibit 7](#).

Overall issues identified

- 16 [Exhibit 3](#) summarises the more significant or recurring issues I identified when undertaking grant certification work in 2015-16.

Exhibit 3: overall issues relating to grant claim and return certification

Qualified grant claims and returns qualified in 2015-16
Of the 12 claims that were certified only two were qualified and six claims were amended/adjusted to reflect changes required following our audit.
Effectiveness of grant co-ordination arrangements
The co-ordination arrangements for the compilation of grant claims are good and there were no significant areas where problems arose. The supporting working papers were of an adequate standard and, with the exception of one claim, all were certified by the required deadlines.

Other work undertaken

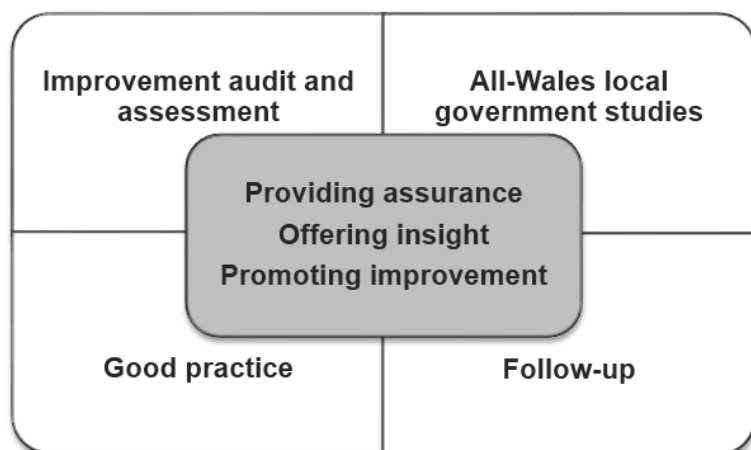
- 17 In addition to my responsibilities in respect of the audit of the statutory financial statements set out above, I am also responsible for the audit of Monmouthshire County Council Welsh Church Act Fund and the Monmouthshire Farm School Endowment Trust Fund. My team will undertake the audit of these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

- 19 You will be aware that the CIPFA/LASAAC Local Authority Accounting Code Board (Code Board) has deferred the planned move to measuring the local authority highways network asset at depreciated replacement cost. The Code Board will consider whether the central GRC rates and central assurance processes will be delivered in a timely manner to enable successful implementation in 2017-18 at its meeting in March 2017. The requirements will be introduced in the 2017-18 Code.
- 20 Any required additional audit work in relation to the highways network asset cannot be contained within existing fees. The additional audit cost will be agreed based on the quality of the Council's systems and records and the availability of central assurances. I anticipate that the additional fees related to the highways network asset will be reflected in the audit fee for 2017-18.
- 21 It will, however, be important for authorities to maintain their momentum in preparing for this significant change and may wish to engage with their external auditor as they make progress. I will discuss with you the scope of any additional preparatory work required in 2017 and any additional audit fee for such work.

Performance audit

- 22 The components of my performance audit work are shown in [Exhibit 4](#).

Exhibit 4: components of my performance audit work



- 23 Local government in Wales is going through an unprecedented period of change. Austerity continues to bite, audited bodies are required to adopt the principle of sustainable development from April 2016, and local government reform remains under consideration.
- 24 For 2017-18 the Measure will still be in place, and I will still need to examine whether authorities will meet their duty to make arrangements for continuous improvement. The challenge for me in these uncertain times is to balance my

existing, new and proposed statutory duties with the need to continue to undertake meaningful, risk-based and proportionate audits and assessments.

- 25 During 2016 I consulted with public service bodies on how I can best discharge my various duties, whilst striking the most appropriate balance and adding value by:
- providing assurance on the governance and stewardship of public money and assets;
 - offering insight on the extent to which resources are used wisely in meeting people’s needs; and
 - identifying and promoting ways by which the provision of public services may be improved.
- 26 In addition to the annual programme of audit and assessment work, the Wales Audit Office also undertakes a programme of local government studies. This work is included within the Wales Audit Office estimates for funding from the Welsh Consolidated Fund and not local fees. **Exhibit 5** summarises the present position on the current programme of studies. These studies primarily lead to a national report augmented by good practice and shared learning outputs rather than by local reports. Local findings, where relevant, will be captured in improvement assessment work and reported in annual improvement reports depending on the timing and the focus of conclusions.

Exhibit 5: local government studies

Study	Status
2015-16 studies	
Community safety	Published October 2016
Income generation and charging	Published November 2016
Council funding of third sector services	Published January 2017
2016-17 studies	
How local government manages demand	Fieldwork
Strategic commissioning	Fieldwork
Improving well-being through housing adaptations	Fieldwork

- 27 Taking all these factors into consideration, my 2017-18 programme of work will comprise:

Exhibit 6: performance audit programme

Performance audit programme	Brief description
'Improvement Plan' Audit	Audit of discharge of duty to publish an improvement plan.
'Assessment of Performance' Audit	Audit of discharge of duty to publish an assessment of performance.
Well-being of Future Generations baseline assessment	The Year One Commentary: We will gather evidence on how the 44 bodies are beginning to respond to the requirements of the WFG Act and identify examples of notable emerging practice. The work will be designed to support improvement and inform future audit work under the Act.
Well-being of Future Generations Scrutiny review	This review will examine the impact of the WFG Act on the work of scrutiny committees, including PSB scrutiny, facilitating improvement and the sharing of good practice.
Service User Perspective review	A user-focused review. Specific area to be agreed with the Council.
Local risk-based work for 2017-18 has yet to be agreed with the Council. We will provide an update to the Audit Committee once this work has been agreed.	To be confirmed.
2017-18 Local Government Studies	Funded by Welsh Government.
Services to rural communities	To be confirmed.
Use of data	To be confirmed.
Intermediate care fund	To be confirmed.

- 28 The performance audit projects included in last year's Audit Plan, which are either still underway or which have been substituted for alternative projects in agreement with you, are set out in [Appendix 3](#).

Fee, audit team and timetable

Fee

- 29 The Wales Audit Office does not generate profits on fees. Legislation requires that the fees charged may not exceed the full cost of exercising the function to which the fee relates. The fee rates are set at a level to recover that full cost. My fee rates have been held static for 2017 and my audit teams will continue to look for efficiencies in their audits and welcome working with you constructively on this.
- 30 Your estimated fee for 2017 is set out in [Exhibit 7](#). The audit fee has been kept at the same level as last year, in line with the Wales Audit Office fee setting policy.

Exhibit 7: audit fee

Audit area	Proposed fee (£) ¹	Actual fee last year (£)
Audit of accounts ²	176,068	176,068
Performance audit work: ³	103,341	103,292
Total fee	279,409	279,360
Grant certification work ⁴	45,000 to 50,000	50,442

Notes:

¹ The fees shown in this document are exclusive of VAT, which is no longer charged to you.

² Payable November 2016 to October 2017.

³ Payable April 2017 to March 2018.

⁴ Payable as work is undertaken.

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

Audit team

- 33 The main members of my team, together with their contact details, are summarised in [Exhibit 8](#).

Exhibit 8: my team

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

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

Timetable

35 I will provide reports, or other outputs as agreed, to the Council covering the areas of work identified in this document. My key milestones are set out in [Exhibit 9](#).

Exhibit 9: timetable

Planned output	Work undertaken	Report finalised
2017 Audit Plan	December 2016 to January 2017	March 2017
Financial accounts work: <ul style="list-style-type: none"> • Audit of Financial Statements Report • Opinion on Financial Statements • Financial Accounts Memorandum 	February to September 2017	September 2017 September 2017 October 2017
Performance work: <ul style="list-style-type: none"> • Improvement Plan Audit • Assessment of Performance Audit • WFG Scrutiny review • Service user perspective review • Local risk based work 	April 2017 November 2017 To be agreed To be agreed To be agreed	May 2017 December 2017* To be agreed To be agreed To be agreed

Planned output	Work undertaken	Report finalised
WFG: pilot work	To be agreed	N/A
WFG: year one commentary	To be agreed	N/A

* Subject to timely clearance of draft findings with Monmouthshire County Council

Future developments to my audit work

Well-being of Future Generations (Wales) Act 2015

36 The Well-being of Future Generations (Wales) Act 2015 (the Act) became law in April 2015. The Act requires me to report before the next National Assembly election on how public bodies are acting in accordance with the sustainable development principle when setting their well-being objectives and taking steps to meet them. In 2017 I will conduct my first work under the Act – the Year One Commentary – to understand how bodies are beginning to respond to the requirements. I will also work collaboratively with a small number of public bodies, including the central government sector, to develop an audit approach that is meaningful and proportionate and can be adopted in subsequent years.

Other

- 37 Details of other future developments including changes to key IFRS and of the Wales Audit Office’s Good Practice Exchange (GPX) seminars are set out in [Appendix 5](#).
- 38 The Wales Audit Office’s GPX programme seeks to support the improvement of public services across Wales by identifying and sharing good practice. The GPX seminars bring a range of public sector bodies together to share their practical experiences and learning in areas we consider would benefit from sharing good practice. The seminars are provided free of charge to delegates. Forthcoming events include:
- the challenges posed by indirectly provided, publicly funded services in Wales;
 - how you manage risk around organisation change, service transformation and innovation; and
 - measuring outcomes: who’s doing it and how (linked to Well–Being of Future Generations Act).

Appendix 1

Respective responsibilities

Audit of accounts

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

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

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

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

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

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

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

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

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

Management agrees to provide me with:

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

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

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

Performance audit

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

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

The Auditor General may also in some circumstances carry out special inspections (under section 21), in respect of which he will provide a report to the relevant authorities and Ministers, and which he may publish (under section 22). The Auditor General will summarise audit and assessment reports in his published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

Appendix 2

Audit Deliverables – Accounts Audit 2016-17

Audit deliverables is a separate document.

Appendix 3

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

Exhibit 10: performance work in last year's audit outline still in progress

Performance audit project	Status	Comment
Transformation thematic review	In development	To be started in March 2017
Local risk-based work		
Data Quality	Scoped	Due to start in March 2017
Asset management	Scoped	Due to start in April 2017
Information management	Scoped	Due to start in April 2017

Appendix 4

National value-for-money studies

The Council may also be interested in the national value-for-money examinations which I undertake, some of which will be of particular relevance to, and may involve evidence gathering across, local government. These studies are supported by funds approved by the National Assembly. Reports are presented to the National Assembly's Public Accounts Committee to support its scrutiny of public expenditure and potentially support scrutiny by other National Assembly committees.

Exhibit 11 covers all of the value-for-money studies work currently programmed. The programme includes all-Wales summaries of audit work undertaken locally in the NHS and reactive examinations into specific issues of public concern that have been raised with me. In addition to the work outlined below, I may decide during the year to prepare other national reports summarising local audit work or based on the findings of reactive examinations.

I am also currently consulting with the Public Accounts Committee and other stakeholders about the inclusion in my programme of a number of new value-for-money studies to be rolled out during 2017-18. For example, I have already indicated to the committee that, following my July 2016 report on the Welsh Government's funding of Kancoat Ltd, I am considering a broader examination of the Welsh Government's support for business.

Further updates on my programme of value-for-money studies will be provided to you within the regular progress reports prepared by my team.

Exhibit 11: national value-for-money studies

Topic	Anticipated publication (as at 3 January 2017)
Outpatient follow-up appointments	February 2017
Governance and oversight of arms-length bodies (discussion paper)	February 2017
Welsh Government oversight of further education institutions' finances and delivery	March 2017
Circuit of Wales	February 2017
Emergency ambulance services commissioning	February 2017
21 st century schools and education programme	March 2017
Public procurement landscape review	April to July 2017
Waste management (waste prevention)	April to July 2017
Waste management (municipal recycling) ²	April to July 2017

² In addition to the work on waste prevention and municipal recycling, I will be taking forward a review of waste treatment infrastructure in early 2017.

Topic	Anticipated publication (as at 3 January 2017)
Implementation of the NHS Finances (Wales) Act 2014 (integrated medium-term planning)	April to July 2017
Supporting People programme	April to July 2017
NHS Wales informatics services	April to July 2017
Access to public services with the support of specialist interpretation and translation	August to October 2017
Preparations for the implementation of fiscal devolution in Wales (follow-on report)	August to October 2017
Early intervention and behaviour change	TBC ³

³ My programme of good practice work has included a project exploring behaviour change work across Welsh public services and opportunities to improve practice, deliver better outcomes for citizens, and achieve better value for money. I still anticipate that the information and evidence gathered through this work will support the production of a report on this topic, although this is unlikely to be a traditional audit report and plans for its production are still to be confirmed.

Appendix 5

Other future developments

Forthcoming key IFRS changes

Exhibit 12: forthcoming key IFRS changes

Standard	Effective date	Further details
IFRS 9 Financial instruments	2018-19	IFRS 9 financial instruments will replace IAS 39 and includes a new principles-based approach for the classification and measurement of financial assets. It also introduces a new impairment methodology for financial assets based on an expected losses rather than incurred losses. This will result in earlier and more timely recognition of expected credit losses. The accounting requirements for financial liabilities are almost all carried forward unchanged from IAS 39.
IFRS 15 Revenue from contracts with customers	2018-19	IFRS 15 revenue from contracts with customers introduces a principles-based five-step model for recognising revenue arising from contracts with customers. It is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration the body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required.
IFRS 16 Leases	2019-20	IFRS 16 will replace the current leases standard IAS 17. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on balance sheet as an asset based on a 'right of use' principle with a corresponding liability for future rentals. This is a significant change in lessee accounting.

Good Practice Exchange

The Wales Audit Office's GPX helps public services improve by sharing knowledge and practices that work. Events are held where knowledge can be exchanged face-to-face and resources shared online.

The focus of GPX events include financial management, public sector staff and governance.

Further information, including details of forthcoming GPX events and outputs from past seminars, can be found on the [GPX section of the Wales Audit Office website](#).

Registration for all events will open two months prior to the event.

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Final Accounts Audit Deliverables – **Monmouthshire County Council**

Audit year: 2016-17

Date issued: March 2017

Document reference: 223A2017

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

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

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Summary

Why we need this document

- 1 The Auditor General for Wales (Auditor General) is required to give an opinion on the financial statements of Monmouth County Council (the Council). The Accounts and Audit (Wales) Regulations require the Council to prepare accounts and have them certified by the Responsible Financial Officer (RFO) by 30 June and to approve these by 30 September following the year of accounts.
- 2 As discussed and agreed with the Council it is our intention to substantially complete our audit of the financial statements by the end of August 2017.

What this document will do

- 3 This document sets out in detail the deliverables agreed between us and the Council that are necessary to meet to the accounts preparation and audit deadlines. This schedule is not intended to be an exhaustive list and we may request further supporting documentation.
- 4 To ensure the accounts deadline is met, the deliverables should be subject to a quality review before presentation for audit.
- 5 Deliverables are set out in detail in the appendices and include:
 - working papers and information to be provided to the auditors by the Council; and
 - Council contact names and responsibilities.
- 6 Progress against these deliverables will be monitored and recorded by both the Audit Team and the Finance Team on an ongoing basis to ensure that problems are identified and resolved in a timely manner and the completion/audit deadline is met.

How we need the information

- 7 The supporting working papers and information should be referenced so that it mirrors the financial statements – eg supporting working papers and information for Property Plant and Equipment should be placed in a folder titled 'Note 12 – Property Plant and Equipment', with sub-folders where appropriate (eg additions).
- 8 Supporting working papers and other information should be provided electronically whenever possible. Where the supporting working papers are spreadsheets, it is important that it is provided electronically in a format which enables the auditor to read any formulas used in calculations. All deliverables should be available for audit inspection by 1 July 2017.

- 9 To facilitate quick and orderly transfer of information, a shared area should be created on the Council's IT network, where supporting working papers and information can be placed by the Council and accessed by the auditors. Providing the audit team with read-only access to the Council's financial ledger and other key systems will also aid the audit process.

Appendix 1

General

Exhibit 1: General deliverables

Ref	Deliverable	Responsible officer
General information		
1.	Draft Statement of Accounts including Annual Governance Statement and Notes.	Jonathan Davies
2.	General ledger trial balance with analysis/mapping to provide a clear audit trail to support figures in financial statements (Comprehensive Income and Expenditure, Balance Sheet and Notes).	Jonathan Davies
3.	A completed Local Authority Code of Accounting Practice disclosure checklist.	Will not be completed
Explanatory Foreword		
4.	Working papers to support any figures outlined in the foreword and a reconciliation of these figures to the cost of services in the Comprehensive Income and Expenditure Statement (CIES) and associated notes.	Jonathan Davies
Accounting policies		
5.	Details of any work undertaken during the year to review accounting policies in accordance with the requirements of the Code of Practice on Local Authority Accounting, and a detailed explanation of any subsequent changes in accounting policy.	Jonathan Davies
Annual Governance Statement		
6.	Copy of the Chief Internal Auditor's Annual Report	Andrew Wathan

Ref	Deliverable	Responsible officer
Other		
7.	A report from the general ledger that lists of all journals with debit and credit transactions over £2 million processed during and after year end (during closedown) with explanations as to what they relate to, ie journals processed in periods 12, 13 and any later period.	Dave Jarrett
8.	Period 12 closedown documentation, including confirmation of suspense and holding account balances at 31 March 2017.	Jonathan Davies
9.	Details of any Prior Period Adjustments.	Jonathan Davies
10.	List of Key Contacts per account area, together with a schedule of periods of annual leave (or other lengthy periods of unavailability).	Jonathan Davies
11.	Working papers to support audit fees included in the note.	Jonathan Davies
12.	Details of the procedures undertaken by the Authority to identify potential post balance sheet events. In addition we will require documentation to support any post balance sheet events disclosed.	Jonathan Davies
13.	Details of the procedures undertaken by the Authority to identify any potential year end provisions, contingent liabilities and commitments (eg evidence of internal discussion with Directors/legal department/external legal advisor).	Dave Jarrett

Appendix 2

Comprehensive Income and Expenditure Statement

Exhibit 2: CIES deliverables

Ref	Deliverable	Responsible officer
1.	<p>Cost of services</p> <ul style="list-style-type: none"> • Provide working papers to support the analysis of all income and expenditure lines disclosed in the cost of services – include ledger report and supporting papers for any manual adjustments. • Working papers to support the restated comparatives. • A year on year analytical review of gross income and gross expenditure per the CIES, providing explanations for all movements over £500,000 and 5%, with supporting evidence. • A 'budget to actual' analytical review providing explanations for all variances over £500,000 and 5%. 	Dave Jarrett
2.	<p>Year-end reconciliations between the General Ledger and Feeder Systems:</p> <ul style="list-style-type: none"> • Payroll • Northgate/SX3 System (Council Tax, NNDR, Housing Benefit) • Debtors • Creditors • Cash System <p>Reconciliations to be supported by report from the feeder system confirming amount per the system, report from the general ledger confirming the amount per the general ledger, and explanations for reconciling items. The payroll reconciliation should include the following:</p> <ul style="list-style-type: none"> • summary of gross pay, employers' national insurance, and employers' superannuation for the period, per payroll (broken down by month and week) and per the general ledger; • explanations for any significant variances greater than £500,000; • staff numbers for the current and previous financial year (FTEs); 	Damien Nash

Ref	Deliverable	Responsible officer
	<ul style="list-style-type: none"> • pay percentage increases, and • detail of severance/redundancy payments made. 	
3.	Correspondence confirming annual Precepts and Levies.	Jonathan Davies
4.	A detailed reconciliation between government grants (both capital and revenue) disclosed in the statement of accounts and the ledger. Additionally, documentation to demonstrate the figures included for the significant government grants in the note to the accounts.	Dave Jarrett
5.	Council Tax - a copy of the Statutory Resolution passed by Council to establish the basic amount for a band D property together with a copy of the Council Tax Base report.	Dave Jarrett
6.	Council Tax – analysis of information of the number of houses by each Council tax band for figure for the current financial year and comparative.	Dave Jarrett
7.	Working papers demonstrating that all intra-body balances and recharges have been eliminated.	Dave Jarrett

Appendix 3

Movement in Reserves Statement, Cash Flow Statement and Expenditure & Funding Analysis

Exhibit 3: Deliverables

Ref	Deliverable	Responsible officer
1.	Movement in Reserves Statement Adjustments between Accounting Basis and Funding Basis under Regulations reconciled to supporting notes with each line clearly referenced to supporting evidence.	Lesley Russell
2.	Transfers To/From Earmarked Reserves Authorisation of Transfers to be available for inspection.	Lesley Russell
3.	Cash Flow Statement Detailed breakdown of Cash Flow Statement and supporting note with each line clearly referenced to supporting notes / figures elsewhere in the accounts.	Lesley Russell
4.	Expenditure and Funding Analysis Working papers to support figures outlined in the Expenditure and Funding Analysis.	Dave Jarrett

Appendix 4

Balance Sheet

Exhibit 4: Balance sheet deliverables

Ref	Deliverable	Responsible officer
Balance Sheet		
1.	A year-on-year analytical review of all categories in the Balance Sheet, providing explanations for all movements over £500,000 and 5%, with supporting evidence.	Jonathan Davies
Property Plant and Equipment		
2.	Detailed reconciliation of the Property Plant and Equipment notes to the General Ledger to the FAR.	Lesley Russell
3.	Workings that reconcile the depreciation, impairment and revaluations figures from the CIES, supporting notes and BS totals.	Lesley Russell
4.	Additions <ul style="list-style-type: none"> Schedule of all additions reconciling back to the note. Access to invoices to support all additions. Details of accounting for enhancing and non-enhancing expenditure. 	Lesley Russell
5.	Disposals and Write Offs <ul style="list-style-type: none"> Schedule of all disposals and write offs reconciling back to the note. Details of capital receipts in the year and a reconciliation to disposals. Access to documentation to support all disposals and write offs. 	Lesley Russell
6.	Impairments <ul style="list-style-type: none"> Evidence of impairment review undertaken during the year. Schedule of impairments reconciling to the note and the reason for impairment. 	Lesley Russell

Ref	Deliverable	Responsible officer
7.	<p>Revaluations</p> <ul style="list-style-type: none"> • Schedule of Revaluations undertaken during the year and access to Valuer's/Surveyor's report for the revaluations. • Analysis of Revaluations (upwards and downwards) and corresponding accounting treatment (charged to CIES/Revaluation Reserve) reconciled to the 'Revaluations' note detailed the level of revaluations undertaken. • Confirmation from the valuer that asset values are not materially different from those stated (where assets are not revalued in year). 	Lesley Russell
8.	<p>Depreciation</p> <p>Working paper showing the calculation of depreciation (this may be included on the Fixed Asset Register).</p>	Lesley Russell
9.	<p>Re-classified Assets</p> <p>Schedule of all re-classified assets and the rationale for reclassification.</p>	Lesley Russell
10.	<p>PFI Assets</p> <p>Schedule of all PFI assets included in Property Plant and Equipment reconciled to the note in the accounts.</p>	Lesley Russell
11.	<p>Capital Programme and the Final Outturn including explanations for significant over/under spends and slippage.</p>	Dave Jarrett
Heritage Assets		
12.	<p>Schedule of Heritage Assets and their location. Details of Additions, Disposal, Impairments, Revaluations and Depreciation of Heritage Assets.</p>	Lesley Russell
Investment Properties		
13.	<p>Confirmation that an annual revaluation has been undertaken or where not, evidence that the carrying value is not materially different from the fair value at that date.</p>	Lesley Russell

Ref	Deliverable	Responsible officer
Intangible Assets		
14.	Details of Additions, Disposal, Impairments, Revaluations and Amortisation of Intangible Assets	Lesley Russell
Investments - Long Term and Short Term		
15.	Schedule of investments split between long term and short term reconciled back to the general ledger and the Investments Note(s).	Lesley Russell
16.	Third party evidence to support investment deposits at year-end.	Lesley Russell
17.	Supporting information for Fair Value valuations.	Lesley Russell
Debtors – Long Term and Short Term		
18.	Detailed breakdown of Short Term and Long Term Debtors reconciled to the sub balances disclosed within the Debtors Notes. These should be the original working papers containing the relevant formulas.	Damien Nash
19.	Copy of the year-end control account reconciliation between the debtors/accounts receivable ledger and the general ledger.	Damien Nash
20.	A detailed aged debtor listing, and reconciliation to the debtors figures as per the statement of accounts as at the year end, with a breakdown of invoices by customer, to allow us to select a sample of debtors for confirmation.	Damien Nash
21.	A detailed breakdown of year-end debtors and prepayments supported by associated working papers and reconciled to the general ledger and statement of accounts.	Damien Nash
22.	Agresso reports including: <ul style="list-style-type: none"> • YG16 Prepayments. • YG17 Accrued income • Z050 Debtors control account SD • Z051 Debtors control account SHS 	Damien Nash
23.	List of April (after year-end) bank receipts.	Kevin James

Ref	Deliverable	Responsible officer
24.	Sales invoices raised in March (before year-end) and April and May (after year-end).	Damien Nash
25.	List of sales credit notes raised post year-end.	Damien Nash
26.	Council Tax Arrears reconciliation with supporting detailed reports from Northgate system (SX3 report).	Sue Deacy
27.	Council Tax Arrears impairment calculation.	Sue Deacy
28.	Housing Benefits Overpayment report.	Damien Nash
29.	Housing Benefit Overpayments impairment calculation.	Damien Nash
30.	NNDR (Z040) reconciliation.	Damien Nash
31.	NNDR 3 (Pool control account Z041) reconciliation.	Damien Nash
32.	Corporate Sundry Debtors impairment calculation.	Jonathan Davies
33.	Copy of the year-end VAT reconciliation and VAT return(s).	Damien Nash
34.	Bad Debt Provision – a working paper to support the calculation of the provision for bad and doubtful debts including a copy of the aged debtor listing and a listing of all balances written-off during the year.	Damien Nash
Assets Held for Sale		
35.	<ul style="list-style-type: none"> • Schedule of assets held for sale and confirmation that they meet the criteria of IFRS 5. • Schedule of movements in assets held for sale and supporting documentation for disposals. • Valuer's report confirming valuation of assets held for sale. 	Lesley Russell
Inventories		
36.	A working paper showing a breakdown of the year-end inventory balance by inventory type.	N/A - Disclosure note not completed

Ref	Deliverable	Responsible officer
Cash and Cash Equivalents		
37.	Copy of the year-end bank reconciliation(s) and supporting schedules for unpresented cheques/payments and outstanding lodgements prepared for each separate bank account.	Kevin James
38.	Copy of year-end bank statements for each separate bank account.	Kevin James
39.	A detailed breakdown of the year-end cash and bank balance analysed on an account-by-account basis.	Kevin James
Creditors – Short Term and Long Term		
40.	A detailed breakdown of year-end creditors, accruals and receipts in advance (by category in the accounts) reconciled to the figures in the note(s) in the accounts.	Damien Nash
41.	Copy of the year-end control account reconciliation between the creditor/accounts payable ledger and the general ledger.	Damien Nash
42.	Agresso report including: <ul style="list-style-type: none"> • YG21 Creditors (General Fund). • YG22 Accrued Expenditure (General Fund). • YG23 Deferred Income (General Fund). • Z045 Creditors Control Account. 	Damien Nash
43.	VAT reconciliation for 31 March and February and March VAT returns.	Damien Nash
44.	List of purchase orders raised in March (before year-end) and April (after year-end).	Diane Flynn
45.	Unapplied Commuted Maintenance Sums reconciliation including a breakdown of annual maintenance sums.	Dave Jarrett
46.	Prepaid Council Tax report (per Northgate).	Sue Deacy
47.	List of payments made after year-end (April and May) from the creditor system.	Diane Flynn
48.	Detailed listing of all purchase orders raised in March and April (balances greater than £250,000).	Diane Flynn
49.	List of invoices received before year end, where no payment has been made (unpaid invoices).	Diane Flynn
50.	List of all purchase credit notes received after year-end.	Diane Flynn

Ref	Deliverable	Responsible officer
Borrowings – Short Term and Long Term		
51.	Schedule of borrowings split between long term and short term reconciled back to the general ledger and the Borrowings Note(s).	Lesley Russell
52.	Copies of Loan Agreements/Statements from lenders.	Lesley Russell
53.	Supporting information for Fair Value valuations.	Lesley Russell
Provisions and Contingencies – Short Term and Long Term		
54.	Details of the procedures undertaken by the Council to identify any potential year-end provisions (eg evidence of internal discussions with directors/legal department/external legal advisor).	Dave Jarrett
55.	Detailed breakdown of year-end provisions reconciled to the note.	Dave Jarrett
56.	For each individual provision made an explanation of how the provision satisfies each component of IAS 37, documentation to support the level of provision made and any in-year movements in the level of the provision.	Dave Jarrett
IAS19		
57.	Breakdown of IAS19 costs included in the accounts by Admitted body (JV, JC etc) analysed by funded and unfunded costs.	Lesley Russell
58.	Copies of actuarial valuations for each Pension Scheme.	Lesley Russell
59.	Breakdown of Pension Strain Costs included in the accounts and detailed calculations to support the figures used. Mapping of where the various pension figures from the journals appear in the Notes to the Accounts.	Lesley Russell
Grant Receipts in Advance – Capital and Revenue		
60.	Breakdown of Grant Receipts in Advance split between Capital and Revenue down to individual grant reconciled back the notes.	Dave Jarrett

Ref	Deliverable	Responsible officer
Useable Reserves		
61.	Earmarked Reserves <ul style="list-style-type: none"> • Analysis of reserves, supporting calculations and working papers. • Analysis of movements in balances with explanations for significant variances and static balances. • Reasons why the reserve is held and when it is intended to be used. 	Lesley Russell
62.	Capital Receipts Reserve Supporting documentation for movements in the reserve.	Lesley Russell
Unusable Reserves		
63.	Supporting working papers for movements in each of the unusable reserves.	Jonathan Davies
64.	Details of how the Revaluation Reserve ties into the rest of the accounts.	Lesley Russell
65.	Details of Net Historical Value of PPE.	Lesley Russell

Appendix 5

Other Statements and Notes to the Accounts

Exhibit 5: Deliverables – Other Statements and Notes to the Accounts

Ref	Deliverable	Responsible officer
1.	Supporting evidence for any gains/losses on the disposal of non-current assets.	Lesley Russell
2.	Schedule of interest payable and supporting documentation (eg bank statements).	Lesley Russell
3.	Schedule of interest receivable (bank interest and investment income) and supporting documentation.	Lesley Russell
4.	Actuary report and payroll reports (including the Teachers' Pension Return) to support the disclosures made for Pension Costs.	Lesley Russell
5.	List of all Joint Ventures, JANEs and Joint Operations and supporting documentation for the Council's share of assets, liabilities, income and expenditure.	Dave Jarrett
6.	Copy of Revenue Support Grant letter and remittance advice and copy of NNDR notification letter.	Dave Jarrett
7.	Supporting documentation for the NNDR note, eg WG allocation/remittances.	Damien Nash
8.	Supporting documentation for the Council Tax note including a copy of the VO schedule of alternations.	Sue Deacy
9.	Details of Revenue Expenditure Funded from Capital under Statute.	Dave Jarrett

Ref	Deliverable	Responsible officer
10.	Breakdown of Capital Commitments disclosure, including documentation to support the disclosures (list of contracts and £s etc).	Lesley Russell
11.	Detailed working papers and associated documentation to support the calculation of the MRP adjustment.	Lesley Russell
12.	Reconciliation of the Capital Expenditure and Capital Financing note to other balances in the accounts and supporting documentation, eg funding statements.	Dave Jarrett
13.	Details of contingent liabilities/assets and supporting documentation.	Dave Jarrett
14.	Details of any Financial Guarantees provided by the Council.	Lesley Russell
15.	Analysis and technical assessment to support finance and operating leases.	Lesley Russell
16.	Remuneration disclosure: <ul style="list-style-type: none"> • working paper to support to Remuneration Ratio; • analysis to support the Officer's Remuneration numbers; • working paper to support the Remuneration of Senior Employees; • analysis to support the Exit Packages disclosures; and copy of the pay policy for the relevant year.	Mark Howcroft
17.	Members' Allowances A payroll/purchase ledger report and associated working paper showing the total allowances paid to members during the year: <ul style="list-style-type: none"> • reconciled to the amount disclosed within the statement of accounts; and 	Dave Loder

Ref	Deliverable	Responsible officer
	<ul style="list-style-type: none"> analysed on a member by member basis, and between the basic allowance and any special responsibility allowance. 	
18.	A copy of the committee report and minute detailing the members elected to posts with special responsibility for the relevant year.	Dave Loder
19.	A copy of the committee report and minute detailing the agreed rates for members allowances in the relevant year.	Dave Loder
20.	Supporting documentation for any events after the reporting period.	Jonathan Davies
21.	<p>Related Party Note</p> <ul style="list-style-type: none"> Supporting evidence for Related Party Transactions (if estimates are made the basis of calculation and rationale for these estimates should be provided); note to explain the process undertaken to identified related parties and the associated transactions; and declarations of interest to be available for inspection. 	Dave Jarrett
22.	Where relevant – a copy of the consolidation pack completed by the Authority and submitted to the Welsh Assembly Government.	N/A
23.	Working papers to support the entries in the consolidation pack reconciled and referenced clearly to each entry in the return.	N/A

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DRAFT

AUDIT COMMITTEE WORKPLAN 2017/18	
25TH MAY 2017	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section –</i>	
Unsatisfactory audit Opinions	Andrew Wathan
Annual Governance Statement	Andrew Wathan
Implementation of Audit Recommendations	Andrew Wathan
Review of Reserves Outturn	MH
6TH JULY 2017	
<i>Deadline for finalised reports to Cheryl</i>	
<i>Finalised reports to Committee Section –</i>	
2016-17 Treasury Outturn Report	MH
Draft Statement of Accounts (as a prelude to audit process)	MH
Review of Reserves Qtr 1	MH
Internal Audit Outturn Report 2016/17	AW
Internal Audit Plan 2017/18 - Update	AW
19TH SEPTEMBER 2017	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section –</i>	
SUBJECT	AUTHOR
Audited Statement of Accounts	MH
ISA260 Response to Accounts	WAO/MH
Internal Audit Progress report 2017/18 quarter 1	AW
12TH OCTOBER 2017	
<i>Deadline for finalised reports to Cheryl</i>	
<i>Finalised reports to Committee Section-</i>	
CPR Exemptions 6 monthly	AW

23RD NOVEMBER 2017

Deadline for finalised reports to Cheryl –

Finalised reports to Committee Section

Review of Reserves - Qtr 2	MH
Half Yearly Treasury compliance monitoring	Jon Davies/Lesley Russell
Internal Audit Progress report 2017/18 quarter 2	AW

11TH JANUARY 2018

Deadline for finalised reports to Cheryl –

Finalised reports to Committee Section –

Audited Trust Fund Accounts (Welsh Church Fund & Mon Farms)	Dave J/ Nikki Wellington
ISA260 or equivalent for Trust Funds	WAO
Treasury Strategy 2018-19	Jon Davies/Lesley Russell
Unsatisfactory Audit Opinions	AW

8TH MARCH 2018

Deadline for finalised reports to Cheryl –

Finalised reports to Committee Section –

Joint Progress Report - Statement of Accounts Refinements	MH/WAO
Review of Reserves Qtr 3	MH
Internal Audit Progress report 2017/18 quarter 3	AW
Internal Audit Draft Plan 2018/19	AW

12TH APRIL 2018

Deadline for finalised reports to Cheryl –

Finalised reports to Committee Section -

Annual Governance Statement 2017/18 Draft	AW
3RD MAY 2018	
<i>Deadline for finalised reports to Cheryl –</i>	
<i>Finalised reports to Committee Section</i>	
Review of Reserves Outturn	MH
Implementation of Audit Recommendations	AW
CPR Exemptions 6 monthly	AW

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