

# MONMOUTHSHIRE COUNTY COUNCIL

**Minutes of the meeting of Audit Committee held  
at County Hall, The Rhadyr, Usk, NP15 1GA on Tuesday, 19th September, 2017 at 2.00  
pm**

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

County Councillors: A. Easson, B. Strong, M. Feakins and V. Smith

## **OFFICERS IN ATTENDANCE:**

Mark Howcroft	Assistant Head of Finance
Joy Robson	Head of Finance/Section 151 Officer
Andrew Wathan	Chief Internal Auditor
Non Jenkins	Wales Audit Office
Peter Davies	Chief Officer, Resources
Tracey Harry	Head of People and Information Governance
Wendy Barnard	Democratic Services Officer
Terry Lewis	Wales Audit Office
Ann-Marie Harkin	Wales Audit Officer

## **APOLOGIES:**

County Councillors P. Murphy, J. Watkins, M. Lane and S. Woodhouse

### **1. Declarations of Interest**

No declarations of interest were made.

### **2. Public Open Forum**

No members of the public were present at the meeting.

### **3. To confirm minutes of the previous meeting held on 6th July 2017**

The minutes of the previous meeting held on 6<sup>th</sup> July 2017 were confirmed and signed by the Chairman.

### **4. To note the Action list from 6th July 2017**

- **Youth Service - The Zone:** Confirmation was provided that there will be no clawback of the grant attached to The Zone; the asset will remain with the authority.
- **Youth Service – Business Plan:** It was explained that the business plan for the Youth Service will be part of the wider business plan on Alternative Delivery Model (ADM) that will be reported to Council in the coming months.

The Member who raised the initial question was satisfied with both responses. It was established that Cabinet would be consulted informally on the finalised business plan ahead of a Members' seminar being held and proceed to Council for decision (currently

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Tuesday, 19th September, 2017 at 2.00 pm

scheduled for 9<sup>th</sup> November 2017). It was noted that Audit Committee would not consider the plan.

A Member expressed the view that members had not had significant engagement on ADM and would require much more information. The Chair advised that, if Audit Committee members have concerns, they can request that the matter is raised as an item for consideration on a future agenda.

- **Events Risks:** This work is in progress and will be reported on in October. In response to a question, it was clarified that the work does not include the Velothon as the event was not identified as part of the original scope for this work 2016/17 and the expected report is the secondary follow up report. It was added that the Council is considering a report on the Velothon this week.
- **Internal Audit - Implementation of recommendations:** There was no update on the item that the Chief Officer, CYP, was to be asked to provide details of measures taken or plans to address audit opinions. A report will be provided at a future meeting.
- **Unsatisfactory audit opinions:** This will be reported in January 2018.
- **Zero hours contracts:** The information on gender was provided to Council.
- **Wellbeing of Future Generations Act /Social Services and Wellbeing Act:** The links to the Welsh Government "Essential" guides to the Acts were circulated on 21<sup>st</sup> July 2017.
- **Self Assessment of Skills for Committee Members and Treasury Training:** It was agreed that Self Assessment of Skills would be deferred to the October meeting and Treasury Training would be moved to the November meeting. The Chair asked that the form was re-circulated in the meantime.

#### **5. Audited Statement of Accounts**

The purpose of the report is to consider the annual accounts for the Authority for 2016-17, subsequent to the audit process undertaken by Wales Audit Office, appreciating Audit Committee acts as the scrutiny function for the formal Accounts process prior to endorsement or otherwise of the Statements to September full Council meeting.

The attention of the Audit Committee was drawn to the requirement to reduce the preparation time for the final statement of accounts by one month over the next four years. The authority has reduced its preparation time by three weeks already and will have to find just one week in the remaining time. The Statements in relation to the Trust Funds, will follow at a future meeting, once those audits has been completed.

This and the following item were considered together.

#### **6. ISA260 Response to Accounts**

The Wales Audit Officer (WAO) presented the ISA260 response to the Statement of Accounts noting that the results of the audit found that the format was as specified in Audit Standards and reported that the Audit was complete apart from a final review of the WAO team's work. The audit had gone exceptionally well, and it was remarked that the accounts were received 21 days ahead of the agreed deadline.

## **MONMOUTHSHIRE COUNTY COUNCIL**

### **Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Tuesday, 19th September, 2017 at 2.00 pm**

The intention of the Auditor General to issue an unqualified audit report was confirmed. It was explained that reasons for uncorrected misstatements were included in a letter of representation and didn't detract from the unqualified status. Some other misstatements and explanations are also included that have been adjusted by management and some rounding errors will be addressed from next year. It was suggested that it would be beneficial to utilise the CIPFA disclosure checklist.

Following presentation of the Audited Statement of Accounts and the ISA260 response, questions were invited

A Member asked if it was correct that the discounted cash flow of Morrisons lease (£1m) hadn't been accounted for or was incorrect in the accounts. In response it was explained that it was reflected in the accounts as a deferred capital receipt as WAO had suggested that, as it was to be paid over 25 years, effectively there was an implied interest rate and it was preferable that it was reflected as £3m capital receipt and £1m interest. It was added that in cash terms, the Council receives £4m with no adverse effect on the balance sheet. It was agreed that, as this will be a standing item in the accounts for 25 years, it should be amended.

The Member asked if it was a flat line figure of £160,000K per annum for 25 years and if there were any implications on external funding. It was answered that a revenue stream had been converted to use for capital purposes and Committee Members were reminded that the agreement was an upfront payment of £13.75m from Morrisons and a further £4m payable over 25 years.

Considering school budgets, WAO were asked if there was any risk in the council's position regarding school balances. It was noted that, in the previous financial year, six schools were in deficit but at the end of the year approximately twenty eight schools were estimated to be in deficit. It was highlighted that nine or ten schools had substantial surpluses.

It was clarified that the role of WAO is to evaluate the accounts to ensure that balances are reported accurately. The committee were referred to the annual governance statement and noted that periodic monitoring information is provided. The Member stated that there was an overall surplus last year but a £600,000 deficit forecast for next year, and asked for possible solutions.

The Head of Finance confirmed that Cabinet, and Children and Young People's Select Committee, have received a report regarding school balances and possible actions to improve the situation next year. The report is publicly available.

It was agreed to provide information outside of the meeting to a Member to clarify strategic risk assessment and added that the corporate strategic risk assessment is presented to Audit Committee for detailed consideration periodically.

It was agreed to endorse the Audited Statement of Accounts 2016/17 for Full Council approval and the ISA260 Response to the Accounts.

#### **7. Internal Audit Progress Report 2017/18 Quarter 1**

The Internal Audit Progress Report 2017/18 (Quarter1) was presented.

# MONMOUTHSHIRE COUNTY COUNCIL

## Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Tuesday, 19th September, 2017 at 2.00 pm

The team has achieved 13% of the Audit Plan which is in line with last year's performance. Audit reports have been issued to service managers in draft within 8 days and 17 days for a final report.

It was explained that in 2016/17 maintaining a full complement of staff impacted positively on performance; 75% of the plan was achieved thus providing more assurance last year. In response to a question, it was noted that special audit investigations cause additional pressure and, whilst some time is planned, they are unpredictable in terms of time and resources. In Quarter 1 the services of a former chief auditor were engaged to undertake one special investigation.

The report was noted.

### **8. Review of Reserves Quarter 1**

The report was presented and it was explained that earmarked reserves are created for a specific purpose.

Committee Members were reminded of the financial planning assumption that levels of reserves should be between 4-6% as a contingency for unplanned events; these exclude earmarked reserves. It was explained that current levels of reserves are just over 5% noting that some other councils hold larger reserves. However, it was noted that Welsh Government issues regular advice that Councils should not hold large reserves in this period of austerity.

A Member commented that using earmarked reserves quicker than anticipated is not an issue unless they are being used for a different purpose and asked for assurance that this was not occurring. It was confirmed that this is not the case but that the purposes for some earmarked reserves are quite wide. Last year it was possible to use the £884,000 surplus to replenish some of the reserves under strain (e.g. redundancy and invest to redesign).

Regarding any budget surplus, it was queried if they are used to offset borrowing. It was confirmed that they can often be used for the Council's internal borrowing requirement before considering a loan.

A Member asked about the overall schools fund and asked if it could be used by one school to balance another school in deficit. It was explained that the collective deficit for all schools necessitated the recent report to Cabinet, but added that individual schools have no control over the combined fund.

It was questioned if this was an incentive for schools to behave in a different way but countered that school reserves should provide flexibility to absorb any future volatility and should not be used as core funding. It was agreed that settlements in the County are one of the worst in Wales.

Regarding earmarked reserves, a Member asked if there was a need to firm up arrangements that if an earmarked reserve is not used for its original purpose, it is returned to the general reserves. The Head of Finance explained that a review was carried out 12-18 months ago, when the use and application of each reserve was analysed. As a consequence processes were tightened to ensure the Council uses reserves in the most effective way and to make the necessary savings in the future.

The report was received for information.

# MONMOUTHSHIRE COUNTY COUNCIL

## Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Tuesday, 19th September, 2017 at 2.00 pm

### **9. Revised Information Strategy**

The Chief Officer, Resources introduced the report to revise and update the Information Strategy. The purpose is to ensure the strategy is fit for purpose to safeguard the integrity and security of our data while taking-steps towards becoming a truly data-led organisation to drive effective decision making.

It was noted that the Information Governance Group, chaired by Senior Information Risk Owner (SIRO) Mrs. T. Harry, will oversee delivery against the strategy. The proposed strategy has a 3 year timeframe with annual reviews.

Regarding data, and data protection, it was commented that Members are required to register with the Information Commissioner's Office (ICO) and it was queried if all Members are compliant. It was agreed to report on the position at the next meeting. It was further commented that Members have been receiving subscription demands and reminders. It was queried if there was any delay in processing fee payments.

A Member asked about the management and storage of data particularly in respect of payments and future payments. In response it was explained that there are a variety of storage methods for different services including data being hosted by SRS, third party providers and The Cloud. Work is in progress to map all systems to ensure the organisation is General Data Protection Regulation (GDPR) ready.

It was further questioned if there are any residual payments to third party provider for services and confirmed that it depends on the system in question, noting that sometimes a third party provider is paid to host data as well as the application.

Regarding data protection, it was questioned if responsibility could be taken for all Members. In response, it was explained that the registration also covers Members work with constituents and has to be recorded accordingly. The registration is not just for a Member's responsibilities as a councillor requiring individual registration. It was agreed to check this point with the ICO.

A new and additional focus of the strategy was the enhancement of business insight and the ability to make maximum use of data. For example, narrative information received can be tagged and added to core themes to simplify analysis and identify patterns. Open and non-personal data held will be put on the website to enhance better public accountability and be more open to analysis by other developers and external bodies. By openly publishing location data (e.g. coordinates for council buildings), companies producing apps and websites can use the information which will add civic value at no cost.

In response to a question, it was confirmed that councils are supported by Welsh Government on open data as part of the Cardiff Capital Region City Deal to encourage easier interaction. In term of compliance, there is consistency across Wales to comply with the GDPR. The approach to using data and the digital programme is unique to Mon CC.

The Committee was satisfied that it had reviewed the Information Strategy which now proceeds to Single Cabinet Member decision.

### **10. Annual Improvement Report 2016-17**

## **MONMOUTHSHIRE COUNTY COUNCIL**

### **Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Tuesday, 19th September, 2017 at 2.00 pm**

A Wales Audit Officer noted that this item was a summary of the work of WAO and other regulators over a year, and previously supplied with responses from the Council, to provide an overall statement on how likely it is that the Council will meet its statutory requirements.

It was concluded that the opinion of WAO is that the Council is likely to meet its statutory requirements for continuous improvement provided it responds constructively and in a timely manner to statutory recommendations.

The proposals for improvement have been supplied to authority as well as a report regarding the safeguarding arrangements for the Kerbcraft scheme, a summary of work undertaken in the Council, the summary annual audit letter from last year and national reports and recommendations to local government.

It was responded that the Committee has seen the content of the report in detail individually and received information on how the Council has responded to issues. Twice a year the Committee receives a report of progress against improvement recommendations covering all of the activity in report. More audit work proceeds through 2017/18 and there will be new reports later in the year that will have responses. Such reports provide the opportunity to consider the effectiveness of arrangements for improvement.

It was confirmed that the report is published on the WAO website. The Auditor General's letter is presented to Council.

Following presentation of the report, questions were invited:

It was noted that WAO commented that the Constitution was not up to date particularly the Senior Leadership Team. Wales Audit Officers stated the expectation that the Constitution should be a live document to ensure clear accountability. On behalf of the Council, it was responded that Constitution amendments must be endorsed by County Council and it was accepted that where senior management changes have occurred, it must be kept up to date to ensure clear lines of delegation.

A Member queried progress with the three Kerbcraft scheme recommendations. It was explained that there is a sliding scale of recommendations. Statutory recommendations were issued for Kerbcraft and consequently warranted the attention of full Council. Council has considered the recommendations and consequent actions accepting that this was a very serious issue involving systems. Whereas no child was harmed the systems presented a risk to children.

The Chair asked Officers to consider reporting all such recommendations and action to Audit Committee for information, as the Kerbcraft matter had not previously been brought to Audit Committee's attention. The Committee received information that a preliminary internal review was undertaken by the service area and a secondary review by the Internal Audit Team is in progress. When concluded, recommendations will be made and actions taken accordingly. It was explained that the report wouldn't normally come to Audit Committee but to senior management. Senior management can report back to Committee to provide assurance that matters have been adequately addressed.

A Member queried if the council is confident that it can respond to all the recommendations. It was responded that everything highlighted is analysed and responses made according to availability of resources whilst prioritising front line services. It was added that Committee members have opportunity to comment on and to challenge responses, if not considered adequate.

## **MONMOUTHSHIRE COUNTY COUNCIL**

### **Minutes of the meeting of Audit Committee held at County Hall, The Rhadyr, Usk, NP15 1GA on Tuesday, 19th September, 2017 at 2.00 pm**

A Member observed that there was no reference to single member decisions in the Constitution and requested that this point is checked. Assurance was provided that the Constitution is fit for purpose and that single member decision is implied rather than explicitly referred to. Wales Audit Officers stated that there is a variety of approaches across Wales and commented that it would be expected that there would be some reference to single member decision to clarify levels of decision - making.

It was noted that the Committee had considered the report.

#### **11. Forward Work Programme**

The Forward Work Programme was noted.

#### **12. To note the date and time of the next meeting as Thursday 12th October 2017 at 2.00pm**

**The meeting ended at 3.25 pm**