

# Public Document Pack

## MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held  
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 13th September, 2018 at 2.00  
pm

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

County Councillors: A. Easson, B. Strong, M. Feakins, M. Lane and  
S. Woodhouse

### OFFICERS IN ATTENDANCE:

Mark Howcroft	Assistant Head of Finance
Andrew Wathan	Chief Internal Auditor
Non Jenkins	Wales Audit Office
Peter Davies	Chief Officer, Resources
Wendy Barnard	Democratic Services Officer
Ann-Marie Harkin	Wales Audit Officer
Terry Lewis	Wales Audit Office
David Wilson	Wales Audit Office
Matthew Gatehouse	Head of Policy and Governance
Jonathan Davies	Central Accountancy Finance Manager
Matthew Lewis (Countryside)	Interim Performance, Evaluation and Programme Development Lead for MonLife
Richard Simpkins	Business Manager - Tourism Leisure and Culture
Cath Fallon	Head of Economy and Enterprise
Marie Bartlett	Finance Lead for MonLife

### APOLOGIES:

County Councillors Councillors P. Murphy, J. Watkins and V. Smith

#### 1. Declarations of Interest

No declarations of interest were made.

#### 2. Public Open Forum

No members of the public were present.

#### 3. To confirm minutes of the previous meeting held on 5th July 2018

The minutes of the meeting held on the 5<sup>th</sup> July 2018 were confirmed and signed as a true record.

#### 4. To note the action list from 5th July 2018

The action list from the last meeting was noted.

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- **Assistance to Members of the Audit Committee:** This was made available as necessary
- **Compliance with the Bribery Act:** This will be an item on the agenda for the next meeting.
- **Report of Peer Review:** This is on the agenda for the meeting today.
- **Governance of ADM:** It was noted that all documents will be proofed and presented to Council. It was explained that the Economy and Development Select Committee have taken a very active role in considering this matter and Audit Committee will have a further opportunity to scrutinise documents prior to the full Council decision being made.

### **5. Performance and Evaluation Framework for MonLife**

The Interim Performance, Evaluation and Programme Development Lead for MonLife and the Business Manager for Tourism, Leisure, Culture and Youth provided a presentation on the Draft Performance and Evaluation Framework for MonLife. This covers all MonLife plans to measure performance, provide evidence of impact and to drive continuous improvement. It was explained that there would be one shared framework across MonLife, MonLife Plus and associated trading subsidiaries. Comments were invited and it was noted that the final framework will be finalised by the Shadow Board and Directors.

Committee Members asked questions as follows:

- **Accreditation:** It was queried how soon accreditation will be sought. It was responded that there is some existing accreditation such as the Green Flag award, Museum accreditation, Visitor Attraction quality assurance scheme and also accreditation in relation to fitness and leisure aligned to business best practice. Some other accreditation is mandatorily required such as License for Outdoor and Dangerous Activities. Investors in People may be considered in the future.
- **Volunteers:** It was also asked how training will be managed to take account of changes within volunteer groups and confirmed that there are role profiles in place with respective training needs attached such as mandatory Level 1 Safeguarding.
- **Assets:** In response to questions, it was explained that:
  - i. The number of times the train ran is one of the current business indicators to capture activity at the site and may be reviewed/enhanced in future;
  - ii. Regarding staff surveys, it is intended to develop a performance and development framework for staff to include a level of staff engagement;
  - iii. Sickness data will continue to be collected; and
  - iv. The survey of dilapidations is to provide information about condition of assets for the Board. The boundary between responsibility and action for maintenance was explained. This point is under negotiation, however it is suggested that Monmouthshire will retain capital maintenance and the majority of revenue maintenance and the budgets to do so. It was emphasised that negotiations continue. The lease agreement will be presented to Audit Committee and Economic and Development Select Committee in due course. It is key that the authority is reassured that there are suitable controls in place. Similarly, MonLife and its Board will also want that assurance.
- **Risk:** A Member cautioned regarding what risk elements are being handed over to the MonLife Board, and noted that at the present time it is not known how risks are being assessed. It was responded that there is a risk register and a scoring process. Currently, work is being undertaken to separate risks between the authority and MonLife. This matter will be discussed with the Shadow Board and will be reported

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back to Audit Committee. The Chief Officer, Resources confirmed that the Audit Committee, Economy and Development Select Committee and Council will have a significant report containing all the legal documentation which will require interpretation when considered. In terms of risks, key operational and strategic risks will be identified with information on how they have been and will be managed as a result of the negotiations.

- **ADM Board:** It was queried if the ADM Board will be audited by the authority and if periodic reports will be provided. It was explained that there has to be good governance and a balance struck accordingly to allow the authority to hold both companies to account.

In terms of Audit, the Chief Internal Auditor informed the Committee that Service Level Agreements have been arranged with services across the authority including Internal Audit of MonLife and MonLife Plus. It is likely that feedback for the audit outcomes for MonLife Plus will be included in the Chief Internal Auditor's report but the position regarding reporting back on MonLife due to its status as a charity is uncertain at this time and subject to negotiation. The view was expressed that it would be reasonable to hold both boards to account and clarification will be sought.

The Chair queried how to scrutinise the boards and how to ensure Members are kept abreast of responsibilities and developments, and was encouraged by the questions raised about risk. The Chief Officer, Resources will confirm which Select Committee will have ongoing responsibility in due course noting the important principles of openness and transparency. The Chair was pleased to note the involvement of Internal Audit.

The Recommendation to review and comment upon the report was noted.

### **6. Audited Statement of Accounts**

The purpose of the report is to consider the annual accounts for the Authority for 2017-18, subsequent to the audit process undertaken by Wales Audit Office. Audit Committee acts as the scrutiny function for the formal accounts process prior to endorsement or otherwise of the Statements to the September full Council meeting.

The Assistant Head of Finance commented on the Chair's query about £40m borrowing and referred to the outturn statement indicating that borrowing was nearer to £20m. He reminded Members that borrowing must be viewed in the context of investment. Members were also reminded of the discussion on MIFID2 and treasury strategy and the decision to opt for professional customer status to enable access to appropriate treasury strategy advice; a condition of which is to hold a balance of £10m. The Authority utilises internal borrowing to reduce interest costs.

Members were reminded of the need to reduce timescales for the preparation of accounts to the 31<sup>st</sup> May in 2021. This is to be four weeks shorter than currently required and creates significant pressures for accountants and auditors.

This and the following item were considered together.

### **7. ISA 260 response to accounts**

The Wales Audit Officer introduced the ISA 260 report which provides the results of the 2017/18 financial statements. The report is required by auditing standards. The audit is complete and

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the Council was praised for meeting the earlier deadline. The Auditor General is intending to issue an unqualified audit report.

It was brought to the Committee's attention that some uncorrected misstatements were found in the financial statement which must be corrected or reasons provided why they are not corrected. A decision to not amend will not affect the outcome as the amounts concerned are not material to the overall outcome.

There were no concerns about the financial reporting and the information provided was of good quality. It was reported that there were a significant amount of rounding errors found in the accounts. Otherwise, there were no significant difficulties encountered during the audit process.

There are some areas for improvement in accounts preparation and auditing processes and WAO will continue to work with officers to improve processes in the future. One significant matter discussed with management was identified as not derecognising existing infrastructure assets as they are replaced or improved. However, it was noted that the net book value is not materially misstated in the accounts as a result.

A Member referred to faster closing suggesting that this would be problematic to Finance teams. The Member also queried how important it is to derecognise assets and it was responded that it is good practice but a matter for the Finance Officers to consider. The Assistant Head of Finance explained that infrastructure assets are highways and roads mainly. CIPFA is proposing changes in valuing such assets and we await further information. It was explained that the Finance Team brought forward the accounts process by three weeks this year and it is intended to work closely with WAO to make good use of best practice. For example there may be opportunity for the WAO to take snapshot samples at the yearend outside of the normal cycle. There may also be an opportunity to revise notes and make the accounts more transparent. Additionally, it was explained that there is reliance on other sources for information and the use of estimates is possible to prevent delays in accounts preparation.

It was explained that the reason for this move is to harmonise closing periods from all of the public sector and the use of estimates will be limited and not of significance.

It was added that the move is causing problems for WAO as well and different ways of working are being explored.

A Member asked if there was opportunity for automation and it was confirmed that this is an area of development.

County Councillor A. Easson declared a personal, non-prejudicial interest as a governor of Ysgol Gymraeg Y Ffin and Dewstow Primary School. He questioned the increase in deficit balances in schools and noted significant change in the total surplus budgets. The WAO Officers noted the trend and the matter has been raised with performance audit colleagues. This is now for the Auditor General to decide whether to investigate this matter further. It was confirmed that interaction would be with the council not individual schools.

The Committee was informed of a change to the financial control arrangements in schools with deficit balances that will bring forward governors consideration of a recovery plan. WAO Officers agreed to look at the rest of Wales to see if there is a similar trend. The Statement of Accounts and the ISA 260 response report was endorsed by the Audit Committee for presentation to full council.

#### **8. Internal Audit Progress Report 2018/19 (quarter 1)**

The Chief Internal Auditor presented the Internal Audit Progress Report (2018/19 Quarter 1).

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The Committee noted that 16 reviews were undertaken before the end of June, 5 of which were opinion related. The opinions issued were "Reasonable" indicating some room for improvement but also provided a level of reassurance.

A "Qualified" opinion was issued for a grant claim and reported back to the manager.

The team has completed 17% of the audit plan which is ahead of the target. This provides a level of assurance regarding the performance of the team. Draft reports are being turned around within three days of the audit work against a target of 12 days. Final reports have been issued 12 days after receipt of comments from operational manager but this has been identified as an area for improvement. Recommendations are being accepted by operational managers.

The Committee noted the report and agreed the opinions issued.

### **9. Internal Audit Sector Public Sector Internal Audit Standards (PSIAS) External Review 2018**

The Chief Internal Auditor introduced the report of the Peer Review which is a result of a requirement that the team is assessed every 5 years to be compliant with the Public Sector Internal Audit Standards (PSIAS).

The 20 authorities involved in Wales decided to take up the option of undertaking a self-assessment which was externally validated by peer review. The Chief Auditor undertook a peer review in another authority and our peer review was carried out by the Chief Internal Auditor of Neath Port Talbot County Borough Council.

The report has been returned and it was concluded that the Authority is generally compliant with no significant non-compliance. Opportunities for improvement have been compiled into an action plan and a progress report will be presented in a year to demonstrate the improvements made.

It was noted that there was possible opportunity for more formality between the Audit Committee and Chair with the Internal Audit Team.

The report was noted.

### **10. Review of Reserves Period 1**

The Assistant Head of Finance presented the report and questions were asked as follows:

A Member observed that reserves of 4-6% are recommended and it was to the credit of the Finance Team that this position is retained.

It was queried if a short workshop could be arranged for the Audit Committee on reserves to provide a better understanding of the appendices and strategic priorities

In response to query it was explained that the Authority doesn't hold cashback reserves to avoid borrowing. Reserve level are therefore not supported by cash in the bank. For example, revenue receipts are used for internal borrowing.

A Member noted that the majority of cashflow comes in at specific points in the year and asked if we are able to call it in. It was responded that larger amounts of funding such as settlement

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funding and the council tax are banked at the start of the year so it is likely that there will be investment at this time and borrowing later in the year.

The Committee highlighted the need for training, and agreed that more detail would be provided with the Quarter 2 report.

The report was noted.

### **11. Aligning the Levers of Change**

The Head of Policy and Governance introduced a video prepared by Wales Audit Office (WAO) focussing on the challenges facing local government and possible solutions such as shared services, use of technology and automation. It was explained that the video was conceived after the Council digital day and WAO were encouraged to provide feedback in digital format.

The video found that Monmouthshire County Council is keen to innovate and reap the benefits of doing so. WAO found shared service agreements such as with SRS and for housing benefits. There is an agile working policy. Staff have self-service access to payslips and other HR processes. The MyMon App has good sign up and use by residents. Opportunities for the future were explored such as Skype for meetings, fingerprint technology, further apps and Alexa. The vision is to transform and deliver. To do this resources must be clarified, staff empowered, appropriate staff recruited and there must be a willingness to learn from others.

WAO officers confirmed that no management response is required and that the Council must continue to think about its future direction.

A Member asked if this method of reporting will be more regular. It was responded that the WAO is exploring this approach as a way to feedback. It was agreed that there may also be future opportunities to interact with Audit Committee remotely.

A Committee Member was interested in the progress of neighbouring authorities. It was explained that whilst video feedback has been provided to other councils, this has been on a variety of topics. It was accepted that all councils are exploring different ways of working but there are no direct comparisons available at this time.

The Chief Officer, Resources provided positive feedback on the video and emphasised that there will be incremental progress. Within limited budgets, digitisation will play a larger role and sound foundations are necessary to assure the authority is successful and sustainable in the future.

A Member commented that the council doesn't stand still and has worked hard to share resources and its objectives with other councils.

The recommendation to receive the report and use it to assess the effectiveness of the authority's governance arrangements was agreed.

The Wales Audit Officers were thanked for the presentation.

### **12. Overview and Scrutiny: Fit for the Future**

Wales Audit Officers introduced a thematic review entitled Overview and Scrutiny: Fit for the Future. Such a report has been provided to all councils in Wales. It was noted that it is a positive report that found that:

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- The Council is continually developing its scrutiny function and is aware of future challenges, but support arrangements for the Public Service Board (PSB) scrutiny committee need to be strengthened;
- The Council continues to develop its scrutiny environment and is responsive to member development needs;
- Scrutiny activity is generally well planned, and the Council has had some success in engaging the public in scrutiny, but the PSB select committee does not currently comply with the Council's corporate procedures when making meeting papers public; and
- The Council regularly reviews the scrutiny function and has clear actions to continue its improvement. Officers and members are aware of current and future challenges.

Five improvement points were identified as follows:

The Council's scrutiny function could be strengthened by:

- Ensuring that the PSB select committee complies with the Access to Information Procedure Rules within the Council's constitution;
- Providing further training on the Well-being of Future Generations Act for scrutiny members to improve their understanding and consideration of the Act when undertaking scrutiny;
- Reviewing the level, type and resilience of the scrutiny support function to meet future challenges;
- Clarifying the role of Cabinet Members when attending select committees to observe; and
- Assessing the impact of the workshop approach.

It was explained that Members must have the time to read the papers before the meeting and should understand what's presented to them with access to the right people to be able to answer questions.

A Management response has been provided and it was confirmed that the authority welcomed the report and the opportunity to improve.

It was confirmed that the PSB is a new arrangement that has been evaluating and developing a wellbeing assessment and plan. It was agreed that it has mainly concentrated on process rather than asking partners about delivery. It is planned in future to have more partners present to answer questions about project delivery. It was explained that the organisation has insufficient capacity to carry out the scrutiny role well and temporary arrangements are in place to address this point with a view to making longer term provision in the future.

A Member asked for clarification about the role of Cabinet Members and was informed that at a meeting the Cabinet Member had attended to observe the meeting. It was unclear in what capacity the Cabinet Member was there, and if they should be asked questions. A scrutiny committee can invite the Cabinet Member to attend its meeting to scrutinise and answer questions but in this instance, there was lack of clarity.

A Member asked if the workload of the PSB work could be shared with other Select Committees. The Head of Policy and Governance responded that this is likely to happen as there is often an overlap with other Select Committees as the PSB considers a wide range of topics. The appropriate committee would be decided by considering the extent to which the issue is integral to the PSB's partner work or if it is more relevant to a select committee's specific portfolio. The PSB Select Committee has the power to request partners to attend but it

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may be more appropriate that another select committee invites partners to attend to pursue a particular line of questioning. It was explained that Democratic Services Committee performs a co-ordinating role and this may be developed to establish some protocols and criteria for future use.

The WAO agreed that in considering if scrutiny is fit for the future, it is necessary to identify the best place for a specific piece of work and to find the best way to scrutinise the issue under consideration. A Member emphasised the importance of having an accountable person present when considering an issue.

A Member commented that ongoing training for all members of scrutiny committees is essential to take account of changes. It was responded that further training is due to be provided shortly.

The Wales Audit Officers were thanked for their contribution.

### **13. Annual Improvement Report**

The Wales Audit Officer introduced the Annual Improvement Report which is a summary of all the year's work, the majority of which has been presented to Audit Committee throughout the year.

WAO has been carried out work with all councils on improvement assessment, the Wellbeing of Future Generations Act, the service user and scrutiny as well as some local work. Wales Audit Officers have reported to Audit Committee on work completed from previous years.

It has been concluded that the council meets its statutory requirements for continuous improvement and there are no formal recommendations. A summary of proposals for improvement includes:

- The review of asset management revealed a good understanding of asset management but a need for investment in IT systems;
- Information management arrangements require strengthening so that the benefits can be fully realised;
- A whole authority children's safeguarding review in liaison with Estyn and CSSIW has been carried out. This will be reported to Children and Young People's Select in October 2018.

The Auditor General concluded that the Council had complied with its responsibilities relating to financial reporting and use of resources, is satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources and issued a certificate confirming that the audit of the accounts was completed on 29 September 2017.

The report included a summary of national reports completed by WAO that contain proposals for improvement for all Councils.

The Head of Policy and Governance advised that no management response been completed because these have been done individually when the reports have been presented to Audit Committee. Members were informed that an overview report will provide a summary of progress against improvement points on a twice yearly basis.

A Member asked how the authority manages homelessness demand and questioned if the authority is meeting its obligations to keep homelessness to a minimum. It was responded that



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no follow up of this review has been undertaken yet. The follow up will look at the recommendations made previously and improvements that have been made.

A Member queried if the Council has substantial language barriers. The Head of Policy and Governance responded that this has not been a problem to date and there is access to translation services as and when required. Additionally, the availability of digital services presents some technological solutions.

The report was noted.

#### **14. Forward Work Programme**

The Forward Work Programme was noted.

#### **15. To confirm the date and time of the next meeting as 8th November 2018 at 2.00pm**

**The meeting ended at 4.08 pm**

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