

MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of Audit Committee held
at Council Chamber, County Hall, The Rhadyr, Usk, NP15 1GA on Wednesday, 23rd
September, 2015 at 2.00 pm

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

OFFICERS IN ATTENDANCE:

Nicola Perry	Democratic Services Officer
Mark Howcroft	Head of Operations
Joy Robson	Head of Finance/Section 151 Officer
Andrew Wathan	Chief Internal Auditor
Kellie Beirne	Chief Officer, Enterprise
Peter Davies	Head of Commercial & People Development

APOLOGIES:

Councillors P. Clarke, G. Down, D. Edwards, P. Jordan and B. Strong and Mr. P. White

1. Declarations of Interest

There were no declarations of interest made by members.

2. Public Open Forum

There were no members of the public present.

3. To confirm minutes of the previous meeting

The minutes of the Audit Committee meeting held on Thursday 16th July 2015 were confirmed as a correct record and signed by the Chairman, with the following amendment:

- County Councillor J. Higginson declared an interest as member of Durand Primary School Governing Body.

The Vice-Chairman informed the Committee that it had been agreed to accept an extra item from the Head of People and Commercial Development, to be received as Item 9.

4. To note the action list from the previous meeting

We noted the action list from the meeting dated 16th July 2015. In doing so a MWe noted the action list from the meeting dated 16th July 2015. In doing so a Member raised concern that the item brought to the public open forum had not yet received a response. Officers advised that the Assistant Head of Finance and Chief Executive were still looking into the matter.

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We noted that all actions relating to the Statement of Accounts had been answered and information circulated.

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5. To receive the ISA260 MCC Accounts 2015/16 and Audited Statement of Accounts 2014/15

We received a report in order for Members to form a view on whether to propose that Full Council approve the financial statements. Following presentation of the reports Members were invited to comment.

A Member requested clarification regarding the senior officer remuneration disclosures. It was confirmed that the code requirement was that the Chief Executive salary and the median salary were disclosed. It was noted that the information was a statutory requirement.

In response to a query regarding the Monitoring Officer salary we heard we were provided with an annualised figure not the actual salary.

A member questioned the term Chepstow Alliance which showed a surplus balance of £28092 and requested further information. In response, the Assistant Head of Finance explained that the Chepstow cluster of schools had put aside a benefit reserve for the Chepstow cluster. The delegation of schools required that the local authority put the money to individual schools and cannot delegate on behalf of a cluster. It was then up to the individual schools to decide how much money to input into a meaningful resource through the cluster working. Information was requested on who was responsible for the cluster budget, and if it was ethically correct. We heard it was the responsibility of the schools to make arrangements to monitor the cluster budget.

In response a Member commented that schools finance was a matter for the governing body to monitor. It was a concern that should a school be in a deficit position, funds could be hidden within a cluster group.

The Assistant Head of Finance agreed to provide further information to clarify **(ACTION – MH)**

It was noted that the trading operations within the Council were running reasonably well.

A Member requested a copy of the inventories relating to MCC Museums exhibits **(ACTION –MH)**

Members sought reassurance from officers that redundancies were carried out in a proper manner and that savings from those redundancies were invested accordingly.

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The Vice Chairman explained that the Head of People and Commercial Development would be in attendance at the meeting in order to provide clarification on redundancy information.

We heard that the CMC² liability figure of £122,000 was the position at the 31st March 2015. There would be a revised position as at 30th September 2015.

With regards to redundancies, last year had seen a loss of 75 employees at a cost of £668,000, yet this year had seen a loss of 73 employees at a cost of £1.1million. This had been due to being more senior members and employees who had been with the organisation for a long period.

Members resolved to approve the report.

6. To receive the draft Income Generation Strategy

The Chief Officer for Enterprise advised Members that Matt Lewis, Director at SRS had given apologies as he was unable to attend the meeting today. It was noted that an SRS update report would be received at the next meeting.

Members received a report from the Chief Officer for Enterprise outlining the draft Income Generation Strategy. Members were recommended to consider any comments or changes on the draft Income Generation Strategy before Cabinet considers the strategy on 7th October 2015.

The report outlined the following key issues:

- The Income Generation strategy provides an overview of opportunities to secure new and additional resources and to sustain current income flows, over and above the level of financial allocation or 'settlement' received by the Council.
- As public funding becomes increasingly constrained and under more intense scrutiny, greater emphasis has to be placed upon self-generated income and developing and packaging products and services that will resonate with paying customers. We have opportunities to make more use of what we have – property, skills, ideas, assets, staff, knowledge and ways of working – and to think carefully about the kinds of new markets and opportunities we may be uniquely placed to enter, for social-commercial advantage.
- This strategy aims to set out an ambitious and wide-ranging approach that will package-up services and products in a coherent and commercial way which ensures market appeal whilst addressing the needs and priorities of our county. Income generation requires entrepreneurial activity. In certain contexts this may require a shift in position, from partner or recipient of grant, to a supplier or contractor. It must enable us to more accurately reflect the assets we have in our organisation, whether these are physical or involve Intellectual Property. As a local authority we have a number of skills and capabilities that are directly transferrable to business and through offering a more varied and flexible range of

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ways through which to offer our products and services – it widens the volume of potential relationships and commercial offerings and partners.

Following presentation of the report Members were invited to comment, during which time the following points were noted:

Members commended the initiative and thought processes. Questions were raised if suitable resources were in place to carry through the initiative. In response the Chief Officer explained that it was important for people to have the correct mind-set, being a leadership challenge to empower people in their service. Where gaps in the skillsets were identified, people within the organisation had access to training and coaching packages.

It was noted that we should be aware that processes were morally correct and if it would benefit in an appropriate way. News of quick wins would be welcomed. In terms of morality, we heard there would be a due diligence process around anything major to be undertaken, which would determine if processes were right and proper, legal, accountability mechanisms and identify risks.

It was queried if the process would be appropriately scrutinised.

It was explained that the Council had relied on Leisure to provide income for many years. The service had now reached a point where it could go no further, without needing investment. The budget mandates sets out that the Council could use its existing community interest company or set up its own arms-length vehicle as a way of a community benefit society. Attached to that would be a trading capacity, and the benefits would be unique to the Council. In terms of capital, we would need investment to be a feature of the model going forward.

There was a suggestion that in the long term it may be recommended to have stand-alone companies feeding into the Authority. The Chief Officer agreed with the comment, citing SRS as an example.

There were concerns surrounding two distinct opportunities being blurred into one issue. Income generation could be obtained by 'sweating the assets' or investing money into new investments. The suggestion was that the Authority did not have the skills and should be an enabling authority. We should work with businesses, using our skills eg. provision of land, planning etc. and let their expertise make the money. There were concerns that we would be working in competition with local businesses.

In response the Chief Officer commented that the Authority had many able, qualified and highly skilled employees. There was a need to consider what the future of the council should look like, and should we, in order to support local services, look to be more socially entrepreneurial.

The Cabinet Member noted that the Chief Officer was suggesting that we take forward what we were already doing and to build and expand on it.

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The Committee resolved to note the report.

7. To receive the Internal Audit Progress Report 2015/16 Quarter 1

We received the Internal Audit Progress Report for 2015/16 quarter 1, in order for Members to consider the adequacy of the internal control environment within the Council based on the outcomes of audit reviews and subsequent opinions issued to the 30th June 2015. Members were also required to consider the performance of the Internal Audit Section over the first 3 months of the current financial year.

Members were recommended to:

- Note the audit opinions issued
- Note the progress made by the Section towards meeting the 2015/16 Operational Audit Plan and the Section's performance indicators at the three months stage of the financial year.

Following presentation of the report the following points were noted:

A Member referred to point 4.10 of the report, questioning if we should be concerned at missing internal audit targets. In response, the Chief Internal Auditor explained that there had been unfortunate timing regarding people leaving the organisation, and the department were now in the recruitment process. There was confidence that the team would be back to full capacity shortly.

The Committee were informed that there was no critical level at where not enough areas had been covered. Where there were capacity issues, the Chief Internal Auditor aimed to cover the key financial systems and high risk areas as priorities.

The Committee resolved to note the report.

8. To receive an update on Early Departures and Vacant Posts

We received a report from the Head of People and Commercial Development in order to provide Audit Committee Members with supplementary information on early departures and vacant posts in response to queries previously raised by the Committee.

Members had previously raised questions concerning HR data and reporting. Following a verbal update provided by the Head of Commercial and People Development at the Audit Committee meeting on 5th March 2015, the Chair requested that supplementary information be provided to summarise the update provided. This information was subsequently provided to Audit Committee members in April 2015.

Subsequent to the information provided, Audit Committee members requested further information relating to early departures and vacant posts.

Members referred to the previous question of how many actual employees were at the Council, and a system that was due to be implemented which would provide these

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figures. The Head of People and Commercial Development responded that the figures had been issued but would look to re-issue.

It was noted that there had been concerns that managers were holding posts vacant for the purposes of assisting with budgets. We were assured that this was not the case. With regards to clarity of numbers of vacant posts we heard that there was an Actual Staff Establishment, providing figures of anyone with a contract at any given time, and a Budget Staff Establishment, based on the manpower budget held by budget holders. The primary difference between the two figure would be vacant posts.

A Member requested further information regarding the difference relating to redundancy packages of £600,000 between the Statement of Accounts and the report provided. In response we heard that the difference could be circumstances where there was a liability to be met. The Assistant Head of Finance explained that there was a proportion of the pension pot that was unfunded.

Members requested a breakdown of special payments by banding. **(ACTION – PD)**

The Committee resolved to accept and note the report.

9. To receive the Audit Committee Forward Work Plan

We received and noted the Audit Committee Forward Planner for 2015-16.

10. To confirm the date and time of next meeting as:

We confirmed that the next meeting of the Audit Committee would be held on Thursday 22nd October 2015 at 2.00pm.

The meeting ended at Time Not Specified