

# MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held  
at County Hall, The Rhadyr, Usk, NP15 1GA on Thursday, 11th January, 2018 at 2.00 pm

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

County Councillors: P. Clarke, A. Easson, P. Murphy, B. Strong,  
M. Feakins, M. Lane and V. Smith

## OFFICERS IN ATTENDANCE:

Andrew Wathan	Chief Internal Auditor
Annette Evans	Customer Relations Manager
Non Jenkins	Wales Audit Office
Peter Davies	Chief Officer, Resources
Wendy Barnard	Democratic Services Officer
Jonathan Davies	Central Accountancy Finance Manager
Richard Jones	Policy and Performance Officer
Terry Lewis	Wales Audit Office
Lesley Russell	Senior Accountant - Fixed Assets and Treasury
Deb Hill-Howells	Head of Commercial and Integrated Landlord Services
Ben Winstanley	Estates Manager
David Jarrett	Accountant

## APOLOGIES:

County Councillors J. Watkins and S. Woodhouse

### 1. Declarations of Interest

County Councillor A. Easson declared a personal non-prejudicial interest as a Governor of Ysgol Gymraeg Y Ffin and as a trustee of the Monmouthshire Farms Educational Trust.

### 2. Public Open Forum

There were no members of the public present.

### 3. To confirm minutes of the previous meeting on 23rd November 2017.

The minutes of the meeting held on the 23<sup>rd</sup> November 2017 were confirmed and signed by the Chair as a true record.

### 4. To note the Action list from 23rd November 2017.

- **Implementation of Internal Audit recommendations:** The Chief Officer, Children and Young People had been asked to supply details of measures taken or plans to address recommendations. The Chief Internal Auditor reported that the Chief Officer has asked for further information to enable him to make enquiries with schools where recommendations have not been implemented. This matter arises from a previous report

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to Audit Committee there were recommendations not implemented. A report will be provided at the next meeting.

- **Contract Procedure Rules (CPR) Exemptions:** Following a previous report on CPR exemptions, three Heads of Service were asked to justify non-compliance. It was discussed that in cases of non-compliance Managers/Heads of Service can be requested to attend an Audit Committee meeting to offer an explanation. It was agreed that three Managers/Heads of Service should be invited to attend the next meeting to explain their non-compliance with Contract Procedure Rules in respect of road repairs, Abergavenny Public Realm, and the Children and Young People's Directorate.

It was queried if a new form was to be utilised to follow the process but reported that Audit maintains a log of CPR exemptions and authorisation compliance. It was confirmed that the Contract Procedures Rules make clear the process to follow and all Managers involved in procurement must comply. The Chief Internal Auditor will write to Managers and Heads of Service to remind them of due process.

The Cabinet Member confirmed that the authority is conducting a review of procurement and this focus will be a useful addition.

- **Unsatisfactory Audit Opinions:** see agenda item 9
- **Kerbcraft:** There had been a request for information regarding provision of cycle and motorcycling training. A response has been circulated to Members in response.

#### **5. Annual Whole Authority Complaints**

The Customer Relations Manager presented the Whole Authority Report 2016/17 to provide Audit Committee with information on the number and types of complaints, comments and compliments received and dealt with from April until March 2017.

It was noted that the authority uses the Ombudsman's model to deal with complaints in a 2 stage process (informal and formal). The report also provided a summary of the number of Freedom of Information Act (FOI) requests received by the Council during this period.

Following presentation of the report, Members were invited to comment.

A Member noted the frequency of concerns about communication and responses and asked if residents had to specify if a matter was to be dealt with formally. It was responded that services should address complaints according to the policy however they are received.

A Member was concerned about a report of children not being allowed on a school bus if they had no bus pass. It was believed this was to do with allocation of bus passes at the beginning of term and the matter had been resolved. It was emphasised that children must not be left stranded in terms of safeguarding.

The report was noted by the Committee.

#### **6. Treasury Strategy 2018-19**

The Senior Accountant (Fixed Assets and Treasury) presented the combined Treasury Management Policy Statement; Strategy Statement including Minimum Revenue Provision (MRP) Statement and Investment Strategy and also Prudential Indicators 2018/19.

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The Committee was informed that the overall purpose of the strategies and statement is to provide a framework to minimise risk when investing and borrowing to keep public money safe, and additionally, to achieve acceptable returns and maintain liquidity for day to day operations.

The Committee was updated that the authority has completed the Opt Up process to professional status with regard to financial institutions it interacts with. This requires the authority to retain cash balances of £10m which may involve a small additional amount of borrowing not normally incurred.

Arlingclose (Financial Advisers) have advised that the duration of investments should be reduced due to changes to banking regulations. An explanation of the capital financing requirement was provided.

A Member noted that borrowing last year was in the region of £90m, this year £120m and next year £140m. It was questioned how long it is possible to sustain this level of borrowing. It was queried if interest and repayment levels would be a risk to the Council and asked if the focus should be on reduction of debt. It was responded that borrowing requirement rises continuously due to the significant capital programme (e.g. 21st C Schools) and once that programme expires, the Council will revert to lesser capital expenditure and borrowing will reduce.

It was noted that future borrowing depends on what schemes are approved in the future and how much revenue budget can be afforded to sustain existing programmes. The Member expressed concern in terms of capital that at a future point there will be insufficient capital assets. The Cabinet Member confirmed that the authority is selling as many assets as possible but also pointed out that there will be 3 valuable schools realised as new assets. The cost of borrowing was confirmed as approximately £60-70,000 per £1m for 25 years, good rates are always sought and internal borrowing utilised. Repayments are budgeted for so funds are available to pay for loans.

It was noted that capital grants from Welsh Government are not available so to progress schemes, selling deteriorating assets and borrowing is a necessity.

A Member queried treasury investment policy on the purchase of property for investment. The Cabinet Member confirmed that the authority has considered such purchases and if the right investment presented that could contribute to income, Members would be asked to consider the proposal before proceeding.

The Committee endorsed the strategies and statements and recommended ratification by Full Council.

### **7. Review of Reserves - Period 2**

The Finance Manager presented a report on prospective reserve usage in conjunction with a continued need to highlight the revised reserves protocol endorsed by Cabinet. Following the report, comments and questions were invited from Committee Members:

A Member commented that the reserve level of 5% is low but prudent as has been the normal practice of the Council. The Cabinet Member emphasised that surpluses are used where possible to replenish reserves.

A Member noted that there was likely to be £0.5m deficit in school reserves; some have surplus balances, others deficits and questioned how to ensure schools retain a surplus position. The Cabinet Member explained that generally, primary schools hold surpluses and secondary school have large deficits. Chepstow and Caldicot Schools are improving and moving towards

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a surplus and there are recovery plans in place for Monmouth and King Henry VIII Comprehensive Schools.

A question was asked about earmarked reserves and the Officer agreed to send a list of priority investments to the Committee.

### **8. Unsatisfactory Audit Opinions**

The Chief Auditor presented the regular 6-month update of unsatisfactory audit opinions in line with the Audit Plan with the aim of providing assurance on the internal control environment. Reference was made to the effect of available resources and systems being available to a manager to make improvements and that a manager must be given adequate opportunity to implement the recommendations. Questions and observations were invited:

A Member asked for further information on the opinion regarding Raglan Church in Wales Primary School. It was responded that all draft reports are discussed with the Headteacher or Manager and an agreed action plan drawn up. The Headteacher is obliged to address the recommendations. There had been a view expressed previously by Members that recommendations weren't being implemented as quickly as they should have been. This aspect is being looked into.

It was agreed to note the report.

### **9. Strategic Risk Assessment**

The Policy and Performance Officer introduced the report and also provided a presentation to refresh the Committee's understanding of how strategic risk is identified, the key principles of the Council's risk management policy and processes and formulation of the risk register. Following the presentation, questions and comments were invited:

The Chair observed that the report was very clearly presented. In response to a question, it was confirmed that progress on mitigations will be reported in an annual report to Audit Committee.

### **10. Asset Management Review**

The Wales Audit Officer presented the Asset Management report.

It was concluded that the Council has a good understanding of its assets, however, it lacks a strategic approach and effective information technology to support the management of assets. The conclusion was arrived at because:

- the Council has an Asset Management Plan but this is not time bound and focuses on the short term;
- the Council can show improved use of some assets but asset management arrangements are not well co-ordinated or supported by effective IT systems; and
- the Council reviews its ongoing use of assets but the Asset Management Plan remains unchanged since 2014.

One proposal for improvement was made as follows:

The Council's asset management arrangements could be strengthened by developing and delivering a long-term sustainable strategy for its assets based on a thorough assessment of needs, costs and benefits supported by:

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- short, medium and long-term performance indicators;
- embedded governance arrangements to support the strategic management of assets;
- IT asset management systems which integrate more effectively with other systems to facilitate better information capture and use; and
- utilising information arising from stakeholder consultation and engagement including what the Council has learnt about its experience of its community asset transfers to better inform its decision-making.

A management response was provided by the Head of Commercial and Integrated Landlord Services and the Estates Manager:

- Whilst accepting the Asset Management Plan began in 2014, the follow up review took place in April 2017 before the election and it had been decided not to review it in order to reflect the strategies of the new council.
- The Asset Management Strategy is under review and will align with the corporate plan which is currently being drafted based on the Council's priorities. It was accepted that the strategy and asset management plan need to be separate. The new strategy will be for five years to reflect the term of the new political administration. The Action Plan will be reviewed, is already embedded in the Estates Service Improvement Plan and had been reviewed through scrutiny processes.
- The performance indicators have been reviewed and will be part of the Service Improvement Plan.
- In terms of governance, the Place Board has been reconstituted. There are ongoing discussions to consider combining the Asset Management Steering Group with the Capital Asset Group.
- It was not accepted that project management is weak; significant projects have been delivered on time and within budget.
- It was agreed that IT asset management systems require improvement and the team are looking at solutions especially to improve collaboration with finance information.
- In terms of utilising information, there was evidence from the Abergavenny and Usk Hubs consultation that all information gathered was included. Assurance was provided of willingness to learn and embed improvements going forward.

The Cabinet Member was pleased with progress achieved from joining the roles of Commercial and Integrated Landlord to achieve much better control.

A Member asked about realisation of assets, particularly in relation to County Farms and collection of arrears and an update was provided. It was explained that an external report was commissioned for County Farms to explore how best to maximise income on rental and through diversification. This is out to consultation with tenants and will be reported on in due course. It was explained that the authority is not slow in recovering debts; levels are low but the authority is a responsible landlord and takes account of farming circumstances. It was added that water arrears are very difficult to recover and this is the main component of debt.

The Committee were reminded that there is a six monthly report of Wales Audit Office proposals still considered open to be reported at the next meeting.

The Cabinet Member informed the Committee that there is a comprehensive review of County Farms in progress taking into account all aspects.

The Committee were satisfied with the information provided.

#### **11. Joint Progress Report - Statement of Accounts Refinements**

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The jointly prepared document (2016/17 audited accounts) was presented by the Wales Audit Officer identifying issues detected, to tracks actions agreed and consider progress made.

Two areas highlighted for agreed actions were:

- Leave entitlements need to be addressed
- IT systems: specific aspects were flagged

A carried forward matter concerned the legal title of Osbaston Church in Wales Primary School.

It was confirmed there were no significant concerns.

In response to a question, the Finance Manager reminded that there was joint involvement in formulating the recommendations and emphasised that an unqualified audit opinion was issued. The recommendations represent refinements for the 2017/18 and relate mainly to fixed assets and accounting arrangements, which can be complex. The recommendations were welcomed and it was added that work is in progress to implement the recommendations before the next closure of accounts in March 2018.

A Member questioned a recommendation concerning SRS e.g. storage of back-ups and asked what action has been taken to address security of data in terms of Data Protection and sought clarification about the 3 links across Wales. It was agreed that the appropriate officer would provide the information after the meeting.

The report was noted.

### **12. Audited Trust Fund Accounts ( Welsh Church Fund & Mon Farms) deferred from 23rd November 2017**

The Finance Manager presented the reports prior to submission to the Charities Commission by end of January 2018 noting that an unqualified opinion for Welsh Church Trust Fund has been conferred. An unqualified examiners report was issued for the independent examination of the Monmouthshire Farms Educational Trust.

County Councillor A. Easson declared an interest as a trustee of the Monmouthshire Farms Educational Trust and questioned the accuracy of officer and adviser roles. It was agreed that this point would be clarified.

The Committee were satisfied with the contents of the report.

### **13. ISA260 or equivalent for Trust Funds - deferred from 23rd November 2017**

The report was noted.

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

The Chair suggested that additional detail was required. The Chief Auditor will address this matter with colleagues.

A Member asked for an update regarding the Borough Theatre Abergavenny.

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

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16. To consider whether to exclude the press and public from the meeting during consideration of the following items of business in accordance with Section 100A of the Local Government Act 1972, as amended, on the grounds that it involves the information as defined in Paragraphs 13 and 14 of Part 4 of Schedule 12A to the Act (Proper Officer's view attached)

It was resolved to exclude the press and public from this point in the meeting.

17. To confirm the minutes of the special meeting held on the 18th December 2017.

A Member expressed dissatisfaction with the shortness of the minutes of the Special Meeting held on 18th December 2017. It was stated that due to the confidential nature of the item a detailed minute could not be included for publication.

The minute was not confirmed and an exempt report will be presented at the next meeting of the committee providing further details to enable the minutes to be agreed.

**The meeting ended at 4.25 pm**